

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**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 2011**

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>2011</b>	2010	Change %
<b>RESULTS (HK\$'000)</b>			
Revenue			
- Group revenue	<b>16,379,311</b>	11,982,871	36.7
- Share of revenue of jointly controlled entities	<b>2,202,768</b>	1,983,966	11.0
	<b>18,582,079</b>	<u>13,966,837</u>	33.0
Gross profit	<b>1,798,184</b>	1,315,854	36.7
Gross profit margin	<b>10.98%</b>	10.98%	0.0
Profit attributable to owners of the Company	<b>1,507,405</b>	1,036,278	45.5
<b>FINANCIAL INFORMATION PER SHARE</b>			
Earnings - basic (HK cents)	<b>44.22</b>	(note) 33.62	31.5
Proposed final and interim paid dividends for the year (HK cents)	<b>13.00</b>	11.00	18.2
Net assets (HK\$)	<b>2.65</b>	1.55	71.0
<b>PROPOSED FINAL DIVIDEND</b>			
The Board recommends the payment of a final dividend of HK7.00 cents.			
note: The calculation of basic earnings per share for the year ended 31 December 2011 has accounted for the bonus element of rights issue which was effective from 16 May 2011. The weighted average number of ordinary shares of 2010 has been retrospectively adjusted to reflect the bonus element of rights issue.			

## China State Construction International Holdings Limited

The board of directors (the “Board”) of China State Construction International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011. The Group’s audited profit attributable to the owners of the Company for the year ended 31 December 2011 was HK\$1,507 million, representing an increase of 45.5% as compared to last year while basic earnings per share increased by 31.5% to HK44.22 cents.

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK\$'000	2010 HK\$'000
Group revenue	3	16,379,311	11,982,871
Share of revenue of jointly controlled entities	3	2,202,768	1,983,966
		<b>18,582,079</b>	<b>13,966,837</b>
Group revenue	3	16,379,311	11,982,871
Costs of sales		(14,581,127)	(10,667,017)
Gross profit		1,798,184	1,315,854
Investment income	5	316,296	85,580
Other income		85,705	83,623
Gain on fair value changes of investment in convertible bonds		20,314	19,686
Administrative expenses		(538,680)	(466,766)
Distribution and selling expenses		(15,523)	(4,736)
Other expenses		(22,954)	(26,386)
Share of profits of associates		13,702	20,419
Share of profits of jointly controlled entities		379,947	321,745
Finance costs	6	(192,690)	(15,552)
Profit before tax		1,844,301	1,333,467
Income tax expense	7	(334,122)	(213,218)
Profit for the year	8	1,510,179	1,120,249
Attributable to :			
Owners of the Company		1,507,405	1,036,278
Non-controlling interests		2,774	83,971
		<b>1,510,179</b>	<b>1,120,249</b>
			(restated)
Earnings per share (HK cents)	10		
Basic		44.22	33.62
Diluted		43.45	32.74

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December 2011**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Profit for the year	<b>1,510,179</b>	1,120,249
Other comprehensive income		
Exchange differences arising on translation of foreign operations	<b>254,118</b>	93,789
Loss on fair value changes of available-for-sale investments	<b>(11,777)</b>	(9,265)
Other comprehensive income for the year	<b>242,341</b>	84,524
Total comprehensive income for the year	<b>1,752,520</b>	1,204,773
Total comprehensive income attributable to :		
Owners of the Company	<b>1,749,746</b>	1,112,594
Non-controlling interests	<b>2,774</b>	92,179
	<b>1,752,520</b>	1,204,773

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2011**

	Notes	2011 HK\$'000	2010 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment		1,870,033	1,454,445
Investment properties		41,063	42,038
Interests in infrastructure project investments		673,224	673,575
Trade receivables	11	919,473	-
Prepaid lease payments		180,197	172,258
Interests in associates		29,237	34,552
Interests in jointly controlled entities		2,589,828	2,350,893
Intangible asset		9,950	9,950
Concession operating rights		4,926,465	4,046,058
Available-for-sale investments		490,842	396,953
Investment in convertible bonds		240,000	219,686
Amounts due from investee companies		356,085	362,247
		<b>12,326,397</b>	<b>9,762,655</b>
<b>Current Assets</b>			
Interests in infrastructure project investments		23,490	19,244
Prepaid lease payments		4,781	4,236
Inventories		149,559	117,711
Properties held for sale		158,608	8,130
Amounts due from customers for contract work		2,937,900	194,281
Trade and other receivables	11	4,736,191	4,163,430
Deposits and prepayments		234,679	282,947
Amounts due from jointly controlled entities		185,237	220,567
Amounts due from fellow subsidiaries		423,284	148,096
Amount due from intermediate holding company		72,159	17,863
Amount due from a related company		10,990	-
Tax recoverable		6,217	4,099
Pledged bank deposits		4,992	6,420
Deposits with financial institutions		848	1,639
Bank balances and cash		5,457,812	3,728,104
		<b>14,406,747</b>	<b>8,916,767</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (Continued)

