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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 2014,
FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

	2014	2013 (restated)	Change %
RESULTS (HK\$'000)			
Revenue	34,439,575	27,285,620	26.2
Gross profit	4,743,092	3,745,945	26.6
Gross profit margin	13.8%	13.7%	0.7
Profit attributable to owners of the Company	3,457,410	2,749,551	25.7
FINANCIAL INFORMATION PER SHARE			
Earnings - basic (HK cents)	88.75	70.71	25.5
Proposed final and interim paid dividends for the year (HK cents)	26.00	21.00	23.8
Net assets (HK\$)	4.94	4.10	20.5

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK15.00 cents per share.

China State Construction International Holdings Limited

The board of directors (the “Board”) of China State Construction International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014. The Group’s audited profit attributable to the owners of the Company for the year ended 31 December 2014 was HK\$3,457 million, representing an increase of 25.7% as compared to last year while basic earnings per share increased by 25.5% to HK88.75 cents.

CONSOLIDATED INCOME STATEMENT

	Notes	For the year ended 31 December	
		2014 HK\$’000	2013 HK\$’000 (restated)
Revenue	3	34,439,575	27,285,620
Costs of sales		(29,696,483)	(23,539,675)
Gross profit		4,743,092	3,745,945
Other income and other gains, net	5	475,339	436,542
Administrative expenses		(899,269)	(959,512)
Distribution, selling and other operating expenses		(133,871)	(82,946)
Share of profits of			
Joint ventures		294,345	430,228
Associates		23,787	21,941
Finance costs	6	(455,829)	(418,440)
Profit before tax		4,047,594	3,173,758
Income tax expenses, net	7	(659,716)	(503,071)
Profit for the year	8	3,387,878	2,670,687
Profit/(loss) for the year attributable to:			
Owners of the Company		3,457,410	2,749,551
Non-controlling interests		(69,532)	(78,864)
		3,387,878	2,670,687
Earnings per share (HK cents)	10		
Basic		88.75	70.71
Diluted		87.52	69.68

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
		(restated)
Profit for the year	3,387,878	<u>2,670,687</u>
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss</i>		
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	(9,954)	(1,114)
Gain on fair value changes of available-for-sale investments, net of tax	4,838	9,041
Exchange differences on translation of foreign operations	(178,351)	<u>602,671</u>
Other comprehensive (loss)/income for the year, net of tax	(183,467)	<u>610,598</u>
Total comprehensive income for the year, net of tax	3,204,411	<u>3,281,285</u>
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	3,290,828	3,368,396
Non-controlling interests	(86,417)	<u>(87,111)</u>
	3,204,411	<u>3,281,285</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2014	2013
		HK\$'000	HK\$'000
			(restated)
Notes			
Non-current Assets			
		2,827,300	2,672,357
		38,073	39,085
		1,489,188	1,186,012
		273,022	280,063
		3,449,034	2,149,893
		2,104,943	48,757
		6,530,992	6,353,833
		187,320	151,027
		200,640	226,596
		577,664	577,664
		453,286	543,642
		411,838	399,645
	11	12,901,282	8,141,167
		-	500,000
		804,918	127,550
		32,249,500	23,397,291
Current Assets			
		17,176	10,566
		160,289	163,427
		66,544	152,905
		1,354,148	1,075,267
	11	12,542,067	10,023,980
		461,585	305,034
		1,342,025	7,154
		-	388
		11,559	18,697
		7,452,448	8,126,183
		23,407,841	19,883,601
		10,921,766	9,169,319
		34,329,607	29,052,920

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at 31 December	
		2014	2013
		HK\$'000	HK\$'000
			(restated)
Current Liabilities			
		3,793,052	1,903,378
	12	17,261,318	13,019,734
		828,738	1,766,045
		-	450,000
		354,111	-
		26,480	27,505
		930,971	608,633
	13	587,269	261,889
		998	1,087
		23,782,937	18,038,271
		7,438,135	4,723,121
		31,221,072	22,761,392
Net Current Assets		3,108,535	6,291,528
Total Assets less Current Liabilities		35,358,035	29,688,819
Capital and Reserves			
		100,310	97,219
		19,729,786	15,836,417
		19,830,096	15,933,636
		167,566	253,237
		19,997,662	16,186,873
Non-current Liabilities			
	13	10,361,804	8,600,258
		3,869,804	3,860,286
		735,808	638,802
		389,477	398,320
		3,480	4,280
		15,360,373	13,501,946
		35,358,035	29,688,819

Notes:

1. Basis of Preparation of Consolidated Financial Statements

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

Business combination and change of presentation

(a) Acquisition of China Overseas Ports Investment Company Limited (“COP”)

In December 2014, Ever Power Group Limited (“Ever Power”), a wholly-owned subsidiary of the Company, completed the acquisition of COP, from China Overseas Holdings Limited (“COHL”), immediate holding company of the Company, including a shareholder’s loan to COP for 117,278,000 shares of the Company. The fair value of these shares was HK\$1,320,555,000 at the date of completion.

COP and its subsidiaries are engaged in logistics business and also own 60% equity interest in a joint venture, 中海港務(萊州)有限公司, which is principally engaged in port operation in the Mainland China.

The transfer of the entire interests in COP, together with its subsidiaries (together, the “COP Group”), was considered as common control combinations. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2014, together with the comparative figures, were prepared using the principles of Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA, as if they had been combined from the date when the COP Group first came under the control of the controlling party of the Group and COP Group.

(b) Change of presentation of intercompany balances in trade nature

From 2014 onwards, the intercompany balances in trade nature have been grouped under trade and other receivables and payables balances, instead of presented separately. The prior year figures have also been revised to conform with the current year presentation accordingly.

