Independent Auditor's Report

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 68 to 176, which comprise the consolidated and company balance sheets as at 31 December 2013, 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.

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 2013, 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, 25 March 2014

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Balance Sheets

		Group		Company	
		As at 31 December		As at 31 December	
		2013	2012	**2013**	2012
	Note	**RMB million**	RMB million (Restated) (Note 21 (e))	**RMB million**	RMB million (Restated) (Note 21 (e))
ASSETS					
Non-current assets					
Property, plant and equipment	6	**55,619**	56,812	**50**	49
Lease prepayments	7	**8,273**	7,961	**–**	–
Investment properties	8	**752**	988	**–**	–
Intangible assets	9	**54,592**	36,519	**18**	13
Investments in subsidiaries	10	**–**	–	**91,875**	67,745
Investments in joint ventures	11	**1,019**	1,052	**62**	62
Investments in associates	11	**6,780**	3,811	**2,094**	2,004
Deferred income tax assets	24	**2,612**	2,379	**93**	101
Available-for-sale financial assets	13	**13,913**	14,462	**7,957**	7,913
Trade and other receivables	14	**55,032**	38,685	**1,385**	2,039
		198,592	162,669	**103,534**	79,926
Current assets					
Inventories	15	**32,850**	27,113	**336**	310
Trade and other receivables	14	**129,870**	111,842	**11,261**	12,026
Loans to subsidiaries	10	**–**	–	**17,897**	20,077
Amounts due from subsidiaries	10	**–**	–	**4,164**	7,944
Amounts due from customers for contract work	16	**66,131**	57,983	**3,165**	5,094
Other financial assets at fair value through profit or loss		**191**	37	**–**	–
Available-for-sale financial assets	13	**4,203**	1,500	**–**	500
Derivative financial instruments	17	**121**	49	**–**	23
Restricted bank deposits	18(a)	**4,249**	5,581	**1**	1
Cash and cash equivalents	18(b)	**81,238**	67,503	**25,226**	29,693
		318,853	271,608	**62,050**	75,668
Total assets		**517,445**	434,277	**165,584**	155,594

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

	Note	Group As at 31 December 2013 RMB million	Group 2012 RMB million (Restated) (Note 21 (e))	Company As at 31 December 2013 RMB million	Company 2012 RMB million (Restated) (Note 21 (e))
EQUITY					
Capital and reserves attributable to owners of the Company					
Share capital	19	**16,175**	16,175	**16,175**	16,175
Share premium	19(a)	**19,656**	19,656	**19,656**	19,656
Other reserves	21	**55,995**	47,840	**35,230**	27,735
Proposed final dividend	38	**3,035**	2,988	**3,035**	2,988
		94,861	86,659	**74,096**	66,554
Non-controlling interests		**9,980**	9,454	**–**	–
Total equity		**104,841**	96,113	**74,096**	66,554
LIABILITIES					
Non-current liabilities					
Borrowings	23	**99,157**	75,058	**21,270**	22,284
Deferred income		**1,884**	1,021	**–**	–
Deferred income tax liabilities	24	**2,893**	3,100	**1,584**	1,740
Retirement benefit obligations	25	**1,809**	2,127	**74**	104
Trade and other payables	22	**2,126**	2,672	**539**	1,530
		107,869	83,978	**23,467**	25,658
Current liabilities					
Trade and other payables	22	**198,064**	165,972	**13,242**	16,293
Amounts due to subsidiaries	10	**–**	–	**33,361**	31,861
Amounts due to customers for contract work	16	**15,096**	15,253	**1,012**	672
Current income tax liabilities		**3,246**	3,223	**19**	19
Borrowings	23	**87,818**	69,187	**20,380**	14,532
Derivative financial instruments	17	**11**	28	**2**	–
Retirement benefit obligations	25	**144**	189	**5**	5
Provisions for other liabilities and charges	26	**356**	334	**–**	–
		304,735	254,186	**68,021**	63,382
Total liabilities		**412,604**	338,164	**91,488**	89,040
Total equity and liabilities		**517,445**	434,277	**165,584**	155,594
Net current assets/(liabilities)		**14,118**	17,422	**(5,971)**	12,286
Total assets less current liabilities		**212,710**	180,091	**97,563**	92,212

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

The financial statements on pages 68 to 176 were approved by the Board of Directors on 25 March 2014 and were signed on its behalf.

Liu Qitao
Director

Fu Junyuan
Director

Consolidated Income Statement

	Note	Year ended 31 December 2013 RMB million	 2012 RMB million (Restated) (Note 21(e))
Revenue	5	**331,798**	295,321
Cost of sales	30	**(297,860)**	(262,723)
Gross profit		**33,938**	32,598
Other income	27	**2,054**	1,753
Other gains, net	28	**767**	439
Selling and marketing expenses	30	**(480)**	(611)
Administrative expenses	30	**(15,810)**	(14,033)
Other expenses	29	**(894)**	(921)
Operating profit		**19,575**	19,225
Finance income	32	**2,428**	1,627
Finance costs, net	33	**(6,373)**	(5,411)
Share of profit of joint ventures	11	**65**	49
Share of profit of associates	11	**157**	61
Profit before income tax		**15,852**	15,551
Income tax expense	34	**(3,580)**	(3,790)
Profit for the year		**12,272**	11,761
Attributable to:			
– Owners of the Company		**12,568**	12,277
– Non-controlling interests		**(296)**	(516)
		12,272	11,761
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	37	**0.78**	0.77
– Diluted	37	**0.78**	0.77

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

Details of aggregate amounts of the dividends paid and proposed to owners of the Company during the year 2013 and 2012 are set out in Note 38.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2013	2012
	RMB million	RMB million
		(Restated)
Profit for the year	**12,272**	11,761
Other comprehensive (expenses)/income		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gain/(loss) on retirement benefit obligations	**132**	(29)
Items that may be reclassified to profit or loss		
Changes in fair value of available-for-sale financial assets, net of deferred tax		
– (Losses)/gains arising during the year	**(696)**	1,408
– Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**(251)**	–
– Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets	**113**	–
Share of other comprehensive income of a joint venture	**–**	1
Currency translation differences	**(130)**	77
Other comprehensive (expenses)/income for the year, net of tax	**(832)**	1,457
Total comprehensive income for the year	**11,440**	13,218
Total comprehensive income/(expenses) attributable to:		
– Owners of the Company	**11,647**	13,725
– Non-controlling interests	**(207)**	(507)
	11,440	13,218

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

Consolidated Statement of Changes in Equity

	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
		Attributable to owners of the Company						
Balance at 1 January 2012, as previously reported		14,825	13,853	10,990	30,563	70,231	10,789	81,020
Adjustments for adoption of IAS 19 (2011)	2.1 (a)	–	–	(95)	(42)	(137)	–	(137)
Adjustments for adoption of merger accounting	1	–	–	9	–	9	–	9
Balance at 1 January 2012, as restated		14,825	13,853	10,904	30,521	70,103	10,789	80,892
Comprehensive income								
Profit/(losses) for the year, as restated		–	–	–	12,277	12,277	(516)	11,761
Other comprehensive income								
Changes in fair value of available-for-sale financial assets, net of deferred tax		–	–	1,404	–	1,404	4	1,408
Actuarial loss on retirement benefit obligations		–	–	(29)	–	(29)	–	(29)
Share of other comprehensive income of a joint venture		–	–	1	–	1	–	1
Currency translation differences		–	–	72	–	72	5	77
Total other comprehensive income, net of tax, as restated		–	–	1,448	–	1,448	9	1,457
Total comprehensive income/(expenses), as restated		–	–	1,448	12,277	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		926	3,938	–	–	4,864	–	4,864
– In exchange for shares in a subsidiary held by its non-controlling shareholders		424	1,865	(1,462)	–	827	(827)	–
Acquisition of CCMEC		–	–	(16)	–	(16)	–	(16)
Capital contribution from shareholder of Qingdao Chengyang		–	–	38	–	38	–	38
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries		–	–	2	–	2	(20)	(18)
Transfer to statutory surplus reserve	21	–	–	223	(223)	–	–	–
Transfer to safety reserve	21	–	–	383	(383)	–	–	–
Balance at 31 December 2012, as restated		16,175	19,656	11,538	39,290	86,659	9,454	96,113

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

Consolidated Statement of Changes in Equity (Continued)

	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 2013, as restated		16,175	19,656	11,538	39,290	86,659	9,454	96,113
Comprehensive income								
Profit/(losses) for the year		–	–	–	12,568	12,568	(296)	12,272
Other comprehensive income								
Changes in fair value of available-for-sale financial assets, net of deferred tax		–	–	(782)	–	(782)	86	(696)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		–	–	(251)	–	(251)	–	(251)
Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets		–	–	113	–	113	–	113
Actuarial gain on retirement benefit obligations		–	–	132	–	132	–	132
Currency translation differences		–	–	(133)	–	(133)	3	(130)
Total other comprehensive (expenses)/ income, net of tax		–	–	(921)	–	(921)	89	(832)
Total comprehensive income/(expenses)		–	–	(921)	12,568	11,647	(207)	11,440
2012 final dividend		–	–	–	(2,988)	(2,988)	–	(2,988)
Dividends paid to non-controlling interests		–	–	–	–	–	(35)	(35)
Capital contribution from non-controlling interests		–	–	–	–	–	414	414
Cash contribution from government		–	–	63	–	63	1	64
Acquisition of subsidiaries		–	–	(48)	–	(48)	722	674
Disposal of subsidiaries		–	–	(60)	–	(60)	(371)	(431)
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries		–	–	(408)	–	(408)	2	(406)
Transfer investment revaluation reserve to retained earnings, net of deferred tax		–	–	(3)	3	–	–	–
Transfer to National Social Security Fund	21	–	–	–	(4)	(4)	–	(4)
Transfer to statutory surplus reserve	21	–	–	1,107	(1,107)	–	–	–
Transfer to safety reserve	21	–	–	140	(140)	–	–	–
Balance at 31 December 2013		16,175	19,656	11,408	47,622	94,861	9,980	104,841

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

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2013 RMB million	2012 RMB million (Restated)
Cash flows from operating activities			
Cash generated from operations	40(a)	**10,649**	16,526
Income tax paid		**(3,677)**	(3,219)
Net cash generated from operating activities		**6,972**	13,307
Cash flows from investing activities			
Purchases of property, plant and equipment ("PPE")		**(7,331)**	(7,131)
Increase in lease prepayments		**(765)**	(233)
Purchases of intangible assets		**(17,038)**	(11,922)
Purchases of investment properties		**–**	(327)
Proceeds from disposal of PPE	40(b)	**1,073**	596
Proceeds from disposal of lease prepayments		**133**	18
Proceeds from disposal of investment properties		**4**	–
Additional investments in joint ventures		**(254)**	(52)
Additional investments in associates		**(2,669)**	(682)
Acquisition of a subsidiary		**(925)**	(16)
Net cash inflow in respect of disposal of subsidiaries		**210**	–
Purchases of available-for-sale financial assets		**(8,976)**	(8,015)
Purchases of other financial assets at fair value through profit or loss		**(184)**	–
Proceeds from disposal of joint ventures		**73**	3
Proceeds from disposal of associates		**148**	72
Proceeds from disposal of available-for-sale financial assets		**5,911**	7,026
Proceeds from disposal of other financial assets at fair value through profit or loss		**18**	12
Proceeds from government grants related to assets		**978**	–
Interest received		**832**	726
Dividends received		**676**	421
Net cash used in investing activities		**(28,086)**	(19,504)
Cash flows from financing activities			
Proceeds from borrowings		**126,060**	119,735
Repayments of borrowings		**(83,273)**	(83,414)
Proceeds from issuance of A shares		**–**	4,864
Interest paid		**(8,275)**	(6,432)
Changes in restricted bank deposits		**2,655**	(2,938)
Capital contribution by shareholders		**–**	40
Dividends paid to the Company's shareholders		**(2,988)**	(2,902)
Dividends paid to non-controlling interests of subsidiaries		**(91)**	(135)
Capital contribution from non-controlling interests		**414**	144
Cash contribution from CCCG		**–**	18
Cash contribution from government		**64**	–
Additional investments in subsidiaries		**(4)**	(18)
Net cash generated from financing activities		**34,562**	28,962
Net increase in cash and cash equivalents		**13,448**	22,765
Cash and cash equivalents at beginning of year	18	**68,003**	45,237
Exchange (losses)/gains on cash and cash equivalents		**(213)**	1
Cash and cash equivalents at end of year	18	**81,238**	68,003

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. 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 July 2013, the Group completed the acquisition of a 95% equity interest in CCCC Real Estate Qingdao Chengyang Property Limited ("Qingdao Chengyang") from CCCC Real Estate Company Limited ("CCCC Real Estate"), which is a wholly-owned subsidiary of CCCG, with a consideration of RMB47.5 million. Upon completion of the acquisition, the Group held 100% equity interest in Qingdao Chengyang. 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 Combination" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements for the year ended 31 December 2012 have been restated as a result of adoption of merger accounting for the above business combination under common control. Details of relevant statements of adjustments for the common control combination on the Group's results for the year ended 31 December 2012 and the financial position as at 31 December 2012 are set out in Note 21(e).

In October 2012, the Group completed the acquisition of a 100% equity interests in China Communications Materials & Equipment Company Limited ("CCMEC") from CCCG. 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 "HKICPA".

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 25 March 2014.

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) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2013.