At 31 December 2011

	Notes	2011 HK\$'000	2010 HK\$'000
<b>Current Liabilities</b>			
Amounts due to customers for contract work		1,282,035	692,965
Trade and other payables	12	5,175,888	4,116,911
Deposits received and receipt in advance		699,874	688,845
Amounts due to jointly controlled entities		501,666	326,041
Amounts due to fellow subsidiaries		1,398,076	958,600
Amount due to immediate holding company		208,218	157,000
Amount due to intermediate holding company		676,461	1,130,294
Amount due to an associate		6,125	49,245
Amount due to a related company		16,851	-
Tax liabilities		313,787	112,362
Borrowings	13	357,716	-
Loan from intermediate holding company		940,151	-
		<b>11,576,848</b>	<b>8,232,263</b>
<b>Net Current Assets</b>		<b>2,829,899</b>	<b>684,504</b>
<b>Total Assets less Current Liabilities</b>		<b>15,156,296</b>	<b>10,447,159</b>
<b>Capital and Reserves</b>			
Share capital		89,668	74,486
Share premium and reserves		9,400,684	4,544,964
Equity attributable to owners of the Company		9,490,352	4,619,450
Non-controlling interests		6,724	3,950
		<b>9,497,076</b>	<b>4,623,400</b>
<b>Non-current Liabilities</b>			
Deferred income		421,938	244,047
Deferred tax liabilities		276,014	228,813
Borrowings	13	4,961,268	2,880,362
Loans from intermediate holding company		-	2,470,537
		<b>5,659,220</b>	<b>5,823,759</b>
		<b>15,156,296</b>	<b>10,447,159</b>

**Notes:**

**1. Basis of Preparation of Consolidated Financial Statements**

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

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

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

## **2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)**

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) - Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/ or on the disclosures set out in these consolidated financial statements.

*New and Revised HKFRSs issued but not yet effective*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>6</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HKFRS 10	Consolidated Financial Statements <sup>4</sup>
HKFRS 11	Joint Arrangements <sup>4</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>4</sup>
HKFRS 13	Fair Value Measurement <sup>4</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>3</sup>
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets <sup>2</sup>
HKAS 19 (Revised 2011)	Employee Benefits <sup>4</sup>
HKAS 27 (Revised 2011)	Separate Financial Statements <sup>4</sup>
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>4</sup>
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial liabilities <sup>5</sup>
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>4</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2015



### 3. Group Revenue and Share of Revenue of Jointly Controlled Entities

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

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

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

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Revenue from construction contracts	<b>14,431,313</b>	8,262,808
Revenue from construction contracts under service concession arrangements	<b>748,750</b>	2,864,791
Revenue from project management service income	<b>228,640</b>	216,882
Revenue from supply of heat and electricity	<b>439,070</b>	383,521
Revenue from provision of connection services	<b>15,866</b>	9,866
Revenue from infrastructure project investments	<b>132,734</b>	93,325
Toll revenue	<b>26,695</b>	-
Sales of precast structures, building materials and asphalts	<b>252,289</b>	122,512
Others	<b>103,954</b>	29,166
Group revenue	<b>16,379,311</b>	11,982,871
Share of revenue of jointly controlled entities	<b>2,202,768</b>	1,983,966
	<b>18,582,079</b>	13,966,837

Others mainly comprises revenue from machinery leasing and insurance contracts.

**4. Segment Information**

The Group is currently organised into four divisions based on geographical location where the products are delivered, services are provided and the construction works are carried out - Hong Kong, Regions in the PRC (other than Hong Kong and Macau), Macau and Overseas (including United Arab Emirates("UAE") and India). The information provided to the chief operating decision maker (i.e. the Company's Board of directors) are on the basis of these divisions.

