Independent Auditor's Report

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羅兵咸永道

To the shareholders of China Communications Construction Company Limited
(incorporated in the 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 70 to 180, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2012, 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 2013

Balance Sheets

	Note	Group As at 31 December 2012 RMB million	Group As at 31 December 2011 RMB million (Restated) *(Note 1)*	Company As at 31 December 2012 RMB million	Company As at 31 December 2011 RMB million
ASSETS					
Non-current assets					
Property, plant and equipment	*6*	**56,811**	55,163	**49**	54
Lease prepayments	*7*	**7,961**	8,138	**–**	211
Investment properties	*8*	**988**	451	**–**	–
Intangible assets	*9*	**36,519**	23,902	**13**	18
Investments in subsidiaries	*10*	**–**	–	**67,745**	61,359
Investments in jointly controlled entities	*11*	**1,052**	948	**62**	62
Investments in associates	*12*	**3,811**	3,145	**2,004**	2,004
Deferred income tax assets	*25*	**2,338**	2,038	**100**	102
Available-for-sale financial assets	*14*	**14,464**	12,846	**7,913**	6,463
Trade and other receivables	*15*	**38,685**	28,940	**2,039**	2,646
		162,629	135,571	**79,925**	72,919
Current assets					
Inventories	*16*	**26,675**	22,603	**310**	1
Trade and other receivables	*15*	**111,869**	100,283	**12,026**	8,900
Loans to subsidiaries	*10*	**–**	–	**20,077**	11,135
Amounts due from subsidiaries	*10*	**–**	–	**7,944**	7,190
Amounts due from customers for contract work	*17*	**57,983**	54,261	**5,094**	4,475
Other financial assets at fair value through profit or loss		**37**	49	**–**	–
Available-for-sale financial assets	*14*	**1,500**	–	**500**	–
Derivative financial instruments	*18*	**49**	62	**23**	–
Restricted bank deposits	*19(a)*	**5,581**	922	**1**	3
Cash and cash equivalents	*19(b)*	**67,492**	45,234	**29,693**	18,200
		271,186	223,414	**75,668**	49,904
Total assets		**433,815**	358,985	**155,593**	122,823

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

	Note	Group As at 31 December 2012 RMB million	Group As at 31 December 2011 RMB million (Restated) *(Note 1)*	Company As at 31 December 2012 RMB million	Company As at 31 December 2011 RMB million
EQUITY					
Capital and reserves attributable to owners of the Company					
Share capital	*20*	**16,175**	14,825	**16,175**	14,825
Share premium	*20(a)*	**19,656**	13,853	**19,656**	13,853
Other reserves	*22*	**47,930**	38,651	**27,739**	27,477
Proposed final dividend	*39*	**2,988**	2,902	**2,988**	2,902
		86,749	70,231	**66,558**	59,057
Non-controlling interests		**9,454**	10,789	**–**	–
Total equity		**96,203**	81,020	**66,558**	59,057
LIABILITIES					
Non-current liabilities					
Borrowings	*24*	**75,058**	51,756	**22,284**	10,440
Deferred income		**1,021**	642	**–**	–
Deferred income tax liabilities	*25*	**3,100**	2,348	**1,740**	1,394
Retirement benefit obligations	*26*	**1,956**	2,034	**38**	42
Trade and other payables	*23*	**2,672**	2,097	**1,591**	2,683
		83,807	58,877	**25,653**	14,559
Current liabilities					
Trade and other payables	*23*	**165,591**	146,896	**16,293**	11,607
Amounts due to subsidiaries	*10*	**–**	–	**31,861**	23,900
Amounts due to customers for contract work	*17*	**15,253**	14,741	**672**	565
Current income tax liabilities		**3,223**	2,634	**19**	17
Borrowings	*24*	**69,187**	54,289	**14,532**	13,088
Derivative financial instruments	*18*	**28**	58	**–**	25
Retirement benefit obligations	*26*	**189**	330	**5**	5
Provisions for other liabilities and charges	*27*	**334**	140	**–**	–
		253,805	219,088	**63,382**	49,207
Total liabilities		**337,612**	277,965	**89,035**	63,766
Total equity and liabilities		**433,815**	358,985	**155,593**	122,823
Net current assets		**17,381**	4,326	**12,286**	697
Total assets less current liabilities		**180,010**	139,897	**92,211**	73,616

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

The financial statements on pages 70 to 180 were approved by the Board of Directors on 26 March 2013 and were signed on its behalf.

Zhou Jichang
Director

Fu Junyuan
Director

Consolidated Income Statement

	Note	Year ended 31 December 2012 RMB million	2011 RMB million (Restated) (Note 1)
Revenue	5	**295,321**	294,281
Cost of sales	31	**(262,723)**	(266,373)
Gross profit		**32,598**	27,908
Other income	28	**1,753**	1,883
Other gains, net	29	**439**	637
Selling and marketing expenses	31	**(611)**	(625)
Administrative expenses	31	**(14,069)**	(12,943)
Other expenses	30	**(921)**	(647)
Operating profit		**19,189**	16,213
Finance income	33	**1,627**	1,993
Finance costs, net	34	**(5,411)**	(3,355)
Share of profit of jointly controlled entities		**49**	75
Share of profit of associates		**61**	98
Profit before income tax		**15,515**	15,024
Income tax expense	35	**(3,783)**	(3,047)
Profit for the year		**11,732**	11,977
Attributable to:			
– Owners of the Company		**12,248**	11,761
– Non-controlling interests		**(516)**	216
		11,732	11,977
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	38	**0.77**	0.79
– Diluted	38	**0.77**	0.79

The accompanying notes are an integral part of these financial statements. Details of the aggregate amounts of the dividends paid and proposed to owners of the Company during the year 2012 and 2011 are set out in Note 39.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2012	2011
	RMB million	RMB million
		(Restated)
		(Note 1)
Profit for the year	**11,732**	11,977
Other comprehensive income/(expenses)		
Changes in fair value of available-for-sale financial assets, net of deferred tax		
– Gains/(losses) arising during the year	**1,408**	(2,201)
– Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**–**	(27)
Changes in equity of jointly controlled entity	**1**	–
Currency translation differences	**77**	(67)
Other comprehensive income/(expenses) for the year, net of tax	**1,486**	(2,295)
Total comprehensive income for the year	**13,218**	9,682
Total comprehensive income/(expenses) attributable to:		
– Owners of the Company	**13,725**	9,535
– Non-controlling interests	**(507)**	147
	13,218	9,682

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

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company						
	Note	Share capital RMB million	Share premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2011, as previously reported		14,825	13,853	12,522	21,790	62,990	10,931	73,921
Adjustments for adoption of merger accounting *(Note 22)*		–	–	31	–	31	–	31
Balance at 1 January 2011, as restated	*22*	14,825	13,853	12,553	21,790	63,021	10,931	73,952
Comprehensive income								
Profit for the year, as restated		–	–	–	11,761	11,761	216	11,977
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, net of tax		–	–	(2,226)	–	(2,226)	(69)	(2,295)
Total comprehensive (expenses)/ income, as restated		–	–	(2,226)	11,761	9,535	147	9,682
2010 final dividend		–	–	–	(2,372)	(2,372)	–	(2,372)
Dividends paid to non-controlling interests		–	–	–	–	–	(185)	(185)
Capital contribution from non-controlling interests		–	–	–	–	–	169	169
Cash contribution from CCCG		–	–	46	–	46	–	46
Acquisition of a subsidiary		–	–	4	(4)	–	–	–
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)	–	–	–
Transfer to safety reserve	*22*	–	–	184	(184)	–	–	–
Balance at 31 December 2011, as restated		14,825	13,853	10,990	30,563	70,231	10,789	81,020

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

	Note	Attributable to owners of the Company						
		Share capital RMB million	Share premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2012, as restated	22	14,825	13,853	10,990	30,563	70,231	10,789	81,020
Comprehensive income								
Profit/(loss) for the year		–	–	–	12,248	12,248	(516)	11,732
Other comprehensive income								
Changes in fair value of available-for-sale financial assets, net of deferred tax		–	–	1,404	–	1,404	4	1,408
Changes in equity of jointly controlled entity		–	–	1	–	1	–	1
Currency translation differences		–	–	72	–	72	5	77
Total other comprehensive income, net of tax		–	–	1,477	–	1,477	9	1,486
Total comprehensive income/(expenses)		–	–	1,477	12,248	13,725	(507)	13,218
2011 final dividend		–	–	–	(2,902)	(2,902)	–	(2,902)
Dividends paid to non-controlling interests		–	–	–	–	–	(125)	(125)
Capital contribution from non-controlling interests		–	–	–	–	–	144	144
Cash contribution from CCCG		–	–	18	–	18	–	18
Issuance of A shares								
– Issue of shares for cash	20	926	3,938	–	–	4,864	–	4,864
– In exchange for shares in a subsidiary held by its non-controlling shareholders	20	424	1,865	(1,462)	–	827	(827)	–
Acquisition of CCMEC	22	–	–	(16)	–	(16)	–	(16)
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries		–	–	2	–	2	(20)	(18)
Transfer to statutory surplus reserve	22	–	–	223	(223)	–	–	–
Transfer to safety reserve	22	–	–	383	(383)	–	–	–
Balance at 31 December 2012		16,175	19,656	11,615	39,303	86,749	9,454	96,203

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

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2012 RMB million	2011 RMB million (Restated) *(Note 1)*
Cash flows from operating activities			
Cash generated from operations	*41(a)*	**16,558**	4,373
Income tax paid		**(3,219)**	(2,606)
Net cash generated from operating activities		**13,339**	1,767
Cash flows from investing activities			
Purchases of property, plant and equipment ("PPE")		**(7,131)**	(7,119)
Increase in lease prepayments		**(233)**	(957)
Purchases of intangible assets		**(11,922)**	(8,034)
Purchases of investment properties		**(327)**	–
Proceeds from disposal of PPE	*41(b)*	**596**	563
Proceeds from disposal of lease prepayments		**18**	259
Proceeds from disposal of intangible assets		**–**	415
Proceeds from disposal of investment properties		**–**	7
Additional investments in jointly controlled entities		**(52)**	(229)
Additional investments in associates		**(682)**	(353)
Acquisition of a subsidiary		**(16)**	(23)
Purchases of available-for-sale financial assets		**(8,015)**	(119)
Purchases of other financial assets at fair value through profit or loss		**–**	(30)
Proceeds from disposal of jointly controlled entities		**3**	147
Proceeds from disposal of associates		**72**	142
Proceeds from disposal of equity interests in subsidiaries		**–**	208
Proceeds from disposal of available-for-sale financial assets		**7,026**	221
Proceeds from disposal of other financial assets at fair value through profit or loss		**12**	35
Interest received		**726**	504
Dividends received		**421**	326
Net cash used in investing activities		**(19,504)**	(14,037)
Cash flows from financing activities			
Proceeds from borrowings		**119,735**	74,633
Repayments of borrowings		**(83,414)**	(49,128)
Proceeds from issuance of A shares		**4,864**	–
Interest paid		**(6,432)**	(4,016)
Changes in restricted bank deposits		**(2,938)**	–
Dividends paid to the Company's shareholders		**(2,902)**	(2,372)
Dividends paid to non-controlling interests of subsidiaries		**(135)**	(139)
Capital contribution from non-controlling interests		**144**	96
Cash contribution from CCCG		**18**	46
Additional investments in subsidiaries		**(18)**	(278)
Net cash generated from financing activities		**28,922**	18,842
Net increase in cash and cash equivalents		**22,757**	6,572
Cash and cash equivalents at beginning of year	*19*	**45,234**	38,843
Exchange gains/(losses) on cash and cash equivalents		**1**	(181)
Cash and cash equivalents at end of year	*19*	**67,992**	45,234

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

Notes to the Consolidated Financial Statements

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. ("CCCG"), the parent company and a state-owned enterprise established in the PRC. The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 15 December 2006 and the A shares of the Company were listed on the Shanghai Stock Exchange on 9 March 2012. Upon the completion of the A shares issuance, all the then existing unlisted domestic shares have become A shares and tradeable on the Shanghai Stock Exchange (Note 20). The address of the Company's 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.

In October 2012, the Group had completed the acquisition of the 100% equity interests in China Communications Materials & Equipment Company Limited ("CCMEC") from CCCG with a consideration of approximately RMB16 million. The transaction was regarded as a business combination under common control in a manner similar to pooling-of-interests and was accounted for with reference to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements for the year ended 31 December 2011 and the financial position as at 31 December 2011 as disclosed in these consolidated financial statements have been restated as a result of adoption of merger accounting for the above business combinations under common control. Details of relevant statements of adjustments for the common control combinations on the Group's results for the year ended 31 December 2011 and the financial position as at 31 December 2011 are set out in Note 22(d).

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 2013.

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.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amended standards adopted by the Group

The amendments to standards which are mandatory for the financial year beginning 1 January 2012 are as follows:

IAS 12 (Amendment)	"Income taxes"
IFRS 1 (Amendment)	"Severe hyperinflation and removal of fixed dates for first-time adopters"
IFRS 7 (Amendment)	"Disclosures – Transfers of financial assets"

The adoption of the above amendments did not have any material impact to the Group's consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

(b) New and revised standards, amendments to standards and interpretations not yet effective for the year ended 31 December 2012 and have not been early adopted by the Group

	Effective for accounting periods beginning on or after
IAS 1 (Amendment), "Financial statement presentation – Other comprehensive income"	1 July 2012
IFRS 1 (Amendment), "First time adoption – Government loans"	1 January 2013
IFRS 7 (Amendment), "Financial instruments: Disclosures – Assets and liabilities offsetting"	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
Amendment to IFRSs 10, 11 and 12, "Transition guidance"	1 January 2013
IFRS 13, "Fair value measurement"	1 January 2013
IAS 19 (Amendment), "Employee benefits"	1 January 2013
IAS 27 (Revised 2011), "Separate financial statements"	1 January 2013
IAS 28 (Revised 2011), "Associates and joint ventures"	1 January 2013
IFRIC – Int 20 "Stripping costs in the production phase of a surface mine"	1 January 2013
IAS 32 (Amendment), "Financial instruments: Presentation – Assets and liabilities offsetting"	1 January 2014
IFRS 9, "Financial instruments"	1 January 2015
Amendment to IFRS 7 and IFRS 9, "Mandatory effective date and transition disclosures"	1 January 2015

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(b) New and revised standards, amendments to standards and interpretations not yet effective for the year ended 31 December 2012 and have not been early adopted by the Group (Continued)

The above standards, amendments or interpretation will be adopted by the Group in the years listed. Based on the current assessment, the Group anticipates that the application of the above revised standards, amendments and interpretation will have no material impact on the results and the financial position of the Group, except for the following set out below:

- IAS 19 (Amendment), "Employee benefits", eliminates the corridor approach and calculates 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; 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 consolidated income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and will apply the new standard when it becomes effective.

