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 2018,
FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	2018	2017	Change %
RESULTS (HK$'000)			
Group revenue	**55,626,304**	50,152,524	10.9
Share of revenue of joint ventures	**4,519,203**	4,674,940	(3.3)
	60,145,507	54,827,464	9.7
Gross profit margin	**15.6%**	15.2%	2.6
Profit from core business*	**5,323,976**	5,072,521	5.0
Profit attributable to owners of the Company	**4,500,148**	5,490,091	(18.0)
FINANCIAL INFORMATION PER SHARE			
Earnings - basic (HK cents)	**89.13**	118.85	(25.0)
Net assets (HK$)	**8.53**	7.62	11.9

DIVIDEND

The Board proposed a final dividend of HK12 cents per share. Together with the interim dividend of HK15 cents per share, total cash dividends for the year were HK27 cents (2017: HK35 cents) per share.

* Excluding loss on fair value changes of investment properties, impairment loss on concession operating rights and loss on disposal of a subsidiary

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 2018. The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2018 was HK$4,500 million, representing a decrease of 18.0% as compared to last year while basic earnings per share decreased by 25.0% to HK89.13 cents.

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
		2018	2017
	Notes	**HK$'000**	HK$'000
Revenue	4	**55,626,304**	50,152,524
Costs of sales		**(46,929,883)**	(42,537,494)
Gross profit		**8,696,421**	7,615,030
Investment income, other income and other (losses)/gains, net	6	**(360,250)**	747,678
Administrative, selling and other operating expenses		**(1,396,594)**	(1,394,668)
Share of profits of			
Joint ventures		**705,024**	731,380
Associates		**342,621**	160,300
Finance costs	7	**(1,781,717)**	(1,069,754)
Profit before tax		**6,205,505**	6,789,966
Income tax expenses, net	8	**(1,648,872)**	(1,255,662)
Profit for the year	9	**4,556,633**	5,534,304
Profit for the year attributable to:			
Owners of the Company		**4,500,148**	5,490,091
Holders of perpetual capital securities		**17,000**	-
Non-controlling interests		**39,485**	44,213
		4,556,633	5,534,304
Earnings per share (HK cents)	11		
Basic		**89.13**	118.85
Diluted		**89.13**	118.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Profit for the year	**4,556,633**	5,534,304
Other comprehensive (loss)/income		
Items that may be reclassified to consolidated income statement		
Gain on fair value changes of available-for-sale investments, net of tax	**-**	4,171
Loss on fair value changes of debt securities at fair value through other comprehensive income, net of tax	**(12,880)**	-
Release of investment revaluation reserve to income statement upon disposal of debt securities at fair value through other comprehensive income	**(109)**	-
Exchange differences on translation of subsidiaries	**(1,765,725)**	1,798,074
Exchange differences on translation of joint ventures	**(608,912)**	466,340
Exchange differences on translation of associates	**(9,527)**	42,016
Items that will not be reclassified to consolidated income statement		
Gain on fair value changes of equity securities at fair value through other comprehensive income, net of tax	**14,429**	-
Other comprehensive (loss)/income for the year, net of tax	**(2,382,724)**	2,310,601
Total comprehensive income for the year, net of tax	**2,173,909**	7,844,905
Total comprehensive income for the year attributable to:		
Owners of the Company	**2,143,514**	7,803,426
Holders of perpetual capital securities	**17,000**	-
Non-controlling interests	**13,395**	41,479
	2,173,909	7,844,905

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2018 HK$'000	2017 HK$'000
Non-current Assets			
Property, plant and equipment		**4,149,806**	3,818,806
Investment properties		**4,680,776**	4,750,265
Interests in infrastructure project investments		**3,680,414**	3,294,041
Prepaid lease payments		**367,032**	391,306
Interests in joint ventures		**11,709,355**	9,956,111
Interests in associates		**5,654,865**	4,570,740
Concession operating rights		**4,154,800**	5,414,282
Deferred tax assets		**198,830**	222,580
Trademark, project backlogs and licences		**308,535**	334,686
Goodwill		**577,664**	577,664
Available-for-sale investments		**-**	411,234
Financial assets at fair value through other comprehensive income		**505,416**	-
Amounts due from investee companies		**211,806**	204,061
Trade and other receivables	12	**38,047,727**	29,094,860
Loans to joint ventures		**1,612,397**	-
		75,859,423	63,040,636
Current Assets			
Interests in infrastructure project investments		**45,811**	44,346
Inventories		**280,204**	214,039
Properties under development		**2,349,510**	-
Properties held for sale		**710,275**	414,367
Contract assets		**9,081,810**	-
Amounts due from customers for contract work		**-**	10,979,356
Trade and other receivables	12	**25,321,390**	22,136,148
Deposits and prepayments		**265,530**	298,577
Loans to joint ventures		**338,024**	-
Available-for-sale investments		**-**	38,996
Amounts due from joint ventures		**3,781,326**	3,728,290
Amount due from an associate		**105,179**	-
Tax recoverable		**57,901**	30,315
Bank balances and cash		**17,925,708**	17,593,203
		60,262,668	55,477,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Notes	As at 31 December **2018** **HK$'000**	2017 HK$'000
Current Liabilities			
Amounts due to customers for contract work		**-**	5,438,063
Contract liabilities		**9,027,486**	-
Trade payables, other payables and accruals	13	**36,714,715**	33,193,966
Deposits received and advances from customers		**38,802**	1,330,600
Amounts due to joint ventures		**1,064,099**	2,231,753
Amount due to an associate		**102,645**	76,703
Current tax payables		**3,885,617**	3,247,384
Borrowings	14	**2,795,832**	2,580,590
Guaranteed notes payables		**-**	3,898,357
Obligations under finance leases		**793**	865
		53,629,989	51,998,281
Net Current Assets		**6,632,679**	3,479,356
Total Assets less Current Liabilities		**82,492,102**	66,519,992
Capital and Reserves			
Share capital		**126,229**	126,229
Share premium and reserves		**38,328,139**	37,961,400
Equity attributable to owners of the Company		**38,454,368**	38,087,629
Perpetual capital securities		**3,878,468**	-
Non-controlling interests		**745,414**	375,282
		43,078,250	38,462,911
Non-current Liabilities			
Borrowings	14	**32,033,950**	20,592,443
Guaranteed notes payables		**6,210,963**	6,206,053
Contract liabilities		**740,010**	-
Deferred income		**-**	809,431
Deferred tax liabilities		**427,087**	446,655
Obligations under finance leases		**1,842**	2,499
		39,413,852	28,057,081
		82,492,102	66,519,992

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared on the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and investment properties, which are carried at fair value.