1. Basis of Preparation of Consolidated Financial Statements (*continued*)

Business combination and change of presentation (*continued*)

Effects of application of common control combination and change of presentation

The effects of application of common control combination, in accordance with Accounting Guideline 5, on the results of the Group for the years ended 31 December 2014 and 2013 by line items presented in the consolidated income statement and the consolidated statement of comprehensive income (extracts) are as follows:

	For the year ended 31 December 2014	Effect of acquisition of COP Group (note 1(a))	For the year ended 31 December 2014 (as presented)
	HK\$'000	HK\$'000	HK\$'000
Revenue	34,395,309	44,266	34,439,575
Costs of sales	(29,654,736)	(41,747)	(29,696,483)
Other income and other gains, net	472,115	3,224	475,339
Administrative expenses	(872,740)	(26,529)	(899,269)
Finance costs	(450,635)	(5,194)	(455,829)
Income tax (expenses)/credit, net	(661,295)	1,579	(659,716)
Other comprehensive loss – Exchange differences on translation of foreign operations	(175,851)	(2,500)	(178,351)
Earnings per share (HK cents)			
Basic	89.38	(0.63)	88.75
Diluted	88.14	(0.62)	87.52

1. Basis of Preparation of Consolidated Financial Statements (*continued*)

Business combination and change of presentation (*continued*)

Effects of application of common control combination and change of presentation (*continued*)

	For the year ended 31 December 2013 (as previously presented)	Effect of acquisition of COP Group (note 1(a))	For the year ended 31 December 2013 (as restated)
	HK\$'000	HK\$'000	HK\$'000
Revenue	27,191,939	93,681	27,285,620
Costs of sales	(23,456,839)	(82,836)	(23,539,675)
Other income and other gains, net	431,310	5,232	436,542
Administrative expenses	(933,643)	(25,869)	(959,512)
Finance costs	(409,330)	(9,110)	(418,440)
Income tax expenses, net	(499,379)	(3,692)	(503,071)
Other comprehensive income – Exchange differences on translation of foreign operations	<u>582,363</u>	<u>20,308</u>	<u>602,671</u>
Earnings per share (HK cents)			
Basic	<u>71.29</u>	<u>(0.58)</u>	<u>70.71</u>
Diluted	<u>70.25</u>	<u>(0.57)</u>	<u>69.68</u>

1. Basis of Preparation of Consolidated Financial Statements (*continued*)

Business combination and change of presentation (*continued*)

Effects of application of common control combination and change of presentation (*continued*)

The effects of application of common control combination, in accordance with Accounting Guideline 5, and change of presentation, on the consolidated statement of financial position of the Group (extracts) as at 31 December 2014 and 2013 are as follows:

	As at 31 December 2014 HK\$'000	Effect of acquisition of COP Group (note 1(a)) HK\$'000	As at 31 December 2014 (as presented) HK\$'000
Non-current Assets			
Property, plant and equipment	2,508,461	318,839	2,827,300
Prepaid lease payments	179,680	93,342	273,022
Total non-current assets	<u>31,837,319</u>	<u>412,181</u>	<u>32,249,500</u>
Current Assets			
Trade and other receivables	12,425,155	116,912	12,542,067
Deposits and prepayments	458,665	2,920	461,585
Tax recoverable	11,534	25	11,559
Bank balances and cash	7,435,936	16,512	7,452,448
Amounts due from group companies (note (a))	450,000	-	-
Total current assets	<u>34,643,238</u>	<u>136,369</u>	<u>34,329,607</u>
Current Liabilities			
Trade payables, other payables and accruals	17,134,460	126,858	17,261,318
Deposits received and advances from customers	824,567	4,171	828,738
Current tax payables	928,463	2,508	930,971
Borrowings	558,748	28,521	587,269
Amounts due to group companies (note (a))	-	450,000	-
Total current liabilities	<u>31,059,014</u>	<u>612,058</u>	<u>31,221,072</u>
Net current assets/(liabilities)	<u>3,584,224</u>	<u>(475,689)</u>	<u>3,108,535</u>
Total assets less current liabilities	<u>35,421,543</u>	<u>(63,508)</u>	<u>35,358,035</u>
Non-current Liabilities			
Borrowings	10,330,114	31,690	10,361,804
Total non-current liabilities	<u>15,328,683</u>	<u>31,690</u>	<u>15,360,373</u>
Capital and Reserves			
Share premium and reserves (note (b))	19,824,984	(95,198)	19,729,786
Total Equity	<u>20,092,860</u>	<u>(95,198)</u>	<u>19,997,662</u>

Notes:

- (a) These intercompany balances were eliminated for the purpose of the consolidated statement of financial position.
- (b) Included in share premium and reserves balance, there was a contribution from a former shareholder of HK\$178,892,000.

1. Basis of Preparation of Consolidated Financial Statements (*continued*)

Business combination and change of presentation (*continued*)

Effects of application of common control combination and change of presentation (*continued*)

	As at 31 December 2013 (as previously presented) HK\$'000	Effect of acquisition of COP Group (note 1(a)) HK\$'000	Change of Presentation (note 1(b)) HK\$'000	As at 31 December 2013 (as restated) HK\$'000
Non-current Assets				
Property, plant and equipment	2,342,163	330,194	-	2,672,357
Prepaid lease payments	183,987	96,076	-	280,063
Total non-current assets	<u>22,971,021</u>	<u>426,270</u>	<u>-</u>	<u>23,397,291</u>
Current Assets				
Trade and other receivables	8,654,467	266,485	1,103,028	10,023,980
Deposits and prepayments	228,295	5,020	71,719	305,034
Amount due from immediate holding company	4,833	-	(4,833)	-
Amounts due from fellow subsidiaries	264,025	-	(264,025)	-
Bank balances and cash	8,116,273	9,910	-	8,126,183
Total current assets	<u>27,865,616</u>	<u>281,415</u>	<u>905,889</u>	<u>29,052,920</u>
Current Liabilities				
Trade payables, other payables and accruals	8,564,715	402,558	4,052,461	13,019,734
Deposits received and advances from customers	1,755,670	10,375	-	1,766,045
Amount due to an intermediate holding company	548,536	-	(548,536)	-
Amount due to immediate holding company	-	450,000	-	450,000
Amounts due to fellow subsidiaries	2,598,036	-	(2,598,036)	-
Current tax payables	606,061	2,572	-	608,633
Borrowings	236,449	25,440	-	261,889
Total current liabilities	<u>20,964,558</u>	<u>890,945</u>	<u>905,889</u>	<u>22,761,392</u>
Net current assets/(liabilities)	<u>6,901,058</u>	<u>(609,530)</u>	<u>-</u>	<u>6,291,528</u>
Total assets less current liabilities	<u>29,872,079</u>	<u>(183,260)</u>	<u>-</u>	<u>29,688,819</u>
Non-current Liabilities				
Borrowings	8,539,842	60,416	-	8,600,258
Deferred tax liabilities	394,807	3,513	-	398,320
Total non-current liabilities	<u>13,438,017</u>	<u>63,929</u>	<u>-</u>	<u>13,501,946</u>
Capital and Reserves				
Share premium and reserves	16,083,606	(247,189)	-	15,836,417
Total Equity	<u>16,434,062</u>	<u>(247,189)</u>	<u>-</u>	<u>16,186,873</u>

