

Independent Auditor's Report



羅兵咸永道

To the shareholders of China Communications Construction Company Limited

(incorporated in People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Communications Construction Company Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 69 to 188, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report (Continued)



羅兵咸永道

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 March 2012

Consolidated Balance Sheet

As at 31 December 2011

		As at 31 December 2011	2010 (Restated)	As at 1 January 2010 (Restated)
	Note	RMB million	RMB million	RMB million
ASSETS				
Non-current assets				
Property, plant and equipment	6	55,148	52,973	48,152
Lease prepayments	7	8,108	7,380	6,552
Investment properties	8	435	387	350
Intangible assets	9	23,902	15,906	10,075
Investments in jointly controlled entities	11	948	857	758
Investments in associates	12	3,145	2,830	2,654
Available-for-sale financial assets	14	12,846	15,452	17,700
Deferred income tax assets	25	2,024	1,602	1,216
Trade and other receivables	15	28,940	22,176	15,142
		135,496	119,563	102,599
Current assets				
Inventories	16	22,603	21,528	18,920
Trade and other receivables	15	100,266	86,424	69,158
Amounts due from customers for contract work	17	54,261	43,458	41,843
Derivative financial instruments	18	62	48	36
Other financial assets at fair value through profit or loss		49	67	80
Restricted cash	19(a)	922	719	698
Cash and cash equivalents	19(b)	45,121	38,826	33,817
		223,284	191,070	164,552
Total assets		358,780	310,633	267,151

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheet (Continued)

As at 31 December 2011

	Note	As at 31 December		As at 1 January
		2011	2010	2010
		RMB million	(Restated) RMB million	(Restated) RMB million
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	20	14,825	14,825	14,825
Share premium	20(a)	13,853	13,853	13,853
Other reserves	22	38,626	31,940	27,319
Proposed final dividend	39	2,902	2,372	1,720
		70,206	62,990	57,717
Non-controlling interests		10,739	10,931	11,607
Total equity		80,945	73,921	69,324
LIABILITIES				
Non-current liabilities				
Borrowings	24	51,756	38,569	34,694
Deferred income		642	554	405
Deferred income tax liabilities	25	2,343	2,360	3,418
Early retirement and supplemental benefit obligations	26	2,028	2,184	2,460
Trade and other payables	23	2,097	1,929	1,166
		58,866	45,596	42,143
Current liabilities				
Trade and other payables	23	146,777	131,625	105,017
Amounts due to customers for contract work	17	14,741	14,204	12,567
Current income tax liabilities		2,634	2,091	1,678
Borrowings	24	54,289	42,760	36,043
Derivative financial instruments	18	58	71	77
Early retirement and supplemental benefit obligations	26	330	214	197
Provisions	27	140	151	105
		218,969	191,116	155,684
Total liabilities		277,835	236,712	197,827
Total equity and liabilities		358,780	310,633	267,151
Net current assets/(liabilities)		4,315	(46)	8,868
Total assets less current liabilities		139,811	119,517	111,467

Zhou Jichang
Director

Fu Junyuan
Director

The accompanying notes are an integral part of these financial statements.

Balance Sheet

As at 31 December 2011

		As at 31 December	
	Note	2011	2010
		RMB million	RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	6	54	56
Lease prepayments	7	211	216
Intangible assets	9	18	23
Investments in subsidiaries	10	61,359	58,110
Investments in jointly controlled entities	11	62	62
Investments in associates	12	2,004	2,004
Available-for-sale financial assets	14	6,463	8,362
Deferred income tax assets	25	102	146
Trade and other receivables	15	2,646	2,383
		72,919	71,362
Current assets			
Inventories	16	1	2
Trade and other receivables	15	8,900	9,108
Loans to subsidiaries	10	11,135	10,127
Amounts due from subsidiaries	10	7,190	6,999
Amounts due from customers for contract work	17	4,475	5,253
Restricted cash	19(a)	3	3
Cash and cash equivalents	19(b)	18,200	15,298
		49,904	46,790
Total assets		122,823	118,152

The accompanying notes are an integral part of these financial statements.

Balance Sheet (Continued)

As at 31 December 2011

		As at 31 December	
	Note	2011	2010
		RMB million	RMB million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	14,825	14,825
Share premium	20(a)	13,853	13,853
Other reserves	22	27,477	27,537
Proposed final dividend	39	2,902	2,372
		59,057	58,587
Total equity		59,057	58,587
LIABILITIES			
Non-current liabilities			
Borrowings	24	10,440	10,399
Deferred income tax liabilities	25	1,394	1,857
Early retirement and supplemental benefit obligations	26	42	42
Trade and other payables	23	133	116
		12,009	12,414
Current liabilities			
Trade and other payables	23	14,157	14,391
Amounts due to subsidiaries	10	23,900	21,204
Amounts due to customers for contract work	17	565	409
Current income tax liabilities		17	15
Borrowings	24	13,088	11,062
Derivative financial instruments	18	25	23
Early retirement and supplemental benefit obligations	26	5	7
Provisions	27	-	40
		51,757	47,151
Total liabilities		63,766	59,565
Total equity and liabilities		122,823	118,152
Net current liabilities		(1,853)	(361)
Total assets less current liabilities		71,066	71,001

Zhou Jichang
Director

Fu Junyuan
Director

The accompanying notes are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 RMB million	2010 (Restated) RMB million
Revenue	5	294,281	272,734
Cost of sales	31	(266,374)	(249,487)
Gross profit		27,907	23,247
Other income	28	1,877	1,824
Other gains, net	29	637	466
Selling and marketing expenses	31	(624)	(570)
Administrative expenses	31	(12,933)	(10,199)
Other expenses	30	(646)	(1,015)
Operating profit		16,218	13,753
Finance income	33	1,993	708
Finance costs, net	34	(3,355)	(2,496)
Share of profit of jointly controlled entities		75	38
Share of profit of associates		98	78
Profit before income tax		15,029	12,081
Income tax expense	35	(3,046)	(2,443)
Profit for the year		11,983	9,638
Attributable to:			
– equity holders of the Company		11,767	9,599
– non-controlling interests		216	39
		11,983	9,638
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
– basic	38	0.79	0.65
– diluted	38	0.79	0.65

The accompanying notes are an integral part of these financial statements.

	Note	2011 RMB million	2010 RMB million
Dividends	39	2,902	2,372

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011	2010
	RMB million	(Restated) RMB million
Profit for the year	11,983	9,638
Other comprehensive expenses		
Fair value losses on available-for-sale financial assets, net of deferred tax		
– Losses arising during the year	(2,201)	(2,219)
– Release of investment revaluation reserve upon disposal of available-for-sale financial assets	(27)	(287)
Currency translation differences	(67)	(39)
Other comprehensive expenses for the year, net of tax	(2,295)	(2,545)
Total comprehensive income for the year	9,688	7,093
Total comprehensive income attributable to:		
– equity holders of the Company	9,541	6,985
– non-controlling interests	147	108
	9,688	7,093

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Note	Attributable to equity holders of the Company					Non-controlling Interests	Total Equity
		Share Capital	Share Premium	Other Reserves	Retained Earnings	Total		
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
Balance at 1 January 2010, as previously reported	22	14,825	13,853	9,371	16,565	54,614	11,615	66,229
Adjustments for adoption of IFRS 1 (Amendment)		-	-	5,303	(2,200)	3,103	(8)	3,095
Balance at 1 January 2010, as restated		14,825	13,853	14,674	14,365	57,717	11,607	69,324
Comprehensive income								
Profit for the year		-	-	-	9,599	9,599	39	9,638
Other comprehensive (expenses)/income								
Changes in fair value of available-for-sale financial assets, net of deferred tax		-	-	(2,301)	-	(2,301)	82	(2,219)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax		-	-	(286)	-	(286)	(1)	(287)
Currency translation differences		-	-	(27)	-	(27)	(12)	(39)
Total other comprehensive (expenses)/income		-	-	(2,614)	-	(2,614)	69	(2,545)
Total comprehensive (expenses)/income		-	-	(2,614)	9,599	6,985	108	7,093
2009 final dividend		-	-	-	(1,720)	(1,720)	-	(1,720)
Dividends paid to non-controlling interests		-	-	-	-	-	(125)	(125)
Contribution from non-controlling interests		-	-	-	-	-	111	111
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries		-	-	9	(1)	8	(770)	(762)
Transfer to statutory surplus reserve	22	-	-	269	(269)	-	-	-
Appropriations	22	-	-	184	(184)	-	-	-
Balance at 31 December 2010		14,825	13,853	12,522	21,790	62,990	10,931	73,921

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2011

	Note	Attributable to equity holders of the Company					Non-controlling Interests RMB million	Total Equity RMB million
		Share Capital RMB million	Share Premium RMB million	Other Reserves RMB million	Retained Earnings RMB million	Total RMB million		
Balance at 1 January 2011, as previously reported		14,825	13,853	7,209	24,255	60,142	10,938	71,080
Adjustments for adoption of IFRS 1 (Amendment)		-	-	5,313	(2,465)	2,848	(7)	2,841
Balance at 1 January 2011, as restated	22	14,825	13,853	12,522	21,790	62,990	10,931	73,921
Comprehensive income								
Profit for the year		-	-	-	11,767	11,767	216	11,983
Other comprehensive expenses								
Changes in fair value of available-for-sale financial assets, net of deferred tax		-	-	(2,161)	-	(2,161)	(40)	(2,201)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax		-	-	(27)	-	(27)	-	(27)
Currency translation differences		-	-	(38)	-	(38)	(29)	(67)
Total other comprehensive expenses		-	-	(2,226)	-	(2,226)	(69)	(2,295)
Total comprehensive (expenses)/income		-	-	(2,226)	11,767	9,541	147	9,688
2010 final dividend		-	-	-	(2,372)	(2,372)	-	(2,372)
Dividends paid to non-controlling interests		-	-	-	-	-	(185)	(185)
Contribution from non-controlling interests		-	-	-	-	-	119	119
Cash contribution from CCCG		-	-	46	-	46	-	46
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries		-	-	3	(2)	1	(273)	(272)
Transfer to statutory surplus reserve	22	-	-	426	(426)	-	-	-
Appropriations	22	-	-	184	(184)	-	-	-
Balance at 31 December 2011		14,825	13,853	10,955	30,573	70,206	10,739	80,945

The accompanying notes are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 RMB million	2010 RMB million
Cash flows from operating activities			
Cash generated from operations	41(a)	4,323	17,797
Income tax paid		(2,604)	(2,289)
Net cash generated from operating activities		1,719	15,508
Cash flows from investing activities			
Purchase of property, plant and equipment ("PPE")		(7,117)	(8,402)
Increase in lease prepayments		(957)	(1,062)
Purchase of intangible assets		(8,034)	(4,939)
Purchases of investment properties		-	(1)
Proceeds from disposal of PPE	41(b)	563	822
Proceeds from disposal of lease prepayments		259	132
Proceeds from disposal of intangible assets		415	1
Proceeds from disposal of investment properties		7	7
Additional investments in jointly controlled entities		(229)	(72)
Additional investments in associates		(353)	(42)
Additional investments in subsidiaries		(351)	(771)
Acquisition of a subsidiary		(23)	(678)
Purchases of available-for-sale financial assets		(119)	(1,668)
Purchase of other financial assets at fair value through profit or loss		(30)	(64)
Proceeds from disposal of jointly controlled entities		147	5
Proceeds from disposal of associates		142	113
Proceeds from disposal of equity interest in subsidiaries		208	-
Proceeds from disposal of available-for-sale financial assets		221	548
Proceeds from disposal of other financial assets at fair value through profit or loss		35	72
Interest received		504	294
Dividends received		326	329
Net cash used in investing activities		(14,386)	(15,376)
Cash flows from financing activities			
Proceeds from borrowings		74,633	55,543
Repayments of borrowings		(49,128)	(45,953)
Interest paid	41(c)	(4,016)	(2,867)
Contribution from non-controlling interests		119	111
Dividends paid to the Company's shareholders		(2,372)	(1,720)
Dividends paid to non-controlling interests of subsidiaries		(139)	(125)
Cash contribution from CCCG		46	-
Net cash generated from financing activities		19,143	4,989
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	19(b)	38,826	33,817
Exchange losses on cash and cash equivalents		(181)	(112)
Cash and cash equivalents at end of the year	19(b)	45,121	38,826

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

1. General Information

China Communications Construction Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 8 October 2006 as a joint stock company with limited liability under the Company Law of the PRC, as part of the group reorganisation of China Communications Construction Group Ltd. (“CCCCG”) in preparation for a listing of the Company’s H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The Company completed its global initial public offering in December 2006. The address of its registered office is 85 De Sheng Men Wai Street, Xicheng District, Beijing, the PRC.

The Company and its subsidiaries (together the “Group”) are principally engaged in infrastructure construction, infrastructure design, dredging, manufacturing of heavy machinery and other businesses.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2012.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amendments to standards mandatory for the financial year beginning 1 January 2011 and relevant to the Group

The following amendments are mandatory for the financial year beginning 1 January 2011:

	Effective for accounting periods beginning on or after
IFRS 3 (Revised), "Business combinations"	1 July 2010
IFRS 1 (Amendment), "First time adoption of international financial reporting standards" – "Revaluation basis as deemed cost"	1 January 2011
IFRS 7 (Amendment), "Financial instruments: Disclosures"	1 January 2011
IAS 1 (Amendment), "Presentation of financial statements"	1 January 2011
IAS 24 (Revised), "Related party disclosures"	1 January 2011
IAS 27 (Amendment), "Consolidated and separate financial statements"	1 January 2011
IAS 34 (Amendment), "Interim financial reporting"	1 January 2011

Except for the following amendments to existing standards as described below, the adoption of the above amendments in the current year did not have any material effect on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

- IFRS 1 (Amendment), "First time adoption of international financial reporting standards" – "Revaluation basis as deemed cost". IFRS 1 (Amendment) allows first-time adopters to use an event-driven fair value as deemed cost for assets and liabilities, even if the event occurs after the date of transition to IFRS, but before the first set of IFRS financial statements are issued. When such re-measurement occurs after the date of transition to IFRS, but during the period covered by its first set of IFRS financial statements, any subsequent adjustment to that event-driven fair value is recognised in equity.

Upon the incorporation of the Company on 8 October 2006, the assets and liabilities transferred to the Company have been stated at historical carrying amounts of the predecessor company. As the IFRS 1 (Amendment) provides a limited time frame for reporting entities that have previously applied IFRS 1 to retrospectively apply this amendment, the Group has opted to apply this amendment in the year ended 31 December 2011, and therefore the assets and liabilities of the Group have been restated at revalued amounts (being the cost of the assets transferred to the Company during the group reorganisation) as deemed cost since the transition to IFRS.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amendments to standards mandatory for the financial year beginning 1 January 2011 and relevant to the Group (Continued)

The adjustments for adoption of IFRS 1 (Amendment) are as follows:

Consolidated balance sheet:

	As at 31 December 2011		
	Balances before adjustments RMB million	Adjustments for adoption of IFRS 1 (Amendment) RMB million	Balances after adjustments RMB million
Property, plant and equipment	54,716	432	55,148
Lease prepayments	5,391	2,717	8,108
Investment properties	420	15	435
Investments in associates	3,141	4	3,145
Available-for-sale financial assets	12,796	50	12,846
Deferred income tax assets	2,588	(564)	2,024
Inventories	22,584	19	22,603
Other assets	254,471	–	254,471
Total assets	356,107	2,673	358,780
Capital and reserves attributable to equity holders of the Company	67,524	2,682	70,206
Non-controlling interests	10,746	(7)	10,739
Total equity	78,270	2,675	80,945
Deferred income tax liabilities	2,345	(2)	2,343
Other liabilities	275,492	–	275,492
Total liabilities	277,837	(2)	277,835

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amendments to standards mandatory for the financial year beginning 1 January 2011 and relevant to the Group (Continued)

Consolidated balance sheet: (Continued)

	Balances as previously reported RMB million	As at 31 December 2010 Adjustments for adoption of IFRS 1 (Amendment) RMB million	Balances as restated RMB million
Property, plant and equipment	52,438	535	52,973
Lease prepayments	4,583	2,797	7,380
Investment properties	370	17	387
Investments in associates	2,826	4	2,830
Available-for-sale financial assets	15,402	50	15,452
Deferred income tax assets	2,221	(619)	1,602
Inventories	21,473	55	21,528
Other assets	208,481	–	208,481
Total assets	307,794	2,839	310,633
Capital and reserves attributable to equity holders of the Company	60,142	2,848	62,990
Non-controlling interests	10,938	(7)	10,931
Total equity	71,080	2,841	73,921
Deferred income tax liabilities	2,362	(2)	2,360
Other liabilities	234,352	–	234,352
Total liabilities	236,714	(2)	236,712

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amendments to standards mandatory for the financial year beginning 1 January 2011 and relevant to the Group (Continued)

Consolidated balance sheet: (Continued)

	Balances as previously reported RMB million	As at 1 January 2010 Adjustments for adoption of IFRS 1 (Amendment) RMB million	Balances as restated RMB million
Property, plant and equipment	47,351	801	48,152
Lease prepayments	3,689	2,863	6,552
Investment properties	332	18	350
Investments in associates	2,650	4	2,654
Available-for-sale financial assets	17,650	50	17,700
Deferred income tax assets	1,944	(728)	1,216
Inventories	18,835	85	18,920
Other assets	171,607	–	171,607
Total assets	264,058	3,093	267,151
Capital and reserves attributable to equity holders of the Company	54,614	3,103	57,717
Non-controlling interests	11,615	(8)	11,607
Total equity	66,229	3,095	69,324
Deferred income tax liabilities	3,420	(2)	3,418
Other liabilities	194,409	–	194,409
Total liabilities	197,829	(2)	197,827