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

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

(1) The adoption of new standards, amendments and improvements to existing standards and interpretation

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

Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Clarifications to HKFRS 15, Revenue from Contracts with Customers
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The application of the above new standards, amendments and improvements to existing standards and interpretation in the current period has had no material impact on the Group's results and financial position, except HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". As a result of adopting the standards, the Group had to change its accounting policies. The impact of adoption is disclosed in Note 3.

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

(2) New standards, amendments and improvements to existing standards and interpretation not yet effective

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

Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[2]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] The mandatory effective date will be determined

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

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

(2) New standards, amendments and improvements to existing standards and interpretation not yet effective *(continued)*

HKFRS 16 "Leases"

HKFRS 16 will result in almost all leases being recognized on the statements of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-to-use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. HKFRS 16 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2019. The Group currently plans to adopt this new standard from 1 January 2019 and will not restate comparative amounts for the year prior to first adoption. Right-of-use for leases will be measured on transaction as if the new rules had always been applied.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$145,629,000. The Group estimates that the leases relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss are insignificant. For other leases, the Group expects i) the effect of other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options, ii) the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and iii) the impact to the Group's profit or loss and classification of cash flows going forward will not be material.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” on the Group’s financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior years.

(a) HKFRS 9 “FINANCIAL INSTRUMENTS”

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

(a) Equity securities at fair value through other comprehensive income (“FVOCI (equity)”) previously classified as available-for-sale

The Group elected to present in other comprehensive income (“OCI”) changes in the fair value of all its equity securities previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$116,056,000 were reclassified from available-for-sale investments to FVOCI (equity) on 1 January 2018.

(b) Debt securities at fair value through other comprehensive income (“FVOCI (debt)”) previously classified as available-for-sale

Debt securities were reclassified from available for sale to FVOCI (debt), as the Group’s business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, debt securities with a fair value of HK$334,174,000 were reclassified from available-for-sale investments to FVOCI (debt) on 1 January 2018.

The application of HKFRS 9 does not affect the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss (“FVPL”) and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

3. CHANGES IN ACCOUNTING POLICIES*(continued)*

(a) HKFRS 9 "FINANCIAL INSTRUMENTS"*(continued)*

The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost and contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. At 1 January 2018 and 31 December 2018, the Group assessed the impact of loss allowance is immaterial.

(b) HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the modified retrospective approach in HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15, which replaces both the provisions of HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

The new accounting policies and the impact of the adoption of HKFRS 15 is shown as follows:

Accounting for revenue from construction contracts

In prior reporting years, the Group accounted for revenue from construction contracts when the outcome of construction contracts can be estimated reliably by reference to the stage of completion of the contract activities at the end of the reporting periods.

Under HKFRS 15, revenue from construction contracts is recognised when or as the construction projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects may transfer over time or at a point in time. If i) the Group creates or enhances an asset that the customer controls as the asset is created or enhanced, or ii) construction projects have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

3. CHANGES IN ACCOUNTING POLICIES*(continued)*

(b) HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"*(continued)*

Presentation of contract assets and liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- contract assets recognised in relation to construction contracts were previously presented as amounts due from customers for contract work;
- contract liabilities recognised in relation to construction contracts were previously presented as amounts due to customers for contract work and deposits received and advances from customers; and
- contract liabilities recognised in relation to thermoelectricity business were previously presented as trade payables, other payables and accruals, deposits received and advance from customers and deferred income.

The following adjustments were made to the amounts recognised in the statement of financial position on 1 January 2018:

	At 31 December 2017 (as reported) HK$'000	Effects of adoption of HKFRS 15 HK$'000	At 1 January 2018 (as adjusted) HK$'000
Consolidated statement of financial position (extract)			
Amounts due from customers for contract work	10,979,356	(10,979,356)	-
Contract assets	-	10,979,356	10,979,356
Trade payables, other payables and accruals	33,193,966	(59,980)	33,133,986
Amounts due to customers for contract work	5,438,063	(5,438,063)	-
Deposits received and advances from customers	1,330,600	(1,297,122)	33,478
Deferred income	809,431	(809,431)	-
Contract liabilities	-	7,604,596	7,604,596

3. CHANGES IN ACCOUNTING POLICIES*(continued)*

(b) HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS" *(continued)*

The following adjustments were made to the amounts recognised in the statement of financial position on 31 December 2018:

	At 31 December 2018 (without the adoption of HKFRS 15) HK$'000	Effects of adoption of HKFRS 15 HK$'000	At 31 December 2018 (as reported) HK$'000
Consolidated statement of financial position (extract)			
Amounts due from customers for contract work	9,081,810	(9,081,810)	-
Contract assets	-	9,081,810	9,081,810
Trade payables, other payables and accruals	36,770,318	(55,603)	36,714,715
Amounts due to customers for contract work	7,249,410	(7,249,410)	-
Deposits received and advances from customers	1,761,275	(1,722,473)	38,802
Deferred income	740,010	(740,010)	-
Contract liabilities	-	9,767,496	9,767,496

The adoption of HKFRS 15 has no material impact to the consolidated income statement and has no impact to the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows.

4. Revenue

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

An analysis of the revenue is as follows:

	2018	2017
	HK$'000	HK$'000
Revenue from construction contracts	**22,000,707**	23,013,812
Revenue from infrastructure investment projects (note (a))	**29,311,340**	23,433,638
Revenue from facade contracting business	**2,909,636**	2,231,189
Revenue from infrastructure operation (note (b))	**849,358**	792,449
Others (note (c))	**555,263**	681,436
	55,626,304	50,152,524

Notes:

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

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

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

5. Segment Information

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessments, include (i) the Group's share of revenue and results of joint ventures, and (ii) geographical locations where the Group's subsidiaries operate, namely Mainland China (other than Hong Kong and Macau), Hong Kong, Macau and Overseas (mainly in the United Arab Emirates and India) for the year ended 31 December 2018 and 2017.