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

(a) The adoption of revised HKFRS

The new or revised standards, amendments and interpretations to existing standards, which are mandatory for the financial year beginning on or after 1 January 2014, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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

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

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

Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Bearer Plants ²
Amendments to HKAS 19	Employee Benefits: Defined Benefit Plans - Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations ²
HKFRS 9	Financial Instruments ⁴
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Annual Improvements Project	Annual Improvements 2010-2012 Cycle ¹
Annual Improvements Project	Annual Improvements 2011-2013 Cycle ¹
Annual Improvements Project	Annual Improvements 2012-2014 Cycle ²

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

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

The Group has not early adopted the above new standards, amendments and improvements to existing standards, and is not yet in a position to state whether there are substantial changes to the Group's accounting policies and presentation of the Group's consolidated financial statements.

3. Revenue

Revenue/turnover represents the revenue arising from construction contracts, interest income generated from Build-Transfer (“BT”) projects, project consultancy services, thermoelectricity business, infrastructure project investments and toll road operation, facade contracting, sales of precast structures and building materials, machinery leasing, logistics services and insurance contracts.

An analysis of the revenue is as follows:

	2014	2013
	HK\$’000	HK\$’000
		(restated)
Revenue from construction contracts	30,065,455	22,887,895
Revenue from construction contracts under service concession arrangements	319,247	782,435
Interest income generated from BT projects	1,005,269	674,531
Revenue from project consultancy services	248,553	259,476
Revenue from thermoelectricity business	766,155	579,702
Revenue from infrastructure project investments and toll road operation	370,405	326,815
Revenue from facade contracting business	1,382,018	1,340,836
Others (note)	282,473	433,930
	<u>34,439,575</u>	<u>27,285,620</u>

Note: Revenue from others mainly comprise of revenue from the sales of precast structures and building materials, machinery leasing, logistics services and insurance contracts.

4. Segment Information

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessments, include geographical locations where the Group's subsidiaries operate, namely Hong Kong, Mainland China (other than Hong Kong and Macau), Macau and Overseas (mainly in the United Arab Emirates ("UAE") and India).

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

Segment revenue and results for the years ended 31 December 2014 and 2013 are as follows:

	Segment revenue		Gross profit/(loss)		Segment results	
	2014 HK\$'000	2013 HK\$'000 (restated)	2014 HK\$'000	2013 HK\$'000 (restated)	2014 HK\$'000	2013 HK\$'000 (restated)
Reportable segment						
Hong Kong	15,284,749	11,134,089	1,010,830	808,921	898,999	740,097
Mainland China	15,516,909	13,958,179	3,575,493	2,792,378	3,305,605	2,491,627
Macau	2,255,899	836,487	96,334	123,721	328,282	244,102
Overseas	-	16,029	(27,954)	11,095	(53,627)	20,360
FEG Group	1,382,018	1,340,836	88,389	9,830	(114,998)	(156,679)
	34,439,575	27,285,620	4,743,092	3,745,945	4,364,261	3,339,507
Unallocated corporate expenses					(192,962)	(209,358)
Non-recurring other income and other gains, net					13,992	9,880
Share of profits of joint ventures					294,345	430,228
Share of profits of associates					23,787	21,941
Finance costs					(455,829)	(418,440)
Profit before tax					4,047,594	3,173,758

5. Other Income and Other Gains, net

	2014	2013
	HK\$'000	HK\$'000
		(restated)
Interest income on:		
Bank deposits	87,876	92,180
Debt securities	6,911	8,305
Imputed interest on amounts due from investee companies	14,317	21,391
Loan receivables	-	2,163
Loan to a joint venture	45,557	2,639
Dividend income from:		
Listed available-for-sale investments	-	181
Unlisted available-for-sale investments	15,289	85,384
Gain on disposal of:		
Convertible bonds	-	7,525
Listed available-for-sale investments	13,992	1,715
Property, plant and equipment, net	-	64,568
Properties held for sale	244,166	22,101
Rental of properties	9,598	10,872
Service income	9,420	24,692
Commission income	-	3,236
Collection of trade and other receivables and deposits written off in prior years	-	37,884
Reversal of other payables and accruals	3,480	5,124
Others	24,733	46,582
	475,339	436,542

6. Finance Costs

	2014	2013
	HK\$'000	HK\$'000
		(restated)
Interest on bank loans wholly repayable within five years	241,054	231,118
Interest on bank loans not wholly repayable within five years	459,676	332,967
Interest on guaranteed notes payables wholly repayable within five years	133,085	99,541
Interest on other loans wholly repayable within five years	74	295
Finance lease charges	272	325
Others	33,544	123,810
Total finance costs	867,705	788,056
Less: Amounts capitalised in concession operating rights	(87,197)	(83,336)
Amounts capitalised in amounts due from customers for contract work	(313,934)	(275,391)
Amounts capitalised in construction in progress	(10,745)	(10,889)
	455,829	418,440

7. Income Tax Expenses, net

	2014	2013
	HK\$'000	HK\$'000
		(restated)
Current tax:		
Hong Kong	93,475	85,564
Other jurisdictions	615,064	542,968
	708,539	628,532
Overprovision in prior years:		
Hong Kong	(1,498)	(1,788)
Other jurisdictions	(2,032)	(3,419)
	(3,530)	(5,207)
	705,009	623,325
Deferred tax, net	(45,293)	(120,254)
Income tax expenses for the year, net	659,716	503,071