Segment revenue, gross profit (loss) and results for the years ended 31 December 2011 and 2010 for the four operating and reportable segments of the Group are as follows:

	<u>Segment revenue</u>		<u>Gross profit (loss)</u>		<u>Segment result</u>	
	<b>2011</b>	2010	<b>2011</b>	2010	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Operating and reportable segment						
Hong Kong	<b>8,707,677</b>	6,236,555	<b>637,389</b>	395,184	<b>522,002</b>	292,524
Regions in the PRC	<b>7,547,348</b>	4,825,313	<b>1,209,908</b>	919,943	<b>1,124,244</b>	833,709
Macau	<b>243,086</b>	82,986	<b>71,188</b>	25,791	<b>224,480</b>	42,921
Overseas	<b>(118,800)</b>	838,017	<b>(120,301)</b>	(25,064)	<b>(94,692)</b>	(55,704)
Consolidated total	<b>16,379,311</b>	11,982,871	<b>1,798,184</b>	1,315,854	<b>1,776,034</b>	1,113,450
Unallocated corporate expenses					<b>(167,285)</b>	(163,328)
Non-recurring investment income and other income					<b>14,279</b>	37,047
Share of profits of associates					<b>13,702</b>	20,419
Share of profits of jointly controlled entities					<b>379,947</b>	321,745
Gain on fair value changes of investment in convertible bonds					<b>20,314</b>	19,686
Finance costs					<b>(192,690)</b>	(15,552)
Profit before tax					<b>1,844,301</b>	1,333,467

**4. Segment Information (continued)**

**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.

Operating and reportable segment result represents the profit (loss) earned or incurred by each segment excluding certain non-recurring investment income and other income, finance costs, share of profits of associates, share of profits of jointly controlled entities, gain on fair value changes of investment in convertible bonds and unallocated corporate expenses. This is the measurement basis reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

**Revenue from major business**

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

**Other geographical information**

	<u>Non-current assets</u>		<u>Addition to property, plant and equipment</u>	
	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000
Hong Kong	<b>286,207</b>	209,645	<b>138,686</b>	179,297
Regions in the PRC	<b>6,574,924</b>	5,425,120	<b>295,125</b>	241,536
Macau	<b>136,055</b>	51,198	<b>88,296</b>	2,899
Overseas	<b>30,522</b>	38,786	<b>93</b>	4,151
	<b>7,027,708</b>	5,724,749	<b>522,200</b>	427,883

**4. Segment Information (continued)**

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

**Segment assets and liabilities**

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

**Major customers information**

Revenue from two (2010: two) customers in Hong Kong operating and reportable segment amounted to approximately HK\$3,429,000,000 and HK\$2,090,000,000 (2010: HK\$3,040,000,000 and HK\$1,224,000,000), which individually represent more than 10 per cent of the Group's total revenue.

**5. Investment Income**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Interest income on:		
Bank deposits	<b>54,277</b>	26,511
Debt securities	<b>5,154</b>	4,117
Imputed interest on amounts due from investee companies	<b>45,124</b>	10,115
Loan receivables	<b>24,975</b>	6,942
Trade receivables	<b>44,885</b>	-
	<b>174,415</b>	47,685
Dividend income from listed available-for-sale investments	<b>1,754</b>	1,654
Dividend income from unlisted available-for-sale investments	<b>139,660</b>	34,951
Others	<b>467</b>	1,290
	<b>316,296</b>	85,580

**6. Finance Costs**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans wholly repayable within five years	<b>60,315</b>	10,633
Interest on bank loan not wholly repayable within five years	<b>123,440</b>	95,753
Interest on other loans wholly repayable within five years	-	107
Interest on loans from intermediate holding company	<b>85,166</b>	99,995
Other financial expenses	<b>8,935</b>	3,220
Total finance cost	<b>277,856</b>	209,708
Less: Amounts capitalised in concession operating rights	<b>(85,166)</b>	(194,156)
	<b>192,690</b>	15,552

**7. Income Tax Expense**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Current tax:		
Hong Kong	<b>41,165</b>	32,499
Other jurisdictions	<b>278,189</b>	40,739
PRC withholding tax	<b>1,974</b>	6,547
	<b>321,328</b>	79,785
(Over) underprovision in prior years:		
Hong Kong	<b>(32,946)</b>	(2,830)
Other jurisdictions	<b>5,512</b>	(4,550)
	<b>(27,434)</b>	(7,380)
Deferred tax:		
Current year	<b>40,228</b>	140,813
Income tax expense for the year	<b>334,122</b>	213,218

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

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 withheld by the PRC entity. Deferred tax of HK\$24,851,000 (2010: HK\$17,004,000) on the undistributed earnings has been charged to the consolidated income statement for the year.