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

Segment revenue and results for the years ended 31 December 2018 and 2017 are as follows:

	Segment revenue		Gross profit		Segment results	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment						
Mainland China	**30,620,785**	24,849,853	**6,384,059**	5,362,285	**5,998,575**	4,827,066
Hong Kong and Macau	**21,899,770**	23,071,482	**1,958,819**	1,812,390	**1,907,084**	1,739,863
Hong Kong	**14,875,260**	15,013,238	**1,206,249**	946,253	**1,170,897**	849,002
Macau	**7,024,510**	8,058,244	**752,570**	866,137	**736,187**	890,861
Overseas	**-**	-	**-**	3,855	**(8,374)**	(4,003)
FEG Group	**3,105,749**	2,231,189	**353,543**	436,500	**167,664**	252,466
	55,626,304	50,152,524	**8,696,421**	7,615,030	**8,064,949**	6,815,392
Share of revenue/results of joint ventures	**4,519,203**	4,674,940			**705,024**	731,380
Total	**60,145,507**	54,827,464			**8,769,973**	7,546,772
Unallocated corporate expenses					**(1,125,372)**	(292,992)
Unallocated corporate income					**-**	445,640
Share of profits of associates					**342,621**	160,300
Finance costs					**(1,781,717)**	(1,069,754)
Profit before tax					**6,205,505**	6,789,966

6. Investment Income, Other Income and Other (Losses)/Gains, net

	2018	2017
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**136,629**	83,527
Debt securities	**14,329**	9,598
Imputed interest on amounts due from investee companies	**7,745**	7,243
Loans to joint ventures	**66,699**	27,674
Loans to associates	**35,343**	70,476
Dividend income from:		
Equity securities	**27,138**	-
Unlisted available-for-sale investment	**-**	29,464
Gain on disposal of:		
Debt securities	**113**	-
Property, plant and equipment, net	**669**	-
Investment properties	**-**	3,752
(Loss)/gain on fair value changes of investment properties	**(6,828)**	445,640
Loss on disposal of a subsidiary	**-**	(28,070)
Impairment loss on concession operating rights	**(817,000)**	-
Service income	**52,586**	32,685
Exchange gain	**30,408**	47,849
Others	**91,919**	17,840
	(360,250)	747,678

7. Finance Costs

	2018	2017
	HK$'000	HK$'000
Interest on bank loans	**1,482,198**	873,160
Interest on guaranteed notes payables	**252,974**	151,326
Finance lease charges	**182**	174
Others	**46,363**	45,094
	1,781,717	1,069,754

8. Income Tax Expenses, net

	2018	2017
	HK$'000	HK$'000
Current tax:		
Hong Kong	**262,366**	156,174
Other jurisdictions	**1,394,639**	1,053,519
	1,657,005	1,209,693
(Over)/underprovision in prior years:		
Hong Kong	**(25,540)**	5,827
Other jurisdictions	**(356)**	(1,858)
	(25,896)	3,969
	1,631,109	1,213,662
Deferred tax, net	**17,763**	42,000
Income tax expenses for the year, net	**1,648,872**	1,255,662

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

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

9. Profit for the Year

	2018 **HK$'000**	2017 HK$'000
Profit for the year has been arrived at after charging/ (crediting):		
Depreciation of property, plant and equipment	**296,931**	282,435
Less: Amounts capitalised in contract assets/contracts in progress	**(152,021)**	(150,649)
	144,910	131,786
Rental income from investment properties, net of direct outgoings	**(100,554)**	(110,520)
Employee benefits expense including directors' emoluments:		
Staff costs	**4,238,719**	3,708,019
Contributions to retirement benefit plans	**170,232**	127,557
Less: Amounts capitalised in contract assets/contracts in progress	**(3,361,129)**	(2,536,251)
	1,047,822	1,299,325
Amortisation of concession operating rights (included in costs of sales)	**211,879**	206,951
Amortisation of trademark, project backlogs and licences	**17,848**	17,685
Amortisation of prepaid lease payments	**7,399**	7,162
Operating lease rentals in respect of:		
Plant and machinery	**349,838**	291,291
Land and buildings	**42,209**	69,016
	392,047	360,307
Less: Amounts included in contract assets/contracts in progress costs	**(355,499)**	(308,033)
	36,548	52,274
(Gain)/Loss on disposal of property, plant and equipment, net	**(669)**	2,001

10. Dividends

	2018 HK$'000	2017 HK$'000
Dividends recognised as distributions during the year:		
2017 Final, paid – HK20.00 cents (2017: 2016 Final HK18.00 cents) per share	**1,009,831**	807,865
2018 Interim, paid – HK15.00 cents (2017: 2017 Interim HK15.00 cents) per share	**757,374**	673,221
	1,767,205	1,481,086

The final dividend of HK12.00 cents (2017: HK20.00 cents) per share amounting to approximately HK$605,899,000 (2017: HK$1,009,831,000) on aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

11. Earnings Per Share

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

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**4,500,148**	5,490,091

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**5,049,157**	4,619,529

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2018 and 31 December 2017.

The weighted average number of ordinary share used in the calculation of basic and diluted earnings per share for the year ended 31 December 2017 has accounted for the bonus element of the rights issue which was completed on 12 October 2017.

12. 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:

	2018 **HK$'000**	2017 HK$'000
Trade receivables, net of allowance for doubtful debts, aged:		
0-30 days	**7,160,723**	5,989,786
31-90 days	**4,287,398**	4,103,596
Over 90 days	**45,180,936**	34,636,080
	56,629,057	44,729,462
Retention receivables	**4,386,552**	3,894,448
Other receivables	**2,353,508**	2,607,098
Trade and other receivables	**63,369,117**	51,231,008
Portion classified as current assets	**(25,321,390)**	(22,136,148)
Non-current portion (Note (a))	**38,047,727**	29,094,860

Notes:

(a) The balances of non-current portion were mainly attributable to certain infrastructure investment projects (trading under PPP model) in Mainland China. Certain balances are secured by the collateral from employers and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from 2020 to 2024, with approximately HK$18,124,190,000 in 2020, HK$12,753,950,000 in 2021, HK$7,169,587,000 in 2022 to 2024. As a result, they are classified as non-current.

