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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 2009

#### FINANCIAL HIGHLIGHTS

	2009	2008	Change %
<b>RESULTS (HK\$'000)</b>			
Revenue	<b>11,341,998</b>	11,021,405	2.9
Gross profit	<b>992,902</b>	909,393	9.2
Gross profit margin	<b>8.8%</b>	8.3%	6.0
Profit attributable to owners of the Company	<b>612,531</b>	489,321	25.2
<b>FINANCIAL INFORMATION PER SHARE</b>			
Earnings – basic (HK cents)	<b>22.65</b>	(note) 19.01	19.1
Proposed dividends for the year (HK cents)	<b>7.10</b>	7.00	1.4
Net assets (HK\$)	<b>1.46</b>	1.03	41.7

#### PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK3.50 cents.

#### BANK BALANCES AND CASH

As at 31 December 2009, the Group had bank balances and cash of approximately HK\$5.76 billion.

Note: The calculation of basic earnings per share for the year ended 31 December 2009 has accounted for the rights issue which was effective from 1 September 2009. The corresponding weighted average number of ordinary shares of 2008 has been retrospectively adjusted to reflect the said rights issue.

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 2009. The Group’s audited profit attributable to the owners of the Company for the year ended 31 December 2009 was HK\$613 million, representing an increase of 25.2% as compared to last year while earnings per share increased by 19.1% to HK22.65 cents.

**CONSOLIDATED INCOME STATEMENT**  
**For the year ended 31 December 2009**

	Notes	2009 HK\$’000	2008 HK\$’000
Revenue	2	11,341,998	11,021,405
Costs of sales		(10,349,096)	(10,112,012)
Gross profit		992,902	909,393
Investment income	4	43,298	33,469
Other income		89,126	44,518
Administrative expenses		(356,535)	(394,032)
Distribution and selling expenses		(9,843)	(17,796)
Other expenses		(22,324)	(2,847)
Reversal of impairment loss of properties held for sales		-	18,292
Impairment loss of investment properties		-	(2,977)
Impairment loss of available-for-sale investments		-	(6,735)
Share of profits of associates		11,592	9,445
Finance costs	5	(26,136)	(20,065)
Profit before tax		722,080	570,665
Income tax expense	6	(109,549)	(66,276)
Profit for the year	7	612,531	504,389
Attributable to :			
Owners of the Company		612,531	489,321
Minority interests		-	15,068
		612,531	504,389
Earnings per share (HK cents)	9		(restated)
Basic		22.65	19.01
Diluted		21.86	18.19

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2009**

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Profit for the year	<b>612,531</b>	<u>504,389</u>
Other comprehensive income		
Exchange differences arising on translation of foreign operations	<b>(19,836)</b>	40,665
Fair value changes of available-for-sale investments	<b>15,880</b>	(21,398)
Reclassification adjustment on sale of available-for-sale investments	<b>639</b>	-
Reclassification upon impairment of available-for-sale investments	-	6,735
Other comprehensive (expense) income for the year	<b>(3,317)</b>	<u>26,002</u>
Total comprehensive income for the year	<b>609,214</b>	<u>530,391</u>
Total comprehensive income attributable to :		
Owners of the Company	<b>609,214</b>	515,323
Minority interests	-	15,068
	<b>609,214</b>	<u>530,391</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2009**

	Note	2009 HK\$'000	2008 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment		1,121,324	1,107,275
Investment properties		43,031	44,692
Investment in lands consolidation		-	49,814
Interests in infrastructure project investments		1,050,040	466,876
Prepaid lease payments		76,551	78,536
Interests in associates		35,175	41,258
Intangible asset		9,950	-
Available-for-sale investments		116,179	98,169
Amounts due from investee companies		250,142	181,940
		<b>2,702,392</b>	<b>2,068,560</b>
<b>Current Assets</b>			
Interests in infrastructure project investments		15,808	15,782
Prepaid lease payments		2,243	2,238
Inventories		46,883	55,509
Properties held for sales		7,859	9,309
Amounts due from customers for contract work		539,294	506,385
Trade and other receivables	10	3,398,325	3,703,163
Deposits and prepayments		242,839	232,690
Amounts due from jointly controlled entities		40,184	67,951
Amounts due from the partners of jointly controlled entities		308,862	292,098
Amounts due from fellow subsidiaries		61,673	108,291
Amount due from immediate holding company		-	2,238
Amount due from intermediate holding company		25,364	-
Tax recoverable		4,832	2,414
Pledged bank deposits		14,905	16,690
Deposits with financial institutions		1,446	177
Bank balances and cash		5,746,573	1,900,169
		<b>10,457,090</b>	<b>6,915,104</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Con't)****At 31 December 2009**