2.2 Subsidiaries

2.2.1 Consolidation

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 from circumstances 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.

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

Inter-company transactions, balances, 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.

2. Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination

The acquisition method of accounting is used to account for the acquisitions of subsidiaries of the Group, except for those acquisitions which are considered as a business combination under common control in a manner similar to pooling-of-interests and with reference to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous end of the reporting period or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

Purchase method of accounting for non-common control combinations

The Group applies the acquisition method to account for non-common control 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 acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2. Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination (Continued)

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.

Goodwill 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 profit or loss.

(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 profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

2.3 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.

2. Summary of Significant Accounting Policies (Continued)

2.3 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. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

2.4 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 profit or loss 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 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 arising in investments 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. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

2.5 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President Office, which is chaired by the Chief Executive Officer and consists of senior management of the Company, that make strategic decisions.

2. Summary of Significant Accounting Policies (Continued)

2.6 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 or valuation where items are re-measured. 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.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance costs, net'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains, net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale 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 amortised cost are recognised in profit or loss, and other changes in 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, are included 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 rate on the dates of the transactions); and

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

2. Summary of Significant Accounting Policies (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies (Continued)

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. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (Note 2.11), 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.

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 to their residual values over their estimated useful lives, as follows:

–	Leasehold land classified as finance lease	Shorter of useful life or remaining lease term
–	Buildings	20-30 years
–	Machinery	5-10 years
–	Vessels	10-25 years
–	Motor vehicles	5 years
–	Other equipments	2-5 years

2. Summary of Significant Accounting Policies (Continued)

2.7 Property, plant and equipment (Continued)

Construction-in-progress represents buildings, vessels and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Costs include construction and acquisition costs, and interest charges arising from borrowings used to finance the assets during the construction period. 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 become available for use, the costs are transferred to appropriate category of property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains, net' in the consolidated income statement.

2.8 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, 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.

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.

2.9 Lease prepayments

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

2.10 Intangible assets

(a) Concession assets

The Group is engaged in certain service concession arrangements in which the Group carries out construction work (e.g. toll highways, bridges and ports) in exchange for a right for the Group 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.

2. Summary of Significant Accounting Policies (Continued)

2.10 Intangible assets (Continued)

(b) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures 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.

(c) 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.

(d) Computer software

Computer software license costs recognised as assets are amortised over their estimated useful lives of 1 to 10 years.

2.11 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.

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. Summary of Significant Accounting Policies (Continued)

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables 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.

(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. 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, if expected to be settled within 12 months; otherwise, they are classified as non-current.

(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 the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'restricted bank deposit' and 'cash and cash equivalents' in the balance sheet.

(c) 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 it within 12 months of the end of the reporting period.

2.12.2 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.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity 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.

2. Summary of Significant Accounting Policies (Continued)

2.12 Financial assets (Continued)

2.12.2 Recognition and measurement (Continued)

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.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at each end of the 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 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 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.

2. Summary of Significant Accounting Policies (Continued)

2.14 Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

The Group assesses at each end of the 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 in (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.

2.15 Derivative financial instruments

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

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

2.16 Inventories

Inventories comprise raw materials, work in progress including properties under development, and finished goods. 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 variable selling expenses.

2.17 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.

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, 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.

2. Summary of Significant Accounting Policies (Continued)

2.19 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.

2.20 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.

2.21 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 end of the reporting period.

2.22 Borrowing costs

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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Summary of Significant Accounting Policies (Continued)

2.23 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period 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.

(b) Deferred income tax

Inside basis differences

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period 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.

Outside basis differences

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.

(c) Offsetting

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. Summary of Significant Accounting Policies (Continued)

2.24 Employee benefits

(a) Pension obligations

The Group participates in both defined contribution and defined benefit plans.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group 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 end of the reporting period 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 obligation.

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.

2. Summary of Significant Accounting Policies (Continued)

2.24 Employee benefits (Continued)

(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 the consolidated income statement immediately. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. 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.

(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. The liability is re-measured at each end of the reporting period to its fair value, with all changes recognised immediately in the consolidated income statement.

2. Summary of Significant Accounting Policies (Continued)

2.24 Employee benefits (Continued)

(f) Share-based payments (Continued)

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 fair value of the liability incurred, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding adjustment recognising the liability in the parent entity accounts.

2.25 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.

2.26 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.

2.27 Contract work

Contract costs are recognised in the consolidated income statement when incurred. 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 by reference to the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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.

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.

2. Summary of Significant Accounting Policies (Continued)

2.27 Contract work (Continued)

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 for each contract; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Costs incurred in the period 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 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. The cost includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, borrowing costs directly attributable to the relevant contracts, rental charges, maintenance costs for the equipment used and other direct costs. 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. On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset the "amounts due from customers for contract work" where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability the "amounts due to customers for contract work" where the opposite is the case.

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the construction contracts and 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.

The Group recognises revenue when the amount of revenue can be reliably measured; when 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 manufacturing of heavy machinery contracts

Revenue from individual construction, design, dredging and manufacturing of heavy machinery contracts is recognised under the percentage of completion method, when the outcome of a contract can be estimated reliably 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 for each contract; (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.

2. Summary of Significant Accounting Policies (Continued)

2.28 Revenue recognition (Continued)

(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 collectability 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.

2.29 Interest income

Interest income is recognised 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 is recognised using the original effective interest rate.

2.30 Dividend income

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

2.31 Leases

2.31.1 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 in the consolidated balance sheet.

2.31.2 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.

2. Summary of Significant Accounting Policies (Continued)

2.31 Leases (Continued)

2.31.2 Finance leases (Continued)

Each lease payment is allocated between the liability and finance charges. 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.

2.32 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and developing 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 when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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.

2.33 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's 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 currency risk, fair value interest rate risk, cash flow 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.

Risk management is carried out by finance department under policies approved by the Board of Directors. The department identifies, evaluates and considers to hedge financial risks in close co-operation with the Group's operating units. The board provides principles for overall risk management, as well as policies covering specific risks.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(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 2012, denominated in foreign currencies, mainly United States Dollars ("USD"), are disclosed in Notes 15(j), 19(c), 23(b) and 24(h), respectively.

To manage 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.

As at 31 December 2012, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, post-tax profit for the year would have been approximately RMB331 million (2011: 5%, RMB662 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar – denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. Profit is less sensitive to movement in RMB/US dollar exchange rates in 2012 than 2011 mainly because of the decreased amount of US dollar-denominated borrowings.

(ii) Fair value and cash flow interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Increases in interest rates will increase the cost of new borrowing and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position. Management continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the Group did not consider it was necessary to do so in 2012 and 2011.

As at 31 December 2012, approximately RMB76,211 million (2011: RMB66,101 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. As at 31 December 2012, if interest rates on borrowings had been 0.25 percentage-point higher/lower with all other variables held constant, profit attributable to the owners of the Company for the year would have been RMB104 million lower/higher (2011: 0.25 percentage-point higher/lower, RMB96 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale financial assets or other financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The table below summarises the impact of increases/decreases of quoted price in open markets on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity price had increased/decreased by 10% with all other variables held constant:

	2012	2011
Increases/decreases in quoted price in open markets	**10%**	10%

	2012 **RMB million**	2011 RMB million
Impact on post-tax profit for the year	**4**	5
Impact on equity attributable to owners of the Company for the year	**1,308**	1,114

(b) Credit risk

The carrying amounts of cash and bank balances, trade and other receivables except for prepayments, derivative financial instruments, and the nominal value of the guarantees provided on liabilities as disclosed in Note 13 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 proper credit ratings. Management believes these financial institutions are reputable 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.

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.

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 exposures are with counterparties that have good 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.

The Group's maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 24.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to capital intensive nature of the Group's business, the Group ensures that it maintains flexibility through keeping sufficient cash and cash equivalents 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.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The spot rate as at the end of the reporting period 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.

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 2012				
Borrowings (excluding finance lease liabilities)	**72,909**	**19,911**	**28,227**	**51,757**
Finance lease liabilities	**836**	**839**	**1,469**	**1,163**
Net-settled derivative financial instruments	**(10)**	**(10)**	**25**	**1**
Gross-settled derivative financial instruments – outflows	**1,886**	**–**	**–**	**–**
Gross-settled derivative financial instruments – inflows	**(1,921)**	**–**	**–**	**–**
Trade and other payables (excluding statutory and non-financial liabilities)	**119,759**	**3,005**	**–**	**–**
Financial guarantee contracts	**49**	**–**	**–**	**196**
	193,508	**23,745**	**29,721**	**53,117**
As at 31 December 2011, as restated				
Borrowings (excluding finance lease liabilities)	56,589	11,669	24,690	31,991
Finance lease liabilities	898	729	555	4
Net-settled derivative financial instruments	8	8	36	8
Gross-settled derivative financial instruments – outflows	4,310	–	–	–
Gross-settled derivative financial instruments – inflows	(4,391)	–	–	–
Trade and other payables (excluding statutory and non-financial liabilities)	107,672	2,274	–	–
Financial guarantee contracts	50	–	–	218
	165,136	14,680	25,281	32,221

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 2012				
Borrowings	**15,506**	**3,270**	**8,981**	**17,103**
Net-settled derivative financial instruments	**(18)**	**(16)**	**11**	**1**
Trade and other payables (excluding statutory and non-financial liabilities)	**10,598**	**–**	**–**	**–**
Financial guarantee contracts	**12,283**	**3,135**	**1,165**	**7,591**
	38,369	**6,389**	**10,157**	**24,695**
As at 31 December 2011				
Borrowings	13,593	672	3,650	9,113
Net-settled derivative financial instruments	–	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

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

The Group and the Company entered into the guarantee contracts for bank borrowings made by subsidiaries, jointly controlled entities and certain third party entities. For issued financial guarantee contracts, the maximum amounts of guarantees are 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 derivative financial instruments comprise forward foreign exchange contracts used by the Group to hedge the exposure to foreign currency risk.

(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.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(d) Capital risk management (Continued)

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, including current and non-current borrowings as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

	2012 **RMB million**	2011 RMB million
Total borrowings *(Note 24)*	**144,245**	106,045
Less: Cash and cash equivalents *(Note 19(b))*	**(67,492)**	(45,234)
Net debt	**76,753**	60,811
Total equity	**96,203**	81,020
Total capital	**172,956**	141,831
Gearing ratio	**44%**	43%

The gearing ratio as at 31 December 2012 increased 1% compared with that in 2011 primarily attributable to the increase in borrowings to meet the financing needs of 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. Management has identified some of the overseas countries that 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 in 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 2012, the balance of contract work-in-progress relating to existing construction projects and bank deposits in these countries in Africa and Middle East represent less than 2.0% and 1.0% (31 December 2011: less than 2.0% and 1.0%), 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.

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 2012.

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Assets				
Financial assets at fair value through profit or loss	**37**	**–**	**–**	**37**
Derivative financial instruments				
– held for trading	**–**	**49**	**–**	**49**
Available-for-sale financial assets				
– Equity securities	**12,957**	**124**	**–**	**13,081**
– Other unlisted instruments	**–**	**1,500**	**–**	**1,500**
Total assets	**12,994**	**1,673**	**–**	**14,667**
Liabilities				
Derivative financial instruments				
– held for trading	**–**	**(28)**	**–**	**(28)**
Total liabilities	**–**	**(28)**	**–**	**(28)**

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
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 fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. 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 financial assets at fair value through profit or loss 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 end of the reporting period, 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.

Note that all the resulting fair value estimates are included in level 2.

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

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 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, 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 each contract budget 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 the Group.

4.2 Income taxes

The Group is subject to income taxes in the PRC and other 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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination are made.

Deferred income 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 income tax assets and taxation in the periods in which such estimate is changed.

4.3 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 end of the reporting period. 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 sensitively analysis in relation to the fluctuation of the fair value of financial instruments has been disclosed in Note 3.1(a)(iii).

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

4.4 Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the 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 obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 26.

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 the end of the reporting period would have been RMB21 million (2011: RMB43 million) lower or RMB34 million (2011: RMB45 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 2.10(a).

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. Where the expectation is different from the original estimate, such differences will impact the impairment assessment in the periods in which such estimate is changed.

4.6 Depreciation on property, plant and equipment

Depreciation on the Group's property, plant and equipment is calculated using the straight-line method to allocate cost up to residual values over the estimated useful lives of the assets. The Group reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. The Group estimates the useful lives of property, plant and equipment based on historical experience, taking into account anticipated technological changes. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

4.7 Impairment of trade and other receivables

The impairment of trade and other receivables is primarily assessed based on current market conditions and prior experience by taking into account past due status, financial position of debtors and guarantees obtained for the outstanding debts, if any. The Group reviews the adequacy of impairment on a regular basis. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade and other receivables would be required.

5. Segment Information

Management has determined the operating segments based on the reports reviewed by the President Office that are used to allocate resources 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 consolidated financial statements.

Sales between segments are carried out on terms with reference to the selling price used for sale made to third parties. The revenue from external parties reported to the President Office is measured in a manner consistent with that in the consolidated income statement.

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 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).