(b) Included in the receivables aged over 90 days are receivables attributable to the infrastructure investment projects amounting to HK$42,066,594,000 (2017: HK$33,606,541,000). These balances were not due for repayment as at 31 December 2018 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 2018, the amount of retention receivables expected to be recovered after more than one year was approximately HK$2,970,715,000 (2017: HK$2,092,077,000).

(d) Except for the receivables arising from construction contracts, including infrastructure investment projects trading under PPP model, which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2017: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

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:

	2018	2017
	HK$'000	HK$'000
Trade payables, aged:		
0-30 days	**12,472,392**	10,837,606
31-90 days	**2,912,983**	2,981,808
Over 90 days	**5,209,148**	4,898,971
	20,594,523	18,718,385
Retention payables	**12,551,670**	11,163,334
Other payables and accruals	**3,568,522**	3,312,247
	36,714,715	33,193,966

The average credit period on trade and construction cost payables is 60 days (2017: 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

	2018	2017
	HK$'000	HK$'000
Bank loans, secured	**7,101,428**	3,938,939
Bank loans, unsecured	**27,728,354**	19,234,094
	34,829,782	23,173,033
Carrying amount repayable:		
Within one year	**2,795,832**	2,580,590
More than one year but not exceeding two years	**12,073,222**	1,529,003
More than two years but not more than five years	**13,335,877**	13,554,679
More than five years	**6,624,851**	5,508,761
	34,829,782	23,173,033
Less: Amount due within one year shown under current liabilities	**(2,795,832)**	(2,580,590)
Amount due after one year	**32,033,950**	20,592,443

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

15. Subsequent event

Subsequent to 31 December 2018, the Group entered into two sale and purchase agreements to dispose its intra-group loans and loans to associates with carrying amount of approximately HK$2,797,623,000 and HK$1,000,000,000 respectively to a joint venture company, with no material gain or loss from disposal is expected. The Group owns 50% issued share capital of the joint venture company and another shareholder entered into a Shareholder Facility Agreement with the joint venture company to provide a shareholder loan up to maximum limit of US$800,000,000 to the joint venture company. The Group also entered into a Standby Letter of Credit Facility Agreement with the joint venture company, to provide the joint venture company up to a maximum limit of US$800,000,000 to fund the joint venture company's purchase of financial assets, to pay any interest shortfall (but not any repayment of principal) under the Shareholder Facility Agreement, and to pay any joint venture company's operating expenses incurred by the joint venture company.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK12.00 cents per share (2017: HK20.00 cents per share) to shareholders whose names appear on the register of members of the Company on 11 June 2019. Subject to the shareholders' approval of the proposed final dividend at the annual general meeting to be held on 3 June 2019, dividend warrants will be despatched on or about 3 July 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the annual general meeting, and entitlement to the final dividend, the register of members will be closed as set out below:

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

Latest time to lodge transfer documents for registration	4:30 pm on 28 May 2019
Closure of register of members	29 May 2019 to 3 June 2019 (both days inclusive)
Record date	3 June 2019

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 pm on 10 June 2019
Closure of register of members	11 June 2019
Record date	11 June 2019

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the annual general meeting, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than the aforementioned latest time.

REVIEW OF OPERATION

In 2018, the international political and economic situation was complex and changeable, the global economic expansion was weakened with the rise in trade protectionism and significant increase in risks. The US economy maintained its growth momentum under the stimulus of tax cuts and full employment has boosted the inflation level with the Fed being raised interest rates four times during the year. The European economy recovered slowly and policy space constrained. The Chinese economy is in a period of slowing growth and structural adjustment. In the short run, there has been change in stability with risk in its economic operation, but there is no change of direction for its positive trend in the long run.

This year, the Group has called for "**progress with prudence, the precedence of efficiency, heritage and innovation, and the priority of quality**" as its operating principles. We made pragmatic and prudent efforts and sought solid results in business development amidst complex and changing economic and market conditions. In adherence to the development strategy of "project construction and infrastructure investment as dual-core business drivers" and in close tandem with the pace of national developments in the new era, we were constantly innovating our business and management models while effectively addressing risks and challenges with the advantage afforded by the connectivity of our internal and external resources, in a move to drive qualitative business development.

Market Conditions

In Hong Kong and Macau, the construction markets presented opportunities as well as challenges, as both cities maintained steady economic development. In Mainland China, the economy was progressing in stability, although there was a slowdown in the growth of infrastructure investment and hit a new low over so many years following the de-leverage and strict supervision. The glass curtain wall market was generally stable.

1. Hong Kong and Macau

The Hong Kong economy continued to perform strongly with a robust private residential property market, but there were fewer large-scale government infrastructure works than before, while market competition was escalating. The Macau economy enjoyed growth amidst stable development driven by the gaming sector with an increasing number of government projects in the pipeline, while the number of gaming concession projects were seen decreasing. In view of the changes in market landscape, the Group has leveraged the comprehensive advantages of the entire industrial chain and actively explored private development projects. The market share has further expanded. For the whole year, new contracts with a total amount of HK$33.42 billion were signed up in Hong Kong and Macau, hitting a record high. Meanwhile, the projects under construction are progressing smoothly, and the brand influence and market reputation are further improved. The Group optimized resource allocation, enriched the investment model, and continued to lay out investment to drive the contracting business, achieving a remarkable improvement.

2. Mainland China

The infrastructure investment market in Mainland China was under pressure as the financing environment is tightening. Under the influence of de-leverage, debt reduction and standardization, rectification and reform of "Public-Private-Partnership" (hereinafter referred to as “PPP”) projects, the PPP project loans are difficult to be implemented, financing is expensive with the growth rate of fixed asset investment continues to slow down, and the total investment of newly started projects plans fell sharply, influencing the commissioning and progress of the project. In face of intricate market form, the Group did not only strengthen the rectification and implementation of the project, but also improved the screening criteria for new projects as well as actively seeking projects with higher turnover rates and less capital occupation. In addition to ongoing efforts to develop premium PPP projects, we were also actively driving innovation of business models. New contracts for the year amounted to HK$81,940 million. Smooth implementation in general was reported for projects under construction, underpinned by stable and controlled performance in terms of quality, safety and schedule management.