	Note	2009 HK\$'000	2008 HK\$'000
<b>Current Liabilities</b>			
Amounts due to customers for contract work		505,449	301,089
Trade and other payables	11	3,552,277	3,690,426
Deposits received and receipt in advance		681,801	623,762
Amounts due to jointly controlled entities		299,327	308,820
Amounts due to the partners of jointly controlled entities		42,034	46,879
Amounts due to fellow subsidiaries		13,316	4,270
Amount due to intermediate holding company		-	86,583
Amount due to an associate		25,211	10,139
Tax liabilities		134,047	114,622
Borrowings		21,956	37,128
Obligations under finance leases		74	162
		<u>5,275,492</u>	<u>5,223,880</u>
<b>Net Current Assets</b>		<u>5,181,598</u>	<u>1,691,224</u>
<b>Total Assets less Current Liabilities</b>		<u>7,883,990</u>	<u>3,759,784</u>
<b>Capital and Reserves</b>			
Share capital		73,864	61,119
Share premium and reserves		4,230,918	2,462,138
Equity attributable to owners of the Company		<u>4,304,782</u>	<u>2,523,257</u>
<b>Non-current Liabilities</b>			
Deferred income		180,480	165,320
Deferred tax liabilities		93,219	71,133
Borrowings		1,601,931	1,000,000
Obligations under finance leases		-	74
Loans from intermediate holding company		1,703,578	-
		<u>3,579,208</u>	<u>1,236,527</u>
		<u>7,883,990</u>	<u>3,759,784</u>

**Notes:**

**(1) Application of new and revised Hong Kong Financial Reporting Standards**

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

HKAS 1 (Revised 2007) “Presentation of Financial Statements”

HKAS 1 (Revised 2007) has introduced terminology changes, (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

## HKFRS 8 “Operating Segments”

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 “Segment Reporting” (see note 3) nor change in measurement of segment results.

## Amendments to HKFRS 7 “Financial Instruments: Disclosures”

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early adopted the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Right Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>5</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>7</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>5</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>3</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>7</sup> Effective for annual periods beginning on or after 1 July 2010

The adoption of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control of a subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## (2) Revenue

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

An analysis of the Group's revenue for the year is as follows :

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Revenue from construction contracts	<b>10,551,829</b>	10,126,907
Project management service income	<b>208,553</b>	354,953
Revenue from supply of heat and electricity	<b>354,386</b>	291,350
Revenue from provision of connection services	<b>60,604</b>	84,859
Revenue from infrastructure project investments	<b>82,693</b>	63,253
Sales of precast structures and building materials	<b>48,813</b>	75,710
Others	<b>35,120</b>	24,373
	<b><u>11,341,998</u></b>	<u>11,021,405</u>

Others mainly comprises revenue from machinery leasing and insurance contracts.



### (3) Segment information

#### Segment Information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group is currently organised into five operating segments based on geographical location where the products and services are delivered and provided and the construction works are carried out - Hong Kong, Regions in the PRC (other than Hong Kong and Macau), Macau, United Arab Emirates ("UAE") and India.

Segment results for the years ended 31 December 2009 and 2008 are as follows:

	Revenue		Gross profit (loss)		Segment result	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Reportable segment						
Hong Kong	6,969,222	6,191,507	342,842	228,263	257,321	135,537
Regions in the PRC	1,757,416	881,959	426,575	337,923	379,084	268,590
Macau	1,625,184	2,078,190	242,517	282,302	224,640	266,545
UAE	979,314	1,797,302	(19,023)	56,910	(63,660)	1,664
India	10,862	72,447	(9)	3,995	(2,023)	8,362
Consolidated total	11,341,998	11,021,405	992,902	909,393	795,362	680,698
Unallocated corporate expenses					(106,497)	(121,282)
Unallocated investment income and other income					47,759	13,289
Impairment loss of investment properties and available-for-sale investments					-	(9,712)
Reversal of impairment loss of properties held for sales					-	18,292
Share of profits of associates					11,592	9,445
Finance costs					(26,136)	(20,065)
Profit before tax					722,080	570,665
Income tax expense					(109,549)	(66,276)
Profit for the year					612,531	504,389

## Measurement

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

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

Reportable segment result represents the profit (loss) earned or incurred by each segment excluding unallocated investment income and other income, finance costs, share of profits of associates, changes of fair value of available-for-sale investments, impairment loss of investment properties and available-for-sale investments, reversal of impairment loss of properties held for sales 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.

## Revenue from major business

The information on revenue from major business is disclosed in note 2.

## Other segment information

	<u>Non-current assets</u>		<u>Addition to property, plant and equipment</u>	
	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Reportable segment				
Hong Kong	<b>95,684</b>	79,316	<b>33,874</b>	47,748
Regions in the PRC	<b>1,083,875</b>	1,072,089	<b>86,644</b>	139,726
Macau	<b>56,111</b>	59,612	<b>1,953</b>	947
UAE	<b>50,361</b>	60,705	<b>10,093</b>	26,818
India	-	39	-	86
	<b>1,286,031</b>	1,271,761	<b>132,564</b>	215,325

Non-current assets excluded financial instruments.