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amendments to standards mandatory for the financial year beginning 1 January 2011 and relevant to the Group (Continued)

Consolidated income statement:

	The year ended 31 December 2011		
	Amounts before adjustments RMB million	Adjustments for adoption of IFRS 1 (Amendment) RMB million	Amounts after adjustments RMB million
Cost of sales	(266,233)	(141)	(266,374)
Administrative expenses	(12,853)	(80)	(12,933)
Profit before income tax	15,250	(221)	15,029
Income tax expense	(3,101)	55	(3,046)
Profit for the year	12,149	(166)	11,983
Profit attributable to equity holders of the Company	11,933	(166)	11,767
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
– basic	0.80	(0.01)	0.79
– diluted	0.80	(0.01)	0.79

	The year ended 31 December 2010		
	Amounts as previously reported RMB million	Adjustments for adoption of IFRS 1 (Amendment) RMB million	Amounts as restated RMB million
Cost of sales	(249,261)	(226)	(249,487)
Other gains, net	527	(61)	466
Administrative expenses	(10,115)	(84)	(10,199)
Other expenses	(1,014)	(1)	(1,015)
Profit before income tax	12,453	(372)	12,081
Income tax expense	(2,552)	109	(2,443)
Profit for the year	9,901	(263)	9,638
Profit attributable to equity holders of the Company	9,863	(264)	9,599
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
– basic	0.67	(0.02)	0.65
– diluted	0.67	(0.02)	0.65

- IAS 24 (Revised), "Related party disclosures". The Group early adopted this amendment in previous years and therefore simplified the disclosures for related party transactions and balances with government-related entities. The Group continued the practice in 2011 (refer to details in Note 44).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(b) Amendments and interpretations mandatory for the financial year beginning 1 January 2011 but not relevant to the Group

- IAS 32 (Amendment), "Financial instruments: Presentation" – "Classification of right issues"
- IFRS 1 (Amendment), "Limited exemption from comparative IFRS 7 disclosures for first-time adopters"
- IFRIC 19, "Extinguishing financial liabilities with equity instruments"
- IFRIC 14 (Amendment), "Payments of a minimum funding requirement"
- IFRS 1 (Amendment), "First time adoption of international financial reporting standards" – "Accounting policy changes in the year of adoption"
- IFRS 1 (Amendment), "First time adoption of international financial reporting standards" – "Use of deemed cost for operation subject to rate regulation"
- IFRIC 13 (Amendment), "Customer loyalty programmes"

(c) Standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group

	Effective for accounting periods beginning on or after
IFRS 7 (Amendment), "Disclosures – Transfers of financial assets"	1 July 2011
IAS 1 (Amendment), "Financial statement presentation" – "other comprehensive income"	1 July 2012
IFRS 7 (Amendment), "Financial instruments: Disclosures – Offsetting financial assets and financial liabilities"	1 January 2013
IFRS 10, "Consolidated financial statements"	1 January 2013
IFRS 11, "Joint arrangements"	1 January 2013
IFRS 12, "Disclosures of interests in other entities"	1 January 2013
IFRS 13, "Fair value measurement"	1 January 2013
IAS 19 (Amendment), "Employee benefits"	1 January 2013
IAS 27 (Revised), "Separate financial statements"	1 January 2013
IAS 28 (Revised), "Associates and joint ventures"	1 January 2013
IFRS 9, "Financial instruments"	1 January 2015

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(c) Standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group (Continued)

The Group will apply the above standards and amendments from 1 January 2012 or later period. The estimated effects of adopting these new and revised standards are as follows.

- IFRS 7 (Amendment), “Disclosures – Transfers of financial assets”, promotes transparency in the reporting of transfer transactions and improves users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitisation of financial assets. The Group will prospectively apply the amendment from 1 July 2011;
- IAS 1 (Amendment), “Financial statement presentation”-“other comprehensive income”. The main change resulting from these amendments is a requirement for entities to group items presented in “other comprehensive income” on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income. The Group will retrospectively apply IAS 1 (Amendment) from 1 July 2012 and it is not expected to have material impact;
- IFRS 7 (Amendment), “Financial instruments: Disclosures – Offsetting financial assets and financial liabilities”. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group will retrospectively apply the amendment from 1 January 2013 and it is not expected to have material impact;
- IFRS 10, “Consolidated financial statements”. The objective of the standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. The standard defines the principle of control, and establishes controls as the basis for consolidation. The standard sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The Group will retrospectively apply the standard from 1 January 2013 and it is not expected to have material impact;
- IFRS 11, “Joint arrangements”, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is currently accounted for the joint ventures under the equity method of accounting. The Group will retrospectively apply the standard from 1 January 2013 and it is not expected to have any impact;

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(c) Standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group (Continued)

- IFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will apply the standard from 1 January 2013;
- IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group will prospectively apply the standard from 1 January 2013 and is yet to assess IFRS 13's full impact;
- IAS 19 (Amendment), "Employee benefits", eliminates the corridor approach and calculate finance costs on a net funding basis. The Group will retrospectively apply the standard from 1 January 2013 and is yet to assess IAS 19 (Amendment)'s full impact;
- IAS 27 (Revised), "Separate financial statements", includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Group will retrospectively apply the amendment from 1 January 2013 and it is not expected to have material impact;
- IAS 28 (Revised), "Associates and joint ventures", includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Group is currently accounted for the joint ventures and associates under the equity method of accounting. The Group will retrospectively apply the amendment from 1 January 2013 and it is not expected to have any impact; and
- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the part of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is assessing the expected impact in detail and will adopt the new standard when it becomes effective.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(d) Amendments to existing standards and interpretations that are not yet effective for the financial year beginning 1 January 2011 and not relevant to the Group

- IFRS 1 (Amendment), "Severe hyperinflation and removal of fixed dates for first-time adopters" (effective from 1 July 2011)
- IAS 12 (Amendment), "Deferred tax: Recovery of underlying assets" (effective from 1 January 2012)
- IFRIC – Int 20 "Stripping costs in the production phase of a surface mine" (effective from 1 January 2013)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

Goodwill (Note 2.8(d)) is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

Inter-company transactions, balances and income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are accounted for at cost less provision for impairment losses (Note 2.9). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

(d) Jointly controlled entities

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investment in a jointly controlled entity is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and is adjusted thereafter to recognise the Group's share of the post-acquisition results and distributions received of the jointly controlled entity, and other necessary alternations in the Group's proportionate interest in jointly controlled entity arising from changes in equity of jointly controlled entity that have not been included in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.2 Consolidation (Continued)

(d) Jointly controlled entities (Continued)

The Group's share of post-acquisition results after taxation of jointly controlled entities is included in the consolidated income statement.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.9). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(e) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment (Note 2.9) as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses (Note 2.9). The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the President Office, which is chaired by the Chief Executive Officer and consists of senior management of the Company who make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the consolidated income statement, and other changes on the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the investment revaluation reserve in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (Note 2.9), if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets are calculated using the straight-line method to allocate their cost less accumulated impairment loss of each asset to their residual values over their estimated useful lives, as follows:

– Leasehold land classified as finance lease	50 years
– Buildings	20-30 years
– Machinery	5-10 years
– Vessels	10-25 years
– Motor vehicles	5 years
– Other equipments	2-5 years

Construction-in-progress represents buildings, vessels and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of machinery and vessels. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and available for use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.5 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.6 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses (Note 2.9), if any.

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of the asset over its estimated useful life of 30 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.7 Lease prepayments

Lease prepayments represent upfront prepayments made for the land use rights and leasehold land classified as operating lease and are expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment (Note 2.9), the impairment is expensed in the consolidated income statement.

2.8 Intangible assets

(a) Trademark, patent and proprietary technologies

Separately acquired trademark, patent and proprietary technologies are shown at historical cost. Trademark, patent and proprietary technologies acquired in a business combination are recognised at fair value at the acquisition date. Trademark, patent and proprietary technologies have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 to 17 years from the date they are available for use.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 1 to 10 years.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.8 Intangible assets (Continued)

(c) Concession assets

The Group is engaged in certain service concession arrangements in which the Group carries out the construction work (e.g. toll highways, bridges and ports) for the granting authority and receives in exchange a right to operate the asset concerned in accordance with pre-established conditions set by the granting authority. In accordance with the IFRIC Interpretation 12 Service Concession Arrangement (IFRIC 12), the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangibles if the operator receives a right (a license) to charge users of the public service or as financial assets if paid by the granting authority. The Group classifies the non-current assets linked to the long-term investment in these concession arrangements as “concession assets” within intangible assets on the balance sheet if the intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements is completed, the concession assets are amortised over the term of the concession using traffic flow method or straight-line method under the intangible asset model.

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.9 Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life, for example, goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.9 Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets (Continued)

Impairment testing of the investments in subsidiaries, jointly controlled entities or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables (Note 2.14), restricted cash and cash and cash equivalents (Note 2.15) in the balance sheet.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.10 Financial assets (Continued)

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated income statement within other gains – net in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group’s right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in consolidated income statement, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. However, if the range of reasonable fair value estimate is significant and the probabilities of various estimates cannot be reasonably assessed, such financial assets are carried out at cost less accumulated impairment losses.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.11 Impairment of financial assets (Continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement within other gains – net.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for services performed or products sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for its intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in consolidated income statement in the period in which they are incurred.

2.19 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries or jurisdictions where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.19 Current and deferred income tax (Continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) Pension obligations

The full-time employees of the Group in the PRC, excluding Hong Kong and Macau ("Mainland China"), are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or jurisdictions outside Mainland China. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service.

The Group also provided supplementary pension subsidies to retired employees in Mainland China who retired prior to 1 January 2006. Such supplementary pension subsidies are considered to be defined benefit pension plans. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.20 Employee benefits (Continued)

(a) Pension obligations (Continued)

The net cumulative unrecognised actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions exceeding 10% of the present value of the defined benefit obligation are credited or charged to consolidated income statement immediately.

Past service costs are recognised immediately as expense unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Employees who retire after 1 January 2006 are no longer entitled to such supplementary pension subsidies.

(b) Other post-employment obligations

Some Group companies in Mainland China provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The net cumulative unrecognised actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions exceeding 10% of the present value of the defined benefit obligation are credited or charged to income statement immediately. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

Employee termination and early retirement benefits are recognised in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Housing funds

All full-time employees of the Group in Mainland China are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(e) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.20 Employee benefits (Continued)

(f) Share-based payments

The Group entered into cash-settled share-based payment transactions with certain directors, senior management officers and other employees, under which the entity receives services from employees as consideration for share appreciation rights ("SAR") granted by the Company.

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the consolidated income statement. See Note 21 for details of fair value measurement of the liability.

The grant by the Company of SAR to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.23 Contract work

Contract costs are recognised when incurred.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage of completion method” to determine the appropriate amount to be recognised in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Contract work-in-progress is valued at the cost price of the work done, plus a part of the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions. Provisions are recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost price. The cost price includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, other direct costs, rental charges and maintenance costs for the equipment used. The progress of a project is determined on the basis mentioned in preceding paragraph. Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project by project basis.

The Group presents as an asset the “amounts due from customers for contract work” for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “trade and other receivables”.

The Group presents as a liability the “amounts due to customers for contract work” for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.24 Revenue recognition (Continued)

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from construction, design, dredging and heavy machinery contracts

Revenue from individual construction, design, dredging and heavy machinery contracts is recognised under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be reliably determined and, depending on the nature of the contract, is measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Expected losses are fully provided on contracts when identified.

(b) Services rendered

Revenue for services rendered including surveying, transportations and logistics services is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

(c) Sales of products

Sales of products are recognised when a group's entity has delivered the products to the customer, and the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(d) Rental income

Rental income under operating leases of vessels and buildings is recognised on a straight-line basis over the lease term.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.25 Leases

2.25.1 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) As a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) As a lessor

Assets leased out under operating leases are included in property, plant and equipment and investment properties. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment and investment properties. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.25.2 Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over its expected useful life on a basis consistent with similar owned asset. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the expected useful life of the asset and the lease term.

2.26 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products and processes) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.26 Research and development (Continued)

Capitalised development cost is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation of capitalised development cost is calculated using the straight-line method over its expected useful life from the date they are available for use.

Development assets are tested for impairment annually in accordance with IAS 36.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The functional currency of majority of the entities within the Group is RMB. Most of the Group's transactions are based and settled in RMB. Foreign currencies are used to settle the Group's revenue from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers, and certain expenses.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

Details of the Group's trade and other receivables, cash and bank balances, trade and other payables and borrowings as at 31 December 2011, denominated in foreign currencies, mainly United States Dollars ("US\$"), Euro ("EUR"), Japanese Yen ("JPY") and Hong Kong Dollars ("HK\$"), are disclosed in Notes 15, 19, 23 and 24, respectively.

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses its exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments when management considers necessary. During the year ended 31 December 2011, certain subsidiaries of the Group used forward foreign exchange contracts transacted with domestic and overseas banks, to hedge the exposure to foreign currency risk on individual transactions primarily vis-à-vis US\$, EUR, JPY and Korea Won.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2011, if RMB had strengthened/weakened by 5% against US\$ with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB662 million higher/lower (2010: 5%, RMB177 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. The change in profit is more significant in 2011 than 2010 primarily because of the increased amount of US\$ denominated borrowings.

As at 31 December 2011, if RMB had strengthened/weakened by 10% against EUR with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB21 million higher/lower (2010: 10%, RMB106 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. The change in profit is less significant in 2011 than 2010 primarily because of the decreased amount of EUR denominated cash and cash equivalents and trade and other receivables.

As at 31 December 2011, if RMB had strengthened/weakened by 5% against JPY with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been approximately RMB14 million higher/lower (2010: 10%, RMB37 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents and borrowings. Profit is less sensitive to movements in RMB/JPY exchange rates in 2011 than 2010 primarily because of the decreased amount of JPY denominated borrowings.

As at 31 December 2011, if RMB had strengthened/weakened by 5% against HK\$ with all other variables held constant, equity attributable to the equity holders of the Company would have been approximately RMB10 million lower/higher (2010: RMB18 million lower/higher), arising mainly from foreign exchange losses/gains on translation of HK\$ denominated equity securities classified as available-for-sale. Equity is less sensitive to movements in RMB/HK\$ exchange rate in 2011 than 2010 because of the decreased amount of HK\$ denominated equity securities classified as available-for-sale.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no other significant interest-bearing assets except for bank deposits.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2011, approximately RMB66,101 million (2010: RMB44,519 million) of the Group's borrowings were at variable rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 24.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

If interest rates on borrowings had been 0.25 percentage-point higher/lower with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been RMB96 million lower/higher (2010: 0.25 percentage-point higher/lower, RMB49 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk because the Group's equity securities investments are classified as available-for-sale financial assets or other financial assets at fair value through profit or loss which are required to be stated at their fair values (see fair value estimation below).

The Group's sensitivity to equity price risk on the available-for-sale financial assets or other financial assets at fair value through profit or loss at each balance sheet date while all other variables were held constant is as follows:

	2011	2010
Change in equity price	10%	10%

	2011 RMB million	2010 RMB million
Increase in profit attributable to equity holders of the Company for the year as a result of increase in equity price	5	7
Increase in equity attributable to equity holders of the Company for the year as a result of increase in equity price	1,114	1,378

(b) Credit risk

The carrying amounts of cash and bank balances, trade and other receivables except for prepayments, investments, and the nominal value of the guarantees provided on liabilities as disclosed in Note 42 represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group holds substantially all of bank deposits in major financial institutions located in the PRC and certain overseas banks with good credit ratings. Management believes these financial institutions are of high credit quality and there is no significant credit risk of losses on such assets. The Group has policies that limit the amount of credit exposure to any financial institutions.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group's major customers are PRC Government agencies at the national, provincial and local levels, and other state-owned enterprises, which accounted for significant amount of the Group's total operating revenue during the year. The Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluation of its customers. With regard to overseas companies of inadequate creditworthiness, the Group usually demands letters of guarantee or letters of credit. No single customer accounted for more than 10% of the Group's total revenue during the year (2010: None).

Moreover, impairments are recognised for the credit risk that is inherent in trade receivables from the domestic and overseas businesses. The maximum exposure to loss of trade receivables is equal to their total carrying amounts. The carrying amounts of trade receivables, showing separately those receivables that are past due or impaired, are disclosed in Note 15.

Transactions involving derivative financial instruments that hedge foreign exchange and interest rate exposures are with counterparties that have high credit ratings, and the Group does not use derivative financial instruments for purposes other than risk management. The maximum exposure to credit risk at the reporting date is equal to the carrying amount of those derivatives classified as financial assets. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity risk

Liquidity risk encompasses the risk that the Group cannot meet its financial obligations in full.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available. The amounts of undrawn borrowing facilities are disclosed in Note 24.