5. Segment Information (Continued)

The segment results for the year ended 31 December 2012 and other segment items included in the consolidated financial statements are as follows:

	For the year ended 31 December 2012						
	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	229,401	16,468	32,027	19,317	6,462	(8,354)	295,321
Inter-segment revenue	(2,243)	(1,265)	(3,946)	(737)	(163)	8,354	–
Revenue	227,158	15,203	28,081	18,580	6,299	–	295,321
Segment result	13,451	2,344	3,502	(125)	127	30	19,329
Unallocated costs							(140)
Operating profit							19,189
Finance income							1,627
Finance costs, net							(5,411)
Share of profit of jointly controlled entities							49
Share of profit of associates							61
Profit before income tax							15,515
Income tax expense							(3,783)
Profit for the year							11,732
Other segment items							
Depreciation	3,621	179	1,487	1,220	54	–	6,561
Amortisation	313	29	18	60	6	–	426
Write-down of inventories	5	–	–	145	–	–	150
Provision for foreseeable losses on construction contracts	302	–	8	188	–	–	498
Provision for impairment of trade and other receivables	376	114	126	65	8	–	689

5. Segment Information (Continued)

The segment results for the year ended 31 December 2011 and other segment items included in the consolidated financial statements, as restated, are as follows:

	For the year ended 31 December 2011 (Restated)						
	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	6,685	(6,967)	294,281
Inter-segment revenue	(2,371)	(913)	(1,537)	(2,138)	(8)	6,967	–
Revenue	224,697	14,095	30,784	18,028	6,677	–	294,281
Segment result	10,762	1,984	3,700	110	161	(201)	16,516
Unallocated costs							(303)
Operating profit							16,213
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							15,024
Income tax expense							(3,047)
Profit for the year							11,977
Other segment items							
Depreciation	3,386	161	1,223	1,272	61	–	6,103
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/(reversal of) impairment of trade and other receivables	187	75	54	111	(7)	–	420

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 consolidated 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 2012 and capital expenditure for the year then ended are as follows:

	As at 31 December 2012						
	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Segment assets	267,342	12,672	56,101	47,593	4,169	(7,248)	380,629
Investments in jointly controlled entities							1,052
Investments in associates							3,811
Unallocated assets							48,323
Total assets							433,815
Segment liabilities	152,383	8,160	22,318	8,778	2,174	(7,278)	186,535
Unallocated liabilities							151,077
Total liabilities							337,612
Capital expenditure	18,461	349	2,896	511	69	–	22,286

Segment assets and liabilities at 31 December 2012 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	380,629	186,535
Investments in jointly controlled entities	1,052	–
Investments in associates	3,811	–
Unallocated:		
Deferred income tax assets/liabilities	2,338	3,100
Current income tax liabilities	–	3,223
Current borrowings	–	69,187
Non-current borrowings	–	75,058
Available-for-sale financial assets	15,964	–
Other financial assets at fair value through profit or loss	37	–
Derivative financial instruments	49	28
Cash and other corporate assets/corporate liabilities	29,935	481
Total	433,815	337,612

5. Segment Information (Continued)

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

	As at 31 December 2011 (Restated)						
	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	3,808	(5,787)	321,794
Investments in jointly controlled entities							948
Investments in associates							3,145
Unallocated assets							33,098
Total assets							358,985
Segment liabilities	138,610	5,819	19,429	6,775	1,554	(5,609)	166,578
Unallocated liabilities							111,387
Total liabilities							277,965
Capital expenditure	13,967	293	2,832	896	33	–	18,021

Segment assets and liabilities at 31 December 2011, as restated, are reconciled to entity assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	321,794	166,578
Investments in jointly controlled entities	948	–
Investments in associates	3,145	–
Unallocated:		
Deferred income tax assets/liabilities	2,038	2,348
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/corporate liabilities	18,103	302
Total	358,985	277,965

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

	2012 RMB million	2011 RMB million (Restated)
PRC (excluding Hong Kong and Macau)	**256,371**	262,130
Other regions	**38,950**	32,151
	295,321	294,281

Other regions primarily include countries in Africa, Middle East and South East Asia. There are 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 2011						
Cost, as previously reported	13,740	14,535	36,468	5,167	9,880	79,790
Adjustments for adoption of merger accounting *(Note 22)*	12	–	5	3	–	20
Cost, as restated	13,752	14,535	36,473	5,170	9,880	79,810
Accumulated depreciation, as previously reported	(3,167)	(5,866)	(14,979)	(2,805)	–	(26,817)
Adjustments for adoption of merger accounting *(Note 22)*	(2)	–	(3)	(3)	–	(8)
Accumulated depreciation, as restated	(3,169)	(5,866)	(14,982)	(2,808)	–	(26,825)
Net book amount, as restated	10,583	8,669	21,491	2,362	9,880	52,985
Year ended 31 December 2011						
Opening net book amount, as previously reported	10,573	8,669	21,489	2,362	9,880	52,973
Adjustments for adoption of merger accounting *(Note 22)*	10	–	2	–	–	12
Opening net book amount, as restated	10,583	8,669	21,491	2,362	9,880	52,985
Additions	76	1,554	1,179	1,457	4,742	9,008
Disposals *(Note 41(b))*	(248)	(197)	(170)	(58)	–	(673)
Transfers	1,014	581	2,980	387	(4,962)	–
Transferred to investment properties *(Note 8)*	(40)	–	–	–	(35)	(75)
Depreciation charge *(Note 31)*	(541)	(1,547)	(2,435)	(1,559)	–	(6,082)
Closing net book amount	10,844	9,060	23,045	2,589	9,625	55,163
At 31 December 2011						
Cost	14,342	16,009	39,975	6,494	9,625	86,445
Accumulated depreciation	(3,498)	(6,949)	(16,930)	(3,905)	–	(31,282)
Net book amount, as restated	10,844	9,060	23,045	2,589	9,625	55,163

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
Year ended 31 December 2012						
Opening net book amount	10,833	9,060	23,042	2,588	9,625	55,148
Adjustments for adoption of merger accounting *(Note 22)*	11	–	3	1	–	15
Opening net book amount, as restated	10,844	9,060	23,045	2,589	9,625	55,163
Additions	117	1,290	1,538	1,793	4,110	8,848
Disposals *(Note 41(b))*	(21)	(61)	(221)	(126)	–	(429)
Transfers	1,851	1,448	3,228	97	(6,624)	–
Transferred to investment properties *(Note 8)*	(245)	–	–	–	–	(245)
Depreciation charge *(Note 31)*	(520)	(1,702)	(2,674)	(1,630)	–	(6,526)
Closing net book amount	12,026	10,035	24,916	2,723	7,111	56,811
At 31 December 2012						
Cost	15,929	18,389	43,635	7,827	7,111	92,891
Accumulated depreciation	(3,903)	(8,354)	(18,719)	(5,104)	–	(36,080)
Net book amount	12,026	10,035	24,916	2,723	7,111	56,811

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 2011						
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 charge	(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
Year ended 31 December 2012						
Opening net book amount	18	–	15	20	1	54
Additions	–	–	2	6	1	9
Depreciation charge	(1)	–	(6)	(7)	–	(14)
Closing net book amount	17	–	11	19	2	49
At 31 December 2012						
Cost	22	31	53	114	2	222
Accumulated depreciation	(5)	(31)	(42)	(95)	–	(173)
Net book amount	17	–	11	19	2	49

6. Property, Plant and Equipment (Continued)

(a) Depreciation of the Group's property, plant and equipment of RMB5,920 million (2011: RMB5,424 million) has been charged in cost of sales, RMB572 million (2011: RMB491 million) in administrative expenses and RMB34 million (2011: RMB167 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 RMB1,562 million (2011: RMB1,561 million) (Note 24).

(c) As at 31 December 2012, the Group is in the process of applying for registration of the ownership certificates for certain of its properties with an aggregate book carrying amount of approximately RMB2,130 million (2011: RMB2,056 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

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

	2012 **RMB million**	2011 RMB million
Cost – Capitalised finance leases	**5,361**	3,388
Accumulated depreciation	**(967)**	(619)
Net book amount	**4,394**	2,769

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 2011	
Cost, as previously reported	8,131
Adjustments for adoption of merger accounting *(Note 22)*	31
Cost, as restated	8,162
Accumulated amortisation, as previously reported	(751)
Adjustments for adoption of merger accounting *(Note 22)*	–
Accumulated amortisation, as restated	(751)
Net book amount, as restated	7,411
Year Ended 31 December 2011	
Opening net book amount, as previously reported	7,380
Adjustments for adoption of merger accounting *(Note 22)*	31
Opening net book amount, as restated	7,411
Additions	1,096
Disposals	(187)
Amortisation charge *(Note 31)*	(182)
Closing net book amount, as restated	8,138
At 31 December 2011	
Cost	9,035
Accumulated amortisation	(897)
Net book amount, as restated	8,138
Year ended 31 December 2012	
Opening net book amount, as previously reported	8,108
Adjustments for adoption of merger accounting *(Note 22)*	30
Opening net book amount, as restated	8,138
Additions	233
Transferred to inventories	(211)
Disposals	(34)
Amortisation charge *(Note 31)*	(165)
Closing net book amount	7,961
At 31 December 2012	
Cost	8,993
Accumulated amortisation	(1,032)
Net book amount	7,961

7. Lease Prepayments (Continued)

	Company	
	2012	2011
	RMB million	RMB million
At 1 January		
Cost	**225**	225
Accumulated amortisation	**(14)**	(9)
Net book amount	**211**	216
For the year ended 31 December		
Opening net book amount	**211**	216
Transferred to inventories	**(211)**	–
Amortisation charge	**–**	(5)
Closing net book amount	**–**	211
At 31 December		
Cost	**–**	225
Accumulated amortisation	**–**	(14)
Net book amount	**–**	211

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

	Group	
	2012	2011
	RMB million	RMB million
Held on:		
Leases of over 50 years	**769**	805
Leases of between 10 to 50 years	**7,192**	7,333
	7,961	8,138

(a) Amortisation of the Group's lease prepayments of RMB32 million (2011: RMB21 million) has been charged in cost of sales and RMB133 million (2011: RMB161 million) in administrative expenses.

(b) As at 31 December 2012, the Group is in the process of applying for registration of the title certificates for certain of its leasehold land with an aggregate carrying value of approximately RMB188 million (2011: RMB361 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.

(c) Bank borrowings are secured by certain lease prepayments with an aggregate book carrying amount of approximately RMB410 million (2011: nil) (Note 24).

8. Investment Properties – Group

	2012 **RMB million**	2011 RMB million
At 1 January		
Cost, as previously reported	**588**	582
Adjustments for adoption of merger accounting *(Note 22)*	**22**	26
Cost, as restated	**610**	608
Accumulated depreciation, as previously reported	**(153)**	(195)
Adjustments for adoption of merger accounting *(Note 22)*	**(6)**	(6)
Accumulated depreciation, as restated	**(159)**	(201)
Net book amount, as restated	**451**	407
For the year ended 31 December		
Opening net book amount, as previously reported	**435**	387
Adjustments for adoption of merger accounting *(Note 22)*	**16**	20
Opening net book amount, as restated	**451**	407
Transferred from property, plant and equipment *(Note 6)*	**245**	75
Additions	**327**	–
Disposals	**–**	(10)
Depreciation charge *(Note 31)*	**(35)**	(21)
Closing net book amount	**988**	451
At 31 December		
Cost	**1,227**	610
Accumulated depreciation	**(239)**	(159)
Net book amount	**988**	451
Fair value at end of the year (a)	**3,615**	2,007

(a) The fair value of the Group's investment properties is based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, 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 RMB35 million (2011: RMB21 million) has been charged to other expenses in the consolidated income statement.

9. Intangible Assets

Group

	Concession assets RMB million	Goodwill RMB million	Trademark, patent and proprietary technologies RMB million	Computer software RMB million	Others RMB million	Total RMB million
At 1 January 2011						
Cost	15,189	301	283	134	269	16,176
Accumulated amortisation	(111)	–	(66)	(74)	(19)	(270)
Net book amount	15,078	301	217	60	250	15,906
Year ended at 31 December 2011						
Opening net book amount	15,078	301	217	60	250	15,906
Additions	8,879	5	33	27	4	8,948
Disposals	(712)	–	(2)	–	(27)	(741)
Amortisation charge *(Note 31)*	(133)	–	(31)	(21)	(26)	(211)
Closing net book amount	23,112	306	217	66	201	23,902
At 31 December 2011						
Cost	23,332	306	318	141	238	24,335
Accumulated amortisation	(220)	–	(101)	(75)	(37)	(433)
Net book amount	23,112	306	217	66	201	23,902
Year ended at 31 December 2012						
Opening net book amount	**23,112**	**306**	**217**	**66**	**201**	**23,902**
Additions	**12,772**	**2**	**52**	**35**	**17**	**12,878**
Amortisation charge *(Note 31)*	**(179)**	**–**	**(28)**	**(26)**	**(28)**	**(261)**
Closing net book amount	**35,705**	**308**	**241**	**75**	**190**	**36,519**
At 31 December 2012						
Cost	**36,104**	**308**	**367**	**194**	**255**	**37,228**
Accumulated amortisation	**(399)**	**–**	**(126)**	**(119)**	**(65)**	**(709)**
Net book amount	**35,705**	**308**	**241**	**75**	**190**	**36,519**

9. Intangible Assets (Continued)

Company

	Computer software RMB million
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
Year ended at 31 December 2012	
Opening net book amount	18
Amortisation charge	(5)
Closing net book amount	13
At 31 December 2012	
Cost	33
Accumulated amortisation	(20)
Net book amount	13

(a) As at 31 December 2012, concession assets represent assets under "Build-Operate-Transfer" service concession arrangements and mainly consist toll roads in the PRC, with cost of RMB13,827 million (2011: RMB13,520 million) generating operating income and RMB22,277 million (2011: RMB9,812 million) under construction.

(b) Amortisation of the Group's intangible assets of RMB184 million (2011: RMB136 million) has been charged in cost of sales, and RMB77 million (2011: RMB75 million) in administrative expenses.

(c) Certain bank borrowings are secured by concession assets with carrying amount of approximately RMB18,498 million (2011: RMB8,653 million) (Note 24).

(d) Goodwill is allocated to the Group's CGUs identified in accordance with operating segment. The goodwill relates to Heavy Machinery Segment and arose in connection with the Group's acquisition of 100% equity interest in Friede Goldman Unites, Ltd. ("F&G") in August 2010.

10. Subsidiaries – Company

	2012 **RMB million**	2011 RMB million
Non-current assets		
Listed investments, at cost	**6,671**	8,046
Unlisted investments, at cost	**61,074**	53,313
	67,745	61,359
Quoted market value of listed investments	**4,291**	9,725
Current assets		
Loans to subsidiaries *(Note a)*	**20,077**	11,135
Amounts due from subsidiaries *(Note b)*	**7,944**	7,190
Current liabilities		
Amounts due to subsidiaries *(Note c)*	**31,861**	23,900

(a) The loans to subsidiaries are unsecured, repayable within 1 year, and bear interest at rates ranging from 5.60% to 6.00% (2011: 4.57% to 6.65%) 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 0.35% to 3.00% (2011: 0.50% to 3.50%) per annum.