Amounts included in the measure of segment profit or loss:

	<u>Allowance for doubtful debts on trade and other receivables</u>		<u>Depreciation of property, plant and equipment, investment properties and amortization of prepaid lease payments</u>		<u>Gain (loss) on disposal of property, plant and equipment</u>		<u>Waive of amount due to a partner of a jointly controlled entity</u>	
	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Hong Kong	-	-	10,476	27,708	2,267	9,242	18,483	-
Regions in the PRC	5,175	8,096	74,025	77,670	-	67	-	-
Macau	-	-	3,191	1,163	-	73	-	-
UAE	-	-	1,271	1,066	-	(68)	-	-
India	-	-	7	15	49	-	-	-
Total	5,175	8,096	88,970	107,622	2,316	9,314	18,483	-

## 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 the two (2008: two) customers in Hong Kong reportable segment amounted to approximately HK\$2,354,000,000 and HK\$1,331,000,000 (2008: HK\$1,775,000,000 and HK\$1,139,000,000) individually represent more than 10 per cent of the Group's total revenue.

### (4) Investment income

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Interest income on:		
Bank deposits	<b>13,930</b>	20,455
Debt securities	<b>4,270</b>	4,535
Deposits with financial institutions	-	43
Imputed interest on amount due from an investee company	<b>798</b>	4,369
	<b>18,998</b>	29,402
Capital return upon the deregistration of a subsidiary	<b>11,764</b>	-
Dividend income from listed available-for-sale investments	<b>4</b>	470
Dividend income from unlisted available-for-sale investments	<b>5,971</b>	3,177
Gain on disposal of listed available-for-sale investments	<b>1,787</b>	420
Others	<b>4,774</b>	-
	<b>43,298</b>	33,469

### (5) Finance Costs

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans wholly repayable within five years	<b>11,073</b>	13,585
Interest on other loans wholly repayable within five years	<b>10,833</b>	597
Interest on loans from intermediate holding company	<b>4,144</b>	-
Finance charges on obligations under finance leases	<b>23</b>	24
Other financial expenses	<b>63</b>	5,859
	<b>26,136</b>	20,065

During both years, no borrowing costs on the general borrowing pool were capitalised.

**(6) Income tax expense**

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Current tax:		
Hong Kong	<b>17,004</b>	6,237
Other jurisdictions	<b>87,975</b>	66,920
	<b>104,979</b>	73,157
Overprovision in prior years:		
Hong Kong	<b>(7,243)</b>	(174)
Other jurisdictions	<b>(10,231)</b>	(8,476)
	<b>(17,474)</b>	(8,650)
Deferred tax:		
Current year	<b>22,044</b>	1,769
Income tax expense for the year	<b>109,549</b>	66,276

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Income taxes arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdiction.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The last year that those subsidiaries entitled to enjoy this tax benefit is 2008.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was generally reduced from 33% to 25% from 1 January 2008 onwards. For those subsidiaries enjoying privilege rate of 15%, the new tax rate was progressively increasing to 25% over five years as grandfathering provision.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, dividend distributed out of the profits generated since 1 January 2008 shall be subject to PRC Enterprise Income Tax and which is withheld by the PRC entity. Deferred tax of HK\$17,577,000 (2008: HK\$14,223,000) on the undistributed earnings has been charged to the consolidated income statement for the year.

(7) Profit for the year

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>113,867</b>	131,439
Less: Amounts capitalised in contracts in progress	<b>(28,653)</b>	(26,965)
	<b>85,214</b>	104,474
Gross rental income from investment properties	<b>(6,609)</b>	(5,630)
Less: Direct expenses from investment properties that generated rental income during the year	<b>4,573</b>	519
	<b>(2,036)</b>	(5,111)
Employee benefits expense:		
Staff costs, including directors' emoluments	<b>1,157,310</b>	1,268,075
Contributions to retirement benefit plans	<b>24,403</b>	24,411
Equity-settled share-based payments	<b>934</b>	1,688
Less: Amounts capitalised in contracts in progress	<b>(888,312)</b>	(917,646)
	<b>294,335</b>	376,528
Depreciation of investment properties	<b>1,665</b>	913
Amortisation of prepaid lease payments	<b>2,091</b>	2,235

## (8) Dividends

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Dividends recognised as distributions during the year:		
2008 Final, paid – HK3.30 cents (2008: 2007 final HK4.50 cents) per share	<b>80,782</b>	109,726
2009 Interim, paid – HK3.60 cents (2008: 2008 Interim HK3.70 cents) per share	<b>105,810</b>	90,149
	<b><u>186,592</u></b>	<u>199,875</u>

The final dividend of HK3.50 cents (2008: HK3.30 cents) per share has been proposed by the directors and is subject to approved by the shareholders in the forthcoming general meeting.

Adjustments were made to the amount of dividend per share due to the share sub-division in 2008. Each share of the Company of HK\$0.1 per share was subdivided into 4 shares of HK\$0.025 per share with effect from 13 June 2008.