Due to capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and banks and other borrowings.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 24. Generally there is no specific credit period granted by the supplier but the related trade payables are normally expected to be settled within 30 to 90 days after receipt of goods or services.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The spot rate as at balance sheet date is used for the cash outflow calculation in relation to the amounts settled with foreign currencies. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Group

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
As at 31 December 2011				
Borrowings (excluding finance lease liabilities)	56,589	11,669	24,690	31,991
Finance lease liabilities	898	729	555	4
Derivative financial instruments – held for trading	8	8	36	8
Trade and other payables (excluding statutory and non-financial liabilities)	107,554	2,274	–	–
Financial guarantee contracts	50	–	–	218
	165,099	14,680	25,281	32,221
As at 31 December 2010				
Borrowings (excluding finance lease liabilities)	43,588	7,351	15,118	24,752
Finance lease liabilities	705	666	862	71
Derivative financial instruments – held for trading	11	6	16	6
Trade and other payables (excluding statutory and non-financial liabilities)	87,464	2,127	–	–
Financial guarantee contracts	298	–	–	340
	132,066	10,150	15,996	25,169

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
As at 31 December 2011				
Borrowings	13,593	672	3,650	9,113
Derivative financial instruments – held for trading	-	2	21	4
Trade and other payables (excluding statutory and non-financial liabilities)	8,106	74	-	-
Financial guarantee contracts	13,583	3,379	3,476	6,748
	35,282	4,127	7,147	15,865
As at 31 December 2010				
Borrowings	11,441	651	3,834	9,540
Derivative financial instruments – held for trading	4	4	11	3
Trade and other payables (excluding statutory and non-financial liabilities)	6,200	67	-	-
Financial guarantee contracts	386	7,209	2,637	6,510
	18,031	7,931	6,482	16,053

The Group and the Company entered into the guarantee contracts for bank borrowings made by certain subsidiaries, jointly controlled entities and certain third party entities. Financial guarantees represent the maximum amounts of guarantees allocated to the earliest periods in which the respective guarantees could be called. The Directors of the Company are of the opinion that those guarantees are not likely to be crystallised in the foreseeable future.

Net settled derivatives comprise forward foreign exchange contracts used by the Group to hedge the exposure to foreign currency risk.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The spot rate as at balance sheet date is used for the cash outflow and inflow calculations in relation to the amounts settled with foreign currencies. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Group

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million
As at 31 December 2011			
Forward foreign exchange contracts – held for trading			
Outflow	(4,310)	–	–
Inflow	4,391	–	–
As at 31 December 2010			
Forward foreign exchange contracts – held for trading			
Outflow	(4,181)	(96)	–
Inflow	4,173	96	–

The Company has no derivative financial instruments that will be settled on a gross basis.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(d) Capital risk management (Continued)

	2011	2010 (Restated)
	RMB million	RMB million
Total borrowings (Note 24)	106,045	81,329
Less: Cash and cash equivalents (Note 19(b))	(45,121)	(38,826)
Net debt	60,924	42,503
Total equity	80,945	73,921
Total capital	141,869	116,424
Gearing ratio	43%	37%

The gearing ratio as at 31 December 2011 has an increase of 6% compared with that in 2010 primarily attributable to the increase in bank borrowings to meet the financing needs of projects, mainly concession asset projects.

(e) Business environment in emerging economies

The Group has business operations in a number of overseas countries, including countries in Africa, Middle East and South Asia. Some of these countries are exposed to or may expose to political and social turbulence which may lead to unexpected or accelerated changes in political, social and economic environments, and these changes may result in adverse effect on the Group's operations and assets in these countries. Any political or social turbulence or unexpected or accelerated changes in political, social and economic environments may lead to delays or suspension of construction projects and consequently outstanding construction related cost and receivables may not be fully recoverable. The bank deposits in financial institutions of some of these countries are not freely convertible into other foreign currencies and the remittance of such bank deposits out of those countries is controlled. The Group has contingency plans to minimise the financial impact for unexpected turbulent situations, including safeguard of assets. The Group also has policies in place to limit the amounts to be settled in local currencies of these countries and to maintain minimum level of bank deposits in financial institutions of these countries. As at 31 December 2011, the balance of contract work-in-progress relating to on-going construction projects and bank deposits in certain countries in Africa and Middle East represent less than 2.0% and 1.0% (31 December 2010: less than 2.0% and 0.3%), respectively, of the respective balances on the consolidated balance sheet. Management continuously monitors the development and changes in political, social and economic environments of these countries. Whenever there is any indication of impairment exists, management will perform impairment assessment of the outstanding assets. Based on current assessment, management does not expect any material losses of outstanding assets in these countries. Future environment may differ from management's current assessment.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different level has been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	49	–	–	49
Derivative financial instruments –held for trading	–	62	–	62
Available-for-sale financial assets – Equity securities	11,033	109	–	11,142
Total assets	11,082	171	–	11,253
Liabilities				
Derivative financial instruments –held for trading	–	(58)	–	(58)
Total liabilities	–	(58)	–	(58)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	67	–	–	67
Derivative financial instruments –held for trading	–	48	–	48
Available-for-sale financial assets – Equity securities	12,800	983	–	13,783
Total assets	12,867	1,031	–	13,898
Liabilities				
Derivative financial instruments –held for trading	–	(71)	–	(71)
Total liabilities	–	(71)	–	(71)

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments in public companies listed on Shanghai, Shenzhen and Hong Kong Stock Exchanges classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4. Critical Accounting Estimates, Assumptions and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Income taxes and deferred tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination are made.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

4. Critical Accounting Estimates, Assumptions and Judgments (Continued)

4.1 Income taxes and deferred tax (Continued)

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the periods in which such estimate is changed.

4.2 Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. However, if the range of reasonable fair value estimate is so significant that management are of the opinion that their fair value cannot be measured reliably, such financial instruments are carried out at cost less accumulated impairment losses.

The sensitivity analysis in relation to the fluctuation of the fair value of financial instruments has been disclosed in Note 3.1(a)(iii).

4.3 Construction contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Because of the nature of the activity undertaken in construction, design, dredging and manufacturing of heavy machinery businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses and regularly reviews the progress of the contracts. The Group also monitors the progress payments from customers against the contract terms, and periodically evaluates the creditworthiness of the customers. If circumstances arise which make it likely that a customer would default on all or part of its payments or otherwise fail to fulfil its performance obligations under the contract terms, the Group will reassess the outcome of the relevant contract and may revise the relevant estimates. The revision will be reflected in the consolidated income statement in the period in which the circumstances that give rise to the revision become known by management.

4.4 Pension benefits

The present value of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The assumptions are disclosed in Note 26.

Key assumptions used in determining the net cost for pensions include discount rate, which is based on current market conditions.

If the discount rate used to increase/decrease by 10% from management's estimates with all other variables held constant, the carrying amount of pension obligations as at balance sheet date would have been RMB43 million (2010: RMB82 million) lower or RMB45 million (2010: RMB87 million) higher.

4.5 Impairment assessment on concession assets

The Group operates certain concession assets and their impairment is reviewed whenever events or changes in circumstances indicate that the carrying amounts of the concession assets may not be recoverable in accordance with the accounting policy stated in Note 2.9.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

4. Critical Accounting Estimates, Assumptions and Judgments (Continued)

4.5 Impairment assessment on concession assets (Continued)

The recoverable amounts of the concession assets have been determined based on value-in-use method. The value-in-use calculations require the use of estimates on the projections of cash flows from the traffic volume and other income, deducting the necessary maintenance and operating costs incurred for the concession assets, and discount rates.

Based on management's best estimates, there was no impairment loss for concession assets recognised during the year.

5. Segment Information

Management has determined the operating segments based on the reports reviewed by the President Office that are used to allocate resources to the segments and assess their performance.

The President Office considers the business from the service and product perspectives. Management assesses the performance of the following five operating segments:

- (1) infrastructure construction of ports, roads, bridges and railways (the "Construction Segment");
- (2) infrastructure design of ports, roads and bridges (the "Design Segment");
- (3) dredging (the "Dredging Segment");
- (4) manufacturing of heavy machinery (the "Heavy Machinery Segment"); and
- (5) others (the "Others Segment").

The President Office assesses the performance of the operating segments based on operating profit excluding unallocated income or costs. Other information provided to the President Office is measured in a manner consistent with that in the financial statements.

Inter-segment sales were conducted at prices generally no less than cost and with terms mutually agreed amongst those business segments.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets consist primarily of property, plant and equipment, lease prepayments, intangible assets, inventories, receivables, amounts due from customers for contract work, cash and cash equivalents. They exclude deferred taxation, investments and derivative financial instruments.

Segment liabilities comprise primarily payables and amounts due to customers for contract work. They exclude items such as taxation and borrowings.

Capital expenditure comprises mainly additions to property, plant and equipment (Note 6), lease prepayments (Note 7), investment properties (Note 8) and intangible assets (Note 9).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

5. Segment Information (Continued)

The segment information for the year ended 31 December 2011 is as follows:

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Total gross segment revenue	227,068	15,008	32,321	20,166	6,665	(6,947)	294,281
Inter-segment revenue	(2,351)	(913)	(1,537)	(2,138)	(8)	6,947	-
Revenue	224,717	14,095	30,784	18,028	6,657	-	294,281
Segment result	10,762	1,984	3,700	110	166	(201)	16,521
Unallocated costs							(303)
Operating profit							16,218
Finance income							1,993
Finance costs, net							(3,355)
Share of profit of jointly controlled entities							75
Share of profit of associates							98
Profit before income tax							15,029
Income tax expense							(3,046)
Profit for the year							11,983

Other segment items included in the consolidated income statement are as follows:

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Other segment items							
Depreciation	3,386	161	1,223	1,272	57	-	6,099
Amortisation	238	24	23	103	5	-	393
Write-down of inventories	-	-	-	18	-	-	18
Provision for/(reversal of) foreseeable losses on construction contracts	209	-	(61)	145	-	-	293
Provision for impairment of trade and other receivables	187	75	54	111	-	-	427

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

5. Segment Information (Continued)

The segment information provided for the year ended 31 December 2010, as restated, is as follows:

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Total gross segment revenue	212,962	11,264	28,113	17,221	7,329	(4,155)	272,734
Inter-segment revenue	(883)	(199)	(2,558)	(76)	(439)	4,155	–
Revenue	212,079	11,065	25,555	17,145	6,890	–	272,734
Segment result	8,912	1,741	3,584	(956)	343	–	13,624
Unallocated income							129
Operating profit							13,753
Finance income							708
Finance costs, net							(2,496)
Share of profit of jointly controlled entities							38
Share of profit of associates							78
Profit before income tax							12,081
Income tax expense							(2,443)
Profit for the year							9,638

Other segment items included in the consolidated income statement, as restated, are as follows:

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Other segment items							
Depreciation	2,931	146	1,091	1,264	55	–	5,487
Amortisation	137	24	17	78	5	–	261
(Reversal of write-down)/ write-down of inventories	(1)	–	–	77	–	–	76
Provision for foreseeable losses on construction contracts	220	–	218	106	–	–	544
(Reversal of)/provision for impairment of trade and other receivables	(485)	62	(18)	39	(2)	–	(404)

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

5. Segment Information (Continued)

The amounts provided to the President Office with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are presented based on the operating segments they are associated with.

The segment assets and liabilities at 31 December 2011 and capital expenditure for the year then ended are as follows:

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Segment assets	222,339	13,471	41,744	46,219	3,590	(5,760)	321,603
Investments in jointly controlled entities							948
Investments in associates							3,145
Unallocated assets							33,084
Total assets							358,780
Segment liabilities	138,610	5,819	19,429	6,775	1,402	(5,582)	166,453
Unallocated liabilities							111,382
Total liabilities							277,835
Capital expenditure	13,967	293	2,832	896	31	-	18,019

Segment assets and liabilities at 31 December 2011 are reconciled to group assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	321,603	166,453
Investments in jointly controlled entities	948	-
Investments in associates	3,145	-
Unallocated:		
Deferred income tax assets/liabilities	2,024	2,343
Current income tax liabilities	-	2,634
Current borrowings	-	54,289
Non-current borrowings	-	51,756
Available-for-sale financial assets	12,846	-
Other financial assets at fair value through profit or loss	49	-
Derivative financial instruments	62	58
Cash and other corporate assets/liabilities	18,103	302
Total	358,780	277,835

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

5. Segment Information (Continued)

The segment assets and liabilities at 31 December 2010, as restated, and capital expenditure for the year then ended are as follows:

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Segment assets	182,516	10,137	35,188	46,760	3,588	(3,839)	274,350
Investments in jointly controlled entities							857
Investments in associates							2,830
Unallocated assets							32,596
Total assets							310,633
Segment liabilities	124,582	3,946	16,772	7,420	1,647	(3,839)	150,528
Unallocated liabilities							86,184
Total liabilities							236,712
Capital expenditure	11,682	250	3,052	2,216	49	-	17,249

Segment assets and liabilities at 31 December 2010, as restated, are reconciled to group assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	274,350	150,528
Investments in jointly controlled entities	857	-
Investments in associates	2,830	-
Unallocated:		
Deferred income tax assets/liabilities	1,602	2,360
Current income tax liabilities	-	2,091
Current borrowings	-	42,760
Non-current borrowings	-	38,569
Available-for-sale financial assets	15,452	-
Other financial assets at fair value through profit or loss	67	-
Derivative financial instruments	48	71
Cash and other corporate assets/liabilities	15,427	333
Total	310,633	236,712

Revenue from external customers attributed to the PRC and other regions is as follows:

	2011 RMB million	2010 RMB million
PRC (excluding Hong Kong and Macau)	262,130	245,583
Other regions	32,151	27,151
	294,281	272,734

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

5. Segment Information (Continued)

Other regions primarily include countries in Africa, Middle East and South East Asia, such as Angola, Equatorial Guinea, Saudi Arabia, Sri Lanka, and Hong Kong.

There is no material non-current assets attributed to other regions.

6. Property, Plant and Equipment

Group

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2010						
Cost, as previously reported	11,208	13,284	28,521	3,694	9,914	66,621
Adjustments for adoption of IFRS 1 (Amendment)	1,038	(45)	3,736	(149)	–	4,580
Cost, as restated	12,246	13,239	32,257	3,545	9,914	71,201
Accumulated depreciation, as previously reported	(2,217)	(4,907)	(10,058)	(2,088)	–	(19,270)
Adjustments for adoption of IFRS 1 (Amendment)	(538)	52	(3,458)	165	–	(3,779)
Accumulated depreciation, as restated	(2,755)	(4,855)	(13,516)	(1,923)	–	(23,049)
Net book amount, as restated	9,491	8,384	18,741	1,622	9,914	48,152
Year ended 31 December 2010						
Opening net book amount, as previously reported	8,991	8,377	18,463	1,606	9,914	47,351
Adjustments for adoption of IFRS 1 (Amendment)	500	7	278	16	–	801
Opening net book amount, as restated	9,491	8,384	18,741	1,622	9,914	48,152
Additions	378	1,904	2,500	1,848	4,352	10,982
Disposals (Note 41(b))	(41)	(319)	(250)	(48)	–	(658)
Acquisition of a subsidiary	2	–	–	–	–	2
Transfer	1,295	195	2,798	98	(4,386)	–
Transfer to investment properties (Note 8)	(34)	–	–	–	–	(34)
Depreciation (Note 31)	(518)	(1,495)	(2,300)	(1,158)	–	(5,471)
Closing net book amount	10,573	8,669	21,489	2,362	9,880	52,973
At 31 December 2010						
Cost	13,740	14,535	36,468	5,167	9,880	79,790
Accumulated depreciation	(3,167)	(5,866)	(14,979)	(2,805)	–	(26,817)
Net book amount, as restated	10,573	8,669	21,489	2,362	9,880	52,973

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

6. Property, Plant and Equipment (Continued)

Group (Continued)

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2011						
Cost, as previously reported	12,704	14,563	32,857	5,290	9,879	75,293
Adjustments for adoption of IFRS 1 (Amendment)	1,036	(28)	3,611	(123)	1	4,497
Cost, as restated	13,740	14,535	36,468	5,167	9,880	79,790
Accumulated depreciation, as previously reported	(2,546)	(5,887)	(11,483)	(2,939)	-	(22,855)
Adjustments for adoption of IFRS 1 (Amendment)	(621)	21	(3,496)	134	-	(3,962)
Accumulated depreciation, as restated	(3,167)	(5,866)	(14,979)	(2,805)	-	(26,817)
Net book amount, as restated	10,573	8,669	21,489	2,362	9,880	52,973
Year ended 31 December 2011						
Opening net book amount, as previously reported	10,158	8,676	21,374	2,351	9,879	52,438
Adjustments for adoption of IFRS 1 (Amendment)	415	(7)	115	11	1	535
Opening net book amount, as restated	10,573	8,669	21,489	2,362	9,880	52,973
Additions	72	1,554	1,178	1,456	4,742	9,002
Disposals (Note 41(b))	(248)	(197)	(170)	(58)	-	(673)
Transfer	1,014	581	2,980	387	(4,962)	-
Transfer to investment properties (Note 8)	(40)	-	-	-	(35)	(75)
Depreciation (Note 31)	(538)	(1,547)	(2,435)	(1,559)	-	(6,079)
Closing net book amount	10,833	9,060	23,042	2,588	9,625	55,148
At 31 December 2011						
Cost	14,326	16,009	39,970	6,490	9,625	86,420
Accumulated depreciation	(3,493)	(6,949)	(16,928)	(3,902)	-	(31,272)
Net book amount	10,833	9,060	23,042	2,588	9,625	55,148

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

6. Property, Plant and Equipment (Continued)

Company

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction- in-progress RMB million	Total RMB million
At 1 January 2010						
Cost	11	33	46	101	1	192
Accumulated depreciation	(4)	(33)	(25)	(81)	–	(143)
Net book amount	7	–	21	20	1	49
Year ended 31 December 2010						
Opening net book amount	7	–	21	20	1	49
Additions	13	–	9	3	–	25
Disposals	–	–	(3)	–	–	(3)
Depreciation	(1)	–	(7)	(7)	–	(15)
Closing net book amount	19	–	20	16	1	56
At 31 December 2010						
Cost	23	32	51	100	1	207
Accumulated depreciation	(4)	(32)	(31)	(84)	–	(151)
Net book amount	19	–	20	16	1	56
Year ended 31 December 2011						
Opening net book amount	19	–	20	16	1	56
Additions	–	–	2	12	–	14
Depreciation	(1)	–	(7)	(8)	–	(16)
Closing net book amount	18	–	15	20	1	54
At 31 December 2011						
Cost	22	31	51	108	1	213
Accumulated depreciation	(4)	(31)	(36)	(88)	–	(159)
Net book amount	18	–	15	20	1	54

- (a) Depreciation of the Group's property, plant and equipment of RMB5,421 million (2010: RMB4,860 million) has been charged in cost of sales, RMB491 million (2010: RMB473 million) in administrative expenses and RMB167 million (2010: RMB138 million) in selling and marketing expenses.
- (b) Bank borrowings are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB1,561 million (2010: RMB1,700 million) (Note 24).
- (c) As at 31 December 2011, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties with an aggregate book carrying amount of approximately RMB2,056 million (2010: RMB3,373 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

6. Property, Plant and Equipment (Continued)

- (d) Vessels and machinery include the following amounts where the Group is a lessee under a finance lease:

	2011 RMB million	2010 RMB million
Cost – Capitalised finance leases	3,388	2,907
Accumulated depreciation	(619)	(329)
Net book amount	2,769	2,578

The Group leases various vessels and machinery under non-cancellable finance lease agreements and has the option to purchase these assets at minimal prices upon the expiry of the agreements.