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

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

8. Profit for the Year

	2014	2013
	HK\$'000	HK\$'000
		(restated)
Profit for the year has been arrived at after charging/ (crediting):		
Depreciation of property, plant and equipment	319,974	272,193
Less: Amounts capitalised in contracts in progress	(174,890)	(143,055)
	145,084	129,138
Rental income from investment properties, net of direct expenses	(9,598)	(10,872)
Employee benefits expense including directors' emoluments:		
Staff costs	2,813,571	2,540,141
Contributions to retirement benefit plans	90,510	89,103
Less: Amounts capitalised in contracts in progress	(2,050,941)	(1,735,786)
	853,140	893,458
Depreciation of investment properties	1,007	1,008
Amortisation of concession operating rights (included in costs of sales)	142,257	140,478
Amortisation of trademark and project backlogs	25,956	25,955
Amortisation of prepaid lease payments	6,077	8,681
Operating lease rentals in respect of:		
Plant and machinery	340,415	270,144
Land and buildings	34,694	36,708
	375,109	306,852
Less: Amounts included in contracts in progress costs	(347,265)	(282,309)
	27,844	24,543
Exchange loss/(gain), net	1,873	(2,902)
Loss on disposal of property, plant and equipment, net	4,156	-

9. Dividends

	2014	2013
	HK\$'000	HK\$'000
Dividends recognised as distributions during the year:		
2013 Final, paid – HK12.00 cents (2013: 2012 Final HK9.00 cents) per share	467,088	349,987
2014 Interim, paid – HK11.00 cents (2013: 2013 Interim HK9.00 cents) per share	428,163	349,987
	895,251	699,974

The final dividend of HK15.00 cents (2013: HK12.00 cents) per share amounting to approximately HK\$601,863,000 (2013: HK\$467,088,000) 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 owners of the Company is based on the following data:

	2014	2013
	HK\$'000	HK\$'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	3,457,410	2,749,551
	2014	2013
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,895,850	3,888,294
Effect of dilutive potential ordinary shares in respect of share options	54,658	57,760
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,950,508	3,946,054

11. Trade and Other Receivables

The analysis of trade and other receivables, including the aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date or the terms of the related contracts, is as follows:

	2014	2013
	HK\$'000	HK\$'000 (restated)
Trade receivables, net of allowance for doubtful debts, aged:		
0-30 days	5,373,856	4,466,581
31-90 days	3,030,702	3,205,488
Over 90 days	14,059,865	7,247,375
	22,464,423	14,919,444
Retention receivables	2,025,904	1,819,575
Other receivables	953,022	1,426,128
Trade and other receivables	25,443,349	18,165,147
Portion classified as current assets	(12,542,067)	(10,023,980)
Non-current portion (Note (a))	12,901,282	8,141,167

Notes:

- (a) The balances of non-current portion were mainly attributable to certain affordable housing projects (trading under BT model) in the Mainland China. The balances are secured by certain assets of the customers as collaterals and interest bearing in accordance with the relevant contract terms. The amount is expected to be gradually and fully recovered from 2016 to 2018, with approximately HK\$7,306,737,000 in 2016, HK\$4,989,441,000 in 2017, HK\$605,104,000 in 2018. As a result, they are classified as non-current.
- (b) Included in the receivables aged over 90 days were receivable attributable to the affordable housing projects amounted to HK\$13,690,541,000 (31 December 2013: HK\$6,443,102,000).
- (c) Retention receivables are interest-free and recoverable at the end of the retention period of individual construction contracts ranging from 1 to 2 years. At 31 December 2014, the amount of retention receivables expected to be recovered after more than one year was approximately HK\$1,111,393,000 (31 December 2013: HK\$1,313,151,000).
- (d) Except for the receivable arising from construction contracts, including affordable housing projects trading under BT model, which are billed and payable in accordance with the terms of relevant agreements, the Group generally allows an average credit period of not exceeding 90 days (2013: 90 days) to its trade customers and the retention receivables are recoverable upon the expiry of defect liability period of construction.

12. Trade Payables, Other Payables and Accruals

An analysis of the trade payables, other payables and accruals, including the aging analysis of trade payables, presented based on the invoice date, is as follows:

	2014 HK\$'000	2013 HK\$'000 (restated)
Trade payables, aged:		
0-30 days	5,826,387	4,941,267
31-90 days	2,584,934	1,657,754
Over 90 days	2,729,907	1,461,882
	11,141,228	8,060,903
Retention payables	4,282,776	3,124,465
Other payables and accruals	1,837,314	1,834,366
	17,261,318	13,019,734

The average credit period on trade and construction cost payables is 60 days (2013: 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

	2014 HK\$'000	2013 HK\$'000 (restated)
Bank loans, secured	2,462,752	2,524,063
Bank loans, unsecured	8,486,321	6,330,284
Other loans	-	7,800
	10,949,073	8,862,147
Carrying amount repayable:		
Within one year	587,269	261,889
More than one year but not exceeding two years	1,065,761	3,764,369
More than two years but not more than five years	4,394,662	2,788,064
More than five years	4,901,381	2,047,825
	10,949,073	8,862,147
Less: Amount due within one year shown under current liabilities	(587,269)	(261,889)
Amount due after one year	10,361,804	8,600,258

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

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK15.00 cents per share (2013: HK12.00 cents per share) to shareholders whose names appear on the register of members of the Company on 8 June 2015. Subject to the shareholders' approval of the proposed final dividend at the annual general meeting to be held on 2 June 2015, dividend warrants will be despatched on or about 3 July 2015.

CLOSURE OF REGISTER OF MEMBERS

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

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

Latest time to lodge transfer documents for registration	4:30 pm on 28 May 2015
Closure of register of members	29 May 2015 to 2 June 2015 (both days inclusive)
Record date	2 June 2015

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

Latest time to lodge transfer documents for registration	4:30 pm on 5 June 2015
Closure of register of members	8 June 2015
Record date	8 June 2015

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

REVIEW OF OPERATION

The year of 2014 saw divergent recovery paces in the global economies. The Federal Reserve Board decided to withdraw its quantitative easing policy while Europe and Japan further loosened their monetary policies. The international financial market experienced substantial fluctuations with unbalanced economic recovery in different regions. Attributable to the sound development of the emerging markets in the Asia-Pacific region, the Hong Kong economy was generally stable. Its construction market remained strong despite increasing construction costs.