	Effective for accounting periods beginning on or after
Amendment to IAS 1, "Financial statements presentation" regarding other comprehensive income	1 July 2012
Amendment to IFRS 1, "First time adoption", on government loans	1 January 2013
Amendment to IFRSs 10, 11 and 12 on transition guidance	1 January 2013
Annual improvements 2011, which includes changes to: IFRS 1, IASs 1, 16, 32 and 34	1 January 2013
IFRS 10, "Consolidated financial statements"	1 January 2013
IAS 27 (revised 2011), "Separate financial statements"	1 January 2013
IFRS 11, "Joint arrangements"	1 January 2013
IAS 28 (revised 2011), "Associates and joint ventures"	1 January 2013
IFRS 12, "Disclosures of interests in other entities"	1 January 2013
IFRS 13, "Fair value measurements"	1 January 2013
IAS 19 (2011), "Employee benefits"	1 January 2013
Amendment to IFRS 7, "Financial instruments: Disclosures" on asset and liability offsetting	1 January 2013
Annual improvement 2012 – Amendment to IFRS 13, "Fair value measurement"	1 January 2013
Annual improvement 2013 – Amendment to IFRS 1, "First time adoption"	1 January 2013

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

- Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently(reclassification adjustments).

- IAS 19 (2011) "Employee benefits" amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas:

  (i) This amendment eliminated the "corridor approach" adopted by the Group previously, in which the net cumulative unrecognised actuarial gain or loss 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.

  (ii) Actuarial gain and loss (remeasurement) are recognised in the consolidated balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. They are not recycled subsequently. Accumulated actuarial gain and loss are included in "remeasurement reserve" in other reserves (Note 21(e)).

  (iii) Statements of adjustments of adoption of IAS 19 (2011) are set out in Note 21(e).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group (Continued)

- IFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint ventures, associates and non-controlling interests. Relevant disclosures are set out in Note 10 and 11.

- IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group has included the disclosures for fair value measurement (Note 3.2).

(b) New and amended standards and interpretation not yet adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, and subsequently reissued to incorporate new requirements in October 2010 and November 2013. It replaces the parts 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 also consider the impact of the remaining phases of IFRS 9.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination (Continued)

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.

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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(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 received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

2.3 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, from part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The changes in accounting policy has been applied as from 1 January 2012.

Prior to the adoption of IFRS 11, the joint ventures were accounted for under the equity method of accounting and adoption of IFRS 11 did not have any impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates

An associate is an entity 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 other comprehensive income 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.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

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.

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. Currency translation differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(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 joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation 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 currency translation 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 joint ventures 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 depreciation. 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 equipment	2-5 years

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each 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, principally comprising leasehold buildings, are held for long-term rental yields and are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Investment properties are stated at historical 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 the end of each reporting period.

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.

2.9 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 cost of disposal. 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

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

2.11 Impairment of 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.

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 (Note 2.17 and Note 2.18).

(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 the investment matures or 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.

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

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

2.12.2 Recognition and measurement (Continued)

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. 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 allowance 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 carried 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, construction or production of qualifying assets, 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.

2.23 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Current and deferred income tax (Continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures 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. It 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 recognised, 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 balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Outside basis differences

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

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. 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 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. The defined benefit obligation is calculated annually by independent 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.

Actuarial gain and loss arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the consolidated income statement.

For defined contribution plans, 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.

(b) Other post-employment obligations

Some Group companies 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. Actuarial gain and loss arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. 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 at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognise costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Employee benefits (Continued)

(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 consolidated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 stated 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.

(c) Sales of products

Sales of products are recognised when an 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 in the consolidated income statement on a straight-line basis over the term of the lease.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 Finance Department identifies, evaluates and hedges 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 areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(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 2013, denominated in foreign currencies, mainly United States Dollars ("USD"), are disclosed in Notes 14(j), 18(c), 22(b) and 23(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 2013, 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 RMB351 million (2012: 5%, RMB331 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 more sensitive to movement in RMB/US dollar exchange rates in 2013 than 2012 mainly because of the increased amount of US dollar-denominated borrowings and decreased amount of US dollar-denominated trade and other receivables.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) 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:

	2013	2012
Increases/decreases in quoted price in open markets	**10%**	10%

	2013 **RMB million**	2012 RMB million
Impact on post-tax profit for the year	**19**	4
Impact on equity attributable to owners of the Company for the year	**1,247**	1,308

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2013 and 2012, the Group's borrowings at variable rate were mainly denominated in RMB, USD, Euro ("EUR"), Japanese Yen ("JPY") and Hong Kong Dollars ("HKD").

Borrowings obtained 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 2013 and 2012.

As at 31 December 2013, approximately RMB110,030 million (2012: RMB76,211 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 23. As at 31 December 2013, 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 RMB120 million lower/higher (2012: 0.25 percentage-point higher/lower, RMB104 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)

(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 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.

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 14.

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 23.

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.

The table below analyses the Group's and the Company's non-derivative financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. 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.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Group

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
As at 31 December 2013				
Borrowings (excluding finance lease liabilities)	**93,216**	**18,391**	**46,301**	**73,144**
Finance lease liabilities	**882**	**645**	**1,333**	**915**
Net-settled derivative financial instruments	**(3)**	**(3)**	**16**	**1**
Gross-settled derivative financial instruments – outflows	**3,811**	**–**	**–**	**–**
Gross-settled derivative financial instruments – inflows	**(3,937)**	**–**	**–**	**–**
Trade and other payables (excluding statutory and non-financial liabilities)	**145,839**	**2,694**	**–**	**–**
Financial guarantee contracts	**–**	**–**	**115**	**147**
	239,808	**21,727**	**47,765**	**74,207**
As at 31 December 2012, as restated				
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	8	7	15	–
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)	120,143	3,005	–	–
Financial guarantee contracts	80	–	32	135
	193,941	23,762	29,743	53,055

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 2013				
Borrowings	**20,984**	**2,302**	**8,661**	**16,361**
Net-settled derivative financial instruments	**(6)**	**(5)**	**13**	**1**
Trade and other payables (excluding statutory and non-financial liabilities)	**6,794**	**16**	**–**	**–**
Financial guarantee contracts	**9,189**	**2,334**	**2,196**	**11,048**
	36,961	**4,647**	**10,870**	**27,410**
As at 31 December 2012				
Borrowings	15,506	3,270	8,981	17,103
Trade and other payables (excluding statutory and non-financial liabilities)	10,599	–	–	–
Financial guarantee contracts	12,283	3,135	1,165	7,591
	38,388	6,405	10,146	24,694

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, joint ventures 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.

	2013 RMB million	2012 RMB million (Restated)
Total borrowings (Note 23)	**186,975**	144,245
Less: cash and cash equivalents (Note 18(b))	**(81,238)**	(67,503)
Net debt	**105,737**	76,742
Total equity	**104,841**	96,113
Total capital	**210,578**	172,855
Gearing ratio	**50%**	44%

The gearing ratio as at 31 December 2013 increased by 6% compared with that in 2012 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 be exposed 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 2013, the balance of contract work-in-progress relating to existing construction projects and bank deposits in these countries in Africa, Middle East and South Asia represent less than 2.0% and 1.0% (31 December 2012: 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 levels have 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 2013.

	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	**191**	**–**	**–**	**191**
Derivative financial instruments – held for trading	**–**	**121**	**–**	**121**
Available-for-sale financial assets				
– Equity securities	**12,471**	**–**	**–**	**12,471**
– Other unlisted instruments	**–**	**4,203**	**–**	**4,203**
Total assets	**12,662**	**4,324**	**–**	**16,986**
Liabilities				
Derivative financial instruments – held for trading	**–**	**(11)**	**–**	**(11)**
Total liabilities	**–**	**(11)**	**–**	**(11)**

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)

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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 addressed 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)(ii).

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 25.

If the discount rate used to increase/decrease by 0.25 percentage point 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 RMB35 million (2012: RMB23 million) lower or RMB36 million (2012: RMB24 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. Management 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 accounting estimate of the useful lives of property, plant and equipment is based on historical experience, taking into account anticipated technological changes. When the useful lives differ from the original estimated useful lives, management will adjust the estimated useful lives accordingly. It is possible that actual outcomes in next financial period are different from estimates made based on historical experience. Then it could cause a material adjustment to the depreciation and carrying amount of the Group's property, plant and equipment.

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 2013 and other segment items included in the consolidated financial statements are as follows:

	For the year ended 31 December 2013						
	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	264,146	19,394	32,789	24,171	3,706	(12,408)	331,798
Inter-segment revenue	(5,831)	(947)	(3,478)	(1,062)	(1,090)	12,408	–
Revenue	258,315	18,447	29,311	23,109	2,616	–	331,798
Segment result	13,464	2,573	3,620	73	169	(235)	19,664
Unallocated costs							(89)
Operating profit							19,575
Finance income							2,428
Finance costs, net							(6,373)
Share of profit of joint ventures							65
Share of profit of associates							157
Profit before income tax							15,852
Income tax expense							(3,580)
Profit for the year							12,272
Other segment items							
Depreciation	4,554	186	1,646	1,168	19	–	7,573
Amortisation	313	31	19	63	43	–	469
Write-down of inventories	21	–	–	306	1	–	328
Provision for/(reversal of) foreseeable losses on construction contracts	62	1	(4)	176	–	–	235
Provision for impairment of trade and other receivables	515	153	181	309	–	–	1,158
Provision for impairment of available-for-sale financial assets	150	–	–	–	–	–	150

5. SEGMENT INFORMATION (Continued)

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

	For the year ended 31 December 2012 (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	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	13,465	2,364	3,511	(125)	120	30	19,365
Unallocated costs							(140)
Operating profit							19,225
Finance income							1,627
Finance costs, net							(5,411)
Share of profit of joint ventures							49
Share of profit of associates							61
Profit before income tax							15,551
Income tax expense							(3,790)
Profit for the year							11,761
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
Provision for impairment of available-for-sale financial assets	11	–	–	–	–	–	11

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 2013 and capital expenditure for the year then ended are as follows:

	As at 31 December 2013						
	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Segment assets	336,233	15,058	61,970	46,117	4,804	(10,048)	454,134
Investments in joint ventures							1,019
Investments in associates							6,780
Unallocated assets							55,512
Total assets							517,445
Segment liabilities	185,972	10,661	23,470	5,899	2,063	(9,685)	218,380
Unallocated liabilities							194,224
Total liabilities							412,604
Capital expenditure	24,262	269	804	253	1,280	–	26,868

Segment assets and liabilities at 31 December 2013 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	454,134	218,380
Investments in joint ventures	1,019	–
Investments in associates	6,780	–
Unallocated:		
Deferred income tax assets/liabilities	2,612	2,893
Current income tax liabilities	–	3,246
Current borrowings	–	87,818
Non-current borrowings	–	99,157
Available-for-sale financial assets	18,116	–
Other financial assets at fair value through profit or loss	191	–
Derivative financial instruments	121	11
Cash and other corporate assets/corporate liabilities	34,472	1,099
Total	517,445	412,604

5. SEGMENT INFORMATION (Continued)

The segment assets and liabilities at 31 December 2012 and capital expenditure for the year then ended, as restated, are as follows:

	As at 31 December 2012 (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	267,342	12,672	56,101	47,593	4,627	(7,283)	381,052
Investments in joint ventures							1,052
Investments in associates							3,811
Unallocated assets							48,362
Total assets							434,277
Segment liabilities	152,477	8,192	22,357	8,778	2,590	(7,313)	187,081
Unallocated liabilities							151,083
Total liabilities							338,164
Capital expenditure	18,461	349	2,896	511	69	–	22,286

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

	Assets RMB million (Restated)	Liabilities RMB million (Restated)
Segment assets/liabilities	381,052	187,081
Investments in joint ventures	1,052	–
Investments in associates	3,811	–
Unallocated:		
Deferred income tax assets/liabilities	2,379	3,100
Current income tax liabilities	–	3,223
Current borrowings	–	69,187
Non-current borrowings	–	75,058
Available-for-sale financial assets	15,962	–
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	487
Total	434,277	338,164

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

	2013 RMB million	2012 RMB million (Restated)
PRC (excluding Hong Kong and Macau)	**275,179**	245,185
Other regions	**56,619**	50,136
	331,798	295,321

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 2012						
Cost, as previously reported	14,342	16,009	39,975	6,494	9,625	86,445
Adjustments for adoption of merger accounting (Note 21)	–	–	1	–	–	1
Cost, as restated	14,342	16,009	39,976	6,494	9,625	86,446
Accumulated depreciation	(3,498)	(6,949)	(16,930)	(3,905)	–	(31,282)
Net book amount, as restated	10,844	9,060	23,046	2,589	9,625	55,164
Year ended 31 December 2012						
Opening net book amount, as previously reported	10,844	9,060	23,045	2,589	9,625	55,163
Adjustments for adoption of merger accounting (Note 21)	–	–	1	–	–	1
Opening net book amount, as restated	10,844	9,060	23,046	2,589	9,625	55,164
Additions	117	1,290	1,538	1,793	4,110	8,848
Disposals (Note 40(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 30)	(520)	(1,702)	(2,674)	(1,630)	–	(6,526)
Closing net book amount	12,026	10,035	24,917	2,723	7,111	56,812
At 31 December 2012						
Cost	15,929	18,389	43,636	7,827	7,111	92,892
Accumulated depreciation	(3,903)	(8,354)	(18,719)	(5,104)	–	(36,080)
Net book amount, as restated	12,026	10,035	24,917	2,723	7,111	56,812
Year ended 31 December 2013						
Opening net book amount, as previously reported	**12,026**	**10,035**	**24,916**	**2,723**	**7,111**	**56,811**
Adjustments for adoption of merger accounting (Note 21)	**–**	**–**	**1**	**–**	**–**	**1**
Opening net book amount, as restated	**12,026**	**10,035**	**24,917**	**2,723**	**7,111**	**56,812**
Additions	**166**	**1,657**	**1,281**	**2,766**	**1,875**	**7,745**
Disposals (Note 40(b))	**(82)**	**(180)**	**(660)**	**(116)**	**–**	**(1,038)**
Transfers	**1,273**	**657**	**1,183**	**65**	**(3,178)**	**–**
Disposal of a subsidiary (Note 43)	**(431)**	**–**	**(69)**	**(12)**	**(9)**	**(521)**
Transferred from investment properties (Note 8)	**156**	**–**	**–**	**–**	**–**	**156**
Depreciation charge (Note 30)	**(571)**	**(1,887)**	**(3,074)**	**(2,003)**	**–**	**(7,535)**
Closing net book amount	**12,537**	**10,282**	**23,578**	**3,423**	**5,799**	**55,619**
At 31 December 2013						
Cost	**16,764**	**20,086**	**44,064**	**9,966**	**5,799**	**96,679**
Accumulated depreciation	**(4,227)**	**(9,804)**	**(20,486)**	**(6,543)**	**–**	**(41,060)**
Net book amount	**12,537**	**10,282**	**23,578**	**3,423**	**5,799**	**55,619**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2012						
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
Year ended 31 December 2013						
Opening net book amount	**17**	**–**	**11**	**19**	**2**	**49**
Additions	**–**	**–**	**6**	**4**	**2**	**12**
Depreciation charge	**(1)**	**–**	**(4)**	**(6)**	**–**	**(11)**
Closing net book amount	**16**	**–**	**13**	**17**	**4**	**50**
At 31 December 2013						
Cost	**22**	**31**	**59**	**118**	**4**	**234**
Accumulated depreciation	**(6)**	**(31)**	**(46)**	**(101)**	**–**	**(184)**
Net book amount	**16**	**–**	**13**	**17**	**4**	**50**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Depreciation of the Group's property, plant and equipment of RMB6,875 million (2012: RMB5,920 million) has been charged to cost of sales, RMB643 million (2012: RMB572 million) to administrative expenses and RMB17 million (2012: RMB34 million) to selling and marketing expenses.