3. Curtain Wall

The curtain wall markets of Hong Kong and Macau were marked by slackened growth with less large-scale projects，and intense competition while increasing disparity was seen in Mainland China’s curtain wall market, although sentiments were picking up in their counterpart in North America. Far East Global Group Limited ("FEG") adheres to high-quality competition and actively follows up high-quality projects with stable cash flow, ideal gross profit and controllable risks, and has achieved remarkable results. The small and medium-sized housing construction business under the brand name "Haiyue" is developing well and complements the curtain wall business; the rapid growth of the operation management business will become another strong growth engine for FEG. FEG's new contracts for the year amounted to 4.79 billion. The projects in hand are progressing smoothly and under control.

Completed Projects during the Period

The Group completed 19 projects in 2018.

New Projects Awarded

The Group secured 93 new projects in 2018 with an aggregate attributable contract value of HK$120,150 million, of which the Hong Kong market, Macau market, Mainland China market and FEG accounted for 21.9%, 5.9%, 68.2% and 4.0%, respectively.

Projects in Progress

As at 31 December 2018, the Group had a total of 217 projects in progress with an aggregate attributable contract value of HK$365,305 million. The attributable contract value of outstanding works was HK$236,553 million.

Corporate Governance

The Group conducts itself in strict compliance with laws and regulations. Through effective monitoring by the Board and enhanced communication with investors and timely announcement of relevant information, we have increased the transparency of our operations and brought our corporate governance standards to a higher level. The Board is committed to maintaining a high standard of business ethics, a corporate culture of integrity and sound corporate governance practices. The Group’s comprehensive corporate system, rigorous corporate governance and standardised operations have enabled timely adjustments to strategies in response to market changes, effective functioning of specialised decision-making groups and stronger ability in regional and specialised management for all business units, resulting in better management efficiency.

Risk Management

The Group has established a sound risk management system based on its general operational objectives. Through the formulation of risk management strategies, basic risk management procedures are being implemented at each aspect of operation and management to facilitate coordination among the information system, organisational function system and internal control system, such that a positive risk management culture will be fostered for the effective implementation of comprehensive risk management.

In active response to market and policy risks, the Group has accelerated the rectification of in-house projects in strict accordance with the new regulations of the new PPP policy, preventing and mitigating the policy risks from the project in hand as well as strictly abide by investment discipline. The Group also closely followed the policy orientation, conform to market trends, invest accurately, and strengthen investment projects for repurchasing and collecting money, in order to effectively control investment risks; rationally and balanced allocate funds, innovating financing models for the coordination of domestic and overseas financial resources, and raise funds through multiple channels. The Group is engaged in ongoing efforts to improve the natural hedging mechanism for exchange risks, while reasonably responding to exchange rate risks and financing risks; In close tandem with national taxation policies, communication with the tax authorities has been strengthened to facilitate effective prevention of taxation risks.

The Group attaches great importance to safe production, and is responsible for the employees, responsible to the society, and shareholders, and thereby prioritizing safety production by strengthening safety risk prevention, improving safety production rules and regulations, and conducting hidden danger investigation and special rectification. Thus, the safety production risks from the source can be control, adhering to the safety bottom line of high quality development.

Financial Management

In consistent adherence to the principle of prudent financial management, the Group strengthens the incentive orientation of “cash is king”, continuously improves asset turnover efficiency, effectively controls the growth rate of interest-bearing liabilities, accelerates the pace of innovation financing, and promotes implementation such as industrial chain finance and perpetual bond. As at 31 December 2018, the Group had bank deposits amounting to HK$17,926 million. Total borrowings amounted to HK$41,041 million and the net gearing ratio was 53.7%. Drawdown of bank loans amounted to HK$34,830 million, while committed but unutilised credit facilities amounted to HK$27,917 million.

In December 2018, in the context of financial market volatility and strong interest rate hike expectations, the Group successfully issued US$500 million senior perpetual bond, which were awarded a “Baa2” rating by Moody’s. Investors actively subscribed to demonstrate the market's confidence and recognition of the development of the Group. The issuance further optimized the Group's capital structure and reduced the debt ratio, providing financial support for the Group's business transformation and development.

During the year, the Group hosted a number of successful roadshow presentations，including the first Southbound investor meeting, the Macau reverse road show, the organization of mainland media to visit Hong Kong and Macao business, etc., showing the Group's construction and investment business in Hong Kong and Macao, and the mainland's prefabricated buildings, as well as highlights of business developments such as infrastructure investment and glass curtain wall, and continue to strengthen communication with domestic and foreign investors, in order to build a solid foundation for broadening its shareholders’ base.

Human Resources

The Group adheres to the "people-oriented" philosophy, continuing to be committed to building a high-calibre and efficient professional management team with ongoing efforts to enhance its human resource management system. Through the work guidance of each business platform, the overall human resources management strategy will be promoted, and strong talents, systems and service guarantees will be provided for the realization of the Group's strategic objectives and business operations. The Group's human resources work closely to focus on business needs, actively cooperating with organizational changes and optimization, and stimulating organizational vitality. We continue to strengthen talent introduction and allocation, giving full play to internal synergies and external resource advantages, and enhance the intensity, efficiency and demand satisfaction of talent recruitment through internal selection and deployment, as well as employee recommendation, market selection and other methods. The “Son of the Sea” campus recruitment programme will also be further innovated to enhance the quality of talent recruitment, to improve the performance appraisal and incentive system, and provide effective protection for strengthening the "dedication culture”, promoting business and management capabilities.

Technological Innovation

The Group has achieved fruitful achievement in the areas of technological innovation such as prefabricated construction, electrical and mechanical installation and tunnel engineering. During the year, the Group received approvals from the PRC government for 4 national invention patents, 53 utility model patents, 1 design patent and 2 Hong Kong invention patents; China Construction Group (provincial) level no. 6 and construction approved by China Construction Group (provincial department) 6 graded work methods and Anhui Provincial Engineering Method 3.