(d) Details of the principal subsidiaries as at 31 December 2012 are shown in Note 45(a).

11. Investments in Jointly Controlled Entities

	Group	
	2012 **RMB million**	2011 RMB million
Share of net assets	**1,094**	990
Less: Provision for impairment	**(42)**	(42)
	1,052	948

	Company	
	2012 **RMB million**	2011 RMB million
Investment cost	**104**	104
Less: Provision for impairment	**(42)**	(42)
	62	62

11. Investments in Jointly Controlled Entities (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**948**	857	**62**	62
Additions	**76**	229	**–**	–
Disposals	**(3)**	(198)	**–**	–
Transferred to available-for-sale financial assets, due to loss of jointly control	**(4)**	–	**–**	–
Share of profit or loss, net	**49**	75	**–**	–
Dividend distribution	**(14)**	(15)	**–**	–
At 31 December	**1,052**	948	**62**	62

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

	As at 31 December	
	2012	2011
	RMB million	RMB million
Assets:		
Non-current assets	**1,491**	1,287
Current assets	**1,740**	1,513
	3,231	2,800
Liabilities:		
Non-current liabilities	**(388)**	(429)
Current liabilities	**(1,749)**	(1,381)
	(2,137)	(1,810)
Net assets	**1,094**	990

	Year ended 31 December	
	2012	2011
	RMB million	RMB million
Revenue	**1,594**	1,574
Profit less losses after tax	**49**	75

11. Investments in Jointly Controlled Entities (Continued)

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

(d) The Group and the Company act as the guarantors for various external borrowings made by certain jointly controlled entities as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Outstanding loan guarantees	**196**	218	**8**	9

There are no material contingent liabilities of the jointly controlled entities themselves.

12. Investments in Associates

	Group	
	2012	2011
	RMB million	RMB million
Share of net assets		
– Listed shares	**147**	149
– Unlisted shares	**3,669**	3,001
Less: Provision for impairment	**(5)**	(5)
	3,811	3,145
Market value of listed shares	**229**	320

	Company	
	2012	2011
	RMB million	RMB million
Investment cost	**2,004**	2,004
Less: Provision for impairment	**–**	–
	2,004	2,004

12. Investments in Associates (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**3,145**	2,830	**2,004**	2,004
Additions	**682**	353	**–**	–
Disposals	**(67)**	(113)	**–**	–
Transferred to available-for-sale financial assets, due to loss of significant influence	**(5)**	–	**–**	–
Share of profit or loss, net	**61**	98	**–**	–
Dividend distribution	**(5)**	(13)	**–**	–
Exchange reserve	**–**	(10)	**–**	–
At 31 December	**3,811**	3,145	**2,004**	2,004

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

	As at 31 December	
	2012	2011
	RMB million	RMB million
Assets:		
Non-current assets	**6,860**	6,603
Current assets	**4,195**	3,239
	11,055	9,842
Liabilities:		
Non-current liabilities	**(4,103)**	(4,440)
Current liabilities	**(3,136)**	(2,252)
	(7,239)	(6,692)
Net assets	**3,816**	3,150

	Year ended 31 December	
	2012	2011
	RMB million	RMB million
Revenue	**2,751**	2,517
Profit less losses after tax	**61**	98

(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 2012				
Available-for-sale financial assets *(Note 14)*	**–**	**–**	**15,964**	**15,964**
Derivative financial instruments *(Note 18)*	**–**	**49**	**–**	**49**
Other financial assets at fair value through profit or loss	**–**	**37**	**–**	**37**
Trade and other receivables excluding prepayments *(Note 15)*	**136,567**	**–**	**–**	**136,567**
Cash and bank balances *(Note 19)*	**73,073**	**–**	**–**	**73,073**
Total	**209,640**	**86**	**15,964**	**225,690**
31 December 2011 (Restated)				
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)*	115,567	–	–	115,567
Cash and bank balances *(Note 19)*	46,156	–	–	46,156
Total	161,723	111	12,846	174,680

13. Financial Instruments by Category (Continued)

Group (Continued)

	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 2012			
Borrowings (excluding finance lease liabilities) *(Note 24)*	**–**	**140,687**	**140,687**
Finance lease liabilities *(Note 24)*	**–**	**3,558**	**3,558**
Derivative financial instruments *(Note 18)*	**28**	**–**	**28**
Trade and other payables excluding statutory and non-financial liabilities *(Note 23)*	**–**	**122,431**	**122,431**
Total	**28**	**266,676**	**266,704**
31 December 2011 (Restated)			
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)*	–	109,769	109,769
Total	58	215,814	215,872

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 2012				
Available-for-sale financial assets *(Note 14)*	**–**	**–**	**8,413**	**8,413**
Derivative financial instruments *(Note 18)*	**–**	**23**	**–**	**23**
Trade and other receivables excluding prepayments *(Note 15)*	**5,327**	**–**	**–**	**5,327**
Loans to subsidiaries *(Note 10)*	**20,077**	**–**	**–**	**20,077**
Amounts due from subsidiaries *(Note 10)*	**7,944**	**–**	**–**	**7,944**
Cash and bank balances *(Note 19)*	**29,694**	**–**	**–**	**29,694**
Total	**63,042**	**23**	**8,413**	**71,478**
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

13. Financial Instruments by Category (Continued)

Company (Continued)

	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 2012			
Borrowings *(Note 24)*	**–**	**36,816**	**36,816**
Amounts due to subsidiaries *(Note 10)*	**–**	**31,861**	**31,861**
Trade and other payables excluding statutory and non-financial liabilities *(Note 23)*	**–**	**10,598**	**10,598**
Total	**–**	**79,275**	**79,275**
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)*	–	10,722	10,722
Total	25	58,150	58,175

14. Available-for-sale Financial Assets

	Group		Company	
	2012 RMB million	2011 RMB million	**2012 RMB million**	2011 RMB million
At 1 January	**12,846**	15,452	**6,463**	8,362
Fair value gains/(losses)	**1,885**	(2,566)	**1,333**	(1,889)
Additions	**8,515**	135	**617**	–
Transferred from investments in jointly controlled entities and associates	**9**	–	**–**	–
Disposals	**(7,280)**	(175)	**–**	(10)
Impairment charge	**(11)**	–	**–**	–
At 31 December	**15,964**	12,846	**8,413**	6,463
Less: non-current portion	**14,464**	12,846	**7,913**	6,463
Current portion	**1,500**	–	**500**	–

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

Available-for-sale financial assets include the following:

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Non-current				
Listed equity securities, at fair value *(Note a)*				
– Mainland China	**13,006**	11,055	**7,781**	6,448
– Hong Kong	**75**	87	**–**	–
Unlisted equity investments, at cost *(Note b)*	**1,383**	1,704	**132**	15
	14,464	12,846	**7,913**	6,463
Current				
Other unlisted instruments, at fair value *(Note c)*	**1,500**	–	**500**	–
	15,964	12,846	**8,413**	6,463
Market value of listed securities	**13,096**	11,163	**7,781**	6,448

(a) These securities primarily represent promoters' shares held by the Group listed and traded in stock markets, of which one security of RMB124 million is subject to trading restrictions at the end of the reporting period. The fair value of freely traded shares was based on the closing quoted market prices, whereas the fair value of this security 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) Other unlisted instruments represented wealth management products issued by financial institutions. Major investment targets of these products are bills issued by the People's Bank of China, debt securities issued by policy banks, debt securities issued by Chinese government in the national financial market for institutional investors, and other financial instruments.

Among these unlisted instruments, the amount of RMB500 million were classified as cash equivalents for the purposes of the consolidated statement of cash flows, as the Directors are of the opinion that such instruments are readily convertible to cash with insignificant risk of changes in value in accordance with relevant contract terms.

(d) Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
RMB	**15,562**	12,721	**8,413**	6,463
Hong Kong Dollars ("HKD")	**113**	125	**–**	–
USD	**289**	–	**–**	–
	15,964	12,846	**8,413**	6,463

15. Trade and Other Receivables

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Trade and bills receivables (a)	**54,160**	53,365	**1,066**	2,130
Less: Provision for impairment	**(2,964)**	(2,456)	**(21)**	(20)
Trade and bills receivables – net	**51,196**	50,909	**1,045**	2,110
Prepayments	**13,987**	13,656	**8,738**	6,040
Retentions	**33,085**	26,167	**3,049**	2,736
Deposits	**15,335**	12,031	**57**	46
Other receivables	**12,632**	8,675	**659**	289
Staff advances	**737**	646	**12**	8
Long-term receivables	**23,582**	17,139	**505**	317
	150,554	129,223	**14,065**	11,546
Less: non-current portion				
– Retentions	**(16,621)**	(15,755)	**(1,553)**	(2,348)
– Deposits	**(1,829)**	(916)	**–**	–
– Long-term receivables	**(19,644)**	(11,678)	**(486)**	(298)
– Prepayments for equipment	**(591)**	(591)	**–**	–
	(38,685)	(28,940)	**(2,039)**	(2,646)
Current portion	**111,869**	100,283	**12,026**	8,900

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Within 6 months	**42,110**	42,302	**716**	1,085
6 months to 1 year	**5,101**	5,126	**246**	985
1 year to 2 years	**4,080**	3,959	**103**	59
2 years to 3 years	**1,702**	912	**–**	–
Over 3 years	**1,167**	1,066	**1**	1
	54,160	53,365	**1,066**	2,130

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.

15. Trade and Other Receivables (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
		(Restated)		
Trade and bills receivables	**51,196**	50,909	**1,045**	2,110
Retentions	**33,097**	26,098	**3,049**	2,718
Deposits	**15,333**	12,030	**57**	46
Other receivables	**12,632**	8,675	**659**	289
Staff advance	**737**	646	**12**	8
Long-term receivables	**23,613**	17,071	**505**	317
	136,608	115,429	**5,327**	5,488

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 6.15% to 6.55% per annum as at 31 December 2012 (2011: ranging from 6.65% to 7.05%) 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 2012, retentions receivable, deposits and long-term receivables of the Group totalling RMB71,079 million (2011: RMB54,687 million) were neither past due nor impaired, and RMB1,547 million (2011: RMB1,109 million) were past due/partially impaired with the provision of RMB624 million (2011: RMB459 million). These receivables of the Company amounting to RMB3,611 million (2011: RMB3,099 million) were neither past due nor impaired.

(d) The Group has entered into certain recourse and non-recourse factoring agreements with certain banks so as to obtain bank advances. As at 31 December 2012, relevant trade receivables, with recourse factoring clauses in the agreements, amounted to RMB1,840 million (2011: RMB5,850 million). In the opinion of the Directors, such transactions did not qualify for derecognition and were accounted for as secured borrowings (Note 24). In addition, as at 31 December 2012, trade receivables of RMB10,747 million (2011: RMB7,155 million) had been transferred to the banks in accordance with relevant non-recourse factoring agreements. Relevant trade receivables 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 2012, bills receivables – bank acceptance notes of RMB314 million (2011: RMB55 million) were discounted with banks, and RMB1,520million (2011: RMB1,409 million) were endorsed to suppliers. Relevant bills receivables were derecognised as 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 2012, trade and bills receivables of the Group amounting to RMB4,060million (2011: RMB2,096 million) were neither past due nor impaired. Trade and bills receivables of the Company amounting to RMB227 million (2011: RMB1,121 million) were neither past due nor impaired as of 31 December 2012.

15. Trade and Other Receivables (Continued)

(g) As of 31 December 2012, trade and bills receivables of RMB40,906 million (2011: RM43,143 million) were past due but not impaired. These receivables 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	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Within 6 months	**37,044**	39,921	**702**	881
6 months to 1 year	**1,917**	1,745	**30**	2
1 year to 2 years	**1,286**	1,230	**37**	60
2 years to 3 years	**589**	181	**–**	–
Over 3 years	**70**	66	**–**	–
	40,906	43,143	**769**	943

(h) As of 31 December 2012, trade and bills receivables of RMB9,194 million (2011: RMB8,126 million) were impaired and provided for. The provision amounted to RMB2,964 million as of 31 December 2012 (2011: RMB2,456 million). The amount of individually impaired receivables was RMB617 million (2011: RMB211 million) with the provision of RMB316 million (2011: RMB125 million). The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments. The Directors are of the opinion that 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	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Within 6 months	**1,408**	1,392	**–**	46
6 months to 1 year	**2,334**	1,957	**3**	–
1 year to 2 years	**1,937**	1,844	**46**	–
2 years to 3 years	**488**	352	**–**	–
Over 3 years	**63**	125	**–**	–
	6,230	5,670	**49**	46

15. Trade and Other Receivables (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
At 1 January	**2,456**	2,133	**20**	3
Provision for the year	**1,091**	1,017	**1**	20
Receivables written off during the year as uncollectible	**(18)**	(7)	**–**	–
Released	**(565)**	(687)	**–**	(3)
At 31 December	**2,964**	2,456	**21**	20

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 generally 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	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
RMB	**134,599**	114,479	**12,610**	9,563
USD	**9,300**	9,658	**441**	369
United Arab Emirates Dirham	**901**	644	**–**	–
EUR	**581**	300	**556**	1,157
Central African CFA Franc BEAC	**531**	198	**–**	–
Saudi Riyal	**485**	215	**–**	–
Japanese Yen ("JPY")	**495**	481	**–**	–
Other currencies	**3,662**	3,248	**458**	457
	150,554	129,223	**14,065**	11,546

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

16. Inventories

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Raw materials	**15,408**	14,886	**–**	1
Work in progress	**10,463**	7,273	**310**	–
Finished goods	**804**	444	**–**	–
	26,675	22,603	**310**	1

Bank borrowings are secured by certain work in progress with an aggregate book carrying amount of approximately RMB111 million (2011: nil) (Note 24).