(b) Bank borrowings are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB374 million (2012: RMB1,562 million) (Note 23).

(c) As at 31 December 2013, 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 RMB2,126 million (2012: RMB2,130 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:

	2013 **RMB million**	2012 RMB million
Cost – Capitalised finance leases	**5,309**	5,361
Accumulated depreciation	**(1,029)**	(967)
Net book amount	**4,280**	4,394

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

	2013 **RMB million**	2012 RMB million
At 1 January		
Cost	**8,993**	9,035
Accumulated amortisation	**(1,032)**	(897)
Net book amount	**7,961**	8,138
For the year Ended 31 December		
Opening net book amount	**7,961**	8,138
Additions	**765**	233
Transferred to inventories	**–**	(211)
Disposals	**(58)**	(34)
Amortisation charge (Note 30)	**(188)**	(165)
Disposal of a subsidiary (Note 43)	**(207)**	–
Closing net book amount	**8,273**	7,961
At 31 December		
Cost	**9,454**	8,993
Accumulated amortisation	**(1,181)**	(1,032)
Net book amount	**8,273**	7,961

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:

	2013 **RMB million**	2012 RMB million
Held on:		
Leases of over 50 years	**537**	769
Leases of between 10 to 50 years	**7,736**	7,192
	8,273	7,961

(a) Amortisation of the Group's lease prepayments of RMB59 million (2012: RMB32 million) has been charged to cost of sales and RMB129 million (2012: RMB133 million) to administrative expenses.

(b) As at 31 December 2013, 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 RMB228 million (2012: RMB188 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 RMB1,811 million (2012: RMB410 million) (Note 23).

8. INVESTMENT PROPERTIES – GROUP

	2013 RMB million	2012 RMB million
At 1 January		
Cost	**1,227**	610
Accumulated depreciation	**(239)**	(159)
Net book amount	**988**	451
For the year ended 31 December		
Opening net book amount	**988**	451
Transferred (to)/from property, plant and equipment (Note 6)	**(156)**	245
Additions	**–**	327
Disposals	**(4)**	–
Depreciation charge (Note 30)	**(38)**	(35)
Disposal of a subsidiary (Note 43)	**(38)**	–
Closing net book amount	**752**	988
At 31 December		
Cost	**1,009**	1,227
Accumulated depreciation	**(257)**	(239)
Net book amount	**752**	988
Fair value at end of the year (Note a)	**3,752**	3,615

(a) As at 31 December 2013, 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.

The investment properties located in Mainland China are valued by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The fair value of these properties is RMB3,128 million (2012: RMB3,110 million), which falls into the category of fair value measurements using significant unobservable inputs (Level 3) including future rental cash inflows, discount rates and capitalisation rates, etc.

The investment properties located outside Mainland China are mainly valued by the comparison approach by making reference to comparable market transactions. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. The fair value of these properties is RMB624 million (2012: RMB505 million), which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable price in the market.

(b) Rental income of the Group's investment properties of RMB138 million (2012: RMB86 million) and depreciation of the Group's investment properties of RMB38 million (2012: RMB35 million) were recognised in the consolidated income statement for the year ended 31 December 2013.

(c) As at 31 December 2013, the Group had no unprovided contractual obligations for future repairs and maintenance (2012: Nil).

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 2012						
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 30)	(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
Year ended at 31 December 2013						
Opening net book amount	**35,705**	**308**	**241**	**75**	**190**	**36,519**
Additions	**18,307**	**–**	**–**	**41**	**10**	**18,358**
Amortisation charge (Note 30)	**(198)**	**–**	**(22)**	**(27)**	**(34)**	**(281)**
Disposal of a subsidiary (Note 43)	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Closing net book amount	**53,814**	**308**	**219**	**85**	**166**	**54,592**
At 31 December 2013						
Cost	**54,411**	**308**	**367**	**229**	**265**	**55,580**
Accumulated amortisation	**(597)**	**–**	**(148)**	**(144)**	**(99)**	**(988)**
Net book amount	**53,814**	**308**	**219**	**85**	**166**	**54,592**

9. INTANGIBLE ASSETS (Continued)

Company

	Computer software RMB million
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
Year ended at 31 December 2013	
Opening net book amount	**13**
Additions	**10**
Amortisation charge	**(5)**
Closing net book amount	**18**
At 31 December 2013	
Cost	**43**
Accumulated amortisation	**(25)**
Net book amount	**18**

(a) As at 31 December 2013, concession assets represent assets under "Build-Operate-Transfer" service concession arrangements and mainly consist of toll roads in the PRC, with cost of RMB25,403 million (2012: RMB13,827 million) generating operating income and RMB29,008 million (2012: RMB22,277 million) under construction.

(b) Amortisation of the Group's intangible assets of RMB206 million (2012: RMB184 million) has been charged to cost of sales, and RMB75 million (2012: RMB77 million) to administrative expenses.

(c) Certain bank borrowings are secured by concession assets with carrying amount of approximately RMB28,548 million (2012: RMB18,498 million) (Note 23).

(d) Goodwill is allocated to the Group's CGUs identified in accordance with operating segment. The goodwill mainly relates to Heavy Machinery Segment and arose in connection with the Group's acquisition of 100% equity interest in Friede Goldman United, Ltd. ("F&G") in August 2010. F&G, a company incorporated under the laws of Cayman Islands, has engaged in design and manufacturing of equipment in relation to offshore drilling rigs.

10. SUBSIDIARIES – COMPANY

	2013 RMB million	2012 RMB million
Non-current assets		
Listed investments, at cost	**6,671**	6,671
Unlisted investments, at cost	**85,204**	61,074
	91,875	67,745
Quoted market value of listed investments	**4,480**	4,291
Current assets		
Loans to subsidiaries (Note a)	**17,897**	20,077
Amounts due from subsidiaries (Note b)	**4,164**	7,944
Current liabilities		
Amounts due to subsidiaries (Note c)	**33,361**	31,861

(a) The loans to subsidiaries are unsecured, repayable within 1 year, and bear interest at rates ranging from 5.00% to 6.00% (2012: 5.60% to 6.00%) 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 0.39% to 3.30% (2012: 0.35% to 3.00%) per annum.

(d) Details of the principal subsidiaries as at 31 December 2013 are shown in Note 45.

(e) **Material non-controlling interests**

The total non-controlling interest as at 31 December 2013 was RMB9,980 million, of which RMB7,738 is for Shanghai Zhenhua Heavy Industry Co., Ltd ("ZPMC"). The non-controlling interests in respect of other subsidiaries are not material.

Financial information on a subsidiary with material non-controlling interest

Set out below are the financial information for ZPMC in which there is non-controlling interests that are material to the Group.

Summarised balance sheet

	2013 RMB million	2012 RMB million
Current		
Assets	**26,880**	25,877
Liabilities	**(28,276)**	(23,246)
Total current net (liabilities)/assets	**(1,396)**	2,631
Non-current		
Assets	**22,275**	20,903
Liabilities	**(6,165)**	(9,116)
Total non-current net assets	**16,110**	11,787
Net assets	**14,714**	14,418

10. SUBSIDIARIES – COMPANY (Continued)

(e) Material non-controlling interests (Continued)

***Financial information on a subsidiary with material non-controlling interest** (Continued)*

Summarised income statement

	2013 **RMB million**	2012 RMB million
Revenue	**23,202**	18,255
Profit/(losses) before income tax	**120**	(1,171)
Income tax expense	**14**	72
Post-tax profit/(losses)	**134**	(1,099)
Other comprehensive income	**160**	13
Total comprehensive income/(expenses)	**294**	(1,086)
Total comprehensive expenses allocated to Non-controlling interests	**(6)**	(55)
Dividends paid to Non-controlling interests	**–**	–

Summarised cash flows

	2013 **RMB million**	2012 RMB million
Cash flows from operating activities		
Cash generated from operations	**947**	3,069
Income tax paid	**(8)**	(3)
Net cash generated from operating activities	**939**	3,066
Net cash used in investing activities	**(2,688)**	(391)
Net cash generated from/(used) in financing activities	**2,544**	(2,310)
Net increase in cash and cash equivalents	**795**	365
Cash and cash equivalents at beginning of year	**2,358**	1,993
Cash and cash equivalents at end of year	**3,153**	2,358

The information above is the amounts before inter-company eliminations.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated balance sheet are as follows:

	Group	
	2013	2012
	RMB million	RMB million
Associates	**6,780**	3,811
Joint ventures	**1,019**	1,052
	7,799	4,863

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

	Group	
	2013	2012
	RMB million	RMB million
Associates	**157**	61
Joint ventures	**65**	49
	222	110

(a) Investments in associates

	Group	
	2013	2012
	RMB million	RMB million
At 1 January	**3,811**	3,145
Additions	**2,948**	682
Disposals	**(120)**	(67)
Disposal of a subsidiary (Note 43)	**(46)**	–
Transferred to available-for-sale financial assets, due to loss of significant influence (Note 13)	**–**	(5)
Share of profit or loss, net	**157**	61
Dividend distribution	**(3)**	(5)
Transferred from joint ventures (Note 11(b))	**33**	–
At 31 December	**6,780**	3,811

(i) Set out below is the associate of the Group as at 31 December 2013, which, in the opinion of the directors, is material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also its principal place of business.

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest**	**Nature of the relationship**	**Measurement method**
TaiYuan-ZhongWei-YinChuan Railway Co., Ltd.	the PRC	14.66%	Note 1	Equity

Note 1: TaiYuan-ZhongWei-YinChuan Railway Co., Ltd. ("Tai Zhong Yin") runs business in railway construction and operation in the PRC, in which the Group has representation on its board of directors and participation in policy-making processes.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

(ii) All of the associates of the Group are unlisted and there is no quoted market price available for their shares.

(iii) There are no contingent liabilities relating to the Group's interests in the associates.

(iv) ***Summarised financial information for associates***

Set out below is the summarised financial information for an associate which is material to the Group and is accounted for using the equity method.

Summarised balance sheet

	Tai Zhong Yin	
	2013	2012
	RMB million	RMB million
Current		
Cash and cash equivalents	**3,672**	3,420
Other current assets (excluding cash)	**1,001**	1,075
Total current assets	**4,673**	4,495
Financial liabilities (excluding trade payables)	**(1,978)**	(1,851)
Other current liabilities (including trade payables)	**(1,322)**	(1,253)
Total current liabilities	**(3,300)**	(3,104)
Non-current		
Assets	**39,037**	39,759
Financial liabilities	**(26,269)**	(27,183)
Other liabilities	**(37)**	–
Total non-current liabilities	**(26,306)**	(27,183)
Net assets	**14,104**	13,967
Reconciliation to carrying amounts		
Opening net assets at 1 January	**13,967**	13,927
Profit for the year	**137**	40
Closing net assets at 31 December	**14,104**	13,967
Interest in associates	**14.66%**	14.66%
Carrying value	**2,068**	2,040
Elimination of unrealised losses on transactions between the Group and Taizhongyin	**1**	–
Carrying value, net off unrealised losses	**2,069**	2,040

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

(iv) Summarised financial information for associates (Continued)

Summarised statement of comprehensive income

	Tai Zhong Yin	
	2013	2012
	RMB million	RMB million
Revenue	**5,074**	4,596
Profit for the year	**137**	40
Total comprehensive income	**137**	40

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

(v) Individually immaterial associates

In addition to the interests in associate disclosed above, the reporting entity also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2013	2012
	RMB million	RMB million
Aggregate carrying amount of individually immaterial associates	**4,711**	1,763
Aggregate amounts of the Group's share of:		
Profit for the year	**137**	55
Other comprehensive income	**–**	–
Total comprehensive income	**137**	55

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures

	Group	
	2013	2012
	RMB million	RMB million
At 1 January	**1,052**	948
Additions	**258**	76
Disposals	**(38)**	(3)
Disposal of a subsidiary (Note 43)	**(148)**	–
Transferred to available-for-sale financial assets, due to loss of joint control (Note 13)	**–**	(4)
Transferred to associates, due to loss of joint control (Note 11(a))	**(33)**	–
Transferred to subsidiaries	**(124)**	–
Share of profit or losses, net	**65**	49
Dividend distribution	**(13)**	(14)
At 31 December	**1,019**	1,052

(i) In the opinion of the Directors, none of the joint ventures is individually material to the Group as at 31 December 2013.