## (9) Earnings per share

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

### Earnings

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b><u>612,531</u></b>	<u>489,321</u>
<b>Number of shares</b>		
	<b>2009</b>	2008
	<b>'000</b>	'000
		(restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>2,704,521</b>	2,573,661
Effect of dilutive potential ordinary shares in respect of share options	<b>97,361</b>	116,487
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>2,801,882</u></b>	<u>2,690,148</u>

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for the year ended 31 December 2009 has accounted for the rights issue which was effective from 1 September 2009. The corresponding number of ordinary shares of 2008 has been retrospectively adjusted to reflect the said rights issue.

The computation of diluted earnings per share does not include the effect of the exercise of the outstanding warrants of the Company because the exercise price of the Company's warrants was higher than the average market price of the Company's share for both years.

#### (10) Trade and other receivables

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

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Trade receivables, aged:		
0-30 days	<b>1,641,815</b>	1,647,022
31-90 days	<b>475,497</b>	754,664
Over 90 days	<b>173,979</b>	161,820
	<b>2,291,291</b>	2,563,506
Retention receivables	<b>1,056,095</b>	1,082,053
Other receivables	<b>50,939</b>	57,604
	<b>3,398,325</b>	3,703,163

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

## (11) Trade and other payables

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

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Trade and other payables, aged:		
0-30 days	<b>1,944,578</b>	1,848,774
31-90 days	<b>460,827</b>	870,359
Over 90 days	<b>256,843</b>	202,334
	<b>2,662,248</b>	2,921,467
Retention payables	<b>890,029</b>	768,959
	<b>3,552,277</b>	3,690,426

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

## (12) Event after the reporting period

On 7 February 2010, China State Construction Limited (“CSCL”), a wholly owned subsidiary of the Company, entered into a subscription agreement with Skyjoy Assets Management Limited (“Skyjoy”) whereby CSCL will subscribe for the guaranteed secured convertible bonds due 2015 issued by Skyjoy in the amount of HK\$200,000,000 convertible into 1,800 shares of US\$1.00 each in the share capital of Skyjoy, representing 18% of the issued share capital of Skyjoy on a fully diluted basis. Skyjoy is the ultimate owner of the land which is situated at Qiaodong District, Shijiazhuang, the PRC with a site area of approximately 62,000 square meters and some units of shops with total gross floor area of approximately 1,800 square meters. The maturity date of the bonds should be fifth anniversary from the issue date and the conversion period is from the expiry of three years from the issue date up to maturity. The sum payable by a holder of the bonds to Skyjoy on conversion of the bonds, which will be equivalent to all interest paid or payable by Skyjoy to such holder under the terms of the bonds immediately prior to conversion. The maximum conversion premium payable by CSCL on full conversion of the bonds is HK\$212,206,000. Up to the reporting date, the transaction has not yet been completed.



## **FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of HK3.50 cents (2008: HK3.30 cents) per share to the shareholders whose names appear on the register of members of the Company on 9 June 2010. Subject to the shareholders' approval of the proposed final dividend at the annual general meeting to be held on 9 June 2010, dividend warrants will be dispatched on or about 18 June 2010.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 8 June 2010 (Tuesday) to 9 June 2010 (Wednesday), both days inclusive, during such period no transfer of shares will be registered.

In order to qualify for the proposed final dividend and for the purpose of ascertaining the members' entitlement to the attendance of the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 7 June 2010 (Monday).

## **REVIEW OF OPERATION**

In 2009, major economies adopted large-scale stimulating policies on a coordinated basis, restoring the confidence of the market on a global scale, and halting the decline in industrial production, though the development of different economies remains unbalanced.

Following the strategic principle of **“Strengthening Ourselves and Waiting for Changes”** as set out at the beginning of the year, the Group reacted in a timely manner to seize opportunities for sound development, gradually repositioning itself towards the combination of construction and infrastructure investment, achieving complementary strengths, optimization of resources and maximizing efficiency.

## **Market Conditions**

The government of Hong Kong stimulated the market with the policy of “stabilizing the financial system, supporting enterprises and maintaining employment” and put ten major infrastructure projects in full gear. Equipped with the highest qualification in Hong Kong market, with five Group C licenses, the Group maintained its steady and healthy business strategy of “Competing Low Cost and High Quality Management”, which preserved our competitiveness in the Hong Kong market.

Macau remained in a phase of continuous adjustment following the effects of the global financial tsunami. Although revenues from gambling has seen a steady rise in the second half of the year, the newly launched government and private projects remarkably contracted, resulting in an inactive year for the construction market in Macau.

Dubai, in the UAE, was hit heavily by the financial tsunami, with some property projects coming to a halt as property developers became financially difficulties. Facing challenges, we adhered to the strategy of prudent operation and we have not secured any new projects in Dubai for two consecutive years, while concentrating more on the progress and business management of the projects in progress, effectively garnering control the risks. In Abu Dhabi, where the foundation of a buoyant economy is at present stronger, and a huge demand is expected in the construction market and our projects in progress have been smoothly undertaken.