17. Contract Work-in-progress

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Contract costs incurred and recognised profit (less recognised losses)	**1,042,697**	854,037	**73,736**	72,393
Less: Progress billings	**(999,967)**	(814,517)	**(69,314)**	(68,483)
	42,730	39,520	**4,422**	3,910
Representing:				
Amounts due from customers for contract work	**57,983**	54,261	**5,094**	4,475
Amounts due to customers for contract work	**(15,253)**	(14,741)	**(672)**	(565)
	42,730	39,520	**4,422**	3,910

	Group Year ended 31 December	
	2012	2011
	RMB million	RMB million
Contract revenue recognised as revenue in the year	**265,038**	264,966

18. Derivative Financial Instruments

Group

	2012		2011	
	Assets RMB million	**Liabilities RMB million**	Assets RMB million	Liabilities RMB million
Forward foreign exchange contracts – held for trading	**49**	**(28)**	62	(58)

Company

	2012		2011	
	Assets RMB million	**Liabilities RMB million**	Assets RMB million	Liabilities RMB million
Forward foreign exchange contracts – held for trading	**23**	**–**	–	(25)

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2012 were RMB2,091 million (2011: RMB4,573 million).

The maximum exposure to credit risk at the end of the reporting period is the fair value of the derivative financial assets in the balance sheet.

19. Cash and Bank Balances

		Group		**Company**	
		2012 RMB million	2011 RMB million (Restated)	**2012 RMB million**	2011 RMB million
Restricted bank deposits	*(a)*	**5,581**	922	**1**	3
Cash and cash equivalents	*(b)*	**67,492**	45,234	**29,693**	18,200
		73,073	46,156	**29,694**	18,203

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	Group		**Company**	
	2012 RMB million	2011 RMB million (Restated)	**2012 RMB million**	2011 RMB million
Cash and cash equivalents	**67,492**	45,234	**29,693**	18,200
Available-for-sale financial assets *(Note 14(c))*	**500**	–	**500**	–
Cash and cash equivalents	**67,992**	45,234	**30,193**	18,200

(a) As at 31 December 2012, restricted bank deposits mainly included pledged bank deposits as securities for bank borrowings (Note 24 (a)) and deposits for issuance of bank acceptance notes, performance bonds and letters of credit to customers.

19. Cash and Bank Balances (Continued)

(b) Cash and cash equivalents

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Cash on hand	**165**	166	**1**	2
Bank deposits				
– Term deposits with initial term of over three months *(i)*	**454**	633	**105**	105
– Other bank deposits	**66,873**	44,435	**29,587**	18,093
Cash and cash equivalents	**67,492**	45,234	**29,693**	18,200

(i) Term deposits with initial term of over three months were treated as cash and cash equivalents as the 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 end of the reporting period.

(iii) The weighted average effective interest rate on bank deposits was 3.64% per annum as at 31 December 2012 (2011: 2.95% per annum).

(c) The carrying amount of cash and bank balances are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
– RMB	**55,108**	36,052	**26,101**	16,236
– USD	**11,373**	5,453	**2,947**	1,234
– Central African CFA Franc BEAC	**1,748**	429	**–**	–
– Angolan Kwanza	**1,480**	739	**–**	–
– EUR	**642**	804	**350**	490
– Malaysian Ringgit	**403**	663	**–**	–
– HKD	**329**	296	**245**	172
– Singapore Dollar	**310**	198	**–**	–
– Others	**1,680**	1,522	**51**	71
	73,073	46,156	**29,694**	18,203

(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 2012, less than 5% (2011: 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.

20. Share Capital and Premium

	2012		2011	
	Number of shares (thousands)	**Nominal value (RMB'000)**	Number of shares (thousands)	Nominal value (RMB'000)
Registered, issued and fully paid				
Unlisted domestic shares of RMB1.00 each	–	–	10,397,500	10,397,500
A shares of RMB1.00 each	**11,747,235**	**11,747,235**	–	–
H shares of RMB1.00 each	**4,427,500**	**4,427,500**	4,427,500	4,427,500
At 31 December	**16,174,735**	**16,174,735**	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 which were issued to CCCG, the parent company.

In December 2006, the Company completed an H share listing on the Hong Kong Stock Exchange and 4,025,000,000 H shares with a nominal value of RMB1.00 each were issued at HKD4.6 (equivalent to approximately RMB4.63) each. The Company raised net proceeds of approximately RMB17,878 million (equivalent to HKD17,772 million) from the issuance of H shares, of which paid-up share capital was RMB4,025 million and share premium was approximately RMB13,853 million. Upon the issuance of H shares, 402,500,000 domestic shares (10% of the number of H shares issued) were converted into H shares and transferred to the National Social Security Fund.

In December 2010, the Company and Road & Bridge International Co., Ltd. ("CRBC International"), a former A share listed company and a subsidiary of the Company, entered into an agreement (the "Merger Agreement") in relation to a proposed merger of CRBC International with the Company.

In March 2012, the Company completed an A share listing on the Shanghai Stock Exchange. In this connection, the Company issued 1,349,735,425 A shares with a nominal value of RMB1.00 each, of which 925,925,925 A shares were issued at RMB5.4 each to domestic investors by way of public offering. The Company raised net proceeds of approximately RMB4,864 million of which paid-up share capital was RMB926 million and share premium was approximately RMB3,938 million.

In the meantime, with reference to the Merger Agreement, the Company issued 423,809,500 A Shares in exchange for all the CRBC International shares held by the CRBC International non-controlling shareholders. As a result, the Company recognised additional issuance of share in equity of approximately RMB2,289 million, of which paid-up share capital was RMB424 million and share premium was approximately RMB1,865 million. Accordingly, the carrying amount of CRBC International's non-controlling interest amounting to RMB827 million was adjusted to reflect the change in the non-controlling interest's ownership interest in CRBC International. The difference of RMB1,462 million between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid was recognised in equity – other reserves (Note 22) in the consolidated financial statements.

Upon the completion of this A share issuance and listing, the then existing 10,397,500,000 domestic shares have become A shares and tradeable on the Shanghai Stock Exchange on the same conditions in all respects as those of the previous A shares of CRBC International. 92,592,593 A shares (10% of the number of new A shares issued by public offering) were transferred to the National Social Security Fund.

As a result, 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, representing approximately 72.6% and 27.4% of the registered capital, respectively.

21. Cash-settled Share-based Payments

The Group has adopted a cash-settled shared-based payment arrangement, also known as SAR plan (the "Plan"), which was approved by the Annual General Meeting on 18 June 2010. The Plan provides for the grant of SAR to eligible participants as approved by the Company's Board of Directors. The validity period of the Plan is ten years.

Under the Plan, the holders of SAR are entitled the rights to receive an amount in respect of the appreciation in market value of the Company's H Shares from the date of grant of SAR and the date of exercise. No shares will be issued under the Plan and therefore the Company's equity interests will not be diluted as a result of the issuance of SAR.

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 of two years and ends on a date which is not later than 5 years from the date of grant of the SAR. Since each of the last day of the second, third and fourth anniversary from 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 Board of Directors of the Company granted approximately 61.83 million of SAR of the Company on 8 August 2010. The expiry date of all these SAR is 7 August 2015. Movements in the number of SAR granted by the Company during the year ended 31 December 2012 are set out as follows:

		For the year ended 31 December 2012 Number of units of SAR					
Category	**Exercise price**	**Outstanding as at 1 January 2012**	**Granted during the year**	**Exercised during the year**	**Expired during the year**	**Forfeited during the year**	**Outstanding as at 31 December 2012**
Directors and key management of the Company	**HKD7.43**	**18,371,138**	**–**	**–**	**–**	**(6,894,036)**	**11,477,102**
Management of subsidiaries of the Company	**HKD7.43**	**41,893,493**	**–**	**–**	**–**	**(15,956,942)**	**25,936,551**
		60,264,631	**–**	**–**	**–**	**(22,850,978)**	**37,413,653**

		For the year ended 31 December 2011 Number of units of SAR					
Category	Exercise price	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding as at 31 December 2011
Directors and key management of the Company	HKD7.43	18,999,310	–	–	–	(628,172)	18,371,138
Management of subsidiaries of the Company	HKD7.43	43,834,373	–	–	–	(1,940,880)	41,893,493
		62,833,683	–	–	–	(2,569,052)	60,264,631

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

The fair values of SAR as at 31 December 2012 as determined using the binomial valuation model ranged from RMB1.4665 per unit to RMB1.8263 per unit (2011: from RMB0.8415 per unit to RMB1.4253 per unit). The significant inputs into the model were spot price of HKD7.48 (equivalent to approximately RMB6.07) as at 31 December 2012 (2011: HKD6.07, equivalent to approximately RMB4.92), vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and early exercise factor. The expected volatility of 50% (2011: 50%) is estimated based on the past share prices of the Company's H Shares at year end.

The amount that was credited to the consolidated income statement and included in employee benefit expenses for the year in relation to the above SAR transactions was RMB30 million (2011: charged to the consolidated income statement, RMB21 million) (Notes 32).

As at 31 December 2012, the total carrying amount of the liabilities arising from SAR transactions included in other payables in the consolidated balance sheet amounted to RMB5 million (2011: RMB35 million) (Note 23). There were no exercisable SAR in 2012 and 2011.

As at 31 December 2012, the weighted average remaining contractual life was 2.7 years (2011: 3.7 years).

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 2011, as previously reported	2,243	760	8,722	741	56	21,790	34,312
Adjustments for adoption of merger accounting	31	–	–	–	–	–	31
Balance at 1 January 2011, as restated	2,274	760	8,722	741	56	21,790	34,343
Profit for the year	–	–	–	–	–	11,761	11,761
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
Acquisition of a subsidiary	4	–	–	–	–	(4)	–
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)	–
Transfer to safety reserve *(Note c)*	–	–	–	184	–	(184)	–
At 31 December 2011, as restated	2,327	1,186	6,534	925	18	30,563	41,553

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 2012, as restated	2,327	1,186	6,534	925	18	30,563	41,553
Profit for the year	–	–	–	–	–	12,248	12,248
Currency translation differences	–	–	–	–	72	–	72
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	1,404	–	–	–	1,404
Cash contribution from CCCG *(Note a)*	18	–	–	–	–	–	18
Acquisition of CCMEC	(16)	–	–	–	–	–	(16)
Issuance of A shares in exchange for the shares in a subsidiary held by its non-controlling shareholders	(1,462)	–	–	–	–	–	(1,462)
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries	2	–	–	–	–	–	2
Changes in equity of jointly controlled entity included	1	–	–	–	–	–	1
2011 final dividend	–	–	–	–	–	(2,902)	(2,902)
Transfer to statutory surplus reserve *(Note b)*	–	223	–	–	–	(223)	–
Transfer to safety reserve *(Note c)*	–	–	–	383	–	(383)	–
At 31 December 2012	**870**	**1,409**	**7,938**	**1,308**	**90**	**39,303**	**50,918**

Company

	Capital reserve RMB million	Statutory surplus reserve RMB million	Investment revaluation reserve RMB million	Safety 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

22. Other Reserves (Continued)

Company (Continued)

	Capital reserve RMB million	Statutory surplus reserve RMB million	Investment revaluation reserve RMB million	Safety reserve RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2012	**21,218**	**1,190**	**4,130**	**6**	**3,835**	**30,379**
Profit for the year	–	–	–	–	**2,224**	**2,224**
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	**1,000**	–	–	**1,000**
Cash contribution from CCCG *(Note a)*	**18**	–	–	–	–	**18**
2011 final dividend	–	–	–	–	**(2,902)**	**(2,902)**
Acquisition of CCMEC	**8**	–	–	–	–	**8**
Transfer to statutory surplus reserve *(Note b)*	–	**223**	–	–	**(223)**	–
At 31 December 2012	**21,244**	**1,413**	**5,130**	**6**	**2,934**	**30,727**

(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 in 2012 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.

(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 owners. 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 2012, the Board of Directors proposed appropriation 10% (2011: 10%) of the Company's profit after tax as determined under the PRC GAAP, of RMB223 million (2011: RMB426 million) to the statutory surplus reserve.

22. Other Reserves (Continued)

(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 different rates ranging from 1.5% 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.

(d) Business combinations under common control

The Group adopts merger accounting for common control combinations in respect of the acquisition of CCMEC as mentioned in Note 1. Statements of adjustments for business combinations under common control on the consolidated balance sheet as at 31 December 2011 and the Group's results for the year then ended are as follows:

	As at 1 January 2011			
	As previously reported	Acquisition of CCMEC	Elimination *(Note i)*	As restated
	RMB million	RMB million	RMB million	RMB million
Property, plant and equipment	52,973	12	–	52,985
Lease prepayments	7,380	31	–	7,411
Investment properties	387	20	–	407
Deferred income tax assets	1,602	18	–	1,620
Trade and other receivables	108,600	39	(23)	108,616
Cash and cash equivalents	38,826	17	–	38,843
Other assets	100,865	–	–	100,865
Total assets	310,633	137	(23)	310,747
Capital and reserves attributable to owners of the Company	62,990	31	–	63,021
Non-controlling interests	10,931	–	–	10,931
Total equity	73,921	31	–	73,952
Deferred income tax liabilities	2,360	9	–	2,369
Retirement benefit obligations	2,398	7	–	2,405
Current income tax liabilities	2,091	1	–	2,092
Trade and other payables	133,554	89	(23)	133,620
Other liabilities	96,309	–	–	96,309
Total liabilities	236,712	106	(23)	236,795

22. Other Reserves (Continued)

(d) Business combinations under common control (Continued)

	As at 31 December 2011			
	As previously reported	Acquisition of CCMEC	Elimination *(Note i)*	As restated
	RMB million	RMB million	RMB million	RMB million
Property, plant and equipment	55,148	15	–	55,163
Lease prepayments	8,108	30	–	8,138
Investment properties	435	16	–	451
Deferred income tax assets	2,024	14	–	2,038
Trade and other receivables	129,206	44	(27)	129,223
Cash and cash equivalents	45,121	113	–	45,234
Other assets	118,738	–	–	118,738
Total assets	358,780	232	(27)	358,985
Capital and reserves attributable to owners of the Company	70,206	25	–	70,231
Non-controlling interests	10,739	50	–	10,789
Total equity	80,945	75	–	81,020
Deferred income tax liabilities	2,343	5	–	2,348
Retirement benefit obligations	2,358	6	–	2,364
Current income tax liabilities	2,634	–	–	2,634
Trade and other payables	148,874	146	(27)	148,993
Other liabilities	121,626	–	–	121,626
Total liabilities	277,835	157	(27)	277,965

22. Other Reserves (Continued)

(d) Business combinations under common control (Continued)

	For the year ended 31 December 2011			
	As previously reported	Acquisition of CCMEC	Elimination *(Note ii)*	As restated
	RMB million	RMB million	RMB million	RMB million
Revenue	294,281	20	(20)	294,281
Cost of sales	(266,374)	(19)	20	(266,373)
Gross profit	27,907	1	–	27,908
Other income	1,877	6	–	1,883
Other gains, net	637	–	–	637
Selling and marketing expenses	(624)	(1)	–	(625)
Administrative expenses	(12,933)	(10)	–	(12,943)
Other expenses	(646)	(1)	–	(647)
Operating profit	16,218	(5)	–	16,213
Others	(1,189)	–	–	(1,189)
Profit before income tax	15,029	(5)	–	15,024
Income tax expense	(3,046)	(1)	–	(3,047)
Profit for the period	11,983	(6)	–	11,977
Profit attributable to owners of the Company	11,767	(6)	–	11,761

(i) Adjustments to eliminate the inter-group balances as at 31 December 2011.