**8. Profit for the Year**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>157,112</b>	133,176
Less: Amounts included in contracts in progress costs	<b>(73,253)</b>	(56,517)
	<b>83,859</b>	76,659
Gross rental income from investment properties	<b>(9,241)</b>	(14,610)
Less: Direct expenses from investment properties that generated rental income during the year	<b>1,486</b>	1,177
	<b>(7,755)</b>	(13,433)
Employee benefits expense including director's emoluments:		
Staff costs	<b>1,320,287</b>	1,051,553
Contributions to retirement benefit plans	<b>41,281</b>	32,506
Equity-settled share-based payments	<b>-</b>	362
Less: Amounts included in contracts in progress costs	<b>(790,201)</b>	(625,470)
	<b>571,367</b>	458,951
Depreciation of investment properties	<b>1,058</b>	1,052
Amortisation of prepaid lease payments	<b>4,674</b>	3,516

**9. Dividends**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Dividends recognised as distributions during the year:		
2010 Final, paid – HK6.00 cents (2010: 2009 Final HK3.50 cents) per share	<b>215,177</b>	103,570
2011 Interim, paid – HK6.00 cents (2010: 2010 Interim HK5.00 cents) per share	<b>215,205</b>	147,991
	<b>430,382</b>	251,561

The final dividend of HK7.00 cents (2010: HK6.00 cents) per share amounting to HK\$251,072,000 (2010: HK\$215,177,000) in aggregate, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

**10. Earnings Per Share**

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

**Earnings**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b>1,507,405</b>	1,036,278
<b>Number of shares</b>		
	<b>2011</b>	2010
	<b>'000</b>	'000
		(restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>3,408,962</b>	3,081,999
Effect of dilutive potential ordinary shares in respect of share options	<b>60,047</b>	83,509
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>3,469,009</b>	3,165,508

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for the year ended 31 December 2011 has accounted for the bonus element of the right issue which was completed on 16 May 2011. The basic and diluted earnings per share for the corresponding year of 2010 have been retrospectively adjusted to reflect the bonus element of the rights issue.

**11. Trade and Other Receivables**

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

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Trade receivables, aged:		
0-30 days	<b>2,834,776</b>	1,893,809
31-90 days	<b>456,701</b>	312,869
Over 90 days	<b>583,459</b>	454,551
	<b>3,874,936</b>	2,661,229
Retention receivables	<b>1,350,703</b>	1,014,650
Other receivables	<b>430,025</b>	487,551
Trade and other receivables	<b>5,655,664</b>	4,163,430
Portion classified as current assets	<b>(4,736,191)</b>	(4,163,430)
	<b>919,473</b>	-

Note:

(a) Included in trade receivables as at year ended 31 December 2011 are receivables of HK\$919,473,000 which arose from certain affordable housing construction projects in the PRC which are unsecured, interest bearing at 130% of the prevailing interest rate of the People's Bank of China per annum and repayable in 2013. Therefore, the balances are classified as non-current assets.



(b) Included in other receivables is a loan receivable of HK\$309,706,000 (2010: HK\$352,568,000) advance to an independent third party in 2011. The balance is secured by a bank guarantee (2010: a bank guarantee), carried interest at prevailing interest rate of the People's Bank of China plus 1% per annum (2010: prevailing interest rate of the People's Bank of China plus 1% per annum) and fully repayable in April 2012 (2010: October 2011). The effective interest rate at 31 December 2011 is 7.45% (2010: 6.85%) per annum.

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 (2010: 90 days) to its trade customers and the retention receivables are repayable approximately one year after the expiry of defect liability period of construction projects.

## 12. Trade and Other Payables

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

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Trade and other payables, aged:		
0-30 days	<b>3,055,107</b>	1,834,841
31-90 days	<b>755,182</b>	994,004
Over 90 days	<b>270,961</b>	427,148
	<b>4,081,250</b>	3,255,993
Retention payables	<b>1,094,638</b>	860,918
	<b>5,175,888</b>	4,116,911

The average credit period on trade and construction cost payables is 60 days (2010: 60 days).

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

**13. Borrowings**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Bank loans, secured	<b>1,973,603</b>	1,880,362
Bank loans, unsecured	<b>3,345,381</b>	1,000,000
	<b>5,318,984</b>	2,880,362
Carrying amount repayable:		
Within one year	<b>357,716</b>	-
More than one year but not exceeding two years	<b>24,670</b>	11,752
More than two years but not more than five years	<b>3,172,690</b>	1,129,275
More than five years	<b>1,763,908</b>	1,739,335
	<b>5,318,984</b>	2,880,362
Less: Amount due within one year shown under current liabilities	<b>(357,716)</b>	-
Amount due after one year	<b>4,961,268</b>	2,880,362

The Group's bank loans are denominated in Hong Kong Dollars and Renminbi, all of which are functional currencies of the relevant group entities.