7. Lease Prepayments

	Group RMB million
At 1 January 2010	
Cost, as previously reported	3,999
Adjustments for adoption of IFRS 1 (Amendment)	3,162
Cost, as restated	7,161
Accumulated amortisation, as previously reported	(310)
Adjustments for adoption of IFRS 1 (Amendment)	(299)
Accumulated amortisation, as restated	(609)
Net book amount, as restated	6,552
Year Ended 31 December 2010	
Opening net book amount, as previously reported	3,689
Adjustments for adoption of IFRS 1 (Amendment)	2,863
Opening net book amount, as restated	6,552
Additions	1,062
Disposals	(83)
Amortisation charge (Note 31)	(151)
Closing net book amount	7,380
At 31 December 2010	
Cost	8,131
Accumulated amortisation	(751)
Net book amount, as restated	7,380

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

7. Lease Prepayments (Continued)

	Group RMB million
At 1 January 2011	
Cost, as previously reported	4,970
Adjustments for adoption of IFRS 1 (Amendment)	3,161
Cost, as restated	8,131
Accumulated amortisation, as previously reported	(387)
Adjustments for adoption of IFRS 1 (Amendment)	(364)
Accumulated amortisation, as restated	(751)
Net book amount, as restated	7,380
Year ended 31 December 2011	
Opening net book amount, as previously reported	4,583
Adjustments for adoption of IFRS 1 (Amendment)	2,797
Opening net book amount, as restated	7,380
Additions	1,096
Disposals	(186)
Amortisation charge (Note 31)	(182)
Closing net book amount	8,108
At 31 December 2011	
Cost	9,004
Accumulated amortisation	(896)
Net book amount	8,108

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

7. Lease Prepayments (Continued)

	Company 2011 RMB million	2010 RMB million
At beginning of the year		
Cost	225	225
Accumulated amortisation	(9)	(4)
Net book amount	216	221
For the year		
Opening net book amount	216	221
Amortisation charge	(5)	(5)
Closing net book amount	211	216
At end of the year		
Cost	225	225
Accumulated amortisation	(14)	(9)
Net book amount	211	216

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	Group 2011 RMB million	2010 (Restated) RMB million
Outside Hong Kong (primarily in Mainland China), held on:		
Leases of over 50 years	805	692
Leases of between 10 to 50 years	7,303	6,688
	8,108	7,380

- (a) Amortisation of the Group's lease prepayments of RMB21 million (2010: RMB21 million) has been charged in cost of sales and RMB161 million (2010: RMB130 million) in administrative expenses.
- (b) As at 31 December 2011, the Group is in the process of applying for or changing registration of the title certificates for certain of its leasehold land with an aggregate carrying value of approximately RMB361 million (2010: RMB438 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these leasehold land.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

8. Investment Properties

	Group	
	2011 RMB million	2010 RMB million
At beginning of the year		
Cost, as previously reported	553	451
Adjustments for adoption of IFRS 1 (Amendment)	29	28
Cost, as restated	582	479
Accumulated depreciation, as previously reported	(183)	(119)
Adjustments for adoption of IFRS 1 (Amendment)	(12)	(10)
Accumulated depreciation, as restated	(195)	(129)
Net book amount, as restated	387	350
For the year		
Opening net book amount, as previously reported	370	332
Adjustments for adoption of IFRS 1 (Amendment)	17	18
Opening net book amount, as restated	387	350
Transfer from property, plant and equipment (Note 6)	75	34
Additions	-	26
Disposals	(7)	(7)
Depreciation (Note 31)	(20)	(16)
Closing net book amount	435	387
At end of the year		
Cost, as restated	588	582
Accumulated depreciation, as restated	(153)	(195)
Net book amount, as restated	435	387
Fair value at end of the year (a)	2,007	1,616

- (a) The fair value of the Group's investment properties is based on valuations performed by Sallmanns (Far East) Ltd., a firm of independent and professionally qualified valuers. Valuations are based on discounted projected cash flow, except for some properties outside Mainland China where active market information is available, and in these cases, valuations are based on current prices in an active market.
- (b) Depreciation of the Group's investment properties of RMB20 million (2010: RMB16 million) has been charged to other expenses in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

9. Intangible Assets

Group

	Trademark, patent and proprietary technologies RMB million	Computer software RMB million	Concession assets RMB million	Goodwill RMB million	Others RMB million	Total RMB million
At 1 January 2010						
Cost	20	93	10,058	5	11	10,187
Accumulated amortisation	(8)	(54)	(47)	–	(3)	(112)
Net book amount	12	39	10,011	5	8	10,075
Year ended at 31 December 2010						
Opening net book amount	12	39	10,011	5	8	10,075
Additions	7	37	5,132	–	3	5,179
Acquisition of a subsidiary	211	–	–	296	256	763
Disposals	–	(1)	–	–	–	(1)
Amortisation charge (Note 31)	(13)	(15)	(65)	–	(17)	(110)
Closing net book amount	217	60	15,078	301	250	15,906
At 31 December 2010						
Cost	283	134	15,189	301	269	16,176
Accumulated amortisation	(66)	(74)	(111)	–	(19)	(270)
Net book amount	217	60	15,078	301	250	15,906
Year ended at 31 December 2011						
Opening net book amount	217	60	15,078	301	250	15,906
Additions	33	27	8,879	5	4	8,948
Disposals	(2)	–	(712)	–	(27)	(741)
Amortisation charge (Note 31)	(31)	(21)	(133)	–	(26)	(211)
Closing net book amount	217	66	23,112	306	201	23,902
At 31 December 2011						
Cost	318	141	23,332	306	238	24,335
Accumulated amortisation	(101)	(75)	(220)	–	(37)	(433)
Net book amount	217	66	23,112	306	201	23,902

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

9. Intangible Assets (Continued)

Company

	Computer software RMB million
Year ended at 31 December 2010	
Opening net book amount	7
Additions	19
Amortisation charge	(3)
Closing net book amount	23
At 31 December 2010	
Cost	33
Accumulated amortisation	(10)
Net book amount	23
Year ended at 31 December 2011	
Opening net book amount	23
Amortisation charge	(5)
Closing net book amount	18
At 31 December 2011	
Cost	33
Accumulated amortisation	(15)
Net book amount	18

- (a) As at 31 December 2011, concession assets, represent assets under "Build-Operate-Transfer" service concession arrangements and consist mainly toll roads in the PRC, with cost of RMB13,520 million (2010: RMB6,663 million) generating revenue, and RMB9,812 million (2010: RMB8,526 million) under construction.
- (b) Amortisation of the Group's intangible assets of RMB136 million (2010: RMB65 million) has been charged in cost of sales, and RMB75 million (2010: RMB45 million) in administrative expenses.
- (c) Certain bank borrowings are secured by concession assets with carrying amount of approximately RMB8,653 million (2010: RMB5,168 million) (Note 24).
- (d) Goodwill is allocated to the Group's CGUs identified according to operating segment. The goodwill in Heavy Machinery Segment related primarily to the Group's acquisition of 100% equity interest in Friede Goldman Unites, Ltd. ("F&G") in August 2010. As at 31 December 2011, management of the Group was of the view that there was no impairment of goodwill.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

10. Investments in and Loans to Subsidiaries – Company

	2011 RMB million	2010 RMB million
Listed investments, at cost	8,046	8,028
Unlisted investments, at cost	53,313	50,082
	61,359	58,110
Quoted market value of listed investments	9,725	11,605
Current assets		
Loans to subsidiaries (Note a)	11,135	10,127
Amounts due from subsidiaries (Note b)	7,190	6,999
Current liabilities		
Amounts due to subsidiaries (Note c)	23,900	21,204

- (a) The loans to subsidiaries are unsecured, repayable within 1 year, and bear interest at rates ranging from 4.57% to 6.65% (2010: 1.82% to 4.78%) per annum.
- (b) The amounts due from subsidiaries represent dividends receivable from subsidiaries.
- (c) The amounts due to subsidiaries are unsecured, repayable within 1 year and bear interest at rates ranging from 0.5% to 3.5% (2010: zero to 2.25%) per annum.
- (d) Details of the principal subsidiaries as at 31 December 2011 are shown in Note 45(a).

11. Investments in Jointly Controlled Entities

	Group	
	2011 RMB million	2010 RMB million
Share of net assets	990	899
Less: Provision for impairment	(42)	(42)
	948	857
	Company	
	2011 RMB million	2010 RMB million
Investment cost	104	104
Less: Provision for impairment	(42)	(42)
	62	62

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

11. Investments in Jointly Controlled Entities (Continued)

(a) Movement of investments in jointly controlled entities are set out as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Beginning of the year	857	758	62	62
Additions	229	72	–	–
Acquisition of a subsidiary	–	2	–	–
Disposals	(198)	(5)	–	–
Share of profit	75	38	–	–
Dividend distribution	(15)	(8)	–	–
End of the year	948	857	62	62

(b) The Group's share of assets and liabilities, revenue and results of jointly controlled entities are set out as follows:

	2011 RMB million	2010 RMB million
Assets:		
Non-current assets	1,287	1,238
Current assets	1,513	1,144
	2,800	2,382
Liabilities:		
Non-current liabilities	(429)	(550)
Current liabilities	(1,381)	(933)
	(1,810)	(1,483)
Net assets	990	899

	Year ended 31 December	
	2011 RMB million	2010 RMB million
Income	1,574	1,251
Expenses	(1,486)	(1,200)
Profit before income tax	88	51
Income tax expense	(13)	(13)
Profit after tax	75	38

(c) The particulars of the Group's principal jointly controlled entities are set out in Note 45(b).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

11. Investments in Jointly Controlled Entities (Continued)

- (d) The Group and the Company act as the guarantors for various external borrowings made by certain jointly controlled entities as follows. There are no material contingent liabilities of the jointly controlled entities themselves.

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Outstanding loan guarantees	218	548	9	9

12. Investments in Associates

	Group	
	2011 RMB million	2010 (Restated) RMB million
Share of net assets		
Listed shares	149	147
Unlisted shares	3,001	2,688
Less: Provision for impairment	(5)	(5)
	3,145	2,830
Market value of listed shares	320	523

	Company	
	2011 RMB million	2010 RMB million
Investment cost	2,004	2,004
Less: Provision for impairment	-	-
	2,004	2,004

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

12. Investments in Associates (Continued)

(a) Movement of investments in associates are set out as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Beginning of the year, as previously reported	2,826	2,650	2,004	2,004
Adjustments for adoption of IFRS 1 (Amendment)	4	4	–	–
Beginning of the year, as restated	2,830	2,654	2,004	2,004
Additions	353	42	–	–
Gain on deemed partial disposal of interest in an associate (Note 29)	–	102	–	–
Disposals	(113)	(27)	–	–
Share of profit	98	78	–	–
Dividend distribution	(13)	(10)	–	–
Exchange reserve	(10)	(9)	–	–
End of the year	3,145	2,830	2,004	2,004

(b) The Group's share of assets and liabilities, revenue and results of associates are set out as follows:

	2011 RMB million	2010 (Restated) RMB million
Assets:		
Non-current assets	6,603	6,792
Current assets	3,239	1,386
	9,842	8,178
Liabilities:		
Non-current liabilities	(4,440)	(3,883)
Current liabilities	(2,252)	(1,460)
	(6,692)	(5,343)
Net assets	3,150	2,835

	Year ended 31 December	
	2011 RMB million	2010 RMB million
Income	2,517	2,253
Expenses	(2,386)	(2,148)
Profit before income tax	131	105
Income tax expense	(33)	(27)
Profit after tax	98	78

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

12. Investments in Associates (Continued)

- (c) The particulars of the Group's principal associates are set out in Note 45(c).
- (d) There are no material contingent liabilities relating to the Group's interests in the associates, and no material contingent liabilities of the associates themselves.

13. Financial Instruments by Category

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables RMB million	Assets at fair value through profit or loss RMB million	Available for-sale financial assets RMB million	Total RMB million
Assets as per consolidated balance sheet				
31 December 2011				
Available-for-sale financial assets (Note 14)	-	-	12,846	12,846
Derivative financial instruments (Note 18)	-	62	-	62
Other financial assets at fair value through profit or loss	-	49	-	49
Trade and other receivables excluding prepayments (Note 15)	115,561	-	-	115,561
Cash and bank balances (Note 19)	46,043	-	-	46,043
Total	161,604	111	12,846	174,561
31 December 2010, as restated				
Available-for-sale financial assets (Note 14)	-	-	15,452	15,452
Derivative financial instruments (Note 18)	-	48	-	48
Other financial assets at fair value through profit or loss	-	67	-	67
Trade and other receivables excluding prepayments (Note 15)	94,429	-	-	94,429
Cash and bank balances (Note 19)	39,545	-	-	39,545
Total	133,974	115	15,452	149,541

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

13. Financial Instruments by Category (Continued)

Group

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Liabilities as per consolidated balance sheet			
31 December 2011			
Borrowings (excluding finance lease liabilities) (Note 24)	–	104,074	104,074
Finance lease liabilities (Note 24)	–	1,971	1,971
Derivative financial instruments (Note 18)	58	–	58
Trade and other payables excluding statutory and non-financial liabilities (Note 23)	–	109,651	109,651
Total	58	215,696	215,754
31 December 2010			
Borrowings (excluding finance lease liabilities) (Note 24)	–	79,243	79,243
Finance lease liabilities (Note 24)	–	2,086	2,086
Derivative financial instruments (Note 18)	71	–	71
Trade and other payables excluding statutory and non-financial liabilities (Note 23)	–	89,393	89,393
Total	71	170,722	170,793

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

13. Financial Instruments by Category (Continued)

Company

	Loans and receivables RMB million	Assets at fair value through profit or loss RMB million	Available for-sale financial assets RMB million	Total RMB million
Assets as per balance sheet				
31 December 2011				
Available-for-sale financial assets (Note 14)	–	–	6,463	6,463
Trade and other receivables excluding prepayments (Note 15)	5,506	–	–	5,506
Loans to subsidiaries (Note 10)	11,135	–	–	11,135
Amounts due from subsidiaries (Note 10)	7,190	–	–	7,190
Cash and bank balances (Note 19)	18,203	–	–	18,203
Total	42,034	–	6,463	48,497
31 December 2010				
Available-for-sale financial assets (Note 14)	–	–	8,362	8,362
Trade and other receivables excluding prepayments (Note 15)	7,575	–	–	7,575
Loans to subsidiaries (Note 10)	10,127	–	–	10,127
Amounts due from subsidiaries (Note 10)	6,999	–	–	6,999
Cash and bank balances (Note 19)	15,301	–	–	15,301
Total	40,002	–	8,362	48,364

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

13. Financial Instruments by Category (Continued)

Company

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Liabilities as per balance sheet			
31 December 2011			
Borrowings (Note 24)	–	23,528	23,528
Amounts due to subsidiaries (Note 10)	–	23,900	23,900
Derivative financial instruments (Note 18)	25	–	25
Trade and other payables excluding statutory and non-financial liabilities (Note 23)	–	8,172	8,172
Total	25	55,600	55,625
31 December 2010			
Borrowings (Note 24)	–	21,461	21,461
Amounts due to subsidiaries (Note 10)	–	21,204	21,204
Derivative financial instruments (Note 18)	23	–	23
Trade and other payables excluding statutory and non-financial liabilities (Note 23)	–	6,257	6,257
Total	23	48,922	48,945

14. Available-for-sale Financial Assets

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Beginning of the year, as previously reported	15,402	17,650	8,362	10,334
Adjustment for adoption of IFRS 1 (Amendment)	50	50	–	–
Beginning balance of the year, as restated	15,452	17,700	8,362	10,334
Fair value losses	(2,566)	(3,755)	(1,889)	(2,377)
Additions	135	1,668	–	405
Disposals	(175)	(161)	(10)	–
End of the year	12,846	15,452	6,463	8,362

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

14. Available-for-sale Financial Assets (Continued)

Available-for-sale financial assets include the following:

	Group		Company	
	2011	2010 (Restated)	2011	2010
	RMB million	RMB million	RMB million	RMB million
Listed equity securities, at fair value (Note a)				
– Mainland China	10,933	13,422	6,336	8,169
– Hong Kong	209	361	112	168
Unlisted equity investments, at cost (Note b)	1,704	1,669	15	25
Total	12,846	15,452	6,463	8,362
Market value of listed securities	11,163	13,920	6,448	8,348

- (a) These securities primarily represent promoters' shares held by the Group listed and traded in stock markets, of which some are subject to trading restrictions at the balance sheet date. The fair value of freely traded shares was based on the closing quoted market prices, whereas the fair value of those shares subject to trading restrictions was determined at a discount to the closing quoted market price.
- (b) Management is of the opinion that the range of reasonable fair value estimate for the unlisted equity investments is significant and the probabilities of various estimates cannot be reasonably assessed. Accordingly, such financial assets are carried out at cost less accumulated impairment losses, if any.
- (c) Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2011	2010 (Restated)	2011	2010
	RMB million	RMB million	RMB million	RMB million
RMB	12,599	15,052	6,351	8,194
HK\$	247	400	112	168
	12,846	15,452	6,463	8,362

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Trade and bills receivables	53,344	49,306	2,130	4,309
Less: Provision for impairment	(2,440)	(2,117)	(20)	(3)
Trade and bills receivables – net	50,904	47,189	2,110	4,306
Prepayments	13,645	14,171	6,040	3,916
Retentions	26,167	19,350	2,736	2,540
Deposits	12,031	10,588	46	68
Other receivables	8,674	4,162	289	311
Staff advances	646	651	8	4
Long-term receivables	17,139	12,489	317	346
	129,206	108,600	11,546	11,491
Less: non-current portion				
– Retentions	(15,755)	(12,006)	(2,348)	(2,037)
– Deposits	(916)	(680)	–	–
– Long-term receivables	(11,678)	(8,914)	(298)	(346)
– Prepayments for equipment	(591)	(576)	–	–
	(28,940)	(22,176)	(2,646)	(2,383)
Current portion	100,266	86,424	8,900	9,108

Refer to the Note 44 for receivables due from related parties.