(ii) Adjustments to eliminate the inter-group transactions for the year ended 31 December 2011.

No other significant adjustments were made to the net assets and net profit of any entities as a result of the common control combinations to achieve consistency of accounting policies.

23. Trade and Other Payables

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Trade and bills payables *(a)*	**106,226**	95,668	**9,058**	7,234
Advances from customers	**38,019**	32,715	**4,185**	3,241
Deposits from suppliers	**10,778**	8,986	**3,068**	2,738
Other taxes	**5,705**	4,656	**106**	172
Social security	**1,006**	845	**27**	22
Accrued expenses	**468**	265	**40**	48
Accrued payroll	**356**	341	**7**	6
Share appreciation rights *(Note 21)*	**5**	35	**5**	35
Others	**5,700**	5,482	**1,388**	794
	168,263	148,993	**17,884**	14,290
Less: non-current portion				
– Deposits from suppliers	**(2,672)**	(2,097)	**(1,591)**	(2,683)
Current portion	**165,591**	146,896	**16,293**	11,607

23. Trade and Other Payables (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Within 1 year	**98,440**	89,240	**8,967**	7,081
1 year to 2 years	**5,812**	5,118	**90**	97
2 years to 3 years	**1,370**	880	**1**	38
Over 3 years	**604**	430	**–**	18
	106,226	95,668	**9,058**	7,234

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
RMB	**140,376**	126,771	**15,130**	11,244
USD	**19,966**	13,337	**19**	5
EUR	**1,495**	1,454	**1,213**	1,212
HKD	**1,182**	850	**–**	–
Saudi Riyal	**850**	911	**–**	–
JPY	**544**	611	**–**	–
Central African CFA Franc BEAC	**509**	368	**–**	–
Other currencies	**3,341**	4,691	**1,522**	1,829
	168,263	148,993	**17,884**	14,290

At 31 December 2012, other currencies mainly consist of Libyan Dinar, Sri Lanka Rupee, Macanese Pataca and Ethiopian Birr.

24. Borrowings

		Group		Company	
		2012	2011	**2012**	2011
	Note	**RMB million**	RMB million	**RMB million**	RMB million
Non-current					
Long-term bank borrowings					
– secured	*(a)*	**29,736**	23,397	**–**	–
– unsecured		**10,052**	8,887	**211**	346
		39,788	32,284	**211**	346
Other borrowings					
– secured	*(a)*	**965**	200	**–**	–
– unsecured		**153**	184	**153**	164
Corporate bonds	*(b)*	**21,920**	9,930	**21,920**	9,930
Medium term notes	*(c)*	**5,990**	5,984	**–**	–
Non-public debt instrument	*(e)*	**3,495**	1,995	**–**	–
Finance lease liabilities	*(l)*	**2,747**	1,179	**–**	–
Total non-current borrowings		**75,058**	51,756	**22,284**	10,440
Current					
Current portion of long-term bank borrowings					
– secured	*(a)*	**3,693**	2,429	**–**	–
– unsecured		**6,036**	4,637	**114**	118
		9,729	7,066	**114**	118
Short-term bank borrowings					
– secured	*(a)*	**19,622**	22,578	**–**	–
– unsecured		**31,373**	20,203	**8,912**	10,187
		50,995	42,781	**8,912**	10,187
Other borrowings					
– secured	*(a)*	**1,752**	100	**–**	–
– unsecured		**111**	500	**11**	11
Corporate bonds	*(b)*	**409**	187	**409**	187
Medium term notes	*(c)*	**266**	277	**–**	–
Debentures	*(d)*	**5,086**	2,585	**5,086**	2,585
Non-public debt instrument	*(e)*	**28**	1	**–**	–
Finance lease liabilities	*(l)*	**811**	792	**–**	–
Total current borrowings		**69,187**	54,289	**14,532**	13,088
Total borrowings		**144,245**	106,045	**36,816**	23,528

24. Borrowings (Continued)

(a) As at 31 December 2012, these borrowings were secured by the Group's property, plant and equipment (Note 6), concession assets (Note 9), trade and bills receivables (Note 15), term deposits (Note 19(a)), lease prepayment (Note 7), inventories (Note 16) and guarantees provided by certain subsidiaries of the Group, the Company and one third party (2011: secured by the Group's property, plant and equipment, concession assets, trade receivables 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. RMB2,100 million of such bonds bears interest at a rate of 4.7% per annum with maturities through 2014, and RMB7,900 million bears interest at a rate of 5.2% per annum with maturities through 2019. The Company raised totally net proceeds of RMB9,910 million from the issuance.

As approved by China Securities Regulatory Commission document [2012] No. 998, the Company issued domestic corporate bonds with an aggregate principal amount of RMB12 billion in August 2012. RMB6 billion of such bonds bears interest at a rate of 4.4% per annum with maturities through 2017, RMB2 billion bears interest at a rate of 5.0% per annum with maturities through 2022 and RMB4 billion bears interest at a rate of 5.15% per annum with maturities through 2027. The Company raised totally net proceeds of RMB11,976 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. All corporate bonds are guaranteed by CCCG.

(c) The Group issued the following medium term notes as approved by National Association of Financial Market Institutional Investors ("NAFMII") of the PRC:

- medium term notes at a nominal value of RMB2,200 million issued in March and April 2009, with a maturity of five years from issuance. 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 the following debentures:

- two tranches of debentures were issued in September 2010 and March 2011, respectively, at the same nominal value of RMB2,500 million, totaling RMB5,000 million, with maturities of one year from the issue date. The interest rates were 2.97% and 4.36% per annum, respectively. The two tranches of debentures have been fully paid off in accordance with relevant settlement schedules;

- another two tranches of debentures were issued in June and July 2012, respectively, at the same nominal value of RMB2,500 million, totaling RMB5,000 million, with maturities of one year from the issue date. The interest rate is 3.40% and 3.56% per annum, respectively.

The debentures are stated at amortised cost.

24. Borrowings (Continued)

(e) As approved by NAFMII, the Group issued a non-public debt instrument with a 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. The Group issued another tranche of non-public debt instrument with a nominal value of RMB1,500 million in October 2012, with a maturity of five years from issuance, bearing interest at a rate of 5.80% per annum.

The non-public debt instruments are stated at amortised cost. Interest is payable once a year. Accrued interest is included in current borrowings.

(f) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
6 months or less	**94,241**	77,616	**8,415**	12,375
6 – 12 months	**11,445**	5,290	**5,991**	584
1 – 5 years	**22,026**	14,668	**8,186**	2,250
Over 5 years	**16,533**	8,471	**14,224**	8,319
	144,245	106,045	**36,816**	23,528

(g) The Group's borrowings were repayable as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Bank borrowings				
– Within 1 year	**60,724**	49,847	**9,026**	10,305
– Between 1 and 2 years	**9,798**	8,721	**113**	118
– Between 2 and 5 years	**7,707**	8,431	**95**	200
– Over 5 years	**22,283**	15,132	**3**	28
	100,512	82,131	**9,237**	10,651
Others, excluding finance lease liabilities				
– Within 1 year	**7,652**	3,650	**5,506**	2,783
– Between 1 and 2 years	**6,394**	11	**2,099**	11
– Between 2 and 5 years	**12,174**	10,320	**6,021**	2,122
– Over 5 years	**13,955**	7,962	**13,953**	7,961
	40,175	21,943	**27,579**	12,877
	140,687	104,074	**36,816**	23,528

24. Borrowings (Continued)

(g) The Group's borrowings were repayable as follows: (Continued)

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Wholly repayable within 5 years				
– Bank borrowings	**77,844**	65,431	**9,020**	10,348
– Others, excluding finance lease liabilities	**26,167**	13,927	**13,572**	4,861
	104,011	79,358	**22,592**	15,209
Wholly repayable after 5 years				
– Bank borrowings	**22,668**	16,700	**217**	303
– Others, excluding finance lease liabilities	**14,008**	8,016	**14,007**	8,016
	36,676	24,716	**14,224**	8,319
	140,687	104,074	**36,816**	23,528

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
RMB	**125,922**	87,417	**35,930**	22,491
USD	**15,260**	15,749	**560**	572
EUR	**951**	1,145	**109**	161
JPY	**839**	865	**217**	304
HKD	**766**	785	**–**	–
Others	**507**	84	**–**	–
	144,245	106,045	**36,816**	23,528

(i) Borrowings of the Group, excluding corporate bonds, medium term notes, debentures, non-public debt instrument and finance lease liabilities, bear interest at effective rates ranging from 1.37% to 7.69% per annum at the end of the reporting period(2011: 0.65% to 11.00%).

24. Borrowings (Continued)

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

The carrying amounts and fair values of the non-current borrowings are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Carrying amount				
– Bank borrowings	**39,789**	32,277	**211**	346
– Others	**35,269**	19,479	**22,073**	10,094
	75,058	51,756	**22,284**	10,440
Fair value				
– Bank borrowings	**39,186**	32,175	**199**	333
– Others	**36,007**	19,419	**21,855**	10,070
	75,193	51,594	**22,054**	10,403

The fair values of borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with similar terms and characteristics at the respective ends of reporting periods.

(k) The Group has the following undrawn borrowing facilities:

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Floating rate				
– Expiring within one year	**145,403**	156,367	**39,901**	40,673
– Expiring beyond one year	**264,985**	36,892	**218,272**	29,333
	410,388	193,259	**258,173**	70,006

24. Borrowings (Continued)

(l) Finance lease liabilities:

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

	2012 RMB million	2011 RMB million
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**836**	898
Later than 1 year and no later than 5 years	**2,308**	1,284
Later than 5 years	**1,163**	4
	4,307	2,186
Future finance charges on finance leases	**(749)**	(215)
Present value of finance lease liabilities	**3,558**	1,971
The present value of finance lease liabilities is as follows:		
No later than 1 year	**811**	792
Later than 1 year and no later than 5 years	**1,961**	1,177
Later than 5 years	**786**	2
	3,558	1,971

25. Deferred Income Tax

(a) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**1,989**	1,724	**100**	102
– Deferred tax assets to be recovered within 12 months	**349**	314	**–**	–
	2,338	2,038	**100**	102
Deferred tax liabilities:				
– Deferred tax liabilities to be settled after more than 12 months	**(3,011)**	(2,343)	**(1,740)**	(1,394)
– Deferred tax liabilities to be settled within 12 months	**(89)**	(5)	**–**	–
	(3,100)	(2,348)	**(1,740)**	(1,394)
Deferred tax liabilities (net)	**(762)**	(310)	**(1,640)**	(1,292)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
At 1 January, as previously reported	**(319)**	(758)	**(1,292)**	(1,711)
Adjustment for adoption of merger accounting	**9**	9	**–**	–
At 1 January, as restated	**(310)**	(749)	**(1,292)**	(1,711)
Recognised in the income statement *(Note 35)*	**25**	101	**(15)**	(53)
Recognised in other comprehensive income	**(477)**	338	**(333)**	472
At 31 December	**(762)**	(310)	**(1,640)**	(1,292)

25. Deferred Income Tax (Continued)

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

Deferred Tax Liabilities

	Group			
	Available-for-sale financial assets RMB million	**Investments in subsidiaries** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2011, as previously reported	(2,524)	–	(322)	(2,846)
Adjustment for adoption of merger accounting	–	–	(9)	(9)
At 1 January 2011, as restated	(2,524)	–	(331)	(2,855)
Charged to the consolidated income statement	–	(89)	(250)	(339)
Credited to other comprehensive income	282	–	–	282
At 31 December 2011, as restated	(2,242)	(89)	(581)	(2,912)
At 1 January 2012, as previously reported	**(2,242)**	**(89)**	**(576)**	**(2,907)**
Adjustment for adoption of merger accounting	**–**	**–**	**(5)**	**(5)**
At 1 January 2012, as restated	**(2,242)**	**(89)**	**(581)**	**(2,912)**
Charged to the consolidated income statement	**–**	**(80)**	**(40)**	**(120)**
Charged to other comprehensive income	**(489)**	**–**	**–**	**(489)**
At 31 December 2012	**(2,731)**	**(169)**	**(621)**	**(3,521)**

	Company		
	Available-for-sale financial assets RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2011	(1,844)	(13)	(1,857)
Charged to the income statement	–	(9)	(9)
Credited to other comprehensive income	472	–	472
At 31 December 2011	(1,372)	(22)	(1,394)
At 1 January 2012	**(1,372)**	**(22)**	**(1,394)**
Charged to the income statement	**–**	**(13)**	**(13)**
Charged to other comprehensive income	**(333)**	**–**	**(333)**
At 31 December 2012	**(1,705)**	**(35)**	**(1,740)**

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 RMB million	**Depreciation and amortisation** RMB million	**Provision for foreseeable contract losses** RMB million	**Provision for employee benefits** RMB million	**Tax losses** RMB million	**Discount of long-term receivable** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2011, as previously reported	506	42	126	491	305	356	262	2,088
Adjustment for adoption of merger accounting	18	–	–	–	–	–	–	18
At 1 January 2011, as restated	524	42	126	491	305	356	262	2,106
Credited/(charged) to the consolidated income statement	92	30	(34)	50	(41)	193	150	440
Credited to other comprehensive income	–	–	–	–	–	–	56	56
At 31 December 2011, as restated	616	72	92	541	264	549	468	2,602
At 1 January 2012, as previously reported	**602**	**72**	**92**	**541**	**264**	**549**	**468**	**2,588**
Adjustment for adoption of merger accounting	**14**	**–**	**–**	**–**	**–**	**–**	**–**	**14**
At 1 January 2012, as restated	**616**	**72**	**92**	**541**	**264**	**549**	**468**	**2,602**
Credited/(charged) to the consolidated income statement	**142**	**(55)**	**(24)**	**(56)**	**72**	**17**	**49**	**145**
Credited to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**12**	**12**
At 31 December 2012	**758**	**17**	**68**	**485**	**336**	**566**	**529**	**2,759**

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: (Continued)

	Provision for impairment of assets RMB million	Depreciation and amortisation RMB million	Company Provision for employee benefits RMB million	Others RMB million	Total RMB million
At 1 January 2011	14	–	22	110	146
(Charged)/credited to the income statement	(1)	–	4	(47)	(44)
At 31 December 2011	13	–	26	63	102
Charged to the income statement	**–**	**–**	**(1)**	**(1)**	**(2)**
At 31 December 2012	**13**	**–**	**25**	**62**	**100**

(c) 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. As at 31 December 2012, the Group did not recognise deferred tax assets of RMB1,268 million (2011: RMB737 million) in respect of tax losses amounting to RMB5,343 million (2011: RMB2,949 million) as at 31 December 2012 as the Directors believes it is more likely than not that such tax losses would not be utilised before they expire.