**14. Event after the Reporting Period**

On 2 February 2012, Add Treasure Holdings Limited ("Add Treasure"), a wholly owned subsidiary of the Company, entered into a subscription agreement with Far East Global Group Limited ("FEG") which is a public limited company incorporated in Cayman Islands and its shares are listed on the Hong Kong Stock Exchange. Add Treasure will subscribe for 1,038,550,000 new shares of FEG at a consideration of HK\$0.62 per share in cash (the "Subscription"). After the subscription, the Group will increase its interest in FEG from 9.3% to 51%. At 31 December 2011, the Group held 103,920,000 shares of the issued share capital of FEG, representing 9.3% interest in the issued share capital of FEG.

The Subscription was completed on 28 February 2012 and FEG became a subsidiary of the Company. The financial impact and disclosures required for the fair value of each major class of assets acquired and liabilities assumed as of the acquisition date cannot be estimated in details because the initial accounting for the business combination, for example, valuation of assets acquired and liabilities assumed, is incomplete at the time the consolidated financial statements are authorised for issue. Details of the subscription were included in the joint announcement of the Company and FEG dated 2 February 2012, 28 February 2012 and 2 March 2012.

On 2 March 2012, Deutsche Bank, financial adviser to the Company, on behalf of Add Treasure, made a mandatory unconditional cash offer (the “Offer”) for all the issued shares in FEG, other than those already held by the Company and Add Treasure, acting in concert with it (“Offer Share”), on the basis of HK\$1.18 in cash for each Offer Share; and for the cancellation of all outstanding share options granted by FEG (the “Offer Option”), on the basis of HK\$0.66 and HK\$0.53 in cash for each Offer Option with the exercise price with HK\$0.52 and HK\$0.65, respectively. The Offer will close on 23 March 2012 and will not be extended.

## **FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of HK7.00 cents (2010: HK6.00 cents) per share to the shareholders whose names appear on the register of members of the Company on 4 June 2012. Subject to the shareholders’ approval of the proposed final dividend at the annual general meeting to be held on 28 May 2012, dividend warrants will be despatched on or about 12 June 2012.

## **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. Details of such closures are set out below:

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

Latest time to lodge transfer documents for registration	4:00 pm on Wednesday, 23 May 2012
Closure of register of members	Thursday, 24 May 2012 to Monday, 28 May 2012 (both days inclusive)
Record date	Monday, 28 May 2012

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

Latest time to lodge transfer documents for registration	4:00 pm on Thursday, 31 May 2012
Closure of register of members	Friday, 1 June 2012 to Monday, 4 June 2012 (both days inclusive)
Record date	Monday, 4 June 2012

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

## **REVIEW OF OPERATION**

In 2011, domestic and international economic situation have become extremely complex. The weak recovery of the U.S. economy alongside the spread of European sovereign debt crisis, political instability in key regions, economic overheating and rising inflation in emerging markets, natural disasters and drastic financial market adjustment have all created great impact on world economy, triggering volatility in the global economy. Adhering to the principle of “Cool Response, Self-strengthening, Innovative Adjustment and Steady Operation”, the Group grasped the opportunities to ensure sound development in response to the changing situations, which achieved significant results in the dual-core business of infrastructure investment and construction and substantial growth in business scale and operation efficiency.

### **Market Conditions**

The Hong Kong and Macau construction market remained buoyant. The tightening macroeconomic regulation and control and monetary policy resulted in economy slowdown in Mainland China. Given the market changes brought about by Mainland China’s macroeconomic regulation and control, the Group made timely adjustment to its business strategy and successfully resolved the main risks inflicted by the external economic and market environment, thereby achieving sustainable and healthy development of the construction investment business.

**1. Hong Kong and Macau Regions**

As the “Ten Mega Infrastructure Projects” are propelling in thorough progress, the private construction market is also on the upswing, adding steam to Hong Kong’s construction market. In view of the increasing labor and material costs for the construction industry, a greater number of large and complex projects and more fierce competition in the industry, the Group actively grasped the market development trend and placed tender risk control as its first priority while focusing on the building construction and foundation engineering markets and controlling the expansion efforts in civil engineering business. Through meticulous planning and by seizing the opportunity, our Hong Kong and Macau housing development performed better than our expectation. In 2011, new contracts for construction business in Hong Kong and Macau continued to exceed HK\$10 billion during the year, which further consolidates the Group’s leading market position in Hong Kong and Macau.