(ii) All of the joint ventures of the Group are unlisted and there is no quoted market price available for their shares.

(iii) There are no contingent liabilities relating to the Group's interest in its joint ventures and there are no material contingent liabilities of the joint ventures themselves.

(c) Loan guarantees for joint ventures and associates

The Group acts as the guarantors for various external borrowings made by certain joint ventures and associates as follows:

	Group	
	2013	2012
	RMB million	RMB million
Outstanding loan guarantees for joint ventures	**143**	196
Outstanding loan guarantees for associates	**119**	–
	262	196

12. 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 2013				
Available-for-sale financial assets (Note 13)	**–**	**–**	**18,116**	**18,116**
Derivative financial instruments (Note 17)	**–**	**121**	**–**	**121**
Other financial assets at fair value through profit or loss	**–**	**191**	**–**	**191**
Trade and other receivables excluding prepayments (Note 14)	**170,076**	**–**	**–**	**170,076**
Cash and bank balances (Note 18)	**85,487**	**–**	**–**	**85,487**
Total	**255,563**	**312**	**18,116**	**273,991**
31 December 2012, as restated				
Available-for-sale financial assets (Note 13)	–	–	15,962	15,962
Derivative financial instruments (Note 17)	–	49	–	49
Other financial assets at fair value through profit or loss	–	37	–	37
Trade and other receivables excluding prepayments (Note 14)	136,539	–	–	136,539
Cash and bank balances (Note 18)	73,084	–	–	73,084
Total	209,623	86	15,962	225,671

	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 2013			
Borrowings (excluding finance lease liabilities) (Note 23)	**–**	**183,818**	**183,818**
Finance lease liabilities (Note 23)	**–**	**3,157**	**3,157**
Derivative financial instruments (Note 17)	**11**	**–**	**11**
Trade and other payables excluding statutory and non-financial liabilities (Note 22)	**–**	**147,965**	**147,965**
Total	**11**	**334,940**	**334,951**
31 December 2012, as restated			
Borrowings (excluding finance lease liabilities) (Note 23)	–	140,687	140,687
Finance lease liabilities (Note 23)	–	3,558	3,558
Derivative financial instruments (Note 17)	28	–	28
Trade and other payables excluding statutory and non-financial liabilities (Note 22)	–	122,815	122,815
Total	28	267,060	267,088

12. 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 2013				
Available-for-sale financial assets (Note 13)	**–**	**–**	**7,957**	**7,957**
Trade and other receivables excluding prepayments (Note 14)	**7,034**	**–**	**–**	**7,034**
Loans to subsidiaries (Note 10)	**17,897**	**–**	**–**	**17,897**
Amounts due from subsidiaries (Note 10)	**4,164**	**–**	**–**	**4,164**
Cash and bank balances (Note 18)	**25,227**	**–**	**–**	**25,227**
Total	**54,322**	**–**	**7,957**	**62,279**
31 December 2012, as restated				
Available-for-sale financial assets (Note 13)	–	–	8,413	8,413
Derivative financial instruments (Note 17)	–	23	–	23
Trade and other receivables excluding prepayments (Note 14)	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 18)	29,694	–	–	29,694
Total	63,042	23	8,413	71,478

	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 2013			
Borrowings (Note 23)	**–**	**41,650**	**41,650**
Amounts due to subsidiaries (Note 10)	**–**	**33,361**	**33,361**
Derivative financial instruments (Note 17)	**2**	**–**	**2**
Trade and other payables excluding statutory and non-financial liabilities (Note 22)	**–**	**6,800**	**6,800**
Total	**2**	**81,811**	**81,813**
31 December 2012, as restated			
Borrowings (Note 23)	–	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 22)	–	10,599	10,599
Total	–	79,276	79,276

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**15,962**	12,844	**8,413**	6,463
Fair value (losses)/gains	**(951)**	1,885	**(575)**	1,333
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**(335)**	–	**–**	–
Additions	**8,976**	8,515	**621**	617
Transferred from investments in joint ventures and associates (Note 11)	**–**	9	**–**	–
Disposals	**(5,532)**	(7,280)	**(500)**	–
Impairment charge	**–**	(11)	**–**	–
Transferred to National Social Security Fund (Note 21)	**(4)**	–	**(2)**	–
At 31 December	**18,116**	15,962	**7,957**	8,413
Less: non-current portion	**(13,913)**	(14,462)	**(7,957)**	(7,913)
Current portion	**4,203**	1,500	**–**	500

Available-for-sale financial assets include the following:

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Non-current				
Listed equity securities, at fair value (Note b)				
– Mainland China	**12,403**	13,006	**7,824**	7,781
– Hong Kong	**68**	75	**–**	–
Unlisted equity investments, at cost (Note c)	**1,442**	1,381	**133**	132
	13,913	14,462	**7,957**	7,913
Current				
Other unlisted instruments, at fair value (Note d)	**4,203**	1,500	**–**	500
	18,116	15,962	**7,957**	8,413
Market value of listed securities	**12,471**	13,096	**7,824**	7,781

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

(a) The Group reclassified available-for-sale investments gains, net of deferred tax, of RMB251 million (2012: nil) upon disposal from other comprehensive income to consolidated income statement. The Group charged impairment provision net of deferred tax, of RMB113 million (2012: nil) into the consolidated income statement.

(b) These securities primarily represent promoters' shares listed and traded in stock markets, of which no securities are subject to trading restrictions at the end of the reporting period. The fair value of freely traded shares was based on the quoted market prices at the balance sheet date.

(c) 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.

(d) 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. As at 31 December 2013, bank borrowings are secured by certain unlisted debt instruments with carrying amount of approximately RMB3,980 million (31 December 2012: nil) (Note 23).

As at 31 December 2013, no unlisted instruments is classified as cash equivalents for the purposes of the consolidated statement of cash flows (31 December 2012: RMB500 million).

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
RMB	**17,730**	15,560	**7,957**	8,413
HKD	**105**	113	**–**	–
USD	**281**	289	**–**	–
	18,116	15,962	**7,957**	8,413

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Trade and bills receivables (Note a)	**62,153**	54,160	**3,035**	1,066
Less: provision for impairment	**(3,802)**	(2,964)	**(39)**	(21)
Trade and bills receivables – net	**58,351**	51,196	**2,996**	1,045
Prepayments	**14,826**	13,988	**5,612**	8,738
Retentions	**36,710**	33,085	**2,509**	3,049
Deposits	**18,766**	15,335	**448**	57
Other receivables	**16,976**	12,604	**619**	659
Staff advances	**740**	737	**11**	12
Long-term receivables	**38,533**	23,582	**451**	505
	184,902	150,527	**12,646**	14,065
Less: non-current portion				
– Retentions	**(19,162)**	(16,621)	**(634)**	(1,553)
– Deposits	**(3,514)**	(1,829)	**–**	–
– Long-term receivables	**(31,012)**	(19,644)	**(451)**	(486)
– Prepayments for equipment	**(1,344)**	(591)	**(300)**	–
	(55,032)	(38,685)	**(1,385)**	(2,039)
Current portion	**129,870**	111,842	**11,261**	12,026

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Within 6 months	**48,147**	42,110	**2,447**	716
6 months to 1 year	**5,865**	5,101	**484**	246
1 year to 2 years	**4,762**	4,080	**103**	103
2 years to 3 years	**1,603**	1,702	**–**	–
Over 3 years	**1,776**	1,167	**1**	1
	62,153	54,160	**3,035**	1,066

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.

14. TRADE AND OTHER RECEIVABLES (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Trade and bills receivables	**58,351**	51,196	**2,996**	1,045
Retentions	**36,741**	33,097	**2,513**	3,049
Deposits	**18,778**	15,333	**448**	57
Other receivables	**16,976**	12,604	**619**	659
Staff advances	**740**	737	**11**	12
Long-term receivables	**38,576**	23,613	**451**	505
	170,162	136,580	**7,038**	5,327

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 2013 (2012: ranging from 6.15% to 6.55%) available to the Group for similar financial instruments. The fair values are within level 2 of the fair value hierarchy.

(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 2013, retentions receivable, deposits and long-term receivables of the Group totalling RMB93,017 million (2012: RMB71,079 million) were neither past due nor impaired, and RMB1,559 million (2012: RMB1,547 million) were past due/partially impaired with the provision of RMB567 million (2012: RMB624 million). These receivables of the Company amounting to RMB3,408 million (2012: RMB3,611 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 2013, relevant trade receivables, with recourse factoring clauses in the agreements, amounted to RMB2,817 million (2012: RMB1,840 million). In the opinion of the Directors, such transactions did not qualify for derecognition and were accounted for as secured borrowings (Note 23). In addition, as at 31 December 2013, trade receivables of RMB13,293 million (2012: RMB10,747 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 December2013, bills receivables – bank acceptance notes of RMB41 million (2012:RMB240 million) were endorsed to suppliers with rights of recourse. In the opinion of the Directors, such transactions did not qualify for derecognition. In addition, as at December 2013, bills receivables – bank acceptance notes of RMB1,206 million (2012: RMB1,520 million) were endorsed to suppliers, and RMB340 million (2012: RMB314 million) were discounted with banks. 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.

14. TRADE AND OTHER RECEIVABLES (Continued)

(f) As of 31 December 2013, trade and bills receivables of the Group amounting to RMB4,732 million (2012: RMB4,060 million) were neither past due nor impaired. Trade and bills receivables of the Company amounting to RMB173 million (2012: RMB227 million) were neither past due nor impaired as of 31 December 2013.

(g) As of 31 December 2013, trade and bills receivables of RMB47,154 million (2012: RMB40,906 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. Trade and bills receivables of the Company amounting to RMB2,773 million (2012: RMB769 million) were past due but not impaired as of 31 December 2013. The ageing analysis of these trade and bills receivables is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Within 6 months	**41,782**	37,044	**2,677**	702
6 months to 1 year	**2,887**	1,917	**56**	30
1 year to 2 years	**1,779**	1,286	**24**	37
2 years to 3 years	**370**	589	**16**	–
Over 3 years	**336**	70	**–**	–
	47,154	40,906	**2,773**	769

(h) As of 31 December 2013, trade and bills receivables of RMB10,267 million (2012: RMB9,194 million) were impaired and provided for. The provision amounted to RMB3,802 million as of 31 December 2013 (2012: RMB2,964 million). The amount of individually impaired receivables was RMB751 million (2012: RMB617 million) with the provision of RMB542 million (2012: RMB316 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. As of 31 December 2013, Trade and bills receivables of the Company amounting to RMB89 million (2012: RMB70 million) were impaired and provided for. The provision of the Company amounted to RMB39 million (2012: RMB21 million). The amount of individually impaired receivables of the Company was RMB65 million (2012: RMB67 million) with the provision of RMB19 million (2012: RMB20 million). The ageing analysis of these receivables (net of impairment provision) is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Within 6 months	**1,751**	1,408	**5**	–
6 months to 1 year	**2,198**	2,334	**–**	3
1 year to 2 years	**1,656**	1,937	**–**	46
2 years to 3 years	**625**	488	**45**	–
Over 3 years	**235**	63	**–**	–
	6,465	6,230	**50**	49

14. TRADE AND OTHER RECEIVABLES (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**2,964**	2,456	**21**	20
Provision for the year	**1,826**	1,091	**18**	1
Receivables written off during the year as uncollectible	**(10)**	(18)	**–**	–
Released	**(978)**	(565)	**–**	–
At 31 December	**3,802**	2,964	**39**	21

The provision and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement (Note 30). 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	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
RMB	**169,302**	134,572	**10,954**	12,610
USD	**8,928**	9,300	**334**	441
Central African CFA Franc BEAC	**931**	531	**–**	–
Qatar Riyal	**929**	477	**–**	–
Saudi Riyal	**905**	485	**–**	–
United Arab Emirates Dirham	**758**	901	**–**	–
EUR	**547**	581	**1,155**	556
Other currencies	**2,602**	3,680	**203**	458
	184,902	150,527	**12,646**	14,065

As at 31 December 2013, other currencies mainly comprised of Macanese Pataca, HKD and Indonesian Rupiah.

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

15. INVENTORIES

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Raw materials	**16,284**	15,408	**–**	–
Work in progress	**15,604**	10,901	**336**	310
Finished goods	**962**	804	**–**	–
	32,850	27,113	**336**	310

Bank borrowings are secured by certain work in progress with an aggregate book carrying amount of approximately RMB661 million (2012: RMB111 million) (Note 23).

16. CONTRACT WORK-IN-PROGRESS

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Contract costs incurred and recognised profit (less recognised losses)	**1,224,864**	1,042,697	**81,235**	73,736
Less: progress billings	**(1,173,829)**	(999,967)	**(79,082)**	(69,314)
	51,035	42,730	**2,153**	4,422
Representing:				
Amounts due from customers for contract work	**66,131**	57,983	**3,165**	5,094
Amounts due to customers for contract work	**(15,096)**	(15,253)	**(1,012)**	(672)
	51,035	42,730	**2,153**	4,422

	Group Year ended 31 December	
	2013	2012
	RMB million	RMB million
Contract revenue recognised as revenue in the year	**302,767**	265,038

17. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	2013		2012	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	**RMB million**	RMB million	RMB million
Forward foreign exchange contracts – held for trading	**121**	**(11)**	49	(28)

Company

	2013		2012	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	**RMB million**	RMB million	RMB million
Forward foreign exchange contracts – held for trading	**–**	**(2)**	23	–

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2013 were RMB3,957 million (2012: RMB2,091 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.