This year, the Group has established the operation principle of “Accelerating Investment, Interacting Constructions and Fortifying Comprehensive Resources Allocation”, which refers to the gradual realisation of regional operations and the continuous optimisation of the current investment model; the strengthening of project management to ensure the smooth progress of projects on hand; the establishment of a highly efficient and comprehensive resource allocation system in respect of financial, human resources and other integrated resources.

Market Conditions

Although the Hong Kong and Macau markets continued to prosper, there was still room for the improvement of resources shortage. In the “new trends” of the economy of Mainland China, the government further deepened the reform and adjustment of various fields for increasing domestic demand and stimulating consumption to ensure into steady economic growth. Meanwhile, infrastructure investment once again took on the major role in stabilising economic growth. For overseas markets, the previous on-going loose monetary policy in North America led to steady recovery of the construction market.

1. Hong Kong and Macau

Hong Kong maintained a moderate economic growth, while the Macau economy showed a slight slowdown. Taking the advantages of the booming construction market, the construction business of the Group in Hong Kong and Macau marked its breakthrough in expansion again. Housing projects awarded are including Construction of Public Rental Housing at Sha Tin Area 52 Phases 3 and 4; civil engineering projects awarded are including Widening of Fanling Highway – Tai Hang to Wo Hop Shek Interchange and Expansion of Tai Po Water Treatment Works and Water Transfer Facilities. While the Group continued to follow-up the Ten Mega Infrastructure Projects in Hong Kong, it focused on sizeable and complicated high-end premium projects. A number of projects in progress have entered into the peak stage with more efficient progress management and overall operation. With its smooth tunnel breakthrough in October, the Central-Wan Chai Bypass Tunnel (Causeway Bay Section) overcame the highly difficult technical challenges and was highly recognised by the HKSAR Government.

Fully exerting its internal synergistic effect in Hong Kong and Macau, the Group continued to develop its construction business and diversify its operation, with an emphasis on profit-oriented approach and efficient resources allocation. The contract value of Macau MGM Cotai Project, awarded in the first half of the year, amounted to HK\$10,485 million, marking a new record for the Group’s highest single contract value. The project currently advances smoothly and is well-received by the owner.

2. *Mainland China*

The Group further streamlined the structure of its business in Mainland China and adjusted its regional management for effective expansion of investment scale and upgrade of competitiveness. During the year, the Group had undertaken a number of new investment projects, including Relocation Housing BT Project in Pingyang County, Wenzhou City, Zhejiang Province, Phase II of the Relocation Housing BT Project in Pinghu of Jiaxing City, Zhejiang Province, Affordable Housing BT Project in Wuxing District of Huzhou, Zhejiang Province, Affordable Housing Project Phase IV, in Shushan District Industrial Park, Hefei, Anhui, Relocation Housing Project in Residential Public Service Core District of Zhengzhou City, Henan Province, Infrastructure Project Phase II in Qujiang New District, Xi'an, Shaanxi Province and BT Project for Rerouting Lianjiang – Jin'an section of National Highway G104 in Fuzhou City, Fujian Province.

In order to achieve rapid growth in our investment business and grasp the market opportunities from the new trends, the Company explored and developed the new business models while promoting the established investment model. On one hand, the Company expanded the scope and forms of its existing investment model based on the actual situation of relevant regional markets and projects. On the other hand, the Company conducted research and trial on the Public-Private-Partnership (“PPP”) model in accordance with the prevailing policy environment. Other operating projects such as Nanjing No. 2 Yangtze River Bridge and Shenyang Huanggu Thermal Power Plant also maintained good performance and generated stable profitability.

3. *Overseas Market*

Through adjustment of management structure and integration of internal and external resources, FEG orderly expanded to the overseas market. Apart from consolidating its market share in Hong Kong and Macau, FEG also stepped into the general contracting business and explored new investment models. During the year, the Group had assigned a number of senior management members to FEG, including two of them stationed in North America for strengthening the management and control of the regional business.

Regarding the curtain wall business, the Company succeeded in the bidding of Commercial Building Project on Hung Luen Road, Hong Kong, MGM Curtain Wall Project in Macau, Louis XIII Curtain Wall Project in Macau, L'Avenue Project in Montreal, Canada and Vancouver Urban Resort Project in Canada. While expanding the overseas business, FEG also promoted the transformation of its development strategies. The small-and medium-sized private housing construction projects undertaken through Treasure Construction Engineering Limited achieved satisfactory progress. FEG also succeeded in the bidding of the project, Emperor Hotel, Hong Kong, which laid the foundation for its rapid expansion.

Completed Projects during the Period

In 2014, the Group completed 14 projects.

New Projects Awarded

The Group secured 33 new projects in 2014, with an aggregate attributable contract value of HK\$60,244 million, of which the Hong Kong market accounted for 15.2%, Mainland China market accounted for 64.2%, the Macau market accounted for 17.4% and FEG accounted for 3.2%.

8 new contracts were awarded during the first two months in 2015, resulting in an aggregate contract value of approximately HK\$13,953 million.

Projects in Progress

As at 31 December 2014, the Group had a total of 78 projects in progress, amounting to an aggregate attributable contract value of HK\$160,003 million. The attributable contract value of incomplete works was HK\$93,103 million. At the end of February 2015, the Group had an attributable contract value of HK\$101,757 million.

Corporate Governance

The Group strictly complied with the laws and regulations. With effective monitoring by the Board and enhanced communication with the investors, investors' knowledge and understanding of the Company were enhanced, and the corporate governance standards of the Company were further improved. The Group established an all-round corporate system and optimised corporate governance to regulate its business operations. The Group also promptly adjusted its strategies in line with market changes to better capitalise on the function and role of each dedicated decision-making team. The Group also strengthened the regional and specialised management capabilities of each business unit.

In 2014, investment business in Mainland China was expanded with 17 subsidiaries in 25 key cities and the structure of its scaled operation was further refined. With the implementation of regional management across the five major segments, the management team of CSCIICL was further optimised to better adapt to the full-speed expansion of investment business, further develop the current market and enhance the competitiveness of the Company. Management Staff in headquarter were re-assigned to frontline in order to enhance the utilisation efficiency of resources and strengthen the management of and support to regional companies. Internal operation efficiency improved significantly.