The scientific research project of the "Research and Application of Key Technologies for Immersed Tube Tunnel Design and Construction" undertaken by the Group is progressing smoothly, and the high-quality completion of the mid-term acceptance has achieved remarkable research results and further consolidated the technical advantages. The Harbour Area Treatment Scheme of Hong Kong, jointly submitted by six entities including the Group and the Drainage Services Department of the Hong Kong SAR Government, was awarded the 15th Tien-Yow Jeme Civil Engineering Prize, while the Group's report on "Characteristics of Engineering and Construction Technologies Applied in the Construction of Large Tunnels in Hong Kong with Case Study" won wide acclaim at the 20th Annual Meeting of the China Association for Science and Technology.

The Group actively implemented the concept of green development, and the application of the "Key Technology Achievements of China State's Precast Concrete Buildings" was approved successfully, becoming the first major scientific and technological achievements of China's construction and another recognition of the Group's strong technical level in the field of fabricated buildings. During the year, the Group also implemented the assembly-type building and research and development base project of Chongqing Liangjiang New District.

The Group continued to promote the management upgrade with information technology. Based on the original "5+3" project management model, the Group completed the construction and promotion of the new project dynamic management system. The system is centered on project management, with logistics and capital flow, information flow throughout the optimization of organizational structure and workflow, so that there is comprehensive control of schedule, quality, cost, safety, environmental protection and other elements. Such upgrade focused on the completion of the life cycle of the material management module, so as to achieve a single project management to project group management. The change of management provides convenience for centralized procurement of materials, material transfer in the project group, inventory management, etc., and thereby achieving all-round overall management and scale effect, as well as effectively saving costs, and getting into the ideal trend of zero inventory.

Social Responsibility

The Group issues a corporate social responsibility report on an annual basis to foster a culture of "open and transparent" communication that would allow stakeholders to have a deeper understanding of matters pertaining to its sustainable development. The Group's commitment to corporate citizenship has won wide acclaim, as evidenced by back-to-back "Caring Company" logos awarded by the Hong Kong Council of Social Service since 2008.

On the back of its outstanding achievements in environmental performance, social responsibility, corporate governance and global environmental information disclosure, the Group was selected, for two consecutive years, as a constituent of FTSE4Good Index. The Group's 2017 Sustainability Report was awarded the highest ranking of Level 3 "CarbonCare ESG Label" by Carbon Care Asia for three consecutive years.

In active response to the nation's call for "winning the critical battle in poverty aid", we made diligent efforts to implement the "China State Construction Model" for defined poverty aid on the back of our advantages as a construction group. We joined forces with the Macau SAR Government to finance the building of a teaching block complex for Mei'e Hope Primary School in Congjiang County, Guizhou Province, as part of the effort to improve education and teaching facilities in Congjiang County. By encouraging students to grow in aspirations as well as intellect, we helped to nurture in local talents the motivation to lift themselves from poverty, thereby attaining the goal of steady elimination of poverty.

During the year, the "Super Typhoon Mangkhut" attacked Hong Kong and Macau. The Group actively organized a team of volunteers. With the advantages of the industry, we got into post-disaster cleanup and community recovery at once, fulfilling the social responsibility of the corporate citizens. Such act received positive comment from government departments, district boards, and various sectors of the Hong Kong and Macao SAR and we were awarded the Commendation and Commendation Medal from the Secretary for Home Affairs.

During the year, over 100 employees of the Group and their family members participated in the "2017/18 Hong Kong and Kowloon Walk for Millions by the Community Chest", the largest charity walk in Hong Kong, to raise funds for "Family and Child Welfare Services" in a manifestation of the Group's proactive undertaking of social responsibilities. To help promoting ecological protection in active response to the "World Environment Day", the Group organised a "World Geopark Saigon Inner Sea Geology and Cultural Heritage Guided Tour", aiming to cultivate employees' interest in environmental protection work, understanding cultural heritage conservation knowledge, and contributing to the promotion of ecological culture protection.

Major Awards

At the "Occupational Health Award 2017-18" jointly hosted by government authorities including the Occupational Safety and Health Council, Labour Department and Department of Health in March 2018, the Group walked away with 27 awards, including the "Healthy Workplace Best Practices Award — Excellence Award", "Hearing Conservation Best Practices Award — Excellence Award" and "Prevention of Pneumoconiosis Best Practices Award — Merit Award". On the back of its ongoing sound performance in safety matters, the Group further garnered 12 awards, including the bronze award in the Building Sites (Private Sector) category, bronze award in the Civil Engineering Sites category and the "Outstanding Performance in Work-at-height Safety Prize" at the Construction Industry Safety Award Scheme 2017/2018" organised by the Labour Department and the Occupational Safety and Health Council of Hong Kong in the same month.

At the "Innovative Safety Initiative Award 2018" hosted by the Development Bureau of Hong Kong, the Construction Industry Council and the Hong Kong Construction Association in May 2018, the Group received a number of awards, including the gold award for Safety Operational Device category, gold award under the Health And Welfare category, silver award under the Safety Management System, Training And Promotion category, the Most Popular Safety Video Award and silver and bronze awards in the Safety Video Contest. At the "24th Considerate Contractors Site Award Scheme Prize-awarding Ceremony" jointly hosted by the Development Bureau of Hong Kong and the Construction Industry Council in the same month, the Group won the gold award under the "Public Works — New Works" category.

In June 2018, the Group was named the Safest Contractor in the "2017 Safety Contractor Award Scheme" organised by the property project department of MTR, while the "Fire and Ambulance Services Academy" and "The Avenue", both constructed by the Group, were honored with the "Quality Building Award", which represented the highest honor in Hong Kong's construction industry. In the same month, the Group once again earned the title of "Most Honored Company" in the annual poll of "The Best Listed Companies in Asia" organised by "Institutional Investor", reflecting continuous recognition in the international capital market for the Group's business operations and efforts in investor relations.

In September 2018, the Group won the Platinum Award in the “Vision Award” (Construction Industry), the Annual Report Competition of the League of American Communications Professionals LLC, a world-renowned institution. In the same month, the “2018 AIB National Professional Excellence in Building Awards" was hosted by the Australian Institute of Building, the Group was award “Building Professional of the Year”, “Professional Excellence Award” and “People’s Choice Award” for the excellent site management, excellent architectural quality and superb design of its project "Hong Kong Children's Hospital".

In October 2018, the footbridge (Block B) built in Area 52 Phase 2 of the Shui Chuen O public housing development in Shatin, which was completed by the Group, has won the “Grand Award in the Infrastructures and Footbridges category” of the Structural Excellence Award 2018 organised by the Structural Division of the Hong Kong Institution of Engineers. It is the only award-winning project for local construction projects in Hong Kong.