As at 31 December 2012, the tax losses with no deferred tax assets recognised carried forward are as follows:

	2012 **RMB million**	2011 RMB million
Year of expiry of tax losses		
2013	**3**	3
2014	**865**	866
2015	**1,385**	1,066
2016	**980**	1,014
2017	**2,161**	–
	5,394	2,949

(d) As at 31 December 2012, the unrecognised deferred income tax liabilities were RMB15 million (2011: RMB13 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 2012 amounted to RMB100 million (2011: RMB88 million).

26. Retirement Benefit Obligations

The Group provided supplementary pension subsidies and medical benefits to its normal retired or early retired employees in Mainland China who retired prior to 1 January 2006, which are considered to be defined benefit plans, and recognised a liability for the unfunded employee benefit obligations in the consolidated balance sheet.

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Present value of defined benefits obligations	**2,315**	2,543	**42**	46
Unrecognised actuarial losses	**(170)**	(179)	**1**	1
Liability in the balance sheet	**2,145**	2,364	**43**	47
Less: current portion	**(189)**	(330)	**(5)**	(5)
	1,956	2,034	**38**	42

The movement of retirement benefit obligations during the year is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
At 1 January, as previously reported	**2,364**	2,398	**47**	49
Adjustments for adoption of merger accounting	**–**	7	**–**	–
At 1 January, as restated	**2,364**	2,405	**47**	49
Payment	**(271)**	(281)	**(5)**	(4)
Interest cost	**87**	120	**1**	2
Actuarial losses	**39**	144	**–**	–
Effect of settlement	**(74)**	(24)	**–**	–
At 31 December	**2,145**	2,364	**43**	47

26. Retirement Benefit Obligations (Continued)

(a) 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:

(i) Discount rates adopted (per annum):

	2012	2011
	3.50%	3.50%

(ii) Early-retirees' salary and supplementary benefits inflation rate: 10% (2011: 10%);

(iii) Medical cost trend rate: 4%–8% (2011: 4%–8%);

(iv) Mortality: Average life expectancy of residents in the PRC;

(v) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

(b) The amounts recognised in the consolidated income statement are as follows:

	2012 RMB million	2011 RMB million
Interest cost	**87**	120
Actuarial losses	**39**	144
Effect of settlement	**(74)**	(24)
Total, included in employee benefit expenses *(Note 32)*	**52**	240

Total charge was included in administrative expenses.

27. Provisions for Other Liabilities and Charges – Group

	Guarantee RMB million	**Pending Lawsuits** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2011	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
Charged to the consolidated income statement:				
– Additional provisions	**–**	**213**	**27**	**240**
Utilised/reversed during the year	**–**	**(42)**	**(4)**	**(46)**
At 31 December 2012	**–**	**294**	**40**	**334**

28. Other Income

	2012 **RMB million**	2011 RMB million (Restated)
Rental income	**287**	306
Income from sale of materials	**206**	152
Dividend income on available-for-sale financial assets		
– Listed equity securities	**349**	270
– Unlisted equity investments	**56**	33
Government grants	**251**	246
Others	**604**	876
	1,753	1,883

29. Other gains, net

	2012 **RMB million**	2011 RMB million
Gains on disposal of property, plant and equipment	**167**	336
Gains on disposal of lease prepayments	**7**	170
Gains on disposal of intangible assets	**–**	52
(Losses)/gains on disposal of other financial assets at fair value through profit or loss	**(7)**	4
Fair value gains/(losses) from other financial assets at fair value through profit or loss	**7**	(17)
Net gains on derivative financial instruments:		
– Foreign exchange forward contracts	**71**	90
Gains on disposal of available-for-sale financial assets	**123**	46
Net foreign exchange gains/(losses) *(Note 36)*	**66**	(409)
Net gains on disposal of subsidiaries, jointly controlled entities and associates	**5**	365
	439	637

30. Other Expenses

	2012 **RMB million**	2011 RMB million (Restated)
Depreciation and other costs relating to assets being leased out	**159**	198
Cost of sale of materials	**221**	152
Others	**541**	297
	921	647

31. Expenses by Nature

	2012 **RMB million**	2011 RMB million (Restated)
Raw materials and consumables used	**98,728**	101,047
Subcontracting costs	**83,079**	83,234
Employee benefits expenses	**27,441**	24,345
Rentals	**13,663**	18,327
Business tax and other transaction taxes	**7,753**	8,254
Fuel	**6,053**	6,551
Depreciation of property, plant and equipment and investment properties *(Notes 6, 8)*	**6,561**	6,103
Transportation costs	**4,709**	4,864
Cost of goods sold	**3,360**	3,411
Research and development costs	**2,332**	2,314
Travel	**2,408**	2,210
Repair and maintenance expenses	**1,758**	1,685
Utilities	**1,201**	1,142
Insurance	**238**	502
Provision for impairment of trade and other receivables	**689**	420
Provision for foreseeable losses on construction contracts	**498**	293
Amortisation of intangible assets *(Note 9)*	**261**	211
Amortisation of lease prepayments *(Note 7)*	**165**	182
Write-down of inventories	**150**	18
Auditors' remuneration	**40**	38
Other expenses	**16,316**	14,790
Total cost of sales, selling and marketing expenses and administrative expenses	**277,403**	279,941

32. Employee Benefit Expenses

	2012 **RMB million**	2011 RMB million (Restated)
Salaries, wages and bonuses	**18,821**	16,432
Pension costs – defined contribution plans *(Note a)*	**2,252**	2,224
Pension costs – defined benefit plans *(Note 26(b))*	**52**	240
Housing benefits *(Note b)*	**1,018**	992
Share appreciation rights *(Note 21)*	**(30)**	21
Welfare, medical and other expenses	**5,328**	4,436
	27,441	24,345

32. Employee Benefit Expenses (Continued)

(a) The Group participates in certain defined contribution pension plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

No forfeited contributions were available as at 31 December 2012 and 2011 to reduce future contributions.

Contributions totalling RMB656 million (2011: RMB458 million) payable to various retirement benefit plans as at 31 December 2012 are included in trade and other payable.

(b) These represent contributions to the government-sponsored housing funds in Mainland China, at different rates of the employees' basic salary depending on the applicable local regulations.

33. Finance Income

	2012 **RMB million**	2011 RMB million
Interest income:		
– Bank deposits	**627**	423
– Unwinding of discount of long-term receivables	**876**	556
Gain on debt restructuring of Iraq Loans *(a)*	**–**	930
Others	**124**	84
	1,627	1,993

(a) In the 1980's, the predecessor operations of CCCG borrowed certain loans ("Iraq Loans") to finance certain construction projects in Iraq. As the Iraqi Government did not settle the outstanding receivables for such projects due to the Gulf war in 1990, these loans had not been repaid according to the original loan agreements. In 2010, the PRC and Iraqi Governments entered into a bilateral agreement for the Iraqi Government to settle the overdue amounts owed to Chinese enterprises, and the Ministry of Finance of the PRC issued a guideline relating to the settlement of the Iraq Loans based on the bilateral agreement. In 2011, a debt restructuring agreement was entered into with China Orient Management Corporation, the lender, in accordance with the principles as set out in the guideline. According to the debt restructuring 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 will be repayable semi-annually by installments ("New Iraq Loan"). Accordingly, the difference between the Iraq Loans extinguished and the New Iraq Loan assumed under the debt restructuring agreement, amounting to RMB930 million, was recognised as "finance income" in the consolidated income statement in 2011.

34. Finance Costs, Net

	2012 **RMB million**	2011 RMB million
Interest expense incurred	**6,884**	4,494
Less: Capitalised interest expense	**(2,013)**	(1,379)
Net interest expense	**4,871**	3,115
Representing:		
– Bank borrowings	**3,288**	1,905
– Other borrowings	**143**	48
– Corporate bonds	**746**	519
– Medium term notes	**312**	407
– Debentures	**110**	138
– Non-public debt instrument	**145**	1
– Finance lease liabilities	**127**	97
	4,871	3,115
Net foreign exchange gains on borrowings *(Note 36)*	**(35)**	(872)
Others	**575**	1,112
	5,411	3,355

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 RMB2,013 million (2011: RMB1,379 million) were capitalised in 2012, of which approximately RMB719 million (2011: RMB679 million) was charged to contract work-in-progress, approximately RMB956 million (2011: RMB368 million) was included in cost of concession assets, approximately RMB328million (2011: RMB332 million) was included in cost of construction-in-progress, and approximately RMB10 million (2011: nil) was included in property, plant and equipment as at 31 December 2012. A generally capitalisation rate of 4.98% (2011: 5.27%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets.

35. Taxation

(a) Income Tax Expense

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% (2011: 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 12.5% to 15% (2011: 12% to 24%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

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

35. Taxation (Continued)

(a) Income Tax Expense (Continued)

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

	2012 RMB million	2011 RMB million (Restated)
Current income tax		
– PRC enterprise income tax	**3,315**	2,976
– Others	**493**	172
	3,808	3,148
Deferred income tax *(Note 25(a))*	**(25)**	(101)
Income tax expense	**3,783**	3,047

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2012 RMB million	2011 RMB million (Restated)
Profit before income tax	**15,515**	15,024
Less: Share of profits of jointly controlled entities and associates	**(110)**	(173)
	15,405	14,851
Tax calculated at PRC statutory tax rate of 25% (2011: 25%)	**3,851**	3,713
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(433)**	(556)
Income not subject to tax	**(202)**	(312)
Additional tax concession on research and development costs	**(185)**	(215)
Expenses not deductible for tax purposes	**148**	180
Utilisation of previously unrecognised tax losses	**(25)**	(17)
Tax losses for which no deferred income tax asset was recognised	**629**	254
Income tax expense	**3,783**	3,047

35. Taxation (Continued)

(a) Income Tax Expense (Continued)

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2012			2011		
	Before tax RMB million	**Tax charge RMB million**	**After tax RMB million**	Before tax RMB million	Tax credit RMB million	After tax RMB million
Fair value gains/(losses) on available-for-sale financial assets	**1,885**	**(477)**	**1,408**	(2,566)	338	(2,228)
Changes in equity of jointly controlled entity included	**1**	**–**	**1**	–	–	–
Currency translation differences	**77**	**–**	**77**	(67)	–	(67)
Other comprehensive income	**1,963**	**(477)**	**1,486**	(2,633)	338	(2,295)
Current tax		**–**			–	
Deferred tax *(Note 25)*		**(477)**			338	
		(477)			338	

(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:

	2012 RMB million	2011 RMB million
Finance costs *(Note 34)*	**35**	872
Other gains – net *(Note 29)*	**66**	(409)
	101	463

37. Profit Attributable to Owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB2,224 million (2011: RMB4,213 million).

38. Earnings per Share

(a) Basic

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

	2012	2011 (Restated)
Profit attributable to owners of the Company (RMB million)	**12,248**	11,761
Weighted average number of ordinary shares in issue (million)	**15,950**	14,825
Basic earnings per share (RMB per share)	**0.77**	0.79

(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 2012 and 2011.

39. Dividends

	2012 RMB million	2011 RMB million
Proposed final dividend of RMB0.1847 per ordinary share (2011: RMB0.1794)	**2,988**	2,902

The dividends paid in 2012 and 2011 were RMB2,902 million (RMB0.1794 per ordinary share) and RMB2,372 million (RMB0.16 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2012 of RMB0.1847 per ordinary share, amounting to a total dividend of RMB2,988 million, is to be approved at the annual general meeting on 28 June 2013. These financial statements do not reflect this dividend payable.

40. Directors' and Supervisors' Emoluments

(a) Directors' and Supervisors' Emoluments

	2012 RMB'000	2011 RMB'000
Directors and supervisors		
– Basis salaries, housing allowances and other allowances	**3,422**	3,422
– Contributions to pension plans	**198**	180
– Discretionary bonuses	**2,569**	2,167
	6,189	5,769

The emoluments of every director and supervisor for the year ended 31 December 2012 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	541	33	483	1,057
Mr. Liu Qitao	530	33	494	1,057
Mr. Fu Junyuan	464	33	440	937
Non-executive director				
Mr. Zhang Changfu	101	–	–	101
Independent non-executive directors				
Mr. Liu Zhangmin	133	–	–	133
Mr. Yuan Yaohui	127	–	–	127
Mr. Zou Qiao	104	–	–	104
Mr. Lu Hongjun	104	–	–	104
Mr. Leung Chong Shun	112	–	–	112
Supervisors				
Mr. Liu Xiangdong	464	33	440	937
Mr. Xu Sanhao	465	33	439	937
Mr. Wang Yongbin	277	33	273	583
	3,422	198	2,569	6,189

40. Directors' and Supervisors' Emoluments (Continued)

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

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	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. Lu Hongjun	111	–	–	111
Mr. Zou Qiao	114	–	–	114
Mr. Leung Chong Shun	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

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.