Risk Management

In pursuit of its overall operation target, the Group implemented basic procedures of risk management in every procedure of operation and management to nurture a sound risk management culture and develop a comprehensive risk management system. Risk management strategies were formed and implemented to ensure business operations in compliance with the applicable laws and regulations to achieve effective and comprehensive risk management.

The Risk Management Control Committee is responsible for the overall risk management of the Group, including assessment and management of strategic risks, and tracking and assessing strategic risk factors including macro-economy, regional market and industry development which may affect strategic decisions in a timely manner. It is also responsible for guiding and supervising the risk management work of all departments and subsidiaries, compiling risk assessment reports of all departments and subsidiaries and assessing, tracking and supervising the risk management strategies adopted by different departments and subsidiaries. In respect of major projects and projects with significant potential risks, the Risk Management Control Committee shall conduct management examination and risk assessment. Together with the Internal Audit Department, the Risk Management Control Committee shall submit an annual risk management assessment report to the management of the Company.

Financial Management

In respect of financial system, the Group continued to strengthen the financial management and capital operation. Focusing on cash flow management of projects, capital pressure was eased by balancing the income and expenses of projects under a prudent wealth management policy. Capital management was further centralised in order to enhance the effectiveness of capital utilisation and gain considerable benefits from planning and appreciation through the flow of funds between Mainland China and Hong Kong. In particular, CSCIICL has been officially admitted to the list of the first batch of pilot enterprises for cross-border RMB fund pool (跨境人民幣資金池首批試點名單), which will facilitate the capital flow between Mainland China and Hong Kong.

During the year, the Group has upgraded the level of the cooperation level with the major banks in Mainland China. With mode of financing changed from project financing to working capital financing arranged among headquarter of the Group and the bank, the Group had entered into strategic cooperation agreements with various banks. At the end of the year, the Group confirmed a syndicated loan of HK\$3,500 million and entered in various bilateral loan agreements in Hong Kong to replace the loan due in 2015. Overall financial condition and liability structure of the Group remained sound and reasonable.

At 31 December 2014, the Group had bank deposits of HK\$7,452 million and total borrowings of HK\$14,819 million, and a net gearing ratio of 36.8%. Net drawdown of bank loans amounted to HK\$4,741 million, and committed but unutilised credit facilities and other facilities like construction performance bond facilities amounted to HK\$25,034 million.

Human Resources

In respect of human resources regarding regular recruitment, training and job allocation and the functional departmental performance assessment by various areas, the Group placed emphasis on internal training with efficient and innovative system, particularly measures for recruitment, incentives and retaining of talents. CSCIICL issued the Administrative Measures of Qualification of Mid-to-Senior Positions (《中高層崗位任職資格管理辦法》) to regulate the qualifications for each position and establish reasonable and comprehensive standards and systems for recruitment, performance appraisal, organisation and training of talents.

Capital Operation

Credit rating of the Group has been further raised by Fitch and Moody's to "BBB" and "Baa2" respectively and both with a stable outlook.

In October 2014, the Group entered into an agreement with COHL, the immediate holding company, to acquire China Overseas Ports Investment Company Limited, a subsidiary of COHL, by way of private placement. China Overseas Ports Investment Company Limited is mainly engaged in port operation in Mainland China and provides logistics services in Shenzhen, with great growth potential. This acquisition further consolidates the position of the Group as a platform for infrastructure investment and operation, and enlarges the operation and asset scale of the Group. It is expected to bring long-term stable contribution to the Group.

Technology Innovation

In March 2014, the Group secured the contract of Affordable Housing Project Phase IV, Shushan District Industrial Park, Hefei, Anhui by way of residential industrialisation for the first time. It is an area of approximately 330,000 square meters with design service provided affordable housing project and 63% of the project made by precast structure. Relying on over 30 years of experience in numerous construction projects in Hong Kong and extensive experience of Shenzhen Hailong Construction Products Plant on design, production, construction and installation of precast structure units, the Group progressively expanded to the residential industrialisation market in Mainland China with standardised design, industrialised production, prefabricated construction, integration of construction and decoration and information management, namely “Five in One” (五化合一). The Group strives to become the best comprehensive solution provider for residential industrialisation project in Mainland China.

During the year, the Group received three technology level awards from the provincial governments and a construction award from the central government. Construction of Public Rental Housing Development at Kai Tak Site 1A Phase 1 and 2 was awarded Lu Ban Award of Construction (overseas construction) in China for 2014 (2014年中國建設工程(境外工程)魯班獎), which was the first award of Lu Ban Award for overseas construction.

Since the establishment of BIM (Building Information Modeling) Centre of the Group in 2005, the simulated construction data have been digitalised through the establishment of construction model in order to increase the probability of award of contracts and lower the tender management risk. Currently, 101 BIM projects have been completed. BIM technology has been widely applied and become one of the core competitive strengths of tendering of the Company. During the project implementation period, data sharing through BIM has facilitated highly efficient coordination between design and construction so as to enhance the effectiveness and quality of construction work and lower the construction cost and risk.

Social Responsibility

The Group is devoted to making contribution to the society and performing social responsibility. In response to World Environment Day, the Group organised 2014 Environmental Protection Day on 6 June in order to enhance the awareness of environmental protection of employees. The Group also organised an eco-cultural tour of Hoi Ha Wan Marine Park and Sheung Yiu Village for employees in order to demonstrate the determination of the Group to develop into a social corporate and contributions of Group for the promotion of eco-cultural protection.

In September 2014, the Group passed the assessment of Dow Jones and was on the list of the Dow Jones Sustainability Indexes for the second consecutive year, which fully showed the world-leading position of the Group in terms of operation, environmental protection and social responsibility and the recognition of international market to the efforts on sustainable development of the Company.

Key Awards

In March 2014, in the award presentation ceremony of Hong Kong Construction Safety Award 2013/2014, the Company won a gold award and a silver award for Building Construction site (Public Sector), three outstanding awards for Safety Team and one group award for Safety Quiz Q&A Competition as a result of its continuous good performance in the safety of construction sites. Three site workers were also granted Safety Worker Award. In the same month, two projects of the Group in Hong Kong were honored with 2013 Green Contractor Silver Award and ArchSD Annual Award 2013, respectively, by Architectural Services Department of the HKSAR Government.