Macau’s gaming revenue has been increasing during recent years. The increase in public projects launched in Macau has driven up private investment. The Macau subsidiaries captured the “Golden Five Years” opportunity in Macau and participated in vigorous competition in the market, which achieved great success in its business development through the synergy effect between Hong Kong and Macau.

**2. Mainland China Market**

In 2011, the Group’s infrastructure investment grasped the opportunities to invest in affordable housing in Mainland China, securing sizeable affordable housing projects in Chongqing, Zhangzhou, Wuxi, Hangzhou respectively, with its investment in new projects in the Mainland China amounting to HK\$21.1 billion, achieving its business expansion goal of 3-million-sq.m. affordable housing for the year. As for infrastructure development, two large investment projects, namely Shanxi Wuyu Expressway and 307 Double-track Highway, had been successfully finalised on schedule. Yangquan Yangwu Expressway BOT Project officially commenced operation on 8 May 2011. Tangshan Binhai Avenue BT Project has become operational and will be repurchased, whilst Wuhan Shahu Passageway and Wuxian Highway BT Project have entered the repurchase stage.

The stable growth of the infrastructure construction business in Mainland China provides promising cash flow and profit growth. The toll revenue and profit for Nanjing Changjiang Second Bridge has reached a new high in 2011. Being one of the largest heat suppliers in Shenyang by heat supply area, Shenyang Huanggu Thermoelectricity Company Limited provides quality services that are highly recognised and well-received by municipal and district government authorities and the general public. The Group's project consultancy business in the Mainland China continued to implement a strategy of "Big Market, Big Client, Big Project", enhancing the quality in bidding for site supervision contracts, under which different projects were propelling moderately.

### **3. Overseas Market**

In 2011, the Indian economy showed moderate recovery. The Group closely monitored the Indian market, searched for sound joint-venture partners, studied and explored the feasibility of infrastructure investment in the Indian market. The real estate and construction market of the United Arab Emirates ("UAE") remained sluggish, and the Group ceased to undertake new projects in the UAE market since 2008. The Group continued to concentrate on progress payment and commercial management of the projects in progress.

#### **Completed Projects during the Year**

In 2011, the Group completed 28 projects.

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

The Group secured 37 new projects in 2011, with an aggregated attributable contract value of HK\$30.28 billion of which the Hong Kong market accounted for 18.9%, Mainland China market accounted for 65.4% and Macau markets accounted for 15.7%.

10 new contracts were awarded after the reporting date with a total attributable contract value of about HK\$6.16 billion.

### **Projects in Progress**

At 31 December 2011, the Group had a total of 90 projects in progress, with an aggregated attributable contract value of HK\$73.95 billion. The attributable contract value of incomplete projects was HK\$48.92 billion.

### **Corporate Governance**

The Group strictly complies with the laws, regulations and the Listing Rules of The Stock Exchange of Hong Kong. With effective monitoring by the Board of Directors, and enhanced communication with the investment community, relevant information was released timely to enhance investors' knowledge and understanding about the Company and hence promoted the continual uplifting standard of corporate governance. The Group has established an all-round corporate governance structure, internal control, risk management and crisis management mechanisms, continued to improve corporate governance and standardise operation. It also adjusted its strategic planning in a timely manner in order to cope with the complication market conditions. The function and role of each dedicated decision-making team have been enhanced and the regionalisation of business units and specialisation of management capabilities were strengthened to improve management efficiency.



## **Risk Management**

The special management team continued to enhance and carry out full-scale monitoring and controlling of risks; persisted in centralisation of financial and capital management; continued to centralise the management of bulk procurement and deployment of materials and equipment for construction projects and to adopt the “Examination by Three Departments” mechanism, and emphasised the balance between control and efficiency. Effectively building a linkage mechanism on risk management between the Group, relevant operating units and projects, the Group created a risk management system to deal with procedures such as risk identification, alert, prevention and disposition. The Group holds regular quarterly meetings for every operating unit, fully implement the mechanism of centralised decision making in regular meetings of general managers and the “Three Centralisation” management models, enhancing the headquarters’ management function in terms of human resources, financial resources and material resources and increasing the Group’s ability in risk management on construction and investment projects. As for overseas market, the Group has been keeping its eyes on the market trend, focusing on avoiding market risk as well as currency exchange and interest rate risk.

## **Financial Management**

The Group’s financial management, fund management and external financing have been centrally managed and controlled at the headquarters. In line with its principles of prudent finance, as at 31 December 2011, the Group had bank balances of HK\$5.46 billion and total borrowings of HK\$6.26 billion, and a net gearing ratio of 8.4%. The Group had sufficient liquidity, and was in a sound financial position. The Group also had sufficient committed but unutilised borrowing facilities of HK\$3.70 billion to meet the need of the Group’s business development.