40. Directors' and Supervisors' Emoluments (Continued)

(b) 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:

	2012	2011
	RMB'000	RMB'000
Basic salaries, housing allowances, and other allowances and benefits in kind	**3,092**	2,095
Contributions to pension plans	**210**	527
Discretionary bonuses	**3,481**	4,121
	6,783	6,743

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

	2012	2011
– HKD1,000,001 to HKD1,500,000 (equivalent to approximately RMB810,851 to RMB1,216,275)	**–**	–
– HKD1,500,001 to HKD2,000,000 (equivalent to approximately RMB1,216,276 to RMB1,621,700)	**5**	5
	5	5

41. Cash Generated from Operations

(a) Cash Generated from Operations

	2012 **RMB million**	2011 RMB million (Restated)
Profit for the year	**11,732**	11,977
Adjustments for:		
– Income tax expense	**3,783**	3,047
– Depreciation of property, plant and equipment and investment properties	**6,561**	6,103
– Amortisation of intangible assets and lease prepayments	**426**	393
– Gains on disposal of property, plant and equipment	**(167)**	(336)
– Reversal of share-based payment provision *(Note 21)*	**(30)**	21
– Fair value gains on derivative financial instruments	**(17)**	(4)
– Fair value (gains)/losses on other financial assets at fair value through profit or loss	**(7)**	17
– Gains on disposal of subsidiaries	**–**	(328)
– Net gains on disposal of lease prepayments	**(7)**	(170)
– Net gains on disposal of intangible assets	**–**	(52)
– Gains on disposal of available-for-sale financial assets	**(123)**	(46)
– Losses/(gains) on disposal of other financial assets at fair value through profit or loss	**7**	(4)
– Gains on disposal of associates	**(5)**	(29)
– Gains on disposal of jointly controlled entities	**–**	(8)
– Write-down of inventories	**150**	18
– Provision for impairment of trade and other receivables	**689**	420
– Provision for foreseeable losses on construction contracts	**498**	293
– Provision for impairment on available-for-sale financial assets	**11**	–
– Dividend income from available-for-sale financial assets	**(405)**	(303)
– Gain on debt restructuring of Iraq Loans	**–**	(930)
– Interest income	**(1,627)**	(1,063)
– Interest expenses	**4,871**	3,115
– Share of profit of jointly controlled entities	**(49)**	(75)
– Share of profit of associates	**(61)**	(98)
– Net foreign exchange gains on borrowings	**(35)**	(872)
	26,195	21,086
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	**(3,864)**	(1,369)
– Trade and other receivables	**(20,763)**	(19,656)
– Contract work-in-progress	**(3,070)**	(10,581)
– Restricted bank deposits	**(1,721)**	(203)
– Retirement benefit obligations	**(219)**	(40)
– Trade and other payables	**19,427**	15,082
– Derivative financial instruments	**–**	(23)
– Provisions for other liabilities and charges	**194**	(11)
– Deferred income	**379**	88
Cash generated from operations	**16,558**	4,373

41. Cash Generated from Operations (Continued)

(b) Proceeds from disposal of PPE

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2012 RMB million	2011 RMB million
Net book amount *(Note 6)*	**429**	673
Gains on disposal of property, plant and equipment	**167**	336
Less: Trade and other receivables	**–**	(446)
Proceeds from disposal of property, plant and equipment	**596**	563

42. Contingencies

	Group		Company	
	2012 RMB million	2011 RMB million	**2012 RMB million**	2011 RMB million
Pending lawsuits *(Note a)*	**463**	617	**–**	–
Outstanding loan guarantees *(Note b)*	**246**	268	**24,166**	27,186
	709	885	**24,166**	27,186

(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.

43. Commitments

(a) Capital Commitments

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Property, plant and equipment	**2,972**	3,187	**2,972**	3,055
Intangible assets – concession assets	**–**	800	**–**	–
	2,972	3,987	**2,972**	3,055

Capital expenditure contracted for but not yet incurred at the end of the reporting period is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Property, plant and equipment	**4,859**	3,593	**–**	–
Intangible assets – concession assets	**83,385**	45,817	**–**	1,945
	88,244	49,410	**–**	1,945

(b) Operating Lease Commitments – the Group as 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	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
No later than 1 year	**910**	1,047	**78**	65
Later than 1 year and no later than 5 years	**1,055**	1,509	**56**	46
Later than 5 years	**455**	203	**–**	–
	2,420	2,759	**134**	111

(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.

43. Commitments (Continued)

(c) *Lease Payments Receivable* (Continued)

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

	Group	
	2012	2011
	RMB million	RMB million
		(Restated)
No later than 1 year	**156**	113
Later than 1 year and no later than 5 years	**326**	187
Later than 5 years	**310**	94
	792	394

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 2012.

44. Related-party Transactions (Continued)

(a) Related Party Transactions

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

	2012 RMB million	2011 RMB million
Transactions with CCCG		
– Rental expense	**49**	49
– Property maintenance expenses	**56**	56
– Acquisition of CCMEC	**16**	–
Transactions with fellow subsidiaries		
– Revenue from provision of construction services	**503**	–
– Revenue from provision of other services	**4**	–
– Sales of machinery	**1**	–
– Sales of lease prepayment	**–**	201
Transactions with jointly controlled entities and associates		
– Revenue from provision of construction services	**900**	321
– Subcontracting fee charges	**1,086**	478
– Purchase of materials	**91**	13
– Services charges	**127**	84
– Other costs	**15**	6
– Sales of machinery	**110**	435
– Revenue from rental income	**3**	6

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

(b) Key Management Compensation

	2012 RMB'000	2011 RMB'000
Basis salaries, housing allowances and other allowances	**6,614**	6,685
Contributions to pension plans	**429**	389
Others	**5,693**	4,794
	12,736	11,868

44. Related-party Transactions (Continued)

(c) Year-end Balances with Related Parties

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Trade and other receivables				
Trade receivables due from				
– Fellow subsidiaries	**151**	–	**–**	–
– Jointly controlled entities and associates	**536**	469	**372**	371
– Subsidiaries	**–**	–	**335**	15
Long-term receivables due from				
– Fellow subsidiaries	**–**	800	**–**	–
Prepayments				
– Subsidiaries	**–**	–	**8,096**	5,447
– Jointly controlled entities and associates	**83**	397	**–**	–
Other receivables due from				
– Fellow subsidiaries	**677**	–	**–**	–
– Jointly controlled entities and associates	**152**	140	**–**	–
– Subsidiaries	**–**	–	**254**	–
	1,599	1,806	**9,057**	5,833
Loans to subsidiaries	**–**	–	**20,077**	11,135
Amounts due from subsidiaries	**–**	–	**7,944**	7,190

The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties in 2012 and 2011.

44. Related-party Transactions (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Trade and other payables				
Trade and bills payable due to				
– Fellow subsidiaries	**–**	–	**–**	–
– Jointly controlled entities and associates	**307**	209	**–**	–
– Subsidiaries	**–**	–	**8,226**	6,569
Advanced from customers				
– Jointly controlled entities and associates	**273**	14	**–**	–
– Subsidiaries	**–**	–	**619**	149
Other payables due to				
– Fellow subsidiaries	**484**	252	**171**	118
– Jointly controlled entities and associates	**38**	56	**–**	–
– Subsidiaries	**–**	–	**1,028**	618
	1,102	531	**10,044**	7,454
Amount due to subsidiaries	**–**	–	**31,861**	23,900
Amounts due from customers for contract work with				
– Jointly controlled entities and associates	**461**	284	**20**	271
Outstanding loan guarantees provided by the Group				
– Jointly controlled entities	**196**	218	**8**	9
– Subsidiaries	**–**	–	**24,166**	27,177
Outstanding bond guarantees provided by CCCG	**22,329**	10,117	**22,329**	10,117

The payables bear no interest.

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**	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Transactions with other government-related entities				
– Interest from bank deposits	**469**	244	**166**	78
– Interest on bank borrowings	**5,550**	4,154	**630**	369

	Group		**Company**	
	2012	2011	**2012**	2011
	RMB million	RMB million	**RMB million**	RMB million
Balances with other government-related entities				
– Restricted bank deposits	**5,208**	848	**1**	3
– Cash and cash equivalents	**55,286**	38,587	**27,397**	16,694
	60,494	39,435	**27,398**	16,697
– Borrowings	**83,747**	72,607	**8,741**	8,989

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

(a) Subsidiaries

As at 31 December 2012, the Company had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation	Type of legal entity	Issued/ paid in capital (in million)	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Listed –						
Shanghai Zhenhua Heavy Industry Co., Ltd.	the PRC	Joint stock limited company	RMB4,390	28.83%	17.40%	Manufacturing of heavy machinery in the PRC
Unlisted –						
China Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB1,715	50%	50%	Infrastructure construction in the PRC and other regions
China Road and Bridge Corporation.	the PRC	Limited liability company	RMB1,761	96.37%	3.63%	Infrastructure construction in the PRC and other regions
CCCC First Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB3,837	100%	–	Infrastructure construction in the PRC
CCCC Second Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB2,087	100%	–	Infrastructure construction in the PRC
CCCC Third Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB2,859	100%	–	Infrastructure construction in the PRC
CCCC Fourth Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB2,130	100%	–	Infrastructure construction in the PRC
CCCC First Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB1,936	100%	–	Infrastructure construction in the PRC
CCCC Second Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB1,470	100%	–	Infrastructure construction in the PRC
CCCC Third Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB600	100%	–	Infrastructure construction in the PRC
CCCC Fourth Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB369	100%	–	Infrastructure construction in the PRC
Road & Bridge International Co., Ltd.	the PRC	Limited liability company	RMB1,684	100%	–	Infrastructure construction in the PRC
CCCC Tunnel Engineering Co., Ltd.	the PRC	Limited liability company	RMB598	99.33%	0.67%	Infrastructure construction in the PRC
CCCC Investment Co., Ltd.	the PRC	Limited liability company	RMB7,131	100%	–	Investment holding in the PRC
CCCC First Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB475	100%	–	Infrastructure design in the PRC
CCCC Second Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB292	100%	–	Infrastructure design in the PRC

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

(a) Subsidiaries (Continued)

Name	Place of incorporation	Type of legal entity	Issued/ paid in capital (in million)	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
CCCC Third Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB519	100%	–	Infrastructure design in the PRC
CCCC-FHDI Engineering Co., Ltd.	the PRC	Limited liability company	RMB384	100%	–	Infrastructure design in the PRC
CCCC First Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB516	100%	–	Infrastructure design in the PRC
CCCC Second Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB661	100%	–	Infrastructure design in the PRC
China Highway Engineering Consulting Group Co., Ltd.	the PRC	Limited liability company	RMB356	100%	–	Infrastructure design in the PRC
CCCC Road and Bridge Consultants Co., Ltd.	the PRC	Limited liability company	RMB100	100%	–	Infrastructure design in the PRC
CCCC Tianjin Dredging Co., Ltd.	the PRC	Limited liability company	RMB4,596	100%	–	Dredging in the PRC
CCCC Shanghai Dredging Co., Ltd.	the PRC	Limited liability company	RMB6,199	100%	–	Dredging in the PRC
CCCC Guangzhou Dredging Co., Ltd.	the PRC	Limited liability company	RMB4,036	100%	–	Dredging in the PRC
CCCC Xi'an Road Construction Machinery Co., Ltd.	the PRC	Limited liability company	RMB328	54.31%	45.69%	Manufacturing of road building machinery in the PRC
Zhenhua Logistics Group	the PRC	Sino-foreign Joint venture	USD52	37.49%	24.29%	Transportation and logistics in the PRC
China Highway Vehicle & Machinery Co., Ltd.	the PRC	Limited liability company	RMB149	100%	–	Trading of motor vehicles spare parts in the PRC
Chuwa Bussan Co., Ltd.	Japan	Sino-foreign joint venture	JPY 60	75%	–	Trading of machinery in Japan
CCCC Shanghai Equipment Engineering Co., Ltd.	the PRC	Limited liability company	RMB10	55%	–	Maintenance and repairing of port machinery in the PRC
CCCC International Holding Limited	Hong Kong	Limited liability company	–*	100%	–	Investment holding in the PRC
China Communications Materials & Equipment Company Limited	the PRC	Limited liability company	RMB34	100%	–	Trading of construction materials and equipment in the PRC

* The paid-in capital of this company is HKD1,000.

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

(b) *Jointly Controlled Entities*

As at 31 December 2012, the Company had interests in the following principal jointly controlled entities (all are unlisted):

Name	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	
Jiangsu Longyuan Zhenhua Ocean Engineering Co., Ltd.	the PRC	Limited liability company	RMB260	–	50%	Ocean engineering in the PRC
Beijing Capital Expressway Development Co., Ltd.	the PRC	Limited liability company	RMB100	50%	–	Highway construction and operation in the PRC
Tianjin Northern Petrochemicals Terminal Co., Ltd	the PRC	Limited liability company	RMB227	–	50%	Storage and transportation of oil in the PRC
Chongqing Zhongxian-Fengdu Expressway Co., Ltd.	the PRC	Limited liability company	RMB390	–	40%	Highway construction and operation in the PRC
Tangshan Dredging Project Co., Ltd	the PRC	Limited liability company	RMB67	–	45%	Dredging in the PRC
Guangdong Dachangqing Engineering Construction Co., Ltd *	the PRC	Limited liability company	RMB200	–	60%	Dredging in the 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.

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

(c) Associates

As at 31 December 2012, the Company had interests in the following principal associates (all are unlisted):

Name	Place of incorporation	Type of legal entity	Issued/ paid in capital (in million)	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
TaiYuan-ZhongWei-YinChuan Railway Co., Ltd. *	the PRC	Limited liability company	RMB10,500	16.03%	–	Railway construction and operation in the PRC
Shenhua Shanghai Dredging Project Co., Ltd.	the PRC	Limited liability company	RMB600	–	50%	Dredging in the PRC
Tianjin Ganghang Engineering Co., Ltd.	the PRC	Limited liability company	RMB260	–	49%	Manufacturing of machinery in the PRC
Chongqing Wanli Wanda Expressway Co., Ltd.	the PRC	Limited liability company	RMB410	–	40%	Expressway construction and operation in the PRC
Beijing CEDC Corporation **	British Virgin Islands	Limited liability company	– ***	–	65.8%	Investment in the PRC
Chongqing Tongyong Expressway Co., Ltd.	the PRC	Limited liability company	RMB512	–	40%	Expressway construction and operation in the 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. Holding Company

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