In April, in the “FinanceAsia” magazine annual poll of “Best Asian Companies”, the Group was proudly awarded the Best Managed Company (4th Place), the Best Corporate Governance (3rd Place), the Best Investor Relations (3rd Place) and the Best Corporate Social Responsibility (8th Place) etc.

In May, the Development Bureau of the HKSAR Government and Construction Industry Council jointly organised “The 20th Considerate Contractors Site Award Scheme Award Presentation Ceremony”, the Group distinguished itself from other major construction companies in Hong Kong and was awarded One Non - Public Works Sites - New Works - Gold Award, two Public Works Sites - New Works - Bronze Awards, and another two of Merit Awards of Considerate Contractors Site Awards. The Group was also awarded one gold and three merits of the Outstanding Environmental Management & Performance Awards in the Public Works - New Works category. Some employees of the Company were also rewarded Model Frontline Supervisor and the Best Model Worker Award.

In July, in the annual election of The Best Listed Companies in Asia organised by Institutional Investor, the Group won several awards in the category of industrial companies, namely, the Best Chief Executive Officer, the Best Chief Financial Officer, the Best Investor Relations Professional and the Best Listed Company in Investor Relations. In all of the above awards, the Group ranked first place nominated by Buy Side and ranked second place nominated by Sell Side.

REVIEW OF FINANCIAL PERFORMANCE

For the year ended 31 December 2014, the Group recorded revenue of HK\$34,440 million and profit attributable to owners of the Company for the year of HK\$3,457 million, representing a year-on-year increase of 26.2% and 25.7% respectively. With a proposed final dividend per share of HK15.00 cents and an interim dividend per share of HK11.00 cents paid in the year, the total dividends for the year amount to HK26.00 cents per share, representing an increase of 23.8% as compared to last year.

Revenue and Gross Profit

1. Hong Kong, Macau and Overseas

(a) Construction and related – Hong Kong

Hong Kong’s construction industry is operating under promising because of the expanding housing and infrastructure projects roll out by the Hong Kong government. The Group has captured the increasing opportunities and experience a steady growth in revenue of approximately HK\$4,151 million to approximately HK\$15,285 million as compared to last year (2013: HK\$11,134 million). As the Group has not yet recognised profits of certain large projects as they are still in their initial stages, the Group has managed to maintain its gross profit margin at approximately 6.6% (2013: 7.3%). With the steady growth in revenue, the gross profit and result of this segment has increased by 25.0% and 21.5% respectively.

(b) Construction and related – Macau

Benefit from the optimistic growth in gaming and hospitality industry, the construction market in Macau remains robust. Throughout the year, this segment has recorded a significant growth in revenue of 169.9% to approximately HK\$2,256 million (2013: HK\$836 million) with the commencement of major housing and casino projects. However, as these major projects still in preliminary stage and have not yet reached their full swings, the segment profit from this sector only increased by 34.4% to approximately HK\$328 million (2013: HK\$244 million).

(c) Construction – Overseas

The Overseas segment represented mainly the construction projects in United Arab Emirates. During the year, negotiation with employers for settlement of those completed projects continued with positive progress and have agreed the final contract sum and successfully recovered approximately HK\$92 million from several employers during the year.

2. Mainland China

Our businesses in Mainland China continued to be the key revenue and profit drivers of the Group. Riding on the favorable government policy, the Group continued to expand its presence of affordable housing and infrastructure investment businesses in new geographical locations in Mainland China. Under rapid development, this segment has delivered steady growth in revenue and gross profit of approximately 11.2% and 28.0% respectively for the year. Following the successful completion of some of our Build – Transfer (‘BT’) projects, the Group has received buy-back payment of approximately HK\$3,033 million (including the attributable share of such payment received by our joint venture investments). In order to achieve rapid growth in our business and grasp the market opportunities, the Group also conduct research on other investment model, including Public-Private Partnership.

(a) Investment and Construction of Affordable Housing Projects

Throughout the year, the Group’s affordable housing business expanded steadily in scale and continued to be the largest sector of the Group in Mainland China. On top of those projects already in progress in last year, the Group has commenced the construction works of several new projects during the year under review. In addition, the Group began to reap the reward of its previous investments as the Group has successfully completed and handed over its projects in Tianjin and Chongqing and several sub-phases of other projects, which contributed approximately HK\$1,461 million receipts from its customers. Consequently, construction revenue from this sector reported a rise of 28.6% to approximately HK\$7,915 million (2013: HK\$6,157 million) as planned. As the aggregate contract values completed by the Group has been accumulating, the interest such earned for the year has increased ideally to HK\$795 million (2013: HK\$394 million) which was counted as part of revenue and gross profit from this segment. These two factors have accounted for the improvement of gross profit margin for this sector to 20.1% (2013: 18.5%) for the year under review, resulting in an increase in gross profit from this sector to approximately HK\$1,755 million (2013: HK\$1,215 million) as compared to last year.

(b) Construction and Operation of Infrastructure Projects

As a major platform for China State Construction Engineering Corporation Limited to participate in infrastructure investment and operation in Mainland China, the Group acquired COP Group from its immediate holding company, COP Group is principally engaged in port operations and logistics business in Mainland China during the year, which expand the operating infrastructure portfolio of the Group. The Group also continued participating in investments in its infrastructure business portfolio including the BT, Build – Operate – Transfer (‘BOT’) and Transfer – Operate – Transfer (‘TOT’) arrangements of various transport infrastructure facilities and direct ownership and operation of a thermoelectric plant.

In 2014, the investment portfolio in this segment has recorded a slightly growth in both revenue and gross profit to HK\$6,310 million (2013: HK\$6,174 million) and HK\$1,461 million (2013: HK\$1,345 million) respectively.

(c) Construction – Cash contract and related business

As focus has been directed to the affordable housing and infrastructure investment businesses, the Group has exercised caution in its traditional construction business and participated in only those projects with quality management and promising profit prospect. Despite such change, the Group's revenue from this segment have dropped by 60.2% to approximately HK\$453 million (2013: HK\$1,139 million). Gross profit from this segment amounted to approximately HK\$286 million (2013: HK\$222 million) for the current year.