By holding half-yearly economic activity analysis meetings and thematic sessions on finance, rolling amendment and evaluation on the Group's overall strategic plans, operations and system establishment are in place to ensure healthy expansion and operation of the Group's various business segments. The Group fully utilised the regional platform of Hong Kong, Macau and Mainland China to raise and manage capital, enhanced the synergy between the headquarters and the subsidiaries in investment and financing, and raised the level of financial management through the strengthening of cost management, the emphasis of financial planning and stressing on the time value of funds, effectively supporting the development of business operation.

### **Human Resources Management**

The Group has launched a new performance appraisal system and staff ranking system, increased efforts in salary and benefits reform, improved the remuneration system and created a more market-based remuneration system. It further implemented the construction site contract responsibility system and examined the practicability of the investment project contract responsibility system. Through campus recruitment and personnel nomination incentive scheme, the Group actively engaged in recruitment, further improved the internal talent training and promotion mechanism, enhanced the effort in the transfer of talents from Hong Kong construction to Mainland China investments and strengthened the protection of human resources.

### **Equity Funding**

Riding on the favorable capital market conditions in 2011, the Group undertook equity financing by completing its capital raising through Rights Issue in mid of May 2011, raising a total of HK\$3,584 million. The Rights Issue arrangement effectively enhanced the capital base of the Company, optimised the overall financial structure and secured a strong financial position for the Group to commence affordable housing and infrastructure investment business in Mainland China.

On 2 February 2012, the Group made an announcement on the Hong Kong Stock Exchange in respect of the proposed acquisition up to 51.0% shareholding of Far East Global Group Limited, a listed company in Hong Kong by subscribing for newly issued shares for a consideration of approximately HK\$640 million. The acquisition will effectively enhance the diversification of the Group's related business and obtained synergies from both parties.

### **Corporate Citizenship**

The Group cared for the community, actively participated in community affairs and charitable deeds, contributed to the society and raised funds to help people in need. Owing to the effectiveness of the Group's innovative safety management reward system, the accident incident rate dropped to a new low, making the Group a leader in the industry. The Group has extensively utilised energy saving, low carbon emission and environmental-friendly construction technologies, building up a harmony living environment, playing a leading role and setting a good example for the industry. The Group also put high emphasis on the localisation of its regional companies, in order to build a friendly and harmonious working environment for its staff members. The Group's outstanding performance in persistent fulfillment of social responsibility has been recognised by the capital markets and was selected as a constituent of Hang Seng Corporate Sustainability Benchmark Index in September 2011.

## **Key Awards**

The Group has received a number of important awards in 2011, of which the Construction of Shopping Centre at Yau Tong Estate Redevelopment Phase 4 received the Building Sites (Public Contract) Gold Award in the “Construction Industry Safety Award Scheme 2010-2011” organised by the Labour Department of Hong Kong; the Decking of Jordan Valley Nullah in Kwun Tong Flower Market Road Nullah in Mong Kok and Tonkin Street Nullah in Sham Shui Po were honoured with the Considerate Contractors Site Award-Gold Award and the Outstanding Environmental Management & Performance Award-Gold Award in the “Considerate Contractors Site Award Scheme 2010” organised by the Development Bureau of Hong Kong; the Construction at Kai Tak Site 1A was honoured with the “Best Safety Culture Site – Gold Award” in the “Construction Safety and Health Promotional Campaign in 2011” organised by the Occupational Safety and Health Council. In particular, the Group has been honoured with the “Outstanding Contractor Gold Award (Building)” by the Hong Kong Housing Authority for three years in a row, which further promotes to the Group’s corporate image and brand building.

## **BUSINESS PROSPECTS**

In 2012, the global economic situation will be more complicated and grim. Affected by the slow recovery of developed economies, the sovereign debt crisis of the euro zone, slowdown in economic growth in emerging countries, volatility in capital market and the escalation of tensions in the Middle East, the global economy is expected to be unpredictable and the overall environment in 2012 will remain difficult. The Group will close monitor the macroeconomic development trends in Mainland China and make timely adjustment of key strategies while focusing on sound operation.

### **Market Conditions**

2012 is the second year for the implementation of The Twelfth Five Year Plan by China and different development proposals has currently been planned for infrastructure investment. Among which, the target for affordable housing has become a mandatory benchmark for the government at all levels for policy assessment. The newly-set construction target for affordable housing in 2012 is 7 million units, with proposed investment amounting to approximately RMB1 trillion. As the key implementation target for The Twelfth Five Year Plan of China, the construction of affordable housing will be strongly supported by the State's policy, which provides an opportunity for the Group to invest in and expand the business of affordable housing in Mainland China.

