

# 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 80 to 206, which comprise the consolidated and company balance sheets as at 31 December 2014, 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 2014, 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, 30 March 2015

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# Balance Sheets

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2014	2013	2014	2013
		RMB million	RMB million	RMB million	RMB million
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	63,377	55,619	52	50
Lease prepayments	7	9,682	8,273	–	–
Investment properties	8	733	752	–	–
Intangible assets	9	90,378	54,592	60	18
Investments in subsidiaries	10	–	–	100,977	91,875
Investments in joint ventures	12	1,742	1,019	62	62
Investments in associates	12	7,988	6,780	2,094	2,094
Deferred income tax assets	26	2,916	2,612	6	93
Available-for-sale financial assets	15	22,205	13,913	13,903	7,957
Trade and other receivables	16	75,902	55,032	4,262	1,385
Held-to-maturity financial assets		328	–	–	–
		275,251	198,592	121,416	103,534
<b>Current assets</b>					
Inventories	17	46,149	32,850	341	336
Trade and other receivables	16	150,734	129,870	11,448	11,261
Loans to subsidiaries	10	–	–	26,881	17,897
Amounts due from subsidiaries	10	–	–	8,519	4,164
Amounts due from customers for contract work	18	73,223	66,131	4,211	3,165
Other financial assets at fair value through profit or loss		171	191	–	–
Available-for-sale financial assets	15	6,586	4,203	–	–
Derivative financial instruments	19	26	121	–	–
Restricted bank deposits	20(a)	6,217	4,249	98	1
Cash and cash equivalents	20(b)	71,823	81,238	18,708	25,226
		354,929	318,853	70,206	62,050
<b>Total assets</b>		<b>630,180</b>	<b>517,445</b>	<b>191,622</b>	<b>165,584</b>

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

## Balance Sheets

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2014	2013	2014	2013
		RMB million	RMB million	RMB million	RMB million
<b>EQUITY and LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	21	16,175	16,175	16,175	16,175
Share premium	21	19,656	19,656	19,656	19,656
Financial instruments classified as equity	22	4,986	–	4,986	–
Other reserves	23	72,936	55,995	46,409	35,230
Proposed final dividend	40	2,778	3,035	2,778	3,035
		116,531	94,861	90,004	74,096
<b>Non-controlling interests</b>		15,081	9,980	–	–
<b>Total equity</b>		131,612	104,841	90,004	74,096
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	25	137,801	99,157	21,959	21,270
Deferred income		4,921	1,884	–	–
Deferred income tax liabilities	26	7,805	2,893	3,011	1,584
Retirement benefit obligations	27	1,796	1,809	74	74
Trade and other payables	24	6,949	2,126	2,451	539
		159,272	107,869	27,495	23,467
<b>Current liabilities</b>					
Trade and other payables	24	224,617	198,064	15,200	13,242
Amounts due to subsidiaries	10	–	–	32,463	33,361
Amounts due to customers for contract work	18	19,585	15,096	1,201	1,012
Current income tax liabilities		3,473	3,246	16	19
Borrowings	25	91,034	87,818	25,236	20,380
Derivative financial instruments	19	48	11	2	2
Retirement benefit obligations	27	153	144	5	5
Provisions for other liabilities and charges	28	386	356	–	–
		339,296	304,735	74,123	68,021
<b>Total liabilities</b>		498,568	412,604	101,618	91,488
<b>Total equity and liabilities</b>		630,180	517,445	191,622	165,584
<b>Net current assets/(liabilities)</b>		15,633	14,118	(3,917)	(5,971)
<b>Total assets less current liabilities</b>		290,884	212,710	117,499	97,563

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

The financial statements on pages 80 to 206 were approved by the Board of Directors on 30 March 2015 and were signed on its behalf.