18. CASH AND BANK BALANCES

		Group		Company	
		2013	2012	**2013**	2012
		RMB million	RMB million (Restated)	**RMB million**	RMB million
Restricted bank deposits	(Note a)	**4,249**	5,581	**1**	1
Cash and cash equivalents	(Note b)	**81,238**	67,503	**25,226**	29,693
		85,487	73,084	**25,227**	29,694

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Cash and cash equivalents	**81,238**	67,503	**25,226**	29,693
Available-for-sale financial assets	**–**	500	**–**	500
Cash and cash equivalents	**81,238**	68,003	**25,226**	30,193

(a) As at 31 December 2013, restricted bank deposits mainly included pledged bank deposits as securities for bank borrowings (Note 23) and deposits for issuance of bank acceptance notes, performance bonds and letters of credit to customers.

(b) Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Cash on hand	**162**	165	**2**	1
Bank deposits				
– Term deposits with initial term of over three months(i)	**2,713**	454	**616**	105
– Other bank deposits	**78,363**	66,884	**24,608**	29,587
Cash and cash equivalents	**81,238**	67,503	**25,226**	29,693

(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 4.71% per annum as at 31 December 2013 (2012: 3.64% per annum).

18. CASH AND BANK BALANCES (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
– RMB	**65,816**	55,119	**21,263**	26,101
– USD	**11,992**	11,372	**3,237**	2,947
– Central African CFA Franc BEAC	**1,848**	1,748	**–**	–
– Angolan Kwanza	**1,429**	1,480	**–**	–
– EUR	**984**	641	**472**	350
– Saudi Riyal	**366**	278	**–**	–
– HKD	**335**	329	**175**	245
– Malaysian Ringgit	**303**	403	**–**	–
– Venezuelan Bolivar	**246**	2	**–**	–
– Pakistani Rupee	**238**	227	**–**	–
– Singapore Dollar	**214**	310	**–**	–
– Other currencies	**1,716**	1,175	**80**	51
	85,487	73,084	**25,227**	29,694

(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 2013, less than 4% (2012: less than 5%) of the cash and bank balances denominated in currencies other than RMB was deposited in banks in certain countries which are subject to foreign exchange control and the currencies are not freely convertible into other currencies or remitted out of those countries.

(e) During the year ended 31 December 2013, a subsidiary of the Group was involved in a product quality dispute arising from the ordinary business. In March 2014, a contractor exercised a letter of guarantee provided by the subsidiary and consequently EUR23.41 million in the subsidiary's bank account was deducted and passed to the contractor.

Having reviewed the claim and taking into account legal advice received, the subsidiary is planning to recover the EUR23.41 million, together with interests from the contractor through legal procedures. The Directors do not consider the pending claim will give rise to any material adverse impact to the financial position of the Group.

19. SHARE CAPITAL AND PREMIUM

	2013		2012	
	Number of shares (thousands)	**Nominal value (RMB'000)**	Number of shares (thousands)	Nominal value (RMB'000)
Registered, issued and fully paid				
A shares of RMB1.00 each	**11,747,235**	**11,747,235**	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**	16,174,735	16,174,735

(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 March 2012, the Company completed an initial public offering of A-shares on the Shanghai Stock exchange. In this connection, the Company issued 1,349,735,425 A-shares, of which 925,925,925 A-shares were issued to domestic investors by way of public offering, and 423,809,500 A-shares were issued for the purpose of implementing the merger agreement through share exchange with the non-controlling shareholders of Road & Bridge International Co., Ltd., a former A share listed company and a subsidiary of the Company. Upon the completion of this A share issuance and listing, 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 at 31 December 2013, the Company's share capital was RMB16,174,735,425 (2012: 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.

20. 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, a holder of one SAR unit is entitled to receive an amount in respect of the appreciation in market value of one ordinary share of the Company when the Company's share price rises above the exercise price specified in the Plan, subject to certain terms and conditions of the Plan.

The Board of Directors of the Company granted approximately 61.83 million of SAR of the Company on 8 August 2010.

As at 31 December 2013, all of the above SAR has forfeited since the non-market conditions of the Plan were not reached. Accordingly, provision of RMB5 million for the share-based payment was reversed in the year ended 31 December 2013 (2012: RMB30 million).

	For the year ended 31 December 2013 Number of units of SAR						
Category	**Exercise price**	**Outstanding as at 1 January 2013**	**Granted during the year**	**Exercised during the year**	**Expired during the year**	**Forfeited during the year**	**Outstanding as at 31 December 2013**
Directors and key management of the Company	**HKD7.43**	**11,477,102**	**–**	**–**	**–**	**(11,477,102)**	**–**
Management of subsidiaries of the Company	**HKD7.43**	**25,936,551**	**–**	**–**	**–**	**(25,936,551)**	**–**
		37,413,653	**–**	**–**	**–**	**(37,413,653)**	**–**

	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

21. OTHER RESERVES

Group

	Capital reserve (Note a) RMB million	Statutory surplus reserve RMB million	Remeasurement 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 previously reported	2,327	1,186	–	6,534	925	18	30,563	41,553
Adjustments for adoption of IAS 19 (2011)	–	–	(95)	–	–	–	(42)	(137)
Adjustments for adoption of merger accounting	9	–	–	–	–	–	–	9
Balance at 1 January 2012, as restated	2,336	1,186	(95)	6,534	925	18	30,521	41,425
Profit for the year, as restated	–	–	–	–	–	–	12,277	12,277
Currency translation differences	–	–	–	–	–	72	–	72
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	–	1,404	–	–	–	1,404
Actuarial loss on retirement benefit obligations	–	–	(29)	–	–	–	–	(29)
Cash contribution from CCCG (Note a)	18	–	–	–	–	–	–	18
Acquisition of CCMEC	(16)	–	–	–	–	–	–	(16)
Capital contribution from shareholder of Qingdao Chengyang	38	–	–	–	–	–	–	38
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
Share of other comprehensive income of a joint venture	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, as restated	917	1,409	(124)	7,938	1,308	90	39,290	50,828

21. OTHER RESERVES (Continued)

Group (Continued)

	Capital reserve (Note a) RMB million	Statutory surplus reserve RMB million	Remeasurement 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 2013, as restated	917	1,409	(124)	7,938	1,308	90	39,290	50,828
Profit for the year	–	–	–	–	–	–	12,568	12,568
Currency translation differences	–	–	–	–	–	(133)	–	(133)
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	–	(782)	–	–	–	(782)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	–	–	(251)	–	–	–	(251)
Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets	–	–	–	113	–	–	–	113
Actuarial gain on retirement benefit obligations	–	–	132	–	–	–	–	132
Cash contribution from government	63	–	–	–	–	–	–	63
Acquisition of Qingdao Chengyang	(48)	–	–	–	–	–	–	(48)
Disposal of subsidiaries	(60)	–	–	–	–	–	–	(60)
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries	(408)	–	–	–	–	–	–	(408)
Transfer to National Social Security Fund (Note d)	–	–	–	–	–	–	(4)	(4)
Transfer investment revaluation reserve to retained earnings, net of deferred tax	–	–	–	(3)	–	–	3	–
2012 final dividend	–	–	–	–	–	–	(2,988)	(2,988)
Transfer to statutory surplus reserve (Note b)	–	1,107	–	–	–	–	(1,107)	–
Transfer to safety reserve (Note c)	–	–	–	–	140	–	(140)	–
At 31 December 2013	464	2,516	8	7,015	1,448	(43)	47,622	59,030

21. OTHER RESERVES (Continued)

Company

	Capital reserve RMB million	Statutory surplus reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB million	Safety reserve RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2012, as previously reported	21,218	1,190	–	4,130	6	3,835	30,379
Adjustments for adoption of IAS 19 (2011)	–	–	41	–	–	(45)	(4)
Balance at 1 January 2012, as restated	21,218	1,190	41	4,130	6	3,790	30,375
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	41	5,130	6	2,889	30,723

	Capital reserve RMB million	**Statutory surplus reserve RMB million**	**Remeasurement reserve RMB million**	**Investment revaluation reserve RMB million**	**Safety reserve RMB million**	**Retained earnings RMB million**	**Total RMB million**
Balance at 1 January 2013, as restated	**21,244**	**1,413**	**41**	**5,130**	**6**	**2,889**	**30,723**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**10,995**	**10,995**
Changes in fair value of available-for-sale financial assets, net of deferred tax	**–**	**–**	**–**	**(431)**	**–**	**–**	**(431)**
Disposal of joint ventures	**(40)**	**–**	**–**	**–**	**–**	**–**	**(40)**
Actuarial gain on retirement benefit obligations	**–**	**–**	**12**	**–**	**–**	**–**	**12**
Disposal of a subsidiary	**(34)**	**–**	**–**	**–**	**–**	**30**	**(4)**
Transfer to National Social Security Fund (Note d)	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Transfer investment revaluation reserve to retained earnings, net of deferred tax	**–**	**–**	**–**	**(1)**	**–**	**1**	**–**
2012 final dividend	**–**	**–**	**–**	**–**	**–**	**(2,988)**	**(2,988)**
Transfer to statutory surplus reserve (Note b)	**–**	**1,107**	**–**	**–**	**–**	**(1,107)**	**–**
At 31 December 2013	**21,170**	**2,520**	**53**	**4,698**	**6**	**9,818**	**38,265**

21. OTHER RESERVES (Continued)

(a) Capital Reserve

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

Cash contribution from CCCG represents equity contributions from the parent company, CCCG, in cash. As at 31 December 2013, in accordance with the relevant regulation issued by the Ministry of Finance, equity contribution of RMB64 million cannot be distributed as dividend (2012: RMB64 million). In the 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 that 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 2013, the Board of Directors proposed appropriation 10% (2012: 10%) of the Company's profit after tax as determined under the PRC GAAP, of RMB1,107 million (2012: RMB223 million) to the statutory surplus reserve.

(c) Safety Reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount to a safety reserve at 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 are generally expenses in nature and charged to the consolidated income statement as incurred.

(d) Retained Earnings

The Group holds certain A shares of China Everbright Bank Company Limited ("Everbright Bank") as state-owned shareholder since its initial A share public offering. In December 2013, Everbright Bank completed an H share listing on the Hong Kong Stock Exchange. In accordance with the Provisional Measures on the Management of Reducing State-Owned Shares and Raising Social Security Funds (Guofa [2011] No.22) published by the State Council of the PRC, 10% of domestic A shares of Everbright Bank held by the Group were transferred to the National Social Security Fund based on the stock prices at the transfer date.

21. OTHER RESERVES (Continued)

(e) Statements of retrospective adjustments

The Group adopts merger accounting for common control combination in respect of the acquisition of Qingdao Chengyang as mentioned in Note 1. Also, the Group has applied IAS 19 (2011) retrospectively as stated in Note 2.1 (a).

Statements of retrospective adjustments for business combination under common control and adoption of IAS 19 (2011) on the consolidated balance sheet as at 1 January 2012 and 31 December 2012 and the Group's results for the year 2012 are as follows:

	As at 1 January 2012				
	As previously reported RMB million	Adoption of IAS 19 (2011) RMB million	Acquisition of Qingdao Chengyang RMB million	Elimination (Note i) RMB million	As restated RMB million
Property, plant and equipment	55,163	–	1	–	55,164
Inventories	22,603	–	394	–	22,997
Deferred income tax assets	2,038	42	–	–	2,080
Trade and other receivables	129,223	–	1	(28)	129,196
Cash and cash equivalents	45,234	–	3	–	45,237
Other assets	104,724	–	–	–	104,724
Total assets	358,985	42	399	(28)	359,398
Capital and reserves attributable to owners of the Company	70,231	(137)	9	–	70,103
Non-controlling interests	10,789	–	–	–	10,789
Total equity	81,020	(137)	9	–	80,892
Retirement benefit obligations	2,364	179	–	–	2,543
Trade and other payables	148,993	–	390	(28)	149,355
Other liabilities	126,608	–	–	–	126,608
Total liabilities	277,965	179	390	(28)	278,506

21. OTHER RESERVES (Continued)

(e) Statements of retrospective adjustments (Continued)

	As at 31 December 2012				
	As previously reported RMB million	Adoption of IAS 19 (2011) RMB million	Acquisition of Qingdao Chengyang RMB million	Elimination (Note i) RMB million	As restated RMB million
Property, plant and equipment	56,811	–	1	–	56,812
Inventories	26,675	–	438	–	27,113
Deferred income tax assets	2,338	39	2	–	2,379
Trade and other receivables	150,554	–	8	(35)	150,527
Cash and cash equivalents	67,492	–	11	–	67,503
Available-for-sale financial assets	15,964	–	–	(2)	15,962
Other assets	113,981	–	–	–	113,981
Total assets	433,815	39	460	(37)	434,277
Capital and reserves attributable to owners of the Company	86,749	(132)	44	(2)	86,659
Non-controlling interests	9,454	–	–	–	9,454
Total equity	96,203	(132)	44	(2)	96,113
Retirement benefit obligations	2,145	171	–	–	2,316
Trade and other payables	168,263	–	416	(35)	168,644
Other liabilities	167,204	–	–	–	167,204
Total liabilities	337,612	171	416	(35)	338,164

(i) Adjustments to eliminate the inter-group balances as at 31 December 2012.