(a) Ageing analysis of trade and bills receivables is as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Within 6 months	42,297	39,840	1,085	2,152
6 months to 1 year	5,126	5,122	985	2,137
1 year to 2 years	3,959	2,374	59	18
2 years to 3 years	912	1,051	–	1
Over 3 years	1,050	919	1	1
	53,344	49,306	2,130	4,309

Majority of the Group's revenues are generated through construction, design, dredging and heavy machinery contracts and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. For sales of products, a credit period ranging from 30 to 90 days may be granted to large or long-established customers with good repayment history. Revenues from small business, or new customers are normally expected to be settled shortly after provision of services or delivery of goods.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables (Continued)

- (b) The fair values of trade and other receivables are as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Trade and bills receivables	50,904	47,189	2,110	4,306
Retentions	26,098	18,783	2,718	2,711
Deposits	12,030	10,594	46	68
Other receivables	8,674	4,162	289	311
Staff advances	646	651	8	4
Long-term receivables	16,271	12,277	317	346
	114,623	93,656	5,488	7,746

The carrying amounts of the current trade and other receivables approximate their fair value. The fair values of non-current trade and other receivables are based on projected cash flows discounted using a rate based on current market interest rate ranging from 6.65% to 7.05% per annum as at 31 December 2011 (2010: ranging from 5.85% to 6.40%) available to the Group for similar financial instruments.

- (c) Retentions receivable represented amounts due from customers upon completion of the free maintenance period of the construction work, which normally last from one to two years. Deposits represented tender and performance bonds due from customers. Long-term receivables represented amounts due from customers for "Build-Transfer" projects and certain construction works with payment periods over one year. As of 31 December 2011, these receivables totalling RMB54,687 million (2010: RMB41,959 million) were neither past due nor impaired, and RMB1,109 million (2010: RMB816 million) were partially impaired and a provision of RMB459 million (2010: RMB348 million) was made. These receivables of the Company amounting to RMB3,099 million (2010: RMB2,954 million) was neither past due nor impaired.
- (d) As at 31 December 2011, trade receivables amounting to RMB5,850 million (2010: RMB731 million) were transferred to certain banks with recourse in exchange for cash. Such transactions did not qualify for derecognition and have been accounted for as secured borrowings (Note 24). In addition, as at 31 December 2011, trade receivables of RMB7,155 million (2010: RMB4,336 million) transferred to certain banks were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.
- (e) As at 31 December 2011, bills receivables amounting to RMB1,464 million (2010: RMB358 million), representing bank acceptance notes amounting to RMB55 million which were discounted with certain banks and RMB1,409 million which were endorsed to suppliers were derecognised. The Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition.
- (f) As of 31 December 2011, trade and bills receivables of RMB2,091 million (2010: RMB3,344 million) were neither past due nor impaired. Trade and bills receivables of the Company amounting to RMB1,121 million (2010: RMB2,017 million) were neither past due nor impaired as of 31 December 2011.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables (Continued)

- (g) As of 31 December 2011, trade and bills receivables of RMB43,143 million (2010: RMB37,957 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade and bills receivables is as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Within 6 months	39,921	34,377	881	2,166
6 months to 1 year	1,745	2,642	2	107
1 year to 2 years	1,230	712	60	2
2 years to 3 years	181	162	–	–
Over 3 years	66	64	–	–
	43,143	37,957	943	2,275

- (h) As of 31 December 2011, trade and bills receivables of RMB8,110 million (2010: RMB8,005 million) were impaired and provided for. The amount of the provision was RMB2,440 million as of 31 December 2011 (2010: RMB2,117 million), of which RMB211 million (2010: RMB647 million) were individually impaired with the provision of RMB125 million (2010: RMB587 million). The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The ageing analysis of these receivables (net of impairment provision) is as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Within 6 months	1,392	2,361	46	–
6 months to 1 year	1,957	1,991	–	–
1 year to 2 years	1,844	1,085	–	13
2 years to 3 years	352	346	–	1
Over 3 years	125	105	–	–
	5,670	5,888	46	14

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables (Continued)

- (i) Movement on provision for impairment of trade receivables are as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
At 1 January	2,117	2,640	3	437
Provision for the year	1,017	771	20	–
Receivables written off during the year as uncollectible	(7)	(195)	–	(75)
Reversal of impairment of trade receivables due from Iraq Government	–	(346)	–	(346)
Released	(687)	(753)	(3)	(13)
At 31 December	2,440	2,117	20	3

The provision and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement (Note 31). Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

- (j) The carrying amount of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
RMB	114,479	91,013	9,563	9,892
US\$	9,658	9,432	369	139
United Arab Emirates Dirham	644	443	–	–
JPY	481	629	–	–
HK\$	348	383	–	–
EUR	300	1,153	1,157	1,237
Other currencies	3,296	5,547	457	223
	129,206	108,600	11,546	11,491

- (k) The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

16. Inventories

	Group			Company	
	As at 31 December 2011	2010 (Restated)	As at 1 January 2010 (Restated)	As at 31 December 2011	2010
	RMB million	RMB million	RMB million	RMB million	RMB million
Raw materials	14,886	15,454	14,376	1	2
Work in progress	7,273	5,689	4,201	–	–
Finished goods	444	385	343	–	–
	22,603	21,528	18,920	1	2

17. Contract Work-in-progress

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Contract cost incurred plus recognised profit less recognised losses	854,037	709,207	72,393	69,420
Less: Progress billings	(814,517)	(679,953)	(68,483)	(64,576)
Contract work-in-progress	39,520	29,254	3,910	4,844
Representing:				
Amounts due from customers for contract work	54,261	43,458	4,475	5,253
Amounts due to customers for contract work	(14,741)	(14,204)	(565)	(409)
	39,520	29,254	3,910	4,844

	Group	
	Year ended 31 December 2011 RMB million	2010 RMB million
Contract revenue recognised as revenue in the year	264,966	244,295

18. Derivative Financial Instruments

Group

	2011		2010	
	Assets RMB million	Liabilities RMB million	Assets RMB million	Liabilities RMB million
Forward foreign exchange contracts – held for trading	62	(58)	48	(71)

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

18. Derivative Financial Instruments (Continued)

Company

	2011		2010	
	Assets RMB million	Liabilities RMB million	Assets RMB million	Liabilities RMB million
Forward foreign exchange contracts – held for trading	–	(25)	–	(23)

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2011 were RMB4,573 million (2010: RMB5,599 million).

The maximum exposure to credit risk at the balance sheet date is the fair value of the derivative financial assets amounting to RMB62 million (2010: RMB48 million) in the balance sheet.

19. Cash and Bank Balances

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Restricted cash (a)	922	719	3	3
Cash and cash equivalents (b)	45,121	38,826	18,200	15,298
	46,043	39,545	18,203	15,301

(a) The restricted cash was held in dedicated bank accounts under the name of group companies as collateral for the issuance of performance bonds and letters of credit to customers.

(b) Cash and cash equivalents

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Cash on hand	166	170	2	3
Bank deposits				
– Term deposits with initial term of over three months (i)	633	56	105	–
– Other bank deposits	44,322	38,600	18,093	15,295
Cash and cash equivalents	45,121	38,826	18,200	15,298

(i) Term deposits with initial term of over three months were treated as cash and cash equivalents as Directors consider those deposits were readily convertible to known amounts of cash, subject to an insignificant risk of changes in value and kept for cash management purpose.

(ii) The maximum exposure to credit risk approximates the carrying amounts of the Group's cash and cash equivalents at the balance sheet date.

(iii) The weighted average effective interest rate on bank deposits was 2.95% per annum as at 31 December 2011 (2010: 1.59% per annum).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

19. Cash and Bank Balances (Continued)

- (c) Cash and bank balances denominated in the following currencies:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
– RMB	35,939	30,106	16,236	13,608
– US\$	5,453	4,905	1,234	954
– EUR	804	876	490	516
– Angolan Kwanza	739	783	–	–
– Malaysian Ringgit	663	511	–	–
– Central African CFA France BEAC	429	395	–	–
– HK\$	296	401	172	175
– JPY	110	45	28	6
– Others	1,610	1,523	43	42
	46,043	39,545	18,203	15,301

- (d) The Group's cash and bank balances denominated in RMB are deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC Government.

As at 31 December 2011, less than 4% (2010: less than 4%) of the cash and bank balances denominated in other foreign currencies held by the Group are deposited with banks in countries which have foreign exchange control and are not freely convertible into other currencies or remitted out of those countries.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

20. Share Capital and Premium

	2011		2010	
	Number of shares (thousands)	Nominal value (RMB'000)	Number of shares (thousands)	Nominal value (RMB'000)
Registered, issued and fully paid				
Domestic shares of RMB1.00 each	10,397,500	10,397,500	10,397,500	10,397,500
H shares of RMB1.00 each	4,427,500	4,427,500	4,427,500	4,427,500
At 31 December	14,825,000	14,825,000	14,825,000	14,825,000

- (a) The Company was incorporated on 8 October 2006, with an initial registered share capital of RMB10,800 million, divided into 10,800,000,000 domestic shares with a nominal value of RMB1.00 each. These shares were issued to CCCG in consideration for the transfer of the principal operations and businesses of CCCG to the Company pursuant to the Reorganisation as referred in Note 1.

The Company's H shares were listed on the Hong Kong Stock Exchange on 15 December 2006 and 4,025,000,000 new H shares with a nominal value of RMB1.00 each were issued at HK\$4.6 (equivalent to approximately RMB4.63) each. The Company raised net proceeds of approximately RMB17,878 million (equivalent to HK\$17,772 million) from the issuance of 4,025,000,000 new shares, of which paid-up share capital was RMB4,025 million and share premium was approximately RMB13,853 million.

Upon the issuance of new shares by the Company, 402,500,000 domestic shares (10% of the number of new shares issued) were converted into H shares and transferred to the National Social Security Fund.

As a result, the registered share capital of the Company increased from 10,800,000,000 shares to 14,825,000,000 shares, comprising 10,397,500,000 domestic shares and 4,427,500,000 H shares, representing approximately 70.1% and 29.9% of the registered capital respectively.

The domestic shares rank *pari passu*, in all material respects, with the H shares. Nonetheless, the transfer of domestic shares is subject to certain restrictions imposed by the PRC law from time to time.

Subsequent to the year end, the Company completed an initial public offering of A-shares on the Shanghai Stock Exchange (Refer to the details in Note 46).

21. Cash-settled Share-based Payments

The Group has adopted a cash-settled share-based payment arrangement, also known as SAR plan (the "Plan"), which was approved by the Annual General Meeting on 18 June 2010.

The Plan entitles persons who are granted such rights to receive cash payments when the Company's share price rises above the exercise price specified in the Plan in a certain predetermined period, subject to certain terms and conditions of the Plan. Upon exercise of the SAR, the grantee will receive cash payment, subject to any applicable withholding tax, equal to the product of the number of SAR exercised and the difference between the exercise price and market price of H Share at the time of exercise.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

21. Cash-settled Share-based Payments (Continued)

The eligible grantees under the Plan include certain directors, senior management officers of the Company and other personnel determined by the board of directors of Company. The total amount of the SAR granted under the Plan shall not exceed 10% of the total share capital of the Company, and the SAR granted to any eligible participants in any 12 months period shall not exceed 1% of the total issued share capital. The exercise period of all SAR commences after a vesting period and ends on a date which is not later than 5 years from the date of grant of the SAR. A person granted SAR may not exercise his or her rights in the first year after the date of grant. As of each of the last day of the second, third and fourth anniversary of the date of grant, the total number of SAR exercisable in a particular year shall not exceed one-third of the total number of SAR granted to the respective eligible participants. The expiry date of all the SAR is 7 August 2015.

Movements in the number of SAR granted by the Company during the year ended 31 December 2011 are set out as follows:

Category	For the year ended 31 December 2011						Outstanding as at 31 December 2011
	Number of units of SAR						
	Exercise price	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	
Directors and key management of the Company	HK\$7.43	18,999,310	-	-	-	(628,172)	18,371,138
Management of subsidiaries of the Company	HK\$7.43	43,834,373	-	-	-	(1,940,880)	41,893,493
At 31 December		62,833,683	-	-	-	(2,569,052)	60,264,631

The fair values of SAR as at 31 December 2011 as determined using the binomial valuation model ranged from RMB0.8415 per unit to RMB1.4253 per unit (31 December 2010: from RMB1.5890 per unit to RMB2.1615 per unit). The significant inputs into the model were spot price of HK\$6.07 (equivalent to approximately RMB4.92 (31 December 2010: HK\$6.80 (equivalent to approximately RMB5.79)) as at 31 December 2011, vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and early exercise factor. The expected volatility of 50% (31 December 2010: 50%) is estimated based on past H Shares share prices of the Company at year end.

The amount, that was recognised in the consolidated income statement and included in staff costs for the year in relation to the above SAR transactions, was RMB21 million (2010: RMB14 million) (Notes 32).

As at 31 December 2011, the total carrying amount of the liabilities arising from SAR transactions included in other payables in the consolidated balance sheet amounted to RMB35 million (31 December 2010: RMB14 million) (Note 23) and there were no exercisable SAR (2010: nil).

As at 31 December 2011, the weighted average remaining contractual life was 3.7 years (31 December 2010: 4.7 years).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

22. Other Reserves

Group

	Capital Reserve (Note a) RMB million	Statutory Surplus Reserve RMB million	Investment Revaluation Reserve RMB million	Safety Reserve RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million
Balance at 1 January 2010, as previously reported	(3,073)	495	11,309	557	83	16,565	25,936
Adjustments for adoption of IFRS 1 (Amendment)	5,303	–	–	–	–	(2,200)	3,103
Balance at 1 January 2010, as restated	2,230	495	11,309	557	83	14,365	29,039
Profit for the year	–	–	–	–	–	9,599	9,599
Currency translation differences	–	–	–	–	(27)	–	(27)
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	(2,301)	–	–	–	(2,301)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax	–	–	(286)	–	–	–	(286)
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries	13	(4)	–	–	–	(1)	8
2009 final dividend	–	–	–	–	–	(1,720)	(1,720)
Transfer to statutory surplus reserve (Note b)	–	269	–	–	–	(269)	–
Appropriations (Note c)	–	–	–	184	–	(184)	–
At 31 December 2010	2,243	760	8,722	741	56	21,790	34,312

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

22. Other Reserves (Continued)

Group (Continued)

	Capital Reserve (Note a) RMB million	Statutory Surplus Reserve RMB million	Investment Revaluation Reserve RMB million	Safety Reserve RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million
Balance at 1 January 2011, as previously reported	(3,070)	760	8,722	741	56	24,255	31,464
Adjustments for adoption of IFRS 1 (Amendment)	5,313	-	-	-	-	(2,465)	2,848
Balance at 1 January 2011, as restated	2,243	760	8,722	741	56	21,790	34,312
Profit for the year	-	-	-	-	-	11,767	11,767
Currency translation differences	-	-	-	-	(38)	-	(38)
Changes in fair value of available-for-sale financial assets, net of deferred tax	-	-	(2,161)	-	-	-	(2,161)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax	-	-	(27)	-	-	-	(27)
Cash contribution from CCCG (Note a)	46	-	-	-	-	-	46
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries	3	-	-	-	-	(2)	1
2010 final dividend	-	-	-	-	-	(2,372)	(2,372)
Transfer to statutory surplus reserve (Note b)	-	426	-	-	-	(426)	-
Appropriations (Note c)	-	-	-	184	-	(184)	-
At 31 December 2011	2,292	1,186	6,534	925	18	30,573	41,528

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

22. Other Reserves (Continued)

Company

	Capital Reserve RMB million	Statutory Surplus Reserve RMB million	Investment Revaluation Reserve RMB million	Safety Reserve RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB Million
Balance at 1 January 2010	21,172	495	7,330	6	(1)	1,730	30,732
Profit for the year	-	-	-	-	-	2,679	2,679
Changes in fair value of available-for-sale financial assets, net of deferred tax	-	-	(1,783)	-	-	-	(1,783)
Currency translation differences	-	-	-	-	1	-	1
2009 final dividend	-	-	-	-	-	(1,720)	(1,720)
Transfer to statutory surplus reserve (Note b)	-	269	-	-	-	(269)	-
At 31 December 2010	21,172	764	5,547	6	-	2,420	29,909

	Capital Reserve RMB million	Statutory Surplus Reserve RMB million	Investment Revaluation Reserve RMB million	Safety Reserve RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB Million
Balance at 1 January 2011	21,172	764	5,547	6	-	2,420	29,909
Profit for the year	-	-	-	-	-	4,213	4,213
Changes in fair value of available-for-sale financial assets, net of deferred tax	-	-	(1,417)	-	-	-	(1,417)
Cash contribution from CCCG (Note a)	46	-	-	-	-	-	46
2010 final dividend	-	-	-	-	-	(2,372)	(2,372)
Transfer to statutory surplus reserve (Note b)	-	426	-	-	-	(426)	-
At 31 December 2011	21,218	1,190	4,130	6	-	3,835	30,379

(a) Capital Reserve

Capital reserve primarily arose upon incorporation of the Company on 8 October 2006 when the Company took over the assets and liabilities relating to the principal operations and businesses (the "Core Operations") of CCCG. The net value of the Core Operations transferred to the Company from CCCG was converted into the Company's share capital of RMB10,800,000,000 of RMB1.00 each with the then existing reserves eliminated and the resulting difference dealt with in the capital reserve of the Group.