Liu Qitao  
Director

Fu Junyuan  
Director

# Consolidated Income Statement

	Note	Year ended 31 December	
		2014 RMB million	2013 RMB million
Revenue	5	366,042	331,798
Cost of sales	32	(326,770)	(297,860)
<b>Gross profit</b>		<b>39,272</b>	33,938
Other income	29	2,414	2,054
Other gains, net	30	1,776	767
Selling and marketing expenses	32	(528)	(480)
Administrative expenses	32	(18,324)	(15,810)
Other expenses	31	(825)	(894)
<b>Operating profit</b>		<b>23,785</b>	19,575
Finance income	34	3,588	2,428
Finance costs, net	35	(10,108)	(6,373)
Share of profit of joint ventures	12	81	65
Share of profit of associates	12	258	157
<b>Profit before income tax</b>		<b>17,604</b>	15,852
Income tax expense	36	(3,721)	(3,580)
<b>Profit for the year</b>		<b>13,883</b>	12,272
<b>Attributable to:</b>			
– Owners of the Company		13,985	12,568
– Non-controlling interests		(102)	(296)
		<b>13,883</b>	12,272
<b>Earnings per share for profit attributable to owners of the Company</b> (expressed in RMB per share)			
– Basic	39	0.86	0.78
– Diluted	39	0.86	0.78

The accompanying notes are an integral part of these financial statements. Details of the aggregate amounts of the dividends paid and proposed to owners of the Company during the years 2014 and 2013 are set out in Note 40.

# Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2014 RMB million	2013 RMB million
<b>Profit for the year</b>	<b>13,883</b>	12,272
<b>Other comprehensive income/(expenses)</b>		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Actuarial (losses)/gains on retirement benefit obligations, net of deferred tax	(91)	132
<i>Items that may be reclassified to profit or loss</i>		
Changes in fair value of available-for-sale financial assets, net of deferred tax		
– Gains/(losses) arising during the year	6,561	(696)
– Release of investment revaluation reserve upon disposal of available-for-sale financial assets	(741)	(254)
– Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets	–	113
Currency translation differences	(11)	(130)
<b>Other comprehensive income/(expenses) for the year, net of tax</b>	<b>5,718</b>	(835)
<b>Total comprehensive income for the year</b>	<b>19,601</b>	11,437
<b>Total comprehensive income/(expenses) attributable to:</b>		
– Owners of the Company	19,671	11,644
– Non-controlling interests	(70)	(207)
	<b>19,601</b>	11,437

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

# Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total			
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million		
<b>Balance at 1 January 2013</b>		16,175	19,656	11,538	39,290	86,659	9,454	96,113	
<b>Comprehensive income</b>									
Profit/(losses) for the year		-	-	-	12,568	12,568	(296)	12,272	
<b>Other comprehensive income</b>									
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, net of deferred tax		-	-	(254)	-	(254)	-	(254)	
Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets, net of deferred tax		-	-	113	-	113	-	113	
Actuarial gains on retirement benefit obligations, net of deferred tax		-	-	132	-	132	-	132	
Currency translation differences		-	-	(133)	-	(133)	3	(130)	
Total other comprehensive (expenses)/income, net of tax		-	-	(924)	-	(924)	89	(835)	
<b>Total comprehensive (expenses)/income</b>		-	-	(924)	12,568	11,644	(207)	11,437	
2012 final dividend	40	-	-	-	(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	23	-	-	63	-	63	1	64	
Acquisition of a subsidiary		-	-	(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 to National Social Security Fund	23	-	-	-	(1)	(1)	-	(1)	
Transfer to statutory surplus reserve	23	-	-	1,107	(1,107)	-	-	-	
Transfer to general reserve	23	-	-	54	(54)	-	-	-	
Transfer to safety reserve	23	-	-	140	(140)	-	-	-	
<b>Balance at 31 December 2013</b>		16,175	19,656	11,462	47,568	94,861	9,980	104,841	