3. Far East Global Group – Facade Contracting

During the year under review, the new management of Far East Global Group Limited continued its effort to improving its structure and portfolio so as to position this subsidiary for future expansion. The turnover from this subsidiary have slightly increased by 3.1% to approximately HK\$1,382 million (2013: HK\$1,341 million). Gross profit from this subsidiary has been dramatic increased to approximately HK\$88 million (2013: HK\$10 million) for this year as a result of effective cost control.

Cash Flows Analysis

During the year under review, the Group began to reap the reward of several affordable housing and infrastructure BT projects following the completion of these projects, together with the stable contribution from cash construction and related businesses which generated approximately HK\$2,449 million (2013: HK\$1,864 million) operating cash inflow. After deducting the net expenditure in the BT projects of approximately HK\$4,138 million (2013: HK\$4,949 million), the Group experienced a net cash outflow for its operating activities of approximately HK\$1,689 million (2013: HK\$3,085 million). The net cash outflow from investing activities was approximately HK\$2,091 million (2013: net cash inflow of HK\$130 million), and the net cash inflow from financing activities was approximately HK\$3,172 million (2013: HK\$4,046 million).

BUSINESS PROSPECTS

In 2015, the global economic growth will remain volatile. The United States and Britain are expected to have stronger recovery, while prospects of the Euro zone and Japan remain uncertain and the emerging markets are affected by the impacts of scale structural adjustment and normalised monetary policy of the United States. Boosting economic growth and improving employment rate are still the core of future economic policy and focus of mid-to-long term development of different countries. The Group will closely monitor the impact of macro-economic policy to all businesses, enhance the analysis and adaptation to the market and timely adjust the operation strategy so as to cope with the changing operation environment.

Market Expectation

In view of the rise of free trade zones in Mainland China and political instability in Hong Kong, prospects of Hong Kong economy remains cautious in general with favourable conditions for development. During the year, though there will be a significant decrease in large civil engineering projects implemented by the government, more housing projects will be launched. In particular, the Company will pay high attention to various large-scale pre-designed engineering projects to be launched in the second half of the year.

Economy of the Mainland China is expected to maintain stable growth. However, due to cyclical fluctuations and structural contradictions, there will still be numerous unstable factors and uncertainties. New urbanisation and integration of regional economy will bring significant investment demand for urban infrastructure facilities, public facilities and residential buildings. Therefore, the overall prospects economic development remains optimistic.

In respect of curtain wall markets, scale of businesses in Hong Kong, Macau and Asia-Pacific will be stable attributable to the prosperous market. Along with economic recovery in the United States, the proportion of private developers' projects with higher margin and more reasonable terms will significantly increase. In Mainland China, the market will be full of opportunities, but competition will be vigorous due to inconsistency in qualities, and the market is subject to standardisation.

Operation Strategies

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

In respect of construction projects in Hong Kong and Macau, the Group will focus on large-scale projects and government projects with cost reimbursement mechanism. In addition to profits orientation, the Group pays attention to resources allocation and strategic planning in order to maintain the sustainable development. To deal with difficulties including selection of sub-contractors, shortage of resources and project implementation, the Group will timely adjust competition strategy in order to maintain its advantages of market scale.

In respect of the Mainland investment business, the Group will persist to "Strengthen Its Operation According To Market Condition". All regional companies will prioritise business expansion through creating and grasping cooperation opportunities by adopting strategies such as contacting senior local government officers and implementing an "All Out Marketing Approach" etc. Moreover, the Group will accelerate the implementation of existing projects and provide sufficient time for project implementation in order to meet the annual performance target.

FEG will further promote its brand and market expansion. In addition to implementing projects with high margin in Hong Kong, Macau and North America, it will continue to explore business opportunities in overseas and investments in Mainland China in order to achieve its strategic transformation.

Management Model

According to the strategic planning and duties of supervision, the Group will further optimise the allocation of duties, clearly define the scope of authorities and modify business flows to strengthen the strategic supervision of the headquarters and encourage proactive business management by regional teams. The Group will refine the cooperation mechanism among different departments so as to enlarge the general business scale, strengthen the profitability and consolidate and expand the foundation of construction contracts and investment businesses.

COMPANY MISSION

The Group is dedicated to its core value of **‘Exercising Caution in Details and Implementation; Building a Strong Foundation to Seek Greater Success’**. In strict compliance with the industry standard and dedicating to contribute to the industry, the Group will strive for growth and continuous innovation under China State’s principle of **‘Good Quality and Value Creation’**. With the development of individual staff and strengths of teamwork, the Group will achieve a win-win situation with the shareholders, employees and society and become a new role model in the new era. The Group will insist on developing into a leading corporation with competitive international complex construction and infrastructure investment.

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

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

CORPORATE GOVERNANCE

During the year, the Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations as specified and explained below with considered reasons for such deviations:-

- Under code provision A.6.7 (independent non-executive directors and other non-executive directors should attend general meetings). Mr. Li Jian, Non-executive Director, due to other business engagement was unable to attend the annual general meeting of the Company which held on 30 May 2014 and the extraordinary general meeting of the Company which held on 16 December 2014.
- Under code provision A.2.1 (the roles of chairman and chief executive officer should be separate and should not be performed by the same individual). Mr. Zhou Yong has acted as Executive Director, Chairman and Chief Executive Officer of the Company since August 2013. The Company considered that both positions of chairman and chief executive officer require persons with in-depth knowledge and experience of the Group’s business. If the positions occupied by unqualified persons, the Group’s performance may be affected. At this time, the Company believed that vesting both of the roles in the same person enable more effective and efficient overall strategic planning for the Group; and will not impair the balance of power and authority of the Board. The Company will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

REVIEW OF ACCOUNTS

The Company’s Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures on page 2 to page 20 in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2014. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

ACKNOWLEDGEMENT

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

By Order of the Board
**China State Construction
International Holdings Limited**
Zhou Yong
Chairman and Chief Executive Officer

Hong Kong, 20 March 2015

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