Cash contribution from CCCG represents equity contributions from the parent company, CCCG, in cash. In accordance with the notice issued by Ministry of Finance, this amount is to be accounted for as capital reserve of the Company and it is not to be distributed as dividend. In future, when the Company increases its share capital, the capital reserve may be converted into shares of the Company to be held by CCCG, provided appropriate conditions are met. The conversion is however subject to obtaining prior approval from the relevant government authorities and shareholders.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

22. Other Reserves (Continued)

(b) Statutory Surplus Reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2011, the Board of Directors proposed appropriation 10% (2010: 10%) of the Company's profit after tax as determined under the PRC GAAP, of RMB426 million (2010: RMB269 million) to the statutory surplus reserve.

(c) Safety Reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount to a safety reserve at the rate ranging from 1% to 2% of the total construction contract revenue recognised for the year. The reserve can be utilised for improvements of safety on the construction work, and the amounts utilised are charged to the consolidated income statement as incurred.

23. Trade and Other Payables

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Trade and bills payables	95,685	78,570	7,234	5,960
Advances from customers	32,714	38,955	3,241	5,509
Deposits from suppliers	8,986	7,288	2,738	2,568
Other taxes	4,656	3,821	172	263
Social securities	845	756	22	10
Accrued expenses	265	405	48	42
Accrued payroll	341	185	6	2
Share appreciation rights (Note 21)	35	14	35	14
Other payables	5,347	3,560	794	139
	148,874	133,554	14,290	14,507
Less: non-current portion				
– Deposits from suppliers	(2,097)	(1,929)	(133)	(116)
Current portion	146,777	131,625	14,157	14,391

Refer to Note 44 for payables due to related parties.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

23. Trade and Other Payables (Continued)

The ageing analysis of the trade and bills payables (including amounts due to related parties of trading nature) was as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Within 1 year	89,257	74,455	7,081	5,820
1 year to 2 years	5,118	3,159	97	59
2 years to 3 years	880	710	38	63
Over 3 years	430	246	18	18
	95,685	78,570	7,234	5,960

The carrying amount of trade and other payables are denominated in the following currencies:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
RMB	126,771	106,535	11,244	11,843
US\$	13,337	18,070	5	20
EUR	1,454	1,613	1,212	1,307
Saudi Riyal	911	260	–	–
HK\$	850	847	–	–
Other currencies	5,551	6,229	1,829	1,337
	148,874	133,554	14,290	14,507

At 31 December 2011, other currencies mainly consists of Ethiopian Birr, JPY, Sri Lanka Rupee and Libyan Dinar.

24. Borrowings

	Note	Group		Company	
		2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Non-current					
Long-term bank borrowings					
– secured	(a)	23,397	15,639	–	–
– unsecured		8,887	8,950	346	477
		32,284	24,589	346	477
Other borrowings					
– secured	(a)	200	400	–	–
– unsecured	(f)	184	–	164	–
Corporate bonds	(b)	9,930	9,922	9,930	9,922
Medium term notes	(c)	5,984	2,179	–	–
Non-public debt instrument	(e)	1,995	–	–	–
Finance lease liabilities	(m)	1,179	1,479	–	–
Total non-current borrowings		51,756	38,569	10,440	10,399

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

24. Borrowings (Continued)

	Note	Group		Company	
		2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Current					
Current portion of long-term bank borrowings					
– secured	(a)	2,429	2,333	–	–
– unsecured		4,637	2,343	118	126
		7,066	4,676	118	126
Short-term bank borrowings					
– secured	(a)	22,578	12,699	–	–
– unsecured		20,203	15,593	10,187	1,917
		42,781	28,292	10,187	1,917
Other borrowings					
– secured	(a)	100	–	–	–
– unsecured	(f)	500	1,241	11	1,141
Corporate bonds	(b)	187	187	187	187
Medium term notes	(c)	260	5,236	–	5,170
Debentures	(d)	2,585	2,521	2,585	2,521
Non-public debt instrument	(e)	18	–	–	–
Finance lease liabilities	(m)	792	607	–	–
Total current borrowings		54,289	42,760	13,088	11,062
Total borrowings		106,045	81,329	23,528	21,461

(a) As at 31 December 2011, these borrowings were secured by the Group's property, plant and equipment (Note 6), concession assets (Note 9), trade receivables (Note 15) and guarantees provided by certain subsidiaries of the Group and the Company (Note 42) (31 December 2010: secured by the Group's property, plant and equipment, concession assets, trade receivables, receivables to be recognised in the future according to sales and construction contracts, and guarantees provided by certain subsidiaries of the Group and the Company).

(b) As approved by China Securities Regulatory Commission document [2009] No. 761, the Company issued domestic corporate bonds with an aggregate principal amount of RMB10 billion in August 2009. The corporate bonds are guaranteed by CCCG. RMB2,100 million of such bonds was issued with a maturity of five years from issuance and bears interest at a rate of 4.7% per annum, and RMB7,900 million with a maturity of ten years and bears interest at a rate of 5.2% per annum. The Company raised totally net proceeds of RMB9,910 million from the issuance.

The corporate bonds are stated at amortised cost. Interest is payable once a year. Accrued interest is included in current borrowings.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

24. Borrowings (Continued)

- (c) The Group issued the following medium term notes as approved by National Association of Financial Market Institutional Investors (“NAFMII”) of the PRC:
- two tranches of medium term notes issued in April 2008 and June 2008, respectively, at the same nominal value of RMB2,500 million, totalling RMB5,000 million, with maturities of three years from issuance. The interest rate for both tranches of medium term notes is 5.3% per annum. They have been fully paid off during the year ended 31 December 2011;
 - medium term notes at a nominal value of RMB2,200 million issued in April 2009, with a maturity of five years. RMB1,800 million of such notes bears interest at a rate of 4.1% per annum, and the remaining RMB400 million bears interest at 4.0% per annum;
 - medium term notes with a nominal value of RMB3,800 million issued in February 2011, with a maturity of five years from issuance, bearing interest at a rate of 5.85% per annum.

The medium term notes are stated at amortised cost. Interest is payable once a year. Accrued interest is included in current borrowings.

- (d) As approved by the People’s Bank of China, the Group issued two tranches of debentures in September 2010 and March 2011, respectively, at the same nominal value of RMB 2,500 million, totalling RMB5,000 million, with a maturity of one year from issuance. The first tranche of debenture has been fully paid off during the year ended 31 December 2011. The interest rates are 2.97% and 4.36% per annum, respectively. The debentures were stated at amortised cost.
- (e) As approved by NAFMII, the Group issued a non-public debt instrument with an nominal value of RMB2,000 million in November 2011, with a maturity of three years from issuance, bearing interest at a rate of 6.46% per annum.
- (f) Other current borrowings as at 31 December 2011 included loans of approximately RMB11 million (2010: RMB1,141 million) payable to China Orient Assets Management Corporation (“COAMC”) (the “Iraq Loans”). Prior to the incorporation of the Company on 8 October 2006, these loans were borrowed by the predecessor operations of CCCG from Bank of China to finance certain construction projects in Iraq in the 1980s. Since the Gulf War in 1990, because the Iraq Government did not settle the outstanding receivables for the related construction projects, the Group has not repaid any principal or interest according to the original loan agreements. According to regulations issued by the General Office of State Council of the PRC in 1997, the Group was not demanded to pay outstanding principal, interest and penalties resulting from the non-settlement. In 2000, Bank of China transferred the Iraq Loans to COAMC.

In 2010, the China and the Iraq Governments entered into the Bilateral Agreement for the Iraq Government to settle overdue amounts owed to Chinese enterprises. In response to the Bilateral Agreement, in November 2010, the Ministry of Finance issued a guideline relating to the settlement of the Iraq Loans (the “Guideline”). In June 2011, the Debt Restructuring Agreement (the “Agreement”) was entered into with COAMC in accordance with the principles as set out in the Guideline. According to the Agreement, 80% of the Iraq Loans balance (principal and accrued interest) as at 31 December 2004 was waived, and the remaining balance together with interest, amounting to RMB185 million, will be repayable semi-annually by instalments up to April 2028, bearing interest at 5.2% per annum (“New Iraq Loan”). Accordingly, the difference between the Iraq Loans extinguished and the New Iraq Loan assumed under the Agreement, amounting to RMB930 million, is recognised as “finance income” in the consolidated income statement (Note 33).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

24. Borrowings (Continued)

- (g) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Total borrowings				
– 6 months or less	77,599	53,619	12,375	9,608
– 6 -12 months	5,307	12,248	584	1,141
– 1 – 5 years	14,668	7,036	2,250	2,317
– Over 5 years	8,471	8,426	8,319	8,395
	106,045	81,329	23,528	21,461

- (h) The maturities of the Group's total borrowings are set out as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Total borrowings				
– Within 1 year	54,289	42,760	13,088	11,062
– Between 1 and 2 years	9,386	6,561	129	123
– Between 2 and 5 years	19,273	12,308	2,321	2,381
Wholly repayable				
within 5 years	82,948	61,629	15,538	13,566
– Over 5 years	23,097	19,700	7,990	7,895
	106,045	81,329	23,528	21,461

- (i) The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Total borrowings				
– RMB	87,417	64,061	22,491	19,300
– US\$	15,749	15,706	572	1,558
– EUR	1,145	153	161	231
– JPY	865	541	304	372
– HK\$	785	864	–	–
– Others	84	4	–	–
	106,045	81,329	23,528	21,461

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

24. Borrowings (Continued)

- (j) The weighted average effective interest rates (per annum) of borrowings, excluding corporate bonds, medium term notes, debentures, non-public debt instrument and finance lease liabilities which are all denominated in RMB, at the balance sheet date are set out as follows:

	Group		Company	
	2011	2010	2011	2010
Bank borrowings				
– RMB	6.20%	4.95%	5.98%	4.78%
– US\$	3.08%	2.22%	3.54%	1.82%
– EUR	2.88%	3.79%	5.63%	5.63%
– JPY	2.19%	2.32%	2.51%	2.51%
– HK\$	2.49%	1.88%	–	–
– Others	2.78%	2.46%	–	–
Other borrowings				
– RMB	6.64%	5.00%	–	–
– US\$	5.20%	7.00%	5.20%	7.00%

- (k) The carrying amounts of current portion of long-term borrowings and short-term borrowings approximate their fair values.

The carrying amount and fair value of the non-current borrowings are as follows:

	Group		Company	
	2011	2010	2011	2010
	RMB million	RMB million	RMB million	RMB million
Carrying amount	51,756	38,569	10,440	10,399
Fair value	50,068	34,961	9,476	9,744

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

- (l) The Group has the following undrawn borrowing facilities:

	Group		Company	
	2011	2010	2011	2010
	RMB million	RMB million	RMB million	RMB million
Floating rate				
– Expiring within one year	156,367	76,570	40,673	17,624
– Expiring beyond one year	36,892	63,581	29,333	22,939
	193,259	140,151	70,006	40,563

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

24. Borrowings (Continued)

(m) Finance lease liabilities:

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2011 RMB million	2010 RMB million
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	898	705
Later than 1 year and no later than 5 years	1,284	1,528
Later than 5 years	4	71
	2,186	2,304
Future finance charges on finance leases	(215)	(218)
Present value of finance lease liabilities	1,971	2,086
The present value of finance lease liabilities is as follows:		
No later than 1 year	792	607
Later than 1 year and no later than 5 years	1,177	1,410
Later than 5 years	2	69
	1,971	2,086

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

25. Deferred Income Tax

- (a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2011	2010 (Restated)	2011	2010
	RMB million	RMB million	RMB million	RMB million
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	1,710	1,272	102	146
– Deferred tax assets to be recovered within 12 months	314	330	–	–
	2,024	1,602	102	146
Deferred tax liabilities:				
– Deferred tax liabilities to be settled after more than 12 months	(2,338)	(2,353)	(1,394)	(1,857)
– Deferred tax liabilities to be settled within 12 months	(5)	(7)	–	–
	(2,343)	(2,360)	(1,394)	(1,857)
Deferred tax liabilities (net)	(319)	(758)	(1,292)	(1,711)

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2011	2010	2011	2010
	RMB million	RMB million	RMB million	RMB million
Beginning of the year, as previously reported	(141)	(1,476)	(1,711)	(2,319)
Adjustment for adoption of IFRS 1 (Amendment)	(617)	(726)	–	–
Beginning of the year, as restated	(758)	(2,202)	(1,711)	(2,319)
Recognised in the income statement (Note 35(a))	101	260	(53)	14
Acquisition of a subsidiary	–	(65)	–	–
Recognised in other comprehensive income	338	1,249	472	594
End of the year	(319)	(758)	(1,292)	(1,711)

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

25. Deferred Income Tax (Continued)

- (b) The movement in deferred tax assets and liabilities during the year, without taking into account the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax Liabilities

	Group			
	Available-for-sale financial assets RMB million	Investment in subsidiaries RMB million	Others RMB million	Total RMB million
At 1 January 2010, as previously reported	(3,766)	–	(183)	(3,949)
Adjustment for adoption of IFRS 1 (Amendment)	2	–	–	2
At 1 January 2010, as restated	(3,764)	–	(183)	(3,947)
Charged to the income statement	–	–	(74)	(74)
Credited directly to other comprehensive income	1,240	–	–	1,240
Acquisition of a subsidiary	–	–	(65)	(65)
At 31 December 2010	(2,524)	–	(322)	(2,846)
At 1 January 2011, as previously reported	(2,526)	–	(322)	(2,848)
Adjustment for adoption of IFRS 1 (Amendment)	2	–	–	2
At 1 January 2011, as restated	(2,524)	–	(322)	(2,846)
Charged to the income statement	–	(89)	(254)	(343)
Credited directly to other comprehensive income	282	–	–	282
At 31 December 2011	(2,242)	(89)	(576)	(2,907)

	Company		
	Available-for-sale financial assets RMB million	Others RMB million	Total RMB million
At 1 January 2010	(2,438)	(22)	(2,460)
Credited to the income statement	–	9	9
Credited directly to other comprehensive income	594	–	594
At 31 December 2010	(1,844)	(13)	(1,857)
At 1 January 2011	(1,844)	(13)	(1,857)
Charged to the income statement	–	(9)	(9)
Credited directly to other comprehensive income	472	–	472
At 31 December 2011	(1,372)	(22)	(1,394)

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

25. Deferred Income Tax (Continued)

- (b) The movement in deferred tax assets and liabilities during the year, without taking into account the offsetting of balances within the same tax jurisdiction, is as follows: (continued)

Deferred Tax Assets:

	Group							
	Provision For impairment of assets	Depreciation and amortisation	Provision for foreseeable contract losses	Provision for employee benefits	Tax losses	Discount of long-term receivable	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2010, as previously reported	476	773	52	592	123	226	231	2,473
Adjustment for adoption of IFRS 1 (Amendment)	-	(728)	-	-	-	-	-	(728)
At 1 January 2010, as restated	476	45	52	592	123	226	231	1,745
Credited/(charged) to the income statement	30	(3)	74	(101)	182	130	22	334
Credited to other comprehensive income	-	-	-	-	-	-	9	9
At 31 December 2010	506	42	126	491	305	356	262	2,088
At 1 January 2011, as previously reported	506	661	126	491	305	356	262	2,707
Adjustment for adoption of IFRS 1 (Amendment)	-	(619)	-	-	-	-	-	(619)
At 1 January 2011, as restated	506	42	126	491	305	356	262	2,088
Credited/(charged) to the income statement	96	30	(34)	50	(41)	193	150	444
Credited to other comprehensive income	-	-	-	-	-	-	56	56
At 31 December 2011	602	72	92	541	264	549	468	2,588

	Company				
	Provision for impairment of assets	Depreciation and amortisation	Provision for employee benefits	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2010	18	1	24	98	141
(Charged)/credited to the income statement	(4)	(1)	(2)	12	5
At 31 December 2010	14	-	22	110	146
(Charged)/credited to the income statement	(1)	-	4	(47)	(44)
At 31 December 2011	13	-	26	63	102

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

25. Deferred Income Tax (Continued)

- (c) As at 31 December 2011, the Group did not recognise deferred tax assets in relation to the Group's subsidiaries amounting to RMB147 million (2010: RMB147 million) because it is probable that the temporary difference will not reverse in the foreseeable future. These amounts mainly comprised:
- (i) Deemed disposal of the Group's share in net assets of Shanghai Zhenhua Heavy Industry Co., Ltd. ("ZPMC") arising from the issuance of shares by ZPMC in connection with its initial public offering on the Shanghai Stock Exchange during the year ended 31 December 1997 and the subsequent changes in its equity interest therein. During the years ended 31 December 2000 and 2004, ZPMC issued additional shares and as a result, the Group's interest in ZPMC was decreased to 50.3% as at 31 December 2005. In addition, pursuant to the share reform scheme undertaken by ZPMC, the Group's interest in ZPMC was decreased to 43.3% as at 31 December 2006. Moreover, ZPMC issued additional shares in the year ended 31 December 2007 and the Group subscribed for the shares in proportion to retain the Group's interest in ZPMC at 43.3% as at 31 December 2007. In 2008, ZPMC acquired all the equity interests in two subsidiaries, namely Shanghai Port Machinery Plant Co., Ltd. And Shanghai Jiangtian Industrial Co., Ltd., from the Company. The Group's interest in ZPMC has been increased from 43.3% to 46.1%; and
 - (ii) Deemed disposal of the Group's share in net assets of Road & Bridge International Co., Ltd ("CRBC International") arising from the issuance of shares by CRBC International in connection with its initial public offering on the Shanghai Stock Exchange during the year ended 31 December 2000. In addition, pursuant to the share reform scheme undertaken by CRBC International, the Group's interest in CRBC International was decreased to 64.1% as at 31 December 2006. The Group disposed of a 2.67% equity interest in CRBC International to third party non-controlling shareholders during the year ended 31 December 2007 and the Group's interest in CRBC International has been decreased to 61.4% thereafter.
- (d) In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of RMB737 million (2010: RMB501 million) in respect of tax losses amounting to RMB2,949 million (2010: RMB2,003 million) as at 31 December 2011 as management believes it is more likely than not that such tax losses would not be utilised before they expire.