In December 2018, the Group was awarded the “Best Investment Value Award for Listed Companies” in 2018 China Securities Golden Bauhinia Awards, which was co-organized by Ta Kung Wen Wei Media Group with various organizations. In the same month, the Group won 55 awards, including 8 gold, 9 silver, 5 bronze and 33 outstanding awards in the “2018 6th Macao Construction Safety Award Scheme”, organised by the Labour Bureau in Macao. The Group has also received the “Good Housekeeping Gold Award (Construction Category)” from the Good Housekeeping Competition 2018, held by Hong Kong Occupational Safety & Health Council, Hong Kong Labour Department and Hong Kong Construction Industry Council for its main contract package A & B for Lohas Park Package Seven.

REVIEW OF FINANCIAL PERFORMANCE

Profit from core business* attributable to owners of the Company was HK$5,323 million, represents a year-on-year increase of 5.0%. Raised an approximately HK$3,861 million, net of expenses, by way of issue guaranteed perpetual capital securities.

Driven by the growth of Mainland China segment and improved margin in Hong Kong and Macau segment, the Group recorded revenue and gross profit of HK$55,626 million and HK$8,696 million, representing 10.9% and 14.2% growth respectively. Net Operating cash outflows have been improved by 60% while maintaining business growth. Affected by the HK$817 million impairment made for the concession operating rights relate to Shanxi Yangquan Yangwu Expressway and Shanxi Yangquan Niangziguan Class 1 Highway, profit attributable to the owners of the Company decreased 18.0% to HK$4,500 million. Basic earnings per share was HK89.13 cents, representing a decrease of 25.0% as compared with last year, given the HK$817 million impairment made and the full year effect of rights shares issued on 12 October 2017 in current year.

Revenue, Gross Profit and Result

1. Hong Kong and Macau–Construction and related business

With a constantly changing market environment in Hong Kong and Macau, the Group has strengthened internal resource integration and continued to provide stable cash flow to the Group. Hong Kong market is increasingly competitive with the launch of fewer large-scale infrastructure projects by the Government, on the contrary, the private residential market is booming. Revenue derived from Hong Kong segment remain stable, recorded HK$14,875 million as compared to HK$15,013 million in 2017. With the better result than expected of project settlement, segment result amounted to HK$1,171 million, represents a growth of 37.9% compared with HK$849 million for last year. Amid a declining of gambling business related projects, government work has gradually been increasing in Macau. This segment reported a slightly drop of revenue and segment result to HK$7,025 million (2017: HK$8,058 million) and HK$736 million (2017: HK$891 million) respectively.

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

Central government in Mainland China has tightened regulations over infrastructure investment market, especially in Public-Private-Partnership ("PPP") model. Ministry of Finance has started a nationwide audit of PPP project database since November 2017. Meanwhile, financial institutions have tightened its lending policy. The lasting effect of above policies brings uncertainty to infrastructure market in Mainland China.

The Group strengthened the rectification and implementation of on hand project, optimise its project selection basis, aimed for the high-quality PPP projects and innovative project with high capital turnover rate. Supported by the ample order book, this segment recorded notable increase in both of revenue and result to HK$30,621 million and HK$5,999 million, representing a growth of 23.2% and 24.3% year-on-year.

*Excluding loss on fair value changes of investment properties and impairment loss on concession operating rights

(a) Infrastructure investment projects

Our investments in infrastructure projects span over different kinds of business, including investment and construction of toll road, toll bridge and a variety of housing project, such as affordable housing, hospital and school. We participated in these infrastructure projects by way of PPP models. During the year, the Group received buy-back payment of HK$11,072 million from infrastructure investment project, including the attributable share of such payment received by our joint venture investments.

Many large-scale infrastructure projects are in full swing, the result of Infrastructure investment sector have been boosted, reported total revenue and result of HK$29,311 million and HK$5,877 million, compared with HK$23,434 million and HK$4,747 million respectively for the corresponding period in 2017.

(b) Operating infrastructure projects

The contribution from operating infrastructure projects, including thermoelectric plant and toll road remained relatively stable, excluding contribution from joint venture, this sector recorded revenue of HK$849 million, which was slightly increased 7.2% as compared to last year.

(c) Construction related business

The Group continued focus on infrastructure investment projects, less resources was allocated to other construction related business and recorded HK$460 million revenue for the year.

3. Far East Global Group Limited ("FEG")

FEG focused on the facade contracting business, general contracting business and project operation and management service business. FEG continues to enhance its service awareness and insists on quality competition, steadily increase its market share and reflected in the notable increase of turnover during the year.

Cash Flows Analysis

As more infrastructure project are operated in PPP model, the buy-back period of PPP project is comparatively longer than that of traditional Build-transfer model, the net cash used in operating activities for the year was HK$1,925 million (2017: HK$4,846 million), included the net expenditure for infrastructure project amounting HK$4,475 million (2017: HK$5,423 million). The net cash outflow in investing activities was HK$6,954 million (2017: HK$4,800 million), and the net cash inflow from financing activities was HK$9,581 million (2017: HK$15,253 million).

BUSINESS PROSPECTS

The global economic growth has slowed down with the expansion momentum has weakened. Trade tensions and financial deterioration have been the main risks facing the economic outlook. The stimulation effect from US tax cuts have gradually weakened, and the negative impact of rising interest rates on the economy has gradually emerged. The number of US interest rate hikes may decrease, but the Fed's contraction process will continue. China's short-term economic growth is under pressure, but the market is stable with strong foundation, large space, sufficient post-energy and thereby the future prospects are bright. The Chinese economy has been in a period with strategic opportunities for a long time. The Group will pay close attention to macroeconomic and industry market trends so that it could formulate forward-looking business strategies in proactive response to changes in external business conditions.

Market Outlook

Economic recovery in Hong Kong and Macau will continue in a positive trend. However, the investment sentiment in private housing in Hong Kong has turned skeptical, and the boom in the building construction market has slowed slightly. The ambitious development plans such as "Lantau Tomorrow Vision", "New Territories Brownfield" and "Revitalization of Industrial Buildings" proposed in the Hong Kong Chief Executive's Policy Address will bring vigorous development opportunities. Macau is expected to launch a series of government projects including a new reclamation area and “post-19,000 units” public housing construction, injecting new vitality into the construction market. The prospects for gambling and private projects are promising.