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

In Mainland China, the state’s launch of the RMB 4-trillion investment stimulus scheme, the 10 industry revival plans, the increase in the implementation of technology, and some other macroscopic policies to improve the people’s livelihood and stabilization of exports, has positioned China as taking a leading role in driving the global economic recovery. Adhering to “obtaining sustainable growth in profits” as its ultimate goal of business expansion and operation, the Group prudently selected those construction businesses having foreign investments together with those build-transfer (“BT”) / build-operate-transfer (“BOT”) model investment businesses that have promising prospects of both profits and achieving considerable results.

## **Completed Projects During the Year**

During the year, the Group completed 40 projects, which mainly included :

Hong Kong : Superstructure Main Contract Works at Wu Kai Sha Station, Ma On Shan; Design and Construction of Junior Police Officers' Married Quarters Tuen Mun; TWTL 394 Yeung Uk Road Tsuen Wan; Foundation and Railway Depot works for Ho Tung Lau; Kowloon Southern Link Tunnels-Jordan Road to Nam Cheong Overrun; Design and Construction of a Sports Ground at Area 45 Tseung Kwan O; Main Contract for Central Park TKOTL No. 70 Area 86, Tseung Kwan O;

Macau : City of Dreams; Remaining Works for Project 228 in Liaison Office of the Central People's Government in the Macau SAR.

## **New Projects Awarded During the Year**

The group secured 42 new projects in the year, with an aggregated attributable contract value of approximately HK\$17.11 billion of which the Hong Kong market accounted for 63.5%, the Mainland China market accounted for 34.4%, and markets in other areas accounted for 2.1%. After the reporting date and up to the date of this announcement, 9 new projects were secured with an aggregated attributable contract value of approximately HK\$5.41 billion.

New contracts awarded mainly included:

Hong Kong : Construction of Tin Shui Wai Public Library cum Indoor Recreation Centre at Tin Shui Wai; Construction of Un Chau Estate Phase 5; Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4; Site Formation, Foundation and Superstructure Main Contract Works of New Academic Building and Residential Accommodation for HKUST; Main Contract Works for Construction of The Proposed Residential Development at Discovery Bay North Works Phase 15, Area N1e; Replacement and Rehabilitation of Water Mains Stage 3 Mains in Central and Western District; Construction of Interconnection Tunnel and Diaphragm Wall for Main Pumping Station at Stonecutters Island Sewage Treatment Works;

Mainland China : 唐山市濱海大道項目 (“Tangshan Binhai Avenue”); 武威公路改造及沙湖通道項目 (“Wuxian Highway Renovation and Shahu Passageway Project”); 山西陽泉至娘子關一級公路 (“Class 1 Highway from Yangquan to Niangziguan, Shanxi province”);

India : Construction of ESIC Medical College at Bihta (Patna).

## **Projects in Progress**

At 31 December 2009, the Group had a total of 70 projects in progress, with a total attributable contract value of HK\$39.90 billion of which the Hong Kong market accounted for 61.9%, the Mainland China market accounted for 16.6%, and markets in other areas accounted for 21.5%. The value of incomplete contracts was 24.67 billion.

Projects in progress had been smoothly undertaken in accordance with the laws of the local government and contractual requirements, offering clients services of high quality.

## **Corporate Governance**

The Group strictly complies with the laws, regulations and the Listing Rules of the Stock Exchange of Hong Kong Limited. With effective monitoring by its Board of Directors, communication with the investment community has been enhanced by the timely release of relevant information to enhance investors' knowledge and understanding about the Company and promoting the continual uplifting of the standard of corporate governance of the Company. To enhance its business operations and to secure the interest of investors, the Group set up strategic targets and established an all-round corporate governance structure, internal control, risk management and crisis management mechanisms. It also enhanced its regional operation by adjusting its strategic planning in a timely manner and enhancing its overall risk management system, in order to cope with the challenge in the market posed by the financial tsunami. It has also fully leveraged the role of the Group's cross-region Decision Committee to ensure that the Group operated in a highly effective manner.

## **Risk Management**

Faced with the global financial tsunami, the Group exercised full-scale enhancement of its risk management and developed itself to eliminate external uncertain risks. The Group was successful in capturing market opportunities, while effectively guarding itself against risks in individual markets. At the beginning of the year, a Risk Management Control Committee and a comprehensive risk control mechanism and system, at Group level, were established. From a strategic perspective, the Group accurately assessed the market conditions and adjusted its strategy in a decisive and timely manner, ensuring the effective implementation of a strategy towards major operations. Risk control in various operating segments was enhanced. Focus on safe production was emphasized and materials procurement was closely monitored. Optimizing management procedures helped to enhance management performance. All these have contributed to enhancing operational effectiveness of the enterprise and benefitted to society.

Regarding our investment business, team building, decision-making system and establishment of systems were given priority, and systems and procedures for investment decisions were set up in an organized manner, in order to maximize protection of our investments against risks.