In 2012, the construction industry in Hong Kong will continue to flourish driven by various government projects. In view of the further introduction of the "Ten Mega Infrastructure Projects" and other major infrastructure projects, construction program for government public housing, the new revitalisation policy of the Home Ownership Scheme flats and optimisation of the "My Home Purchase Plan", the amount of housing construction launched by the government will remain considerable. Meanwhile, the labor and material costs for the construction industry in Hong Kong will continue to rise and inflation will persist. The macroeconomic trend in Mainland China has also induced uncertainties to Hong Kong's economic growth prospects.

Buoyed up by the launching of a large number of government public projects and numerous private projects concurrently, the construction market in Macau continues to blossom. While endeavoring to expand the contracting business, the Group actively explores the opportunities for investment-driven contracting projects.

Under the grave impacts of political instability in the Middle East coupled with weak market sentiment after the economic crisis, the UAE market has yet to recover. In response to the heightened risk of economic downturn, India intends to launch a new round of economic stimulus plan in early 2012, with infrastructure construction as its top development priority.

### Operation Strategies

The Group will adhere to its development strategy of **“Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success”** to actively act in response to the complicated economic development from both international and domestic prospective. The Group will work hard towards its pre-determined targets, grasp opportunities, mitigate risks, pursue an enhanced management and protection standard and reinforce the dual-core business of infrastructure investment and construction. The Group will also effectively increase its shareholders’ value and market competitiveness.

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 and insist on differentiated tendering strategy. Capturing our advantages in technology and design and the timing for the “Ten Mega Infrastructure Projects” and other major construction projects, the Group will maintain proper coordination with joint-venture partners and avoid any tendering and inflation exposure to secure its position as one of the largest contractors in Hong Kong. In Macau, we will focus on projects including large scale building and government public housings while improving our business diversification and cross-region operation and management, striving to achieve a breakthrough in investment-driven contracting.

As a major platform of China State Construction Engineering Corporation Limited for the infrastructure investment and operation in Mainland China, the Group will continue its efforts in its investments in Mainland China’s infrastructure construction, endeavoring to establish its investment business as a strong cornerstone for driving the sustainable growth of the Group’s operating results. The Group will closely follow State policies and focus on affordable housing to expand its investments in Mainland China under the favorable conditions of the State’s enhanced efforts in building more affordable housing.

As for overseas market, after balancing the risk and profit, the Group will focus on capital operation and investment business targeting the markets in Europe, America and India and accelerate its overseas investment process.

### Operation Management

The Group has engaged in the construction business for more than 30 years, and has developed unique strengths and core competitiveness. The Group put great emphasis in the promotion of the “5+3” project management model (i.e. coordinated management by the five elements of progress, quality, cost, safety and environmental protection and the three systems of flow guarantee system, procedure guarantee system and responsibility guarantee system) to actively launch different projects with balance and refine its management of projects. We will continue to explore regional management model and perfect the performance assessment system of the target operation responsibility system. By upholding the principle of prudence, moderation, control and profitability, we maintain a dynamic balance in our investment structure. The Group gives preference to cash flow management to accelerate capital returns and actively raise funds. To further improve the human resources management system, we are committed to creating a competent and efficient team of international talents with clearly-defined structure at all levels. By strengthening the development of our information computerisation, the Group actively promotes the implementation of the CRM customer relationship management system, the CDMS cost management system and the NC system.

### COMPANY MISSION

In pursuit of its philosophy of “**Exercise Caution in Details and Implementation; Build a Strong Foundation to Seek Greater Success**” and the continual formulation of the brand’s advantage of “**China State Construction**”, the Group will continue to focus on details and advocate pragmatic approach to its work. Consistently pursuing the professionalism of “**Achieving Superb Quality in Each Process thus Making Each 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 has complied throughout the year with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited .

## **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 2011.

## **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 2011 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.



## **ACKNOWLEDGEMENT**

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

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

Hong Kong, 23 March 2012

*As at the date of this announcement, the Board comprises Mr. Kong Qingping as Chairman and Non-executive Director; Mr. Zhou Yong (Vice-chairman and Chief Executive Officer), Mr. Zhang Yifeng, Mr. Zhou Hancheng, Mr. Tian Shuchen and Mr. Hung Cheung Shew as Executive Directors; Dr. Cheong Chit Sun and Mr. Li Jian as Non-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.*