	For the year ended 31 December 2012			
	As previously reported RMB million	Adoption of IAS 19 (2011) RMB million	Acquisition of Qingdao Chengyang RMB million	As restated RMB million
Revenue	295,321	–	–	295,321
Cost of sales	(262,723)	–	–	(262,723)
Gross profit	32,598	–	–	32,598
Other income	1,753	–	–	1,753
Other gains, net	439	–	–	439
Selling and marketing expenses	(611)	–	–	(611)
Administrative expenses	(14,069)	44	(8)	(14,033)
Other expenses	(921)	–	–	(921)
Operating profit	19,189	44	(8)	19,225
Others	(3,674)	–	–	(3,674)
Profit before income tax	15,515	44	(8)	15,551
Income tax expense	(3,783)	(9)	2	(3,790)
Profit for the year	11,732	35	(6)	11,761
Profit attributable to owners of the Company	12,248	35	(6)	12,277

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.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
Trade and bills payables (Note a)	**126,415**	106,226	**6,263**	9,058
Advances from customers	**43,127**	38,015	**4,022**	4,185
Deposits from suppliers	**15,308**	10,778	**2,989**	3,007
Other taxes	**6,854**	5,705	**112**	106
Social security	**984**	1,006	**29**	27
Accrued expenses	**228**	468	**–**	40
Accrued payroll	**480**	356	**2**	7
Share appreciation rights (Note 20)	**–**	5	**–**	5
Others	**6,794**	6,085	**364**	1,388
	200,190	168,644	**13,781**	17,823
Less: non-current portion				
– Deposits from suppliers	**(2,126)**	(2,672)	**(539)**	(1,530)
Current portion	**198,064**	165,972	**13,242**	16,293

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Within 1 year	**115,799**	98,440	**5,040**	8,967
1 year to 2 years	**8,002**	5,812	**1,212**	90
2 years to 3 years	**1,595**	1,370	**11**	1
Over 3 years	**1,019**	604	**–**	–
	126,415	106,226	**6,263**	9,058

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
RMB	**166,785**	140,757	**11,349**	15,069
USD	**23,260**	19,966	**5**	19
EUR	**1,645**	1,495	**1,213**	1,213
HKD	**1,478**	1,182	**1**	–
Saudi Riyal	**1,142**	850	**–**	–
Macanese Pataca	**822**	271	**–**	
Central African CFA Franc BEAC	**554**	509	**–**	–
Other currencies	**4,504**	3,614	**1,213**	1,522
	200,190	168,644	**13,781**	17,823

At 31 December 2013, other currencies mainly consist of Sri Lanka Rupee, United Arab Emirates Dirham and Ethiopian Birr.

23. BORROWINGS

	Note	Group		Company	
		2013	2012	**2013**	2012
		RMB million	RMB million	**RMB million**	RMB million
Non-current					
Long-term bank borrowings					
– secured	(a)	**48,296**	29,736	**1,219**	–
– unsecured		**17,625**	10,052	**79**	211
		65,921	39,788	**1,298**	211
Other borrowings					
– secured	(a)	**1,561**	965	**–**	–
– unsecured		**1,443**	153	**138**	153
Corporate bonds	(b)	**19,834**	21,920	**19,834**	21,920
Medium term notes	(c)	**3,797**	5,990	**–**	–
Non-public debt instrument	(e)	**4,294**	3,495	**–**	–
Finance lease liabilities	(l)	**2,307**	2,747	**–**	–
		33,236	35,270	**19,972**	22,073
Total non-current borrowings		**99,157**	75,058	**21,270**	22,284
Current					
Current portion of long-term bank borrowings					
– secured	(a)	**4,893**	3,693	**–**	–
– unsecured		**2,630**	6,036	**108**	114
		7,523	9,729	**108**	114
Short-term bank borrowings					
– secured	(a)	**17,820**	19,622	**–**	–
– unsecured		**44,406**	31,373	**10,601**	8,912
		62,226	50,995	**10,601**	8,912
Other borrowings					
– secured	(a)	**117**	1,752	**–**	–
– unsecured		**2,860**	111	**10**	11
Corporate bonds	(b)	**2,509**	409	**2,509**	409
Medium term notes	(c)	**2,459**	260	**–**	–
Debentures	(d)	**7,152**	5,086	**7,152**	5,086
Non-public debt instrument	(e)	**2,122**	34	**–**	–
Finance lease liabilities	(l)	**850**	811	**–**	–
		18,069	8,463	**9,671**	5,506
Total current borrowings		**87,818**	69,187	**20,380**	14,532
Total borrowings		**186,975**	144,245	**41,650**	36,816

23. BORROWINGS (Continued)

(a) As at 31 December 2013, these borrowings were secured by the Group's property, plant and equipment (Note 6), concession assets (Note 9), term deposits (Note 18(a)), lease prepayment (Note 7), unlisted financial instruments (Note 13), trade receivables (Note 14), inventories (Note 15) and guarantees provided by certain subsidiaries of the Group, the Company and one third party, (2012: secured by the Group's property, plant and equipment, concession assets, trade and bills receivables, term deposits, lease prepayment, inventories and guarantees provided by certain subsidiaries of the Group, the Company and one third party).

(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) The Group issued the following debentures:

– As approved by the People's Bank of China, two tranches of debentures were issued in June and July 2012, respectively, at the same nominal value of RMB2,500 million, totalling RMB5,000 million, with maturities of one year from the issue date. The interest rate is 3.40% and 3.56% per annum, respectively. As at 31 December 2013, these two tranches of debentures have been fully paid off.

– As approved by NAFMII, three tranches of debentures were issued in April, May and August 2013, respectively, at nominal values of RMB2,000 million, RMB2,000 million and RMB3,000, respectively, totalling RMB7,000 million, with maturities of 270 days from issuance. The interest rate is 3.75%, 3.85% and 4.60% per annum, respectively.

The debentures are stated at amortised cost.

23. BORROWINGS (Continued)

(e) As approved by NAFMII, the Group issued the following non-public instruments:

- A tranche of 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.
- A 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.
- A tranche of non-public debt instrument with a nominal value of RMB1,500 million in April 2013, with a maturity of five years from issuance, bearing interest at a rate of 5.10% per annum.
- A tranche of non-public debt instrument with a nominal value of RMB800 million in April 2013, with a maturity of five years from issuance, bearing interest at a rate of 6.00% per annum.
- A tranche of non-public debt instrument with a nominal value of RMB500 million in October 2013, with a maturity of five years from issuance, bearing interest at a rate of 6.65% 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 year are as follows:

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
6 months or less	**102,920**	94,241	**16,103**	8,415
6 -12 months	**28,068**	11,445	**2,059**	5,991
1 – 5 years	**35,483**	22,026	**8,149**	8,186
Over 5 years	**20,504**	16,533	**15,339**	14,224
	186,975	144,245	**41,650**	36,816

23. BORROWINGS (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Bank borrowings				
– Within 1 year	**69,749**	60,724	**10,709**	9,026
– Between 1 and 2 years	**12,120**	9,798	**1,256**	113
– Between 2 and 5 years	**18,670**	7,707	**41**	95
– Over 5 years	**35,131**	22,283	**1**	3
	135,670	100,512	**12,007**	9,237
Others, excluding finance lease liabilities				
– Within 1 year	**17,219**	7,652	**9,671**	5,506
– Between 1 and 2 years	**875**	6,394	**10**	2,099
– Between 2 and 5 years	**16,096**	12,174	**6,024**	6,021
– Over 5 years	**13,958**	13,955	**13,938**	13,953
	48,148	40,175	**29,643**	27,579
	183,818	140,687	**41,650**	36,816

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Wholly repayable within 5 years				
– Bank borrowings	**100,141**	77,844	**11,876**	9,020
– Others, excluding finance lease liabilities	**34,158**	26,167	**15,654**	13,572
	134,299	104,011	**27,530**	22,592
Wholly repayable after 5 years				
– Bank borrowings	**35,529**	22,668	**131**	217
– Others, excluding finance lease liabilities	**13,990**	14,008	**13,989**	14,007
	49,519	36,676	**14,120**	14,224
	183,818	140,687	**41,650**	36,816

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
RMB	**167,921**	125,922	**40,096**	35,930
USD	**16,108**	15,260	**1,368**	560
EUR	**806**	951	**55**	109
JPY	**698**	839	**131**	217
HKD	**684**	766	**–**	–
Others	**758**	507	**–**	–
	186,975	144,245	**41,650**	36,816

23. BORROWINGS (Continued)

(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 1.06% to 7.8% per annum at the end of the reporting period(2012: 1.37% to 7.69%).

(j) The carrying amounts of current portion of long-term borrowings and short-term borrowings approximate their fair values, as the impact of discounting is not significant.

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

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Carrying amount				
– Bank borrowings	**65,921**	39,788	**1,298**	211
– Other borrowings	**3,004**	1,118	**138**	153
– Corporate bonds	**19,834**	21,920	**19,834**	21,920
– Medium term notes	**3,797**	5,990	**–**	–
– Finance lease liabilities	**2,307**	2,747	**–**	–
– Non-public debt instrument	**4,294**	3,495	**–**	–
	99,157	75,058	**21,270**	22,284
Fair value				
– Bank borrowings	**65,224**	39,186	**1,266**	199
– Other borrowings	**2,979**	1,124	**128**	141
– Corporate bonds	**19,571**	20,023	**19,571**	21,714
– Medium term notes	**3,527**	5,671	**–**	–
– Finance lease liabilities	**2,329**	2,729	**–**	–
– Non-public debt instrument	**4,237**	3,453	**–**	–
	97,867	72,186	**20,965**	22,054

The fair values of borrowings are based on cash flows discounted 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. These fair values are within level 2 of the fair value hierarchy.

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

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Floating rate				
– Expiring within one year	**115,608**	145,403	**37,480**	39,901
– Expiring beyond one year	**294,741**	264,985	**198,243**	218,272
	410,349	410,388	**235,723**	258,173

23. 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.

	2013 **RMB million**	2012 RMB million
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**882**	836
Later than 1 year and no later than 5 years	**1,978**	2,308
Later than 5 years	**915**	1,163
	3,775	4,307
Future finance charges on finance leases	**(618)**	(749)
Present value of finance lease liabilities	**3,157**	3,558
The present value of finance lease liabilities is as follows:		
No later than 1 year	**850**	811
Later than 1 year and no later than 5 years	**1,673**	1,961
Later than 5 years	**634**	786
	3,157	3,558

(m) In 2013, a customer of the Group has obtained a long term borrowing facility from a bank. The bank borrowing is effective from 26 April 2013 to 25 April 2038. The customer, as a borrower, has pledged its self-owned asset to secure the bank borrowing. The Group has entered into the loan contract as a co-borrower to take up joint responsibility of loan repayments up to 25 April 2021. Pursuant to the terms of the borrowing contract, upon default in loan repayments by the customer, the bank is entitled to ask for early repayments of bank borrowings and the co-borrower can be liable to repay the outstanding borrowing principal together with accrued interest. Accordingly, if the customer defaults in loan repayments during joint borrowing period, it is possible for the Group to undertake the responsibility to repay the principal and interest.

During the year ended 31 December 2013, as there was no default in payments and the customer had pledged its asset to secure the bank borrowing, management considers that the likelihood of default in payments is not probable, and therefore no provision has been made as of 31 December 2013.

24. DEFERRED INCOME TAX

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**2,472**	2,030	**93**	101
– Deferred tax assets to be recovered within 12 months	**140**	349	**–**	–
	2,612	2,379	**93**	101
Deferred tax liabilities:				
– Deferred tax liabilities to be settled after more than 12 months	**(2,844)**	(3,011)	**(1,584)**	(1,740)
– Deferred tax liabilities to be settled within 12 months	**(49)**	(89)	**–**	–
	(2,893)	(3,100)	**(1,584)**	(1,740)
Deferred tax liabilities (net)	**(281)**	(721)	**(1,491)**	(1,639)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
At 1 January, as previously reported	**(762)**	(310)	**(1,640)**	(1,292)
Adjustment for adoption of IAS 19 (2011)	**39**	42	**1**	1
Adjustment for adoption of merger accounting	**2**	–	**–**	–
At 1 January, as restated	**(721)**	(268)	**(1,639)**	(1,291)
Recognised in the income statement (Note 34)	**156**	18	**8**	(15)
Recognised in other comprehensive income	**276**	(471)	**140**	(333)
Disposal of a subsidiary (Note 43)	**8**	–	**–**	–
At 31 December	**(281)**	(721)	**(1,491)**	(1,639)

24. 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 2012	(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)
At 1 January 2013	**(2,731)**	**(169)**	**(621)**	**(3,521)**
Charged to the consolidated income statement	**–**	**(142)**	**(167)**	**(309)**
Credited to other comprehensive income	**336**	**–**	**–**	**336**
Disposal of a subsidiary (Note 43)	**–**	**–**	**18**	**18**
At 31 December 2013	**(2,395)**	**(311)**	**(770)**	**(3,476)**

	Company		
	Available-for-sale financial assets RMB million	**Others** RMB million	**Total** RMB million
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)
At 1 January 2013	**(1,705)**	**(35)**	**(1,740)**
Credited to the income statement	**–**	**12**	**12**
Credited to other comprehensive income	**144**	**–**	**144**
At 31 December 2013	**(1,561)**	**(23)**	**(1,584)**

24. 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 on long-term receivables** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2012, as previously reported	616	72	92	541	264	549	468	2,602
Adjustment for adoption of IAS 19 (2011)	–	–	–	42	–	–	–	42
At 1 January 2012, as restated	616	72	92	583	264	549	468	2,644
Credited/(charged) to the consolidated income statement	142	(55)	(24)	(65)	74	17	49	138
Credited to other comprehensive income	–	–	–	6	–	–	12	18
At 31 December 2012, as restated	758	17	68	524	338	566	529	2,800
At 1 January 2013, as previously reported	**758**	**17**	**68**	**485**	**336**	**566**	**529**	**2,759**
Adjustment for adoption of IAS 19 (2011)	**–**	**–**	**–**	**39**	**–**	**–**	**–**	**39**
Adjustment for adoption of merger accounting	**–**	**–**	**–**	**–**	**2**	**–**	**–**	**2**
At 1 January 2013, as restated	**758**	**17**	**68**	**524**	**338**	**566**	**529**	**2,800**
Credited/(charged)to the consolidated income statement	**258**	**–**	**(24)**	**(69)**	**154**	**72**	**74**	**465**
Charged to other comprehensive income	**–**	**–**	**–**	**(26)**	**–**	**–**	**(34)**	**(60)**
Disposal of a subsidiary (Note 43)	**(3)**	**(5)**	**–**	**–**	**–**	**–**	**(2)**	**(10)**
At 31 December 2013	**1,013**	**12**	**44**	**429**	**492**	**638**	**567**	**3,195**

	Company				
	Provision for impairment of assets RMB million	**Discount of long-term receivable** RMB million	**Provision for employee benefits** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2012, as previously reported	13	16	26	47	102
Adjustment for adoption of IAS 19 (2011)	–	–	1	–	1
At 1 January 2012, as restated	13	16	27	47	103
(Charged)/credited to the income statement	–	8	(1)	(9)	(2)
At 31 December 2012	13	24	26	38	101
Charged to the income statement	–	–	(2)	(2)	(4)
Charged to other comprehensive income	–	–	(4)	–	(4)
At 31 December 2013	**13**	**24**	**20**	**36**	**93**

24. DEFERRED INCOME TAX (Continued)

(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 2013, the Group did not recognise deferred tax assets of RMB1,719 million (2012: RMB1,268 million) in respect of tax losses amounting to RMB6,982 million (2012: RMB5,391 million) 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 2013, the tax losses with no deferred tax assets recognised carried forward are as follows:

	2013 **RMB million**	2012 RMB million
Year of expiry of tax losses		
2014	**682**	865
2015	**1,370**	1,385
2016	**960**	980
2017	**2,161**	2,161
2018	**1,809**	–
	6,982	5,391

(d) As at 31 December 2013, the unrecognised deferred income tax liabilities were RMB10 million (2012: RMB15 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 2013 amounted to RMB64 million (2012: RMB100 million).