## **Financial Management**

Our financial management, fund management and external financing have been centrally managed and controlled at our Group headquarters. In line with its principles of prudent finance, the Group had sufficient funds and has maintained very sound financial position; as at 31 December 2009, the Group had bank balances of HK\$5.76 billion and total borrowings of HK\$3.33 billion, the Group has net cash balance of HK\$2.43 billion. The Group also had sufficient committed but unutilised facilities to meet the needs for business development. A rights issue was completed on 1 September 2009, whereby HK\$1.37 billion was raised. The fund raised will be used for investing in infrastructure projects in Mainland China and working capital. On 12 August 2009, a credit line in the amount of RMB800 million for a period of three years was signed by three subsidiaries of our Group in Mainland China with the China Construction Bank Shenzhen Branch the amount of which can provide strong assurance of capital as the Group engages in investment business in Mainland China. On 14 December 2009, the Group's 中建陽泉基礎設施投資有限公司 ("China Construction Yangquan Infrastructure Investment Ltd") secured an entrusted loan of RMB1.5 billion from the Group's controlling shareholder China State Construction Engineering Corporation Limited, bearing interest at a rate which is 10 percentage points lower than the benchmark rate as stipulated by the People's Bank of China. The entrusted loan will be used for BOT investment in 山西陽泉至娘子關一級公路 ("Class 1 Highway from Yangquan to Niangziquan, Shanxi Province"). For its overseas market, the Group closely monitored the local economic development of the respective markets, and focused on avoiding market risks, currency exchange rate risks and interest rate risks.

By holding quarterly economic activity analysis and thematic session on finance, rolling amendment and evaluation on the Group's overall strategic plans, operations and system establishment are in place to ensure the healthy expansion and operation of the Group's various business segments.

## **Human Resources Management**

In 2009, the Group began to implement a new performance appraisal system and rank scheme, roughly forming a scientific and optimized 5-level rank structure. Target-oriented elements were added to the new appraisal system, to judge the working performance of staff in a scientific manner and implementing various remunerative, punitive and incentive measures to the staff on that basis, thereby ensuring motivation, initiatives and creativity among staff members.

## Capital Operation and Relevant Investment Business

The Group captured valuable opportunities arising from the RMB 4-trillion investment stimulus plan in Mainland China, by adjusting the strategy of business expansion and fostering its BT/BOT investment business. Related efforts were fully launched and breakthroughs were already been achieved.

1. On 9 April 2009, the Group and the controlling shareholder China State Construction & Engineering Corporation Limited (“CSCECL”) signed a joint venture agreement, forming a JV Company to jointly construct the 唐山市濱海大道 (“Tangshan Binhai Avenue Project”). The estimated total investment amounts to HK\$4.77 billion. The Group holds 50% equity interests in the joint venture company.
2. On 8 July 2009, the Group’s subsidiary 深圳中海建築有限公司 (“Shenzhen China Overseas Construction Limited”), the Group’s controlling shareholder CSCECL and its wholly-owned subsidiary 中建三局建設工程股份有限公司 (“China Construction Third Engineering Bureau Corp., Ltd.”) entered into the Wuhan Joint Venture Agreement, to jointly construct the Wuhan Infrastructure Project through the Wuhan Joint Venture. The project involves the reconstruction of 武咸公路 (“Wuxian Highway”) and the construction of 沙湖通道 (“Shahu Passageway”). The estimated total investment amounts to HK\$2.35 billion. The Group holds 30% equity interests in the joint venture company.
3. On 10 December 2009, 中建陽泉基礎設施投資有限公司 (“China Construction Yangquan Infrastructure Investment Ltd.”) (“CCII”), a wholly owned subsidiary of the Group, entered into an agreement with the Yangquan Government, pursuant to which the Yangquan Government has granted CCII the concession right to operate the Project in Shanxi Province, in the PRC for 30 years on a BOT basis. The total investment cost is estimated at HK\$2.09 billion.

## **Corporate Citizenship**

In addition to the pursuit of profits for its shareholders, the Group attached great emphasis to social responsibilities, customer services, environmental protection and staff welfare as components of corporate citizenship, taking to heart the traditional idea for corporate citizenship. The Group's care for the community, active participation in community affairs and charitable deeds contributed to the society and raised funds to help people in need. The Group has active participation in the charitable "Walk for a Million" in Hong Kong. As always, the Group has placed high value on construction quality, safety and environmental issues in its projects. Our efforts have been highly recognized by its clients and various other parties. The Group has extensively utilized low-consumption and eco-friendly green construction technology, played a leading role to become a good role model in the industry in terms of building a harmonious residential environment and constructing in an eco-friendly way, winning acclaims from societies and receiving numerous Outstanding Environmental Management and Performance Awards from the government. The Group also put emphasis on the localization of its regional companies, in order to build a harmonious and friendly working environment for staff members.

## **Key Awards**

In January 2009, the Group received an 《Overall Presentation Bronze Award》 in the 22<sup>nd</sup> "International Mercury Awards" in respect of the Group's Annual Report 2007.

In February 2009, the Hong Kong Council of Social Service conferred upon the Group the "Caring Company Logo 2008/09" in recognition of its commitment to corporate citizenship during the previous year.