China's mainland economy is facing downward pressure. The state has proposed macroeconomic policies to strengthen countercyclical adjustments, further increasing fiscal stimulus, significantly expanding the scale of local special bonds as well as increasing new infrastructure investment and filling shortcomings in order to form an important support for stable growth and stable investment. The infrastructure investment market in mainland will recover from the bottom. The monetary policy environment with reasonable liquidity will also ease the financing pressure in Mainland China, and the industry's capital situation will be improved gradually.

Operational Strategies

In consistent implementation of the operational strategy of “**Cost-effective Competition and High-quality Management**” and on the basis of the development strategy of “project contracting and infrastructure investment as double business drivers”, adhere to the overall peace for steady progress work, practicing high-quality development requirements, focusing on hard work without the fear for struggle. We will continue to seize market strategic opportunities to promote business transformation and model upgrades, comprehensively improving asset turnover efficiency, and prevent risk from bottoming out and achieving continuous healthy growth of the Group’s performance.

Our Hong Kong and Macau operations will strengthen regional links and synergies through vigorous engagement in the macro-development schemes of the nation, such as Guangdong-Hong Kong-Macao Greater Bay Area Development. Construction business expands business scale, seizes market opportunities, and actively bids government construction projects such as those from the Housing Department and the Government Department of the Architectural Services Department, and key projects such as the Airport Authority, the Hospital Authority and the West Kowloon Cultural District. Meanwhile, we will continue to explore private development projects in Hong Kong and large-scale gambling projects in Macau. We will optimize the site contract responsibility system, strengthen the quality management of projects in hand, and build a good brand image. Our investment business has timely summed up the useful experience in the previous period, strengthening the model innovation, and vigorously expanded investment to drive the contracting business. We will continue to develop innovative business, striving for breakthroughs in Building Information Modeling (BIM), modular integrated construction (MIC), smart work sites and e-commerce platforms for construction materials.

Our investment business in Mainland China will step up with transformation and upgrade in line with national policies. We will seize the market opportunities from infrastructure investment recovery, focusing on the key areas of infrastructure supplements, and actively strive for better projects with strong local financial strength, large project scale, short cooperation cycle, large proportion of user fees, and legal compliance, seeking quality growth in scale and establishing a quality investor image at the same time. Close attention to the scale and speed of the issuance of government special bonds will also be paid, and cooperation with the government will also be sought through investment-driven general contracting or general contracting mode, and vigorous participation in government-issued projects supported by government special debts. Furthermore, we will seize the opportunity of the monetary policy window to speed up the implementation of financing of mainland investment projects, and leverage the opportunity of local government special debts to be released in advance and the replacement of high-yield debts to create conditions to accelerate the withdrawal of funds for investment projects.

Underpinned by the business strategy of “big market, big clients and big project” and the business philosophy of “unwavering focus on the high-end market and provision of high quality services”, FEG will conduct effective brand promotion and market development, While consolidating the advantages of the Hong Kong and Macau market, the North American market integrates its business structure, concentrating its advantageous resources and striving for greater achievements. The United Kingdom and Australian markets are doing well in project performance and product supply management, summing up experience and expanding the market share of supply contracts. The operation management business continued to maintain a good momentum of development and achieve greater value creation.

While further developing the existing market, the Group will explore businesses in countries and regions such as the United Kingdom, Australia, North America and Portugal with a steady and measured approach in active response to the “Belt and Road” Initiative. We will step up with our study and research of local policies and legal regulations, while putting a strong emphasis on the training of talents and localisation as we seek to develop business types according to a profit model characterised by “high turnover, asset-light operations, controllable risks and reasonable earnings” and strengthen coordination and connection with other sister companies in China State Construction Engineering Corporation group, in an effort to make early contributions to Group results on the back of patient and sustained work.

Management Model

The Group will continue to optimise its organisational management and control regime with the primary purpose of procuring business development. While enhancing the functions of the headquarters in direction, service and supervision, we would also encourage more proactive business management by regional teams. The Group comprehensively improved the performance management system, strengthened the performance-oriented incentive mechanism, stimulated organizational vitality, cultivated the culture of the strugglers, and provided organizational security for the Group's "second venture".

COMPANY MISSION

In line with its longstanding business philosophy of "**Sustainable Growth for Mutual Success with Harmony**", the Group makes vigorous efforts to realise its core value of "**Good Quality and Value Creation**" through a prudent approach to business progress prominently underpinned by a drive to enhance quality and efficiency. We are also committed to serving as a new role model for "**win-win**" solutions with shareholders, business partners, employees and the society in general in the new era, as we continue to strive to achieve the goal of becoming an "**international group specialised in the construction of integrated developments and infrastructure investment with a strong competitive edge**".

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 provision A.2.1 (the roles of chairman and chief executive officer should be separate and should not be performed by the same individual). Mr. Zhou Yong ("Mr. Zhou") acted as both Chairman and Chief Executive Officer of the Company since August 2013. The Company considered that non-separation of these two roles would not impair the balance of power and authority of the Board, given that the Group has a clear organisation structure and the management of the business is not concentrated in any one individual. On 21 August 2018, Mr. Zhou ceased to serve concurrently as Chief Executive Officer of the Company so as to enhance the Company's corporate governance standard, and Mr. Zhang Haipeng was appointed as Chief Executive Officer of the Company. Since then, the roles of the chairman and chief executive officer have been separated, and therefore, the Company has re-complied with the code provision A.2.1.

- Under code provision E.1.2 (chairman of the board should attend the annual general meeting). Mr. Zhou Yong, the Chairman, due to other business engagement was unable to attend the annual general meeting of the Company which held on 1 June 2018 ("AGM"). Mr. Tian Shuchen, Executive Director, chaired the AGM to ensure effective communication with shareholders of the Company at such meeting. All the independent non-executive directors attended the AGM and were available to answer questions and developed a balanced understanding of the views of the shareholders.

REVIEW OF ACCOUNTS

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures on page 2 to page 21 in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. 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 Executive Director

Hong Kong, 22 March 2019

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