25. 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	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
Present value of defined benefits obligations	**1,953**	2,316	**79**	109
Less: current portion	**(144)**	(189)	**(5)**	(5)
	1,809	2,127	**74**	104

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
At 1 January, as previously reported	**2,145**	2,364	**104**	110
Adjustments for adoption of IAS 19 (2011)	**171**	179	**5**	5
At 1 January, as restated	**2,316**	2,543	**109**	115
Past service cost	**(33)**	2	**2**	–
Interest cost	**77**	86	**3**	4
Effect of settlement	**(14)**	(100)	**(10)**	–
	2,346	2,531	**104**	119
Remeasurements				
– Gains from change in financial assumptions	**(153)**	–	**(6)**	–
– Experience (gains)/losses	**(5)**	35	**(10)**	1
	2,188	2,566	**88**	120
Payment	**(235)**	(250)	**(9)**	(11)
At 31 December	**1,953**	2,316	**79**	109

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(a) The above obligations were determined based on actuarial valuation performed by an independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch, using the projected unit credit method. The significant actuarial assumptions are as follows:

	2013	2012
Discount rate	**4.5%**	3.5%
Medical cost trend rate	**4%-8%**	4%-8%

(b) The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption (%)	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25	(1.80%)	1.86%
Medical cost trend rate	1.00	1.66%	(1.46%)

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumption the same method (present value of the defined benefit obligation calculated with the projected unit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligations within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(c) Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which is detailed below:

Life expectancy: The defined benefit obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

(d) The weighted average duration of the defined benefit obligations is 7.3 years.

(e) Expected maturity analysis of undiscounted defined benefit obligations of the 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	**Total** RMB million
As at 31 December 2013					
Defined benefit obligations	**144**	**241**	**523**	**1,958**	**2,866**

26. PROVISIONS FOR OTHER LIABILITIES AND CHARGES – GROUP

	Pending Lawsuits RMB million	Others RMB million	Total RMB million
At 1 January 2012	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
At 1 January 2013	294	40	334
Charged to the consolidated income statement:			
– Additional provisions	8	31	39
– Utilised/reversed during the year	(1)	(16)	(17)
At 31 December 2013	301	55	356

27. OTHER INCOME

	2013 RMB million	2012 RMB million
Rental income	**373**	287
Income from sale of materials	**126**	206
Dividend income on available-for-sale financial assets		
– Listed equity securities	**480**	349
– Unlisted equity investments	**73**	56
Government grants	**286**	251
Others	**716**	604
	2,054	1,753

28. OTHER GAINS, NET

	2013 RMB million	2012 RMB million
Gains on disposal of property, plant and equipment	**35**	167
Gains on disposal of lease prepayments	**75**	7
Losses on disposal of other financial assets at fair value through profit or loss	**(5)**	(7)
Fair value (losses)/gains from other financial assets at fair value through profit or loss	**(7)**	7
Net gains on derivative financial instruments:		
– Foreign exchange forward contracts	**156**	71
Gains on disposal of available-for-sale financial assets	**531**	123
Net foreign exchange (losses)/gains (Note 35)	**(197)**	66
Net gains on disposal of subsidiaries	**152**	–
Net gains on disposal of joint ventures and associates	**27**	5
	767	439

29. OTHER EXPENSES

	2013 **RMB million**	2012 RMB million
Provision for impairment of available-for-sale financial assets	**150**	11
Depreciation and other costs relating to assets being leased out	**213**	159
Cost of sale of materials	**233**	221
Others	**298**	530
	894	921

30. EXPENSES BY NATURE

	2013 **RMB million**	2012 RMB million (Restated)
Raw materials and consumables used	**108,670**	98,728
Subcontracting costs	**99,363**	83,079
Employee benefits expenses (Note 31)	**30,580**	27,400
Rentals	**14,273**	13,663
Business tax and other transaction taxes	**8,642**	7,753
Fuel	**6,479**	6,053
Depreciation of property, plant and equipment and investment properties (Note 6, 8)	**7,573**	6,561
Transportation costs	**307**	4,709
Amortisation of intangible assets (Note 9)	**281**	261
Amortisation of lease prepayments (Note 7)	**188**	165
Cost of goods sold	**4,437**	3,360
Research and development costs	**3,381**	2,332
Repair and maintenance expenses	**1,876**	1,758
Utilities	**1,256**	1,201
Insurance	**844**	238
Provision for impairment of trade and other receivables	**1,158**	689
Provision for foreseeable losses on construction contracts	**235**	498
Write-down of inventories	**328**	150
Auditors' remuneration	**40**	40
Other expenses	**24,239**	18,729
Total cost of sales, selling and marketing expenses and administrative expenses	**314,150**	277,367

31. EMPLOYEE BENEFIT EXPENSES

	2013 **RMB million**	2012 RMB million (Restated)
Salaries, wages and bonuses	**21,424**	18,820
Pension costs – defined contribution plans (Note a)	**2,471**	2,252
Pension costs – defined benefit plans (Note 25)	**30**	(12)
Housing benefits (Note b)	**1,155**	1,018
Share appreciation rights (Note 20)	**(5)**	(30)
Welfare, medical and other expenses	**5,505**	5,352
	30,580	27,400

(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 2013 and 2012 to reduce future contributions.

Contributions totalling RMB660 million (2012: RMB656 million) payable to various retirement benefit plans as at 31 December 2013 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.

32. FINANCE INCOME

	2013 **RMB million**	2012 RMB million
Interest income:		
– Bank deposits	**723**	627
– Unwinding of discount of long-term receivables	**1,612**	876
Others	**93**	124
	2,428	1,627

33. FINANCE COSTS, NET

	2013	2012
	RMB million	RMB million
Interest expense incurred	**8,598**	6,884
Less: capitalised interest expense	**(2,858)**	(2,013)
Net interest expense	**5,740**	4,871
Representing:		
– Bank borrowings	**3,460**	3,288
– Other borrowings	**221**	143
– Corporate bonds	**1,093**	746
– Medium term notes	**312**	312
– Debentures	**241**	110
– Non-public debt instrument	**308**	145
– Finance lease liabilities	**105**	127
	5,740	4,871
Net foreign exchange gains on borrowings (Note 35)	**(476)**	(35)
Others	**1,109**	575
	6,373	5,411

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 RMB2,858 million (2012: RMB2,013 million) were capitalised in 2013, of which approximately RMB1,182 million (2012: RMB719 million) was charged to contract work-in-progress, approximately RMB1,320 million (2012: RMB956 million) was included in cost of concession assets, approximately RMB344 million (2012: RMB328 million) was included in cost of construction-in-progress, and approximately RMB12 million (2012: RMB10 million) was included in property, plant and equipment as at 31 December 2013. A generally capitalisation rate of 4.37% (2012: 4.98%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets.

34. 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% (2012: 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 15% (2012: 12.5% to 15%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2012: 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.

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

	2013 **RMB million**	2012 RMB million (Restated)
Current income tax		
– PRC enterprise income tax	**3,583**	3,315
– Others	**153**	493
	3,736	3,808
Deferred income tax (Note 24(a))	**(156)**	(18)
Income tax expense	**3,580**	3,790

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:

	2013 **RMB million**	2012 RMB million (Restated)
Profit before income tax	**15,852**	15,551
Less: share of profits of joint ventures and associates	**(222)**	(110)
	15,630	15,441
Tax calculated at PRC statutory tax rate of 25% (2012: 25%)	**3,908**	3,860
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(699)**	(435)
Income not subject to tax	**(104)**	(202)
Additional tax concession on research and development costs	**(213)**	(185)
Expenses not deductible for tax purposes	**289**	148
Utilisation of previously unrecognised tax losses	**(53)**	(25)
Tax losses for which no deferred income tax asset was recognised	**452**	629
Income tax expense	**3,580**	3,790

34. TAXATION (Continued)

(a) Income Tax Expense (Continued)

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

	2013			2012		
	Before tax RMB million	**Tax charge RMB million**	**After tax RMB million**	Before tax RMB million	Tax credit RMB million	After tax RMB million
Actuarial gain/(loss) on retirement benefit obligations	**158**	**(26)**	**132**	(35)	6	(29)
Changes in fair value of available-for-sale financial assets	**(951)**	**255**	**(696)**	1,885	(477)	1,408
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**(335)**	**84**	**(251)**	–	–	–
Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets	**150**	**(37)**	**113**	–	–	–
Share of other comprehensive income of a joint venture	**–**	**–**	**–**	1	–	1
Currency translation differences	**(130)**	**–**	**(130)**	77	–	77
Other comprehensive income	**(1,108)**	**276**	**(832)**	1,928	(471)	1,457
Current income tax		**–**			–	
Deferred income tax (Note 24)		**276**			(471)	
		276			(471)	

(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.

During 2012 and 2013, pursuant to the Notice on Issuance of Business Tax to Value Added Tax Transformation Pilot Program ("Pilot Program") and relevant further regulations, revenues derived from transportation and design services provided by some subsidiaries of the Group were no longer subject to business tax. Under the pilot program, the transportation services and design services were subject to VAT at rates ranging from 6% to 11%.

35. NET FOREIGN EXCHANGE GAINS

The exchange differences credited/(charged) to the consolidated income statement are included as follows:

	2013 **RMB million**	2012 RMB million
Finance costs (Note 33)	**476**	35
Other gains – net (Note 28)	**(197)**	66
	279	101

36. 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 RMB10,995 million (2012: RMB2,224 million).

37. 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.

	2013	2012 (Restated)
Profit attributable to owners of the Company (RMB million)	**12,568**	12,277
Weighted average number of ordinary shares in issue (million)	**16,175**	15,950
Basic earnings per share (RMB per share)	**0.78**	0.77

(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 2013 and 2012.

38. DIVIDENDS

	2013 **RMB million**	2012 RMB million
Proposed final dividend of RMB0.18762 per ordinary share (2012: RMB0.1847)	**3,035**	2,988

The dividends paid in 2013 and 2012 were RMB2,988 million (RMB0.1847 per ordinary share) and RMB2,902 million (RMB0.1794 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2013 of RMB0.18762 per ordinary share, amounting to a total dividend of RMB3,035 million, is to be approved at the annual general meeting on 18 June 2014. These financial statements do not reflect this dividend payable.

39. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

(a) Directors' and Supervisors' Emoluments

	2013 RMB'000	2012 RMB'000
Directors and supervisors		
– Basis salaries, housing allowances and other allowances	**3,465**	3,422
– Contributions to pension plans	**188**	198
– Discretionary bonuses	**2,178**	2,569
	5,831	6,189

The emoluments of every director and supervisor for the year ended 31 December 2013 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 (i)	**181**	**3**	**–**	**184**
Mr. Liu Qitao	**535**	**37**	**519**	**1,091**
Mr. Fu Junyuan	**469**	**37**	**463**	**969**
Non-executive director				
Mr. Zhang Changfu	**114**	**–**	**–**	**114**
Independent non-executive directors				
Mr. Liu Zhangmin	**156**	**–**	**–**	**156**
Mr. Yuan Yaohui	**136**	**–**	**–**	**136**
Mr. Zou Qiao	**129**	**–**	**–**	**129**
Mr. Lu Hongjun	**132**	**–**	**–**	**132**
Mr. Leung Chong Shun	**109**	**–**	**–**	**109**
Supervisors				
Mr. Liu Xiangdong	**470**	**37**	**462**	**969**
Mr. Xu Sanhao	**471**	**37**	**461**	**969**
Mr. Wang Yongbin	**553**	**37**	**162**	**752**
	3,455	**188**	**2,067**	**5,710**

(i) Mr. Zhou Jichang, who, due to reaching retirement age, resigned as an executive director and chairman of the Board on 26 April 2013.

39. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

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

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

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.

39. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

(b) Five Highest Paid Individuals

None of the Directors' emoluments as disclosed in Note 39(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:

	2013 **RMB'000**	2012 RMB'000
Basic salaries, housing allowances, and other allowances and benefits in kind	**2,256**	3,092
Contributions to pension plans	**256**	210
Discretionary bonuses	**7,491**	3,481
	10,003	6,783

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

	2013	2012
– HKD1,500,001 to HKD2,000,000 (equivalent to approximately RMB1,179,345 to RMB1,572,460)	**–**	5
– HKD2,000,001 to HKD2,500,000 (equivalent to approximately RMB1,572,460 to RMB1,965,575)	**3**	–
– HKD2,500,001 to HKD3,000,000 (equivalent to approximately RMB1,965,575 to RMB2,358,690)	**2**	–
	5	5

40. CASH GENERATED FROM OPERATIONS

(a) Cash Generated from Operations

	2013 **RMB million**	2012 RMB million (Restated)
Profit for the year	**12,272**	11,761
Adjustments for:		
– Income tax expense	**3,580**	3,790
– Depreciation of property, plant and equipment and investment properties	**7,573**	6,561
– Amortisation of intangible assets and lease prepayments	**469**	426
– Gains on disposal of property, plant and equipment	**(35)**	(167)
– Reversal of share-based payment provision (Note 20)	**(5)**	(30)
– Fair value gains on derivative financial instruments	**(89)**	(17)
– Fair value losses/(gains) on other financial assets at fair value through profit or loss	**7**	(7)
– Gains on disposal of subsidiaries	**(152)**	–
– Net gains on disposal of lease prepayments	**(75)**	(7)
– Gains on disposal of available-for-sale financial assets	**(531)**	(123)
– Losses on disposal of other financial assets at fair value through profit or loss	**5**	7
– Gains on disposal of associates	**(28)**	(5)
– Losses on disposal of joint ventures	**1**	–
– Write-down of inventories	**328**	150
– Provision for impairment of trade and other receivables	**1,158**	689
– Provision for foreseeable losses on construction contracts	**235**	498
– Provision for impairment on available-for-sale financial assets	**150**	11
– Dividend income from available-for-sale financial assets	**(553)**	(405)
– Interest income	**(2,428)**	(1,627)
– Interest expenses	**5,740**	4,871
– Share of profit of joint ventures	**(65)**	(49)
– Share of profit of associates	**(157)**	(61)
– Net foreign exchange gains on borrowings	**(476)**	(35)
	26,924	26,231
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	**(3,277)**	(3,906)
– Trade and other receivables	**(35,286)**	(20,771)
– Contract work-in-progress	**(7,966)**	(3,070)
– Restricted bank deposits	**(1,323)**	(1,721)
– Retirement benefit obligations	**(205)**	(263)
– Trade and other payables	**31,866**	19,453
– Provisions for other liabilities and charges	**37**	194
– Deferred income	**(121)**	379
Cash generated from operations	**10,649**	16,526

40. 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:

	2013 **RMB million**	2012 RMB million
Net book amount (Note 6)	**1,038**	429
Gains on disposal of property, plant and equipment (Note 28)	**35**	167
Proceeds from disposal of property, plant and equipment	**1,073**	596

41. CONTINGENCIES

	Group		**Company**	
	2013 **RMB million**	2012 RMB million	**2013** **RMB million**	2012 RMB million
Pending lawsuits (Note a)	**439**	462	**–**	–
Outstanding loan guarantees (Note b)	**262**	247	**24,767**	24,174
	701	709	**24,767**	24,174

(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 26 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 and joint ventures of the Group and certain third party entities.

42. COMMITMENTS

(a) Capital Commitments

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Property, plant and equipment	**1,857**	2,972	**1,857**	2,972

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Property, plant and equipment	**5,006**	4,859	**–**	–
Intangible assets – concession assets	**88,829**	83,385	**–**	–
	93,835	88,244	**–**	–

(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	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
No later than 1 year	**688**	910	**78**	78
Later than 1 year and no later than 5 years	**877**	1,055	**–**	56
Later than 5 years	**282**	455	**–**	–
	1,847	2,420	**78**	134

(c) Lease Payments Receivable

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

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

	Group	
	2013	2012
	RMB million	RMB million
No later than 1 year	**147**	156
Later than 1 year and no later than 5 years	**278**	326
Later than 5 years	**276**	310
	701	792

The Company has no lease payments receivable.

43. DISPOSAL OF ZHENHUA LOGISTICS GROUP

In January 2013, the Group disposed of its 36.78% equity interest in Zhenhua Logistics Group ("Zhenhua Logistics"), a former subsidiary, which was primarily engaged in transportation and logistics in the PRC, for a consideration of RMB409 million. The Group retained a 25% equity interest in and has significant influence over Zhenhua Logistics. The investment has been reclassified to investments in associates in the consolidated balance sheet upon completion of the disposal.

Details of sales proceeds and gains on disposal are as follows:

	RMB million
Sales proceeds:	
Cash received	409
Fair value of the remaining 25% share of Zhenhua Logistics on disposal date	279
Less: net assets disposed – as shown below	(910)
non-controlling interests	370
Gains on disposal	148

The details of the net assets disposal are as follows:

	RMB million
Cash and cash equivalents	203
Property, plant and equipment (Note 6)	521
Lease prepayments (Note 7)	207
Investment properties (Note 8)	38
Intangible assets (Note 9)	4
Investments in associates (Note 11(a))	46
Investments in joint ventures (Note 11(b))	148
Trade and other receivables	795
Deferred tax assets (Note 24)	10
Other assets	17
Borrowings	(194)
Trade and other payables	(820)
Deferred tax liabilities (Note 24)	(18)
Other liabilities	(47)
Net assets	910
Non-controlling interests	(370)
Net assets disposed	540
Sales proceeds – cash received	409
Less: cash and cash equivalents of Zhenhua Logistics	(203)
Net cash inflow on disposal of Zhenhua Logistics	206

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.

(a) Related Party Transactions

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

	2013 **RMB million**	2012 RMB million
Transactions with CCCG		
– Rental expense	**46**	49
– Property maintenance expenses	**56**	56
– Acquisition of CCMEC	**–**	16
– Acquisition of Qingdao Chengyang	**48**	–
– Other costs	**1**	–
Transactions with fellow subsidiaries		
– Revenue from provision of construction services	**884**	503
– Revenue from provision of other services	**–**	4
– Sales of machinery	**–**	1
– Other costs	**7**	–
Transactions with joint ventures and associates		
– Revenue from provision of construction services	**3,063**	900
– Sales of machinery	**8**	110
– Disposal of property, plant and equipment	**381**	–
– Subcontracting fee charges	**869**	1,086
– Purchase of materials	**154**	91
– Services charges	**54**	127
– Revenue from rental income	**3**	3
– Other costs	**8**	15

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

44. RELATED-PARTY TRANSACTIONS (Continued)

(b) Key Management Compensation

	2013 RMB'000	2012 RMB'000
Basis salaries, housing allowances and other allowances	**6,428**	6,614
Contributions to pension plans	**420**	429
Others	**5,109**	5,693
	11,957	12,736

(c) Year-end Balances with Related Parties

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	**2013 RMB million**	2012 RMB million
Trade and other receivables				
Trade receivables due from				
– Fellow subsidiaries	**346**	151	**346**	151
– Joint ventures and associates	**813**	178	**251**	14
– Subsidiaries	**–**	–	**178**	335
Long-term receivables due from				
– Joint ventures and associates	**89**	358	**–**	358
Prepayments				
– Subsidiaries	**–**	–	**4,577**	8,096
– Joint ventures and associates	**64**	83	**–**	–
Other receivables due from				
– Fellow subsidiaries	**–**	677	**–**	–
– Joint ventures and associates	**570**	152	**–**	–
– Subsidiaries	**–**	–	**163**	254
	1,882	1,599	**5,515**	9,208
Loans to subsidiaries	**–**	–	**17,897**	20,077
Amounts due from subsidiaries	**–**	–	**4,164**	7,944

The receivables are unsecured in nature and bear no interest. As at 31 December 2013, the provisions against receivables from related parties of the Group amounted to RMB47 million (2012: RMB35 million). No provision has been held against receivables from related parties of the Company as at 31 December 2013 and 2012.

44. RELATED-PARTY TRANSACTIONS (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Trade and other payables				
Trade and bills payable due to				
– Fellow subsidiaries	**1**	–	**–**	–
– Joint ventures and associates	**683**	307	**–**	–
– Subsidiaries	**–**	–	**5,284**	8,226
Advanced from customers				
– Joint ventures and associates	**972**	273	**–**	–
– Subsidiaries	**–**	–	**712**	619
Other payables due to				
– CCCG	**943**	455	**226**	171
– Fellow subsidiaries	**652**	412	**–**	–
– Joint ventures and associates	**49**	38	**–**	–
– Subsidiaries	**–**	–	**157**	1,028
	3,300	1,485	**6,379**	10,044
Amounts due to subsidiaries	**–**	–	**33,361**	31,861
Amounts due from customers for contract work with				
– Joint ventures and associates	**253**	461	**–**	20
Amounts due to customers for contract work with				
– Joint ventures and associates	**117**	–	**62**	–
Outstanding corporate loan guarantees provided by the Group				
– Joint ventures	**143**	196	**7**	8
– Associates	**119**	–	**–**	–
– Subsidiaries	**–**	–	**24,760**	24,166
Outstanding bond guarantees provided by CCCG	**22,343**	22,329	**22,343**	22,329

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**	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Transactions with other government-related entities				
– Interest from bank deposits	**399**	469	**177**	166
– Interest on bank borrowings	**6,156**	5,550	**385**	630

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Balances with other government-related entities				
– Restricted bank deposits	**3,559**	5,208	**17**	1
– Cash and cash equivalents	**53,309**	55,286	**14,477**	27,397
	56,868	60,494	**14,494**	27,398
– Borrowings	**131,606**	83,747	**10,405**	8,741

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2013, 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)	Proportional of ordinary shares held by the Company: Directly held	Proportional of ordinary shares held by the Company: Indirectly held	Proportional of ordinary shares held by non-controlling interests	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%	53.77%	Manufacturing of heavy machinery in the PRC
Unlisted –							
China Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB1,715	50%	50%	0.00%	Infrastructure construction in the PRC and other regions
China Road and Bridge Corporation	the PRC	Limited liability company	RMB3,889	96.37%	3.63%	0.00%	Infrastructure construction in the PRC and other regions
CCCC First Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB5,475	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Second Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB3,002	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Third Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB2,859	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Fourth Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB3,140	100%	–	0.00%	Infrastructure construction in the PRC
CCCC First Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB2,728	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Second Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB2,086	100%	–	0.00%	Infrastructure construction in the PRC
Road & Bridge International Co., Ltd.	the PRC	Limited liability company	RMB1,684	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Investment Co., Ltd.	the PRC	Limited liability company	RMB7,730	100%	–	0.00%	Investment holding in the PRC
CCCC Tianjin Dredging Co., Ltd.	the PRC	Limited liability company	RMB5,807	100%	–	0.00%	Dredging in the PRC
CCCC Shanghai Dredging Co., Ltd.	the PRC	Limited liability company	RMB7,606	100%	–	0.00%	Dredging in the PRC
CCCC Guangzhou Dredging Co., Ltd.	the PRC	Limited liability company	RMB4,934	100%	–	0.00%	Dredging in the PRC

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

As at 31 December 2013, the Company had direct and indirect interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Proportional of ordinary shares held by the Company: Directly held	Proportional of ordinary shares held by the Company: Indirectly held	Proportional of ordinary shares held by non-controlling interests	Principal activities and place of operation
CCCC Third Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB930	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Fourth Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB505	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Tunnel Engineering Co., Ltd.	the PRC	Limited liability company	RMB1,226	99.33%	0.67%	0.00%	Infrastructure construction in the PRC
CCCC International Holding Limited	Hong Kong	Limited liability company	HKD2,372	100%	–	0.00%	Investment holding in the PRC
CCCC Water Transportation Consultants Co., Ltd.	the PRC	Limited liability company	RMB818	100%	–	0.00%	Infrastructure design in the PRC
CCCC Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB401	100%	–	0.00%	Infrastructure design in the PRC
CCCC First Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB723	100%	–	0.00%	Infrastructure design in the PRC
CCCC Second Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB428	100%	–	0.00%	Infrastructure design in the PRC
CCCC Third Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB519	100%	–	0.00%	Infrastructure design in the PRC
CCCC-FHDI Engineering Co., Ltd.	the PRC	Limited liability company	RMB630	100%	–	0.00%	Infrastructure design in the PRC
CCCC First Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB856	100%	–	0.00%	Infrastructure design in the PRC
CCCC Second Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB872	100%	–	0.00%	Infrastructure design in the PRC
China Highway Engineering Consulting Group Co., Ltd.	the PRC	Limited liability company	RMB650	100%	–	0.00%	Infrastructure design in the PRC
CCCC Road and Bridge Consultants Co., Ltd.	the PRC	Limited liability company	RMB123	100%	–	0.00%	Infrastructure design in the PRC

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

As at 31 December 2013, the Company had direct and indirect interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Proportional of ordinary shares held by the Company: Directly held	Proportional of ordinary shares held by the Company: Indirectly held	Proportional of ordinary shares held by non-controlling interests	Principal activities and place of operation
CCCC Xi'an Road Construction Machinery Co., Ltd.	the PRC	Limited liability company	RMB433	54.31%	45.69%	0.00%	Manufacturing of road construction machinery in the PRC
China Highway Vehicle & Machinery Co., Ltd.	the PRC	Limited liability company	RMB168	100%	–	0.00%	Trading of motor vehicles spare parts in the PRC
Chuwa Bussan Co., Ltd.	Japan	Limited liability company	JPY 60	75%	–	0.00%	Trading of machinery in Japan
CCCC Shanghai Equipment Engineering Co., Ltd.	the PRC	Limited liability company	RMB10	55%	–	45.00%	Design, manufacturing and repairing of machinery in the PRC
CCCC Electromechanical Engineering Co., Ltd.	the PRC	Limited liability company	RMB500	100%	–	0.00%	Infrastructure construction in the PRC
China Communications Materials & Equipment Company Limited	the PRC	Limited liability company	RMB34	100%	–	0.00%	Trading of construction materials and equipment in the PRC
CCCC Finance Company Limited	the PRC	Limited liability company	RMB3,500	95%	–	5.00%	Financial service in the PRC

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.