As at 31 December 2011, the tax losses with no deferred tax assets recognised carried forward are as follows:

	2011 RMB million	2010 RMB million
Year of expiry of tax losses		
2012	–	13
2013	4	15
2014	865	908
2015	1,066	1,067
2016	1,014	–
	2,949	2,003

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

25. Deferred Income Tax (Continued)

- (e) As at 31 December 2011, the unrecognised deferred income tax liabilities were RMB13 million (2010: RMB35 million), relating to income tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2011 amounted to RMB88 million (2010: RMB231 million).

26. Early Retirement and Supplemental Benefit Obligations

The Group paid supplementary pension subsidies and medical benefits to its retired employees in Mainland China who retired prior to 1 January 2006. In addition, the Group has committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 1 January 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in Mainland China who retired on or after 1 January 2006.

The amount of early retirement and supplemental benefit obligations recognised in the balance sheet are determined as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Present value of defined benefits obligations	2,537	2,432	46	45
Unrecognised actuarial (losses)/gains	(179)	(34)	1	4
Liability on the balance sheet	2,358	2,398	47	49
Less: current portion	(330)	(214)	(5)	(7)
	2,028	2,184	42	42

The movement of early retirement and supplemental benefit obligations in the balance sheet is as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
At beginning of the year	2,398	2,657	49	57
During the year				
– Payment	(280)	(283)	(4)	(7)
– Interest cost	120	110	2	4
– Actuarial losses/(gains)	144	23	–	(5)
– Effect of settlement	(24)	(109)	–	–
At the end of the year	2,358	2,398	47	49

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

26. Early Retirement and Supplemental Benefit Obligations (Continued)

The above obligations were determined based on actuarial valuation performed by an independent actuary, Towers Watson, Hong Kong, using the projected unit credit method, and the following data:

- (a) Discount rates adopted (per annum):

	2011	2010
	3.50%	4.00%

- (b) Early-retirees' salary and supplementary benefits inflation rate: 10% (2010: 10%);
- (c) Medical cost trend rate: 4%-8% (2010: 4%-8%);
- (d) Mortality: Average life expectancy of residents in the PRC;
- (e) Medical costs paid to early retirees are assumed to continue until the death of the retirees.
- (f) The amounts recognised in the consolidated income statement are as follows:

	2011 RMB million	2010 RMB million
Interest cost	120	110
Actuarial losses	144	23
Effect of settlement	(24)	(109)
Total, included in staff costs (Note 32)	240	24

Total charge was included in administrative expenses.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

27. Provisions for Other Liabilities and Charges

Group

	Guarantee RMB million	Pending Lawsuits RMB million	Others RMB million	Total RMB million
At 1 January 2010	40	48	17	105
Charged to the consolidated income statement:				
– Additional provisions	–	47	7	54
Utilised/reversed during the year	–	(4)	(4)	(8)
At 31 December 2010	40	91	20	151
Charged to the consolidated income statement:				
– Additional provisions	–	34	4	38
Utilised/reversed during the year	(40)	(2)	(7)	(49)
At 31 December 2011	–	123	17	140

Company

	Guarantee RMB million
At 31 December 2010	40
Utilised/reversed during the year	(40)
At 31 December 2011	–

28. Other Income

	2011 RMB million	2010 RMB million
Rental income	305	334
Income from sale of materials	152	349
Dividend income on available-for-sale financial assets		
– Listed equity securities	270	253
– Unlisted equity investments	33	64
Government grants	246	169
Others	871	655
	1,877	1,824

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

29. Other Gains – Net

	2011	2010 (Restated)
	RMB million	RMB million
Gain on disposal of property, plant and equipment	336	164
Gain on disposal of lease prepayments	170	39
Gain on disposal of intangible assets	52	–
Gain on disposal of other financial assets at fair value through profit or loss	4	5
Fair value losses from other financial assets at fair value through profit or loss	(17)	(10)
Gains on derivative financial instruments:		
– Foreign exchange forward contracts	90	40
Gain on disposal of available-for-sale financial assets	46	387
Gain on deemed partial disposal of interest in an associate (Note 12)	–	102
Net foreign exchange losses (Note 36)	(409)	(348)
Net gains on disposal of subsidiaries, jointly controlled entities and associates	365	87
	637	466

30. Other Expenses

	2011	2010 (Restated)
	RMB million	RMB million
Depreciation and other costs relating to assets under operating lease	198	262
Cost of sale of materials	152	349
Others	296	404
	646	1,015

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

31. Expenses by Nature

	2011 RMB million	2010 (Restated) RMB million
Raw materials and consumables used	102,081	99,051
Subcontracting costs	83,234	72,468
Employee benefits (Note 32)	24,338	20,043
Rentals	18,327	19,438
Business tax and other transaction taxes	8,254	7,379
Fuel	6,551	5,860
Depreciation of property, plant and equipment and investment properties (Notes 6, 8)	6,099	5,487
Transportation costs	4,864	5,826
Cost of goods sold	2,377	2,086
Research and development costs	2,314	1,575
Travel	2,210	1,886
Repair and maintenance expenses	1,685	1,530
Utilities	1,142	1,130
Insurance	502	503
Provision for/(reversal of) impairment of trade and other receivables	427	(404)
Provision for foreseeable losses on construction contracts	293	544
Amortisation of intangible assets (Note 9)	211	110
Amortisation of lease prepayments (Note 7)	182	151
Write-down of inventories	18	76
Auditors' remuneration	38	38
Other expenses	14,784	15,479
Total cost of sales, selling and marketing expenses and administrative expenses	279,931	260,256

32. Employee Benefit Expense

	2011 RMB million	2010 RMB million
Salaries, wages and bonuses	16,432	13,734
Contributions to pension plans (Note a)	2,224	1,724
Early retirement and supplemental pension benefits (Note 26(f)) (Note b)	240	24
Housing benefits (Note c)	992	872
Share appreciation rights (Note 21)	21	14
Welfare, medical and other expenses	4,429	3,675
	24,338	20,043

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

32. Employee Benefit Expense (Continued)

- (a) The employees of the subsidiaries in the Mainland China participate in various retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China under which the Group is required to make monthly contributions to these plans at rates ranging from 12% to 30% (2010: 12% to 30%), depending on the applicable local regulations, of the employees' basic salary for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or jurisdictions outside Mainland China. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service.

- (b) Certain employees of the Group retired early in the past. Early retirement benefits are recognised in the consolidated income statement in the year in which the Group entered into an agreement specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. These specific terms vary among the early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplementary pension subsidies to retired employees who retired prior to 1 January 2006. The costs of providing these pension subsidies are charged to the consolidated income statement so as to spread the service cost over the average service lives of the retirees. Employees who retire after 1 January 2006 are no longer entitled to such pension subsidies.

- (c) These represent contributions to the government-sponsored housing funds in Mainland China, at rates ranging from 7% to 25% of the employees' basic salary.

33. Finance Income

	2011 RMB million	2010 RMB million
Gain on debt restructuring of Iraq Loans (Note 24(f))	930	–
Interest income:		
– Bank deposits	423	242
– Unwinding of discount of long-term receivables	556	412
Others	84	54
	1,993	708

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

34. Finance Costs, Net

	2011 RMB million	2010 RMB million
Interest expense incurred	4,494	3,038
Less: Capitalised interest expense	(1,379)	(856)
Net interest expense	3,115	2,182
Representing:		
– Bank borrowings	1,905	1,066
– Other borrowings	48	94
– Corporate bonds	519	518
– Medium term notes	408	340
– Debentures	138	98
– Finance lease liabilities	97	66
	3,115	2,182
Net foreign exchange gains on borrowings (Note 36)	(872)	(627)
Others	1,112	941
	3,355	2,496

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB1,379 million (2010: RMB856 million) were capitalised in 2011, of which approximately RMB679 million (2010: RMB381 million) is charged to contract work-in-progress, approximately RMB368 million (2010: RMB241 million) is included in cost of concession assets, and approximately RMB332 million (2010: RMB234 million) is included in cost of construction-in-progress as at 31 December 2011. A capitalisation rate of 5.27% (2010: 4.99%) was used, representing the costs of the borrowings used to finance the qualifying assets.

35. Taxation

(a) Income Tax Expense

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

Most of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (2010: 25%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for a few subsidiaries of the Company, which were exempted from tax or taxed at preferential rates of 12% to 24% (2010: 7.5% to 22%).

Taxation of other companies of the Group has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which these companies operate.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

35. Taxation (Continued)

(a) Income Tax Expense (Continued)

The amount of income tax expense charged to the consolidated income statement represents:

	2011 RMB million	2010 (Restated) RMB million
Current income tax		
– PRC enterprise income tax	2,975	2,582
– Others	172	121
	3,147	2,703
Deferred income tax (Note 25(a))	(101)	(260)
Income tax expense	3,046	2,443

The difference between the actual income tax expense in the consolidated income statement and the amounts which would result from applying enacted tax rate to profit before income tax can be reconciled as follows:

	2011 RMB million	2010 (Restated) RMB million
Profit before income tax	15,029	12,081
Less: Share of profits of jointly controlled entities and associates	(173)	(116)
	14,856	11,965
Tax calculated at PRC statutory tax rate of 25% (2010: 25%)	3,714	2,991
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	(556)	(440)
Income not subject to tax	(312)	(343)
Additional tax concession on research and development costs	(215)	(120)
Expenses not deductible for tax purposes	179	93
Utilisation of previously unrecognised tax losses	(17)	(5)
Tax losses for which no deferred income tax asset was recognised	253	267
Income tax expense	3,046	2,443

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

35. Taxation (Continued)

(a) Income Tax Expense (Continued)

The tax credit relating to components of other comprehensive income is as follows:

	2011			2010		
	Before tax RMB million	Tax credit RMB million	After tax RMB million	Before tax RMB million	Tax credit RMB million	After tax RMB million
Fair value losses						
– Available-for-sale financial assets	(2,566)	338	(2,228)	(3,755)	1,249	(2,506)
Currency translation differences	(67)	–	(67)	(39)	–	(39)
Other comprehensive income	(2,633)	338	(2,295)	(3,794)	1,249	(2,545)

(b) Business Tax (“BT”) and Related Taxes

Certain revenue of the Group are subject to BT at rates ranging from 3% to 5% of the service fee income received and receivable. In addition, the Group is subject to city construction tax (“CCT”) and educational surcharge (“ES”) based on 1% to 7% and 3% of BT payable, respectively.

(c) Value-Added Tax (“VAT”) and Related Taxes

Certain revenue of the Group are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. Certain products of the subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The subsidiaries are also subject to CCT and ES based on 1% to 7% and 3% of net VAT payable, respectively.

36. Net Foreign Exchange Gains

The exchange differences credited to the consolidated income statement are included as follows:

	2011 RMB million	2010 RMB million
Finance costs (Note 34)	872	627
Other gains – net (Note 29)	(409)	(348)
	463	279

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

37. Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB4,213 million (2010: RMB2,679 million).

38. Earnings per Share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	2011	2010 (Restated)
Profit attributable to equity holders of the Company (RMB million)	11,767	9,599
Number of ordinary shares in issue (million)	14,825	14,825
Basic earnings per share (RMB per share)	0.79	0.65

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2011 and 2010.

39. Dividends

	2011 RMB million	2010 RMB million
Final, proposed, of RMB0.1794 per ordinary share (2010: RMB0.16)	2,902	2,372

2010 final dividend of RMB0.16 per ordinary share, totalling RMB2,372 million was approved by the Company's shareholders in the Extraordinary General Meeting on 25 March 2011.

At the board meeting held on 26 March 2012, the Directors recommended the payment of a final dividend of RMB0.1794 per ordinary share to all shareholders on the basis of total issued share capital of 16,174,735,425 share after A-share issuance, totalling approximately RMB2,902 million. Such dividend is to be approved by the shareholders at the Annual General Meeting to be held on 6 June 2012. This recommended dividend has not been reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

40. Directors', Supervisors' and Senior Management's Emoluments

(a) Directors' and Supervisors' Emoluments

	2011 RMB'000	2010 RMB'000
Directors and supervisors		
– Basis salaries, housing allowances and other allowances	3,422	3,243
– Contributions to pension plans	180	169
– Discretionary bonuses	2,167	1,897
	5,769	5,309

The emoluments of every director and supervisor for the year ended 31 December 2011 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
Mr. Zhou Jichang	539	30	392	961
Mr. Liu Qitao ⁽²⁾	528	30	403	961
Mr. Fu Junyuan	462	30	372	864
Non-executive director				
Mr. Zhang Changfu	111	–	–	111
Independent non-executive directors				
Mr. Liu Zhangmin	139	–	–	139
Mr. Yuan Yaohui	130	–	–	130
Mr. Zou Qiao	114	–	–	114
Mr. Lu Hongjun	111	–	–	111
Mr. Leung Chong Shun ⁽¹⁾	86	–	–	86
Supervisors				
Mr. Liu Xiangdong	463	30	371	864
Mr. Xu Sanhao	463	30	371	864
Mr. Wang Yongbin	276	30	258	564
	3,422	180	2,167	5,769

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

40. Directors', Supervisors' and Senior Management's Emoluments

(Continued)

(a) Directors' and Supervisors' Emoluments (Continued)

- (1) Mr. Leung Chong Shun has been appointed as the independent non executive director of the Company pursuant to the resolution passed by the shareholders of the Company at the Extraordinary General Meeting held on 24 January 2011.

The emoluments of every director and supervisor for the year ended 31 December 2010 are set out below:

Name	Basis salaries, housing Allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
Mr. Zhou Jichang	538	29	349	916
Mr. Meng Fengchao ⁽²⁾	461	24	334	819
Mr. Fu Junyuan	461	29	332	822
Non executive director				
Mr. Zhang Changfu	110	–	–	110
Independent non executive directors				
Mr. Liu Zhangmin	134	–	–	134
Mr. Yuan Yaohui	127	–	–	127
Mr. Lu Hongjun	112	–	–	112
Mr. Zou Qiao	110	–	–	110
Supervisors				
Mr. Liu Xiangdong	461	29	332	822
Mr. Xu Sanhao	462	29	333	824
Mr. Wang Yongbin	267	29	217	513
	3,243	169	1,897	5,309

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

40. Directors', Supervisors' and Senior Management's Emoluments

(Continued)

(a) Directors' and Supervisors' Emoluments (Continued)

- (2) Mr. Meng Fengchao resigned in 30 November 2010. The Board has resolved to appoint Mr. Liu Qitao as the President of the Company with effect from 1 December 2010, with a term of 3 years. Mr. Liu Qitao has also been appointed as an executive director of the Company pursuant to the resolution passed by the shareholders of the Company at the Extraordinary General Meeting held on 24 January 2011.