In April 2009, the Group was conferred the 《Cover Photo/Design Gold Prize》 and 《Overall Annual Report (Honors)》 in the "International ARC Awards", the world's largest annual report competition, in respect of the Group's Annual Report 2008.

In May 2009, three sites under the Group, namely Highways Department Term Contract-Management and Maintenance of Roads in Sha Tin, Sai Kung and Islands Districts excluding high speed roads; the Improvement to Pedestrian Subway System at Kwai Fuk Road Roundabout and the Foundation for Redevelopment Tung Tau Estate Phase 9 Foundation Works were conferred 《Considerate Contractors Site Award 2008 Silver Award, Bronze Award and Merit Award》 respectively by the Development Bureau of Hong Kong. In addition, the Labour Department of Hong Kong conferred upon the project “Development at Anderson Road - Site Formation and Associated Infrastructure Works”, the 《Civil Engineering Project Bronze Award》 in the Construction Industry Safety Award Scheme 2008/2009.

In November 2009, the Board of Directors of the Company and Mr. Zhou Yong, Vice-Chairman and CEO of the Company, were both selected as an Awardee for 《Directors Of The Year Awards 2009 in the category of Listed Company (SEHK-Non-Hang Seng Index Constituents): Board of directors》 and an Awardee for 《Directors Of The Year Awards 2009 in the category of Listed Company (SEHK-Non-Hang Seng Index Constituents): Executive directors》 respectively by The Hong Kong Institute of Directors, representing the community’s recognition of the attainment of corporate governance practices of the Company.

In November 2009, the Company was awarded the 《HKQAA-HSBC CSR Index Advocate Mark》 conferred by the HKQAA, attaining the highest marks among peers in the construction industry, exemplifying the Company’s outstanding performance in terms of its continual enhancement of its corporate social responsibility and the sustainable development.

In December 2009, ENCORE at Wynn Macau and 青洲社會房屋綜合體建造工程 — B及C大樓的承攬工程 under China Construction Engineering (Macau) Company Limited were awarded 《Gold and Silver Awards under the Construction Industry Safety Award Scheme》 as jointly conferred by various Macau governmental departments including Labour Affairs Bureau and Land Public Works and Transport Bureau of Macau.

In December 2009, various awards including 《New Works Category - Outstanding Contractors (Building) Gold Award》 were conferred by Hong Kong Housing Authority and various construction industry organizations.



## **BUSINESS PROSPECTS**

“Recovery” will be a keyword for the global economy in 2010, but most developed economies are still lacking momentum in achieving their recovery. If the major economies implement their “exit strategies” in a badly-timed or uncoordinated manner, the progress of recovery may be restrained and negative impacts are likely to be seen internationally, which would possibly trigger strong fluctuations in the global economy and the global market as a whole.

### **Market Conditions**

With the improvement in the external economic conditions and export and internal consumption returning to previous levels, signs of economic recovery have already begin to appear in Hong Kong. Apart from the ten local infrastructure projects, the expansion of Disneyland Hong Kong, the construction of the Central-Wan Chai Bypass, Phase 2 of Wan Chai Reclamation are all also under preparation. It is believed that the recovery of the local construction industry will provide momentum for the recovery of Hong Kong’s economy and will also bring forth opportunities for the further consolidation and enhancement of the Group’s construction business in Hong Kong.

The Macau economy is highly reliant upon external factors and it is anticipated that adjustments as part of the impact of the financial crisis, will continue in 2010. Recognizing the benefit from the gradual improvement of the global economy, large-scale gambling-related projects, as well as some government projects and private-investment projects, may commence or resume, thereby driving growth in the sector of private investment in the territory. Meanwhile, with the Central Government’s approval of the development proposal of Hengqin, Zhuhai, together with the upcoming commencement of the Hong Kong-Zhuhai-Macau Bridge, it is expected that these will bring more opportunities to the Group’s construction business in Macau.

With the burst of the bubble in Dubai’s property market, together with the outbreak of the Dubai World incident as well as the impacts that followed, it is anticipated that the overall economy of Dubai will not show signs of any improvement until the third quarter of 2010 and however, a recovery of its construction and property markets is expected to take even longer. In comparison, healthier development is seen in the market of Abu Dhabi, where the construction market is still booming and the demand for construction is still relatively large.

In India, the GNP is expected to grow at a rate of more than 7% in 2010 and is poised to become one of the major economies that will drive the recovery of Asian economies. In the eleventh five-year plan of India, the investment amount for construction business is in excess of USD300 billion, among which 65% will be on infrastructure investment. Due to the intensive market competition, protectionism appears to be emerging in India's construction industry. This together with the extremely complicated tax system is weakening the competitiveness of foreign-investment companies in India.

Mainland China continues to benefit from the government's strenuous RMB4 trillion stimulating measures, expansionary fiscal policy and its moderately-loose monetary policy. China's economy is poised to grow rapidly in 2010. However, it will take time for the full-scale recovery of export and consumption, with the gradually obvious structural problems with in the country's economy. In view of the possible asset bubble, risks associated with the financial system and the return of inflation as a result of the implementation of a loose monetary policy, the state has launched an austerity measure primarily to tighten credit, and further measures may also be adopted. Accordingly, 2010 will be a year full of challenges.

### **Operations Strategies**

The Group will adhere to its development strategy of **“Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success”** to actively act in response to the complicated economic development from both domestic and international perspective. It will work hard towards its pre-determined goal, grasp opportunities and mitigate uncertain risks in pursuit of an enhanced management and protection standard, an enhanced brand value and market competitiveness, to ensure the sustainable and healthy development of its overall operations.

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

In respect of Mainland China, the Group will continue its great development trend to bring its international and national management capability and advantage in full play. As China State Construction & Engineering Corporation Limited's a major platform for the BOT and operational investment in Mainland China, the Group will take full advantage of the opportunity brought by the country's RMB4 trillion investment, to focus on its investments in Mainland China's infrastructure construction, namely the BT and BOT projects, endeavoring to establish its investment business as a strong cornerstone for driving the sustainable growth in the Group's operating results. Meanwhile, the Group will continue to actively explore the feasibility of further acquisition of infrastructure projects located in Mainland China from its parent company, in search of new engines for the Group's profit growth in order to enhance the Group's core competitiveness. As regards its construction business, the Group adheres to its principle of positive-profit-making, targeting clients which are foreign-investment developers with strong foundation, and will prudently proceed with its business transformation towards a mode whereby investment construction in BT projects and those projects with foreign investments will become a leader in driving overall construction business.

For its overseas business, the Group will focus on positive-profit-making and seek to progress in a prudent manner. The focus of expansion will be on EPC projects which utilize funding from the PRC government. In Dubai, in the UAE, care will be taken in undertaking new projects to guard the Group against payment risks. The Group will be continue to be proactive towards settling outstanding financial issues in respect of those construction projects currently in progress and those completed projects. At the same time, the Group will uphold the principle of "selective tendering" in the Indian market.

## **Operation Management**

The Group has been engaged in the construction business for more than 30 years, and has developed five major competitive strengths and core competitiveness with high regard on the promotion of the "5+3" project management model to actively refine its management of projects. The Group will replicate its proven "5+3" project management model from Hong Kong market to other regions, making adjustments to accord with local requirements, reducing the variation on quality arising from management differences and hence efficiently increase the overall profitability and the ability of countering risks to the Group.

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

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

### **Risk Management**

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

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

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

## **Financial Management**

Financial management is continuously strengthened to further improve our capability in protecting the Group's financial resources, strengthen the Group's management and supervision of its cashflow, and actively promote efforts to raise funds for effectively supporting our business expansion. Rolling evaluation on the Group's overall operations is made via ongoing quarterly operation analysis meetings and thematic sessions on finance, to ensure the steady growth of business. Under the current situation, efforts will be stepped up to cut costs and explore other income sources, in order to reduce fixed costs by various means and optimize the deployment of financial resources. At the same time, cash inflow will be accelerated to secure the safety of capital fund for the Group. Active efforts will also be made continuously to promote the use of its BI system aimed at strengthening the flow of project and operating information and actively controlling cost, and optimizing cash flow, so as to improve the Group's overall operation efficiency and risk management capability.

## **Human Resources Management**

The Group firmly believes that human capital is its most important asset and that human resources are an important assurance to maintain its core competitiveness. The Group has long been regarding "the formulation of an international team of talents with fine strengths and high efficiency under a clear and reasonably-established structure" as an important element for securing the sustainable development of its business. Under the new situation, the Group will develop its human resources policy and human resources, channeling it towards its infrastructure investment business in Mainland China. The Group will further improve and optimize its advanced human resources management structure, and formulate a talented team which practically suits the trend of its business development, so as to secure a pool of talent for the Group's expansion of its business operations.

## **COMPANY MISSION**

With an assertion on using talents well and further enhancing the standard of corporate governance, the Group continues to make innovations and reinforce its core competitiveness to achieve a harmonious and win-win operating environment for the products, customers, shareholders and staff.

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

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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

## **CORPORATE GOVERNANCE**

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

## **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 2009.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2009 as set out in the Preliminary Announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **APPRECIATION**

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

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

Hong Kong, 17 March 2010

*As at the date of this announcement, the Board comprises Mr. Kong Qingping (Chairman and Non-executive Director), Mr. Zhou Yong (Vice-chairman and Chief Executive Officer), Mr. Yip Chung Nam (Executive Director), Mr. Zhang Yifeng (Executive Director), Mr. Cheong Chit Sun (Executive Director), Mr. Zhou Hancheng (Executive Director), Dr. Raymond Ho Chung Tai (Independent Non-executive Director), Mr. Adrian David Li Man Kiu (Independent Non-executive Director), Dr. Raymond Leung Hai Ming (Independent Non-executive Director) and Mr. Lee Shing See (Independent Non-executive Director).*