The emoluments of the directors and supervisors of the Company fall within the following bands:

	2011	2010
Directors and supervisors		
– Nil to HK\$1,000,000 (equivalent to approximately RMB810,700)	7	10
– HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately RMB810,701 to RMB1,216,050)	5	1

During the year, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Key Management Compensation

	2011 RMB'000	2010 RMB'000
Basis salaries, housing allowances and other allowances	5,993	5,978
Contributions to pension plans	389	371
Discretionary bonuses	4,794	4,247
	11,176	10,596

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

40. Directors', Supervisors' and Senior Management's Emoluments

(Continued)

(c) Five Highest Paid Individuals

None of the Directors' emoluments as disclosed in Note 40(a) above was included in the emoluments paid to the five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2011 RMB'000	2010 RMB'000
Basic salaries, housing allowances, and other allowances	2,095	1,730
Contributions to pension plans	527	540
Discretionary bonuses	4,121	5,129
	6,743	7,399

The emoluments of the above individuals fall within the following bands:

	2011	2010
– HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately RMB810,701 to RMB1,216,050)	–	2
– HK\$1,500,001 to HK\$2,000,000 (equivalent to approximately RMB1,216,051 to RMB1,621,400)	5	2
– HK\$2,000,001 to HK\$3,000,000 (equivalent to approximately RMB1,621,401 to RMB2,432,100)	–	1
	5	5

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

41. Cash Generated from Operations

(a) Cash Generated from Operations

	2011 RMB million	2010 (Restated) RMB million
Profit for the year	11,983	9,638
Adjustments for:		
– Income tax expense	3,046	2,443
– Depreciation of property, plant and equipment and investment properties	6,099	5,487
– Amortisation of intangible assets and lease prepayments	393	261
– Net gain on disposal of property, plant and equipment	(336)	(164)
– Share-based payment (Note 21)	21	14
– Fair value (gains)/losses on derivative financial instruments	(4)	23
– Fair value losses on other financial assets at fair value through profit or loss	17	10
– Gain on disposal of subsidiaries	(328)	(1)
– Net gain on disposal of lease prepayments	(170)	(39)
– Net gain on disposal of intangible assets	(52)	–
– Gain on disposal of available-for-sale financial assets	(46)	(387)
– Gain on disposal of other financial assets at fair value through profit or loss	(4)	(5)
– Gain on disposal of associates	(29)	(86)
– Gain on disposal of jointly controlled entities	(8)	–
– Gain on deemed partial disposal of an associate	–	(102)
– Write-down of inventories	18	76
– Provision for/(reversal of) impairment of trade and other receivables	427	(404)
– Provision for foreseeable losses on construction contracts	293	544
– Dividend income from available-for-sale financial assets	(303)	(317)
– Gain on debt restructuring of Iraq Loans	(930)	–
– Interest income	(1,063)	(708)
– Interest expenses	3,115	2,182
– Share of profit of jointly controlled entities	(75)	(38)
– Share of profit of associates	(98)	(78)
– Exchange gains on borrowings	(872)	(627)
	21,094	17,722
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(1,369)	(2,792)
– Trade and other receivables	(19,662)	(23,954)
– Contract work-in-progress	(10,581)	(147)
– Restricted cash	(203)	(21)
– Early retirement and supplemental benefit obligations	(40)	(259)
– Trade and other payables	15,030	27,094
– Derivative financial instruments	(23)	(41)
– Provisions	(11)	46
– Deferred income	88	149
Cash generated from operations	4,323	17,797

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

41. Cash Generated from Operations (Continued)

(b) Proceeds from disposal of PPE

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2011 RMB million	2010 (Restated) RMB million
Net book amount (Note 6)	673	658
Gain on disposal of property, plant and equipment	336	164
Less: Trade and other receivables	(446)	–
Proceeds from sale of property, plant and equipment	563	822

(c) Interest paid

The interest paid was recorded in the financing activities instead of the operating activity on the cash flow statement as the borrowing and the interest were both under management of treasury function. The management of the Group was of the view that the change provided reliable and more relevant information about the effects of transactions on the cash flows.

42. Contingencies

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Pending lawsuits (Note a)	617	510	–	–
Outstanding loan guarantees (Note b)	268	598	27,186	16,702
	885	1,108	27,186	16,702

- (a) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision as set out in Note 27 has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for above pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.
- (b) The Group and the Company have acted as the guarantors for various external borrowings made by certain subsidiaries, jointly controlled entities of the Group (Note 44) and certain third party entities.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

43. Commitments

(a) Capital Commitments

Capital expenditure approved but not contracted for at the balance sheet date is as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Property, plant and equipment	3,187	17	3,055	17
Intangible assets – concession assets	800	–	–	–
	3,987	17	3,055	17

Capital expenditure contracted for but not yet incurred at the balance sheet date is as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Property, plant and equipment	3,593	2,655	–	–
Intangible assets – concession assets	45,817	9,517	1,945	–
	49,410	12,172	1,945	–

(b) Operating Lease Commitments – Where the Group is the Lessee

The Group leases various offices, warehouses, residential properties, machinery and vessels under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
No later than 1 year	1,047	926	65	67
Later than 1 year and no later than 5 years	1,509	1,063	46	42
Later than 5 years	203	237	–	–
	2,759	2,226	111	109

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

43. Commitments (Continued)

(c) Lease Payments Receivable

The Group rents out various offices under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payment receivable under non-cancelable operating leases are as follows:

	Group	
	2011 RMB million	2010 RMB million
No later than 1 year	113	83
Later than 1 year and no later than 5 years	187	170
Later than 5 years	94	89
	394	342

The Company has no lease payments receivable.

44. Related-party Transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by CCCG, the parent company and a state-owned enterprise established in the PRC. CCCG is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "government-related entities"). In accordance with IAS 24 "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC Government are regarded as related parties of the Group. On that basis, related parties include CCCG, other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence, and key management personnel of the Company and CCCG, as well as their close family members. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of related party transactions entered into in the ordinary course of business between the Group and its related parties, including other government-related entities, during the year and balances arising from related party transactions as at 31 December 2011.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

44. Related-party Transactions (Continued)

(a) Related Party Transactions

The following transactions were carried out with related parties other than government-related entities:

	2011 RMB million	2010 RMB million
Transactions with CCCG		
Expenses		
– Rental expense	105	115
Transactions with fellow subsidiaries		
Expense		
– Purchase of materials	24	76
Sales of lease prepayment	201	–
Transactions with jointly controlled entities and associates		
Revenue		
– Revenue from provision of construction services	321	2,003
Expenses		
– Subcontracting fees	478	505
– Purchase of materials	13	30
– Services	84	80
– Other costs	6	2
Sales of machinery	435	23
Rental income	6	15

These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

(b) Key Management Compensation

	2011 RMB'000	2010 RMB'000
Basis salaries, housing allowances and other allowances	5,993	5,978
Contributions to pension plans	389	371
Discretionary bonuses	4,794	4,247
	11,176	10,596

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

44. Related-party Transactions (Continued)

(c) Year-end Balances with Related Parties

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Trade and other receivables				
Trade receivables due from				
– Jointly controlled entities and associates	469	431	371	425
– Subsidiaries	–	–	15	31
	469	431	386	456
Long-term receivables due from				
– Fellow subsidiaries	800	–	–	–
Prepayments				
– Subsidiaries	–	–	5,447	3,375
– Jointly controlled entities and associates	397	196	–	–
Other receivables due from				
– Jointly controlled entities and associates	140	179	–	–
Loans to subsidiaries	–	–	11,135	10,127
Amounts due from subsidiaries	–	–	7,190	6,999
	1,806	806	24,158	20,957

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

44. Related-party Transactions (Continued)

(c) Year-end Balances with Related Parties (Continued)

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Trade and other payables				
Trade and bills payable due to				
– Subsidiaries	–	–	6,569	2,606
– Jointly controlled entities and associates	209	284	–	–
	209	284	6,569	2,606
Advanced from customers				
– Jointly controlled entities and associates	14	–	–	–
	14	–	–	–
Other payables due to				
– Subsidiaries	–	–	618	457
– Jointly controlled entities and associates	56	75	–	–
	56	75	618	457
Amount due to subsidiaries	–	–	23,900	21,204
	279	359	31,087	24,267
Amounts due from customers for contract work with				
– Jointly controlled entities and associates	284	504	271	500
Outstanding loan guarantees provided by the Group				
– Jointly controlled entities	218	548	9	9
Outstanding bond guarantees provided by CCCG	10,117	10,109	10,117	10,109

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

44. Related-party Transactions (Continued)

(d) Transactions and Year-end Balances with Other Government-Related Entities

The Group's major customers are PRC Government agencies and other government-related entities. A significant portion of revenue from provision of construction, design, dredging and other services, and sales of heavy machinery is conducted with other government-related entities. The Group also incurred some portion of subcontracting costs, rentals and purchases of materials and services from other government-related entities. These transactions are carried out on terms agreed with the counter parties in the ordinary course of business. As a result, a major portion of the Group's trade and other receivables and payables, as well as amount due from/due to customers for contract work, is with other government-related entities.

In addition, the Group has the following significant transactions and balances with other government-related entities:

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Transactions with other government-related entities				
– Interest income from bank deposits	244	188	78	86
– Interest expenses on bank borrowings	4,154	1,965	369	141

	Group		Company	
	2011 RMB million	2010 RMB million	2011 RMB million	2010 RMB million
Balances with other government-related entities				
– Restricted cash	848	663	3	3
– Cash and cash equivalents	38,587	28,464	16,694	12,188
	39,435	29,127	16,697	12,191
– Borrowings	72,607	41,577	8,989	2,072

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

45. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates

(a) Subsidiaries

As at 31 December 2011, the Company had direct and indirect interests in the following principal subsidiaries:

Name	Country/Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest		Principal activities and place of operation
				Directly held	Indirectly held	
Listed -						
Shanghai Zhenhua Heavy Industry Co., Ltd.	PRC	Joint stock limited company	RMB4,390	28.72%	17.40%	Manufacturing of heavy machinery in PRC
Road & Bridge International Co., Ltd. ⁽¹⁾	PRC	Joint stock limited company	RMB408	61.06%	0.34%	Infrastructure construction in PRC
Unlisted -						
China Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB1,250	50%	50%	Infrastructure construction in PRC and other regions
China Road & Bridge Corporation	PRC	Limited liability company	RMB1,100	96.37%	3.63%	Infrastructure construction in PRC and other regions
CCCC First Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB2,176	100%	-	Infrastructure construction in PRC
CCCC Second Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB2,087	100%	-	Infrastructure construction in PRC
CCCC Third Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB2,859	100%	-	Infrastructure construction in PRC
CCCC Fourth Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB2,130	100%	-	Infrastructure construction in PRC
CCCC First Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB1,586	100%	-	Infrastructure construction in PRC

(1) Upon the completion of the Company's A share issuance and merger arrangement in March 2012, CRBC International will be deregistered and its assets, liabilities and equity interests will be transferred to a wholly owned subsidiary of the Company.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

45. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates (Continued)

(a) Subsidiaries (Continued)

Name	Country/Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest		Principal activities and place of operation
				Directly held	Indirectly held	
CCCC Second Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB1,470	100%	–	Infrastructure construction in PRC
CCCC Third Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB600	100%	–	Infrastructure construction in PRC
CCCC Fourth Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB369	100%	–	Infrastructure construction in PRC
CCCC Tunnel Engineering Co., Ltd.	PRC	Limited liability company	RMB500	99.20%	0.80%	Infrastructure construction in PRC
CCCC Investment Co., Ltd.	PRC	Limited liability company	RMB6,171	100%	–	Investment holding in PRC
CCCC (Shantou) East-Coast New City Investment Co., Ltd.	PRC	Limited liability company	RMB300	100%	–	Investment holding in PRC
CCCC Water Transportation Consultants Co., Ltd.	PRC	Limited liability company	RMB200	100%	–	Infrastructure design in PRC
CCCC Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB257	100%	–	Infrastructure design in PRC
CCCC First Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB475	100%	–	Infrastructure design in PRC
CCCC Second Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB292	100%	–	Infrastructure design in PRC
CCCC Third Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB519	100%	–	Infrastructure design in PRC
CCCC-FHDI Engineering Co., Ltd.	PRC	Limited liability company	RMB384	100%	–	Infrastructure design in PRC
CCCC First Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB343	100%	–	Infrastructure design in PRC
CCCC Second Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB661	100%	–	Infrastructure design in PRC

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

45. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates (Continued)

(a) Subsidiaries (Continued)

Name	Country/Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest		Principal activities and place of operation
				Directly held	Indirectly held	
China Highway Engineering Consulting Group Co., Ltd.	PRC	Limited liability company	RMB200	100%	–	Infrastructure design in PRC
CCCC Road and Bridge Consultants Co., Ltd.	PRC	Limited liability company	RMB100	100%	–	Infrastructure design in PRC
CCCC Tianjin Dredging Co., Ltd.	PRC	Limited liability company	RMB4,596	100%	–	Dredging in PRC
CCCC Shanghai Dredging Co., Ltd.	PRC	Limited liability company	RMB6,199	100%	–	Dredging in PRC
CCCC Guangzhou Dredging Co., Ltd.	PRC	Limited liability company	RMB4,036	100%	–	Dredging in PRC
CCCC Xi'an Road Construction Machinery Co., Ltd.	PRC	Limited liability company	RMB328	54.31%	45.69%	Manufacturing of road building machinery in PRC
Zhenhua Logistics Group	PRC	Sino-foreign Joint venture	USD52	37.49%	24.29%	Transportation and logistics in PRC
China Highway Vehicle & Machinery Co., Ltd.	PRC	Limited liability company	RMB149	100%	–	Trading of motor vehicles spare parts in PRC
Chuwa Bussan Co., Ltd.	Japan	Sino-foreign joint venture	JPY 60	75%	–	Trading of machinery in Japan
CCCC Shanghai Equipment Engineering Co., Ltd.	PRC	Limited liability company	RMB10	55%	–	Maintenance and repairing of port machinery in PRC
Chongqing Chaotianmen Yangtze River Bridge Co., Ltd.	PRC	Limited liability company	RMB50	90%	10%	Infrastructure construction in PRC
AZINGO LIMITED	Hong Kong	Limited liability company	— *	100%	–	Investment holding in PRC
PT China Communications Construction Indonesia	Indonesia	Limited liability company	USD2	100%	–	Coal and peat mining in Indonesia

* The paid-in capital of this company is HK\$1,000.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

45. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates (Continued)

(b) Jointly Controlled Entities

As at 31 December 2011, the Company had interests in the following principal jointly controlled entities (all are unlisted):

Name	Country/Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest		Principal activities and place of operation
				Directly held	Indirectly held	
Beijing Capital Expressway Development Co., Ltd.	PRC	Limited liability company	RMB100	50%	–	Infrastructure construction and operation in PRC
Tianjin Northern Petrochemicals Terminal Co., Ltd.	PRC	Limited liability company	RMB227	–	50%	Storage and transportation of oil in PRC
Tangshan Dredging Project Co., Ltd.	PRC	Limited liability company	RMB67	–	45%	Dredging in PRC
Guangdong Dachangqing Engineering Construction Co., Ltd.*	PRC	Limited liability company	RMB200	–	60%	Dredging in PRC
Jiangsu Longyuan Zhenhua Ocean Engineering Co., Ltd.	PRC	Limited liability company	RMB300	–	50%	Ocean Engineering
Chongqing Zhongxian-Fengdu Expressway Co., Ltd.	PRC	Limited liability company	RMB390	–	40%	Highway Construction and operation in PRC

* Although the Group's equity interests in the jointly controlled entity are more than 50%, the Group does not have unilateral control over the jointly controlled entity.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

45. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates (Continued)

(c) Associates

As at 31 December 2011, the Company had interests in the following principal associates:

Name	Country/Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest		Principal activities and place of operation
				Directly held	Indirectly held	
Listed -						
Xi'an Qiyuan Mechanical and Electrical Equipment Co., Ltd. *	PRC	Joint stock limited company	RMB61	-	18.86%	Manufacturing of mechanical and electrical equipment in PRC
Unlisted -						
TaiYuan-ZhongWei-YinChuan Railway Co., Ltd. *	PRC	Limited liability company	RMB10,500	16.03%	-	Railway Construction and operation in PRC
Tianjin Ganghang Engineering Co., Ltd.	PRC	Limited liability company	RMB260	-	49%	Manufacturing of machinery in PRC
Beijing CEDC Corporation**	UK	Not applicable	-***	-	65.8%	Investment in PRC
Chongqing Wanli Wanda Expressway Co., Ltd.	PRC	Limited liability company	RMB410	-	40%	Expressway Construction and operation in PRC
Guizhou Guishen Investment Development Co., Ltd.	PRC	Limited liability company	RMB500	-	30%	Investment in PRC

* Although the Group held less than 20% equity interests in these associates as disclosed above, the Group has significant influence over these associates.

** Although the Group's equity interests in the associate are more than 50%, the Group held 37.5% voting rights and only has significant influence over the associate.

*** The paid in capital of the associate was USD50,000.

46. Subsequent Events

- (a) The Company completed an initial public offering of A-shares on the Shanghai Stock Exchange on 9 March 2012. In this connection, the Company issued 1,349,735,425 A-shares, of which 925,925,925 A-shares were issued to domestic investors by way of public offering, and 423,809,500 A-shares were issued for the purpose of implementing the merger agreement through share exchange with CRBC International's shareholders, other than the Group. CRBC International has been deregistered on the Shanghai Stock Exchange and its assets, liabilities and equity interests will be transferred to a wholly owned subsidiary of the Company. Upon the completion of this A-share issuance, the Company's share capital increased from RMB14,825,000,000 to RMB16,174,735,425, comprising 11,747,235,425 A shares and 4,427,500,000 H-Shares.
- (b) At the meeting of the Board of Directors held on 26 March 2012, it was resolved that the Company is authorised to issue corporate bonds in a total principal amount of no more than RMB12,000 million, within 24 months after the approval of the China Securities Regulatory Commission. The corporate bonds will be guaranteed by CCCG. The issuance is subject to shareholders' approval at the Company's Annual General Meeting on 6 June 2012.

47. Holding Company

The Company's directors regard CCCG, a company established in the PRC, as the immediate and ultimate holding company of the Company.