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

## Consolidated Statement of Changes in Equity

Attributable to owners of the Company

	Note	Financial instruments					Total	Non-controlling interests	Total equity
		Share capital	Share premium	classified as equity	Other reserves	Retained earnings			
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
Balance at 1 January 2014		16,175	19,656	-	11,462	47,568	94,861	9,980	104,841
<b>Comprehensive income</b>									
Profit/(losses) for the year		-	-	-	-	13,985	13,985	(102)	13,883
<b>Other comprehensive income</b>									
Changes in fair value of available-for-sale financial assets, net of deferred tax		-	-	-	6,360	-	6,360	201	6,561
Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax		-	-	-	(579)	-	(579)	(162)	(741)
Actuarial losses on retirement benefit obligations, net of deferred tax		-	-	-	(91)	-	(91)	-	(91)
Currency translation differences		-	-	-	(4)	-	(4)	(7)	(11)
Total other comprehensive income, net of tax		-	-	-	5,686	-	5,686	32	5,718
<b>Total comprehensive income/(expenses)</b>		-	-	-	5,686	13,985	19,671	(70)	19,601
2013 final dividend	40	-	-	-	-	(3,035)	(3,035)	-	(3,035)
Dividends paid and payable to non-controlling interests		-	-	-	-	-	-	(130)	(130)
Capital contribution from non-controlling interests		-	-	-	-	-	-	4,348	4,348
Cash contribution from government	23	-	-	-	48	-	48	1	49
Financial instruments classified as equity	22	-	-	4,986	-	-	4,986	-	4,986
Acquisition of subsidiaries		-	-	-	-	-	-	952	952
Transfer to statutory surplus reserve	23	-	-	-	948	(948)	-	-	-
Transfer to general reserve	23	-	-	-	54	(54)	-	-	-
Transfer to safety reserve	23	-	-	-	2	(2)	-	-	-
<b>Balance at 31 December 2014</b>		<b>16,175</b>	<b>19,656</b>	<b>4,986</b>	<b>18,200</b>	<b>57,514</b>	<b>116,531</b>	<b>15,081</b>	<b>131,612</b>

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

# Consolidated Statement of Cash Flows

	Note	Year ended 31 December	
		2014 RMB million	2013 RMB million
<b>Cash flows from operating activities</b>			
Cash generated from operations		8,403	10,649
Income tax paid		(3,995)	(3,677)
Net cash generated from operating activities		4,408	6,972
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment ("PPE")		(9,941)	(7,331)
Increase in lease prepayments		(1,091)	(765)
Purchases of intangible assets		(31,781)	(17,038)
Proceeds from disposal of PPE		548	1,073
Proceeds from disposal of lease prepayments		10	133
Proceeds from disposal of investment properties		–	4
Additional investments in joint ventures		(663)	(254)
Additional investments in associates		(1,346)	(2,669)
Acquisition of subsidiaries		(5,888)	(925)
Net cash inflow in respect of disposal of subsidiaries		–	210
Purchases of available-for-sale financial assets		(8,787)	(8,976)
Purchases of other financial assets at fair value through profit or loss		(20)	(184)
Changes in term deposits with initial term of over three months		96	–
Proceeds from disposal of joint ventures		2	73
Proceeds from disposal of associates		224	148
Proceeds from disposal of available-for-sale financial assets		8,573	5,911
Proceeds from disposal of other financial assets at fair value through profit or loss		22	18
Proceeds from government grants related to assets		2,826	978
Interest received		982	832
Dividends received		729	676
Net cash used in investing activities		(45,505)	(28,086)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		163,978	126,060
Proceeds from financial instruments classified as equity		4,986	–
Repayments of borrowings		(125,732)	(83,273)
Interest paid		(11,646)	(8,275)
Changes in restricted bank deposits		(978)	2,655
Dividends paid to the Company's shareholders		(3,035)	(2,988)
Dividends paid to non-controlling interests of subsidiaries		(81)	(91)
Capital contribution from non-controlling interests		4,260	414
Cash contribution from government		49	64
Additional investments in subsidiaries		–	(4)
Net cash generated from financing activities		31,801	34,562
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9,296)</b>	<b>13,448</b>
Cash and cash equivalents at beginning of year		81,238	68,003
Exchange losses on cash and cash equivalents		(119)	(213)
<b>Cash and cash equivalents at end of year</b>		<b>71,823</b>	<b>81,238</b>

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. ("CCCCG"), 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.

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 30 March 2015.

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

The preparation of financial statements in conformity with 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.

#### (a) Amended standards and interpretation adopted by the Group

The following amendments to standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2014.

##### *Changes effective for annual periods beginning on or after 1 January 2014*

Amendment to IAS 32 "Financial instruments: Presentation" on asset and liability offsetting

Amendments to IFRS 10, 12 and IAS 27 "Consolidation for investment entities"

Amendment to IAS 36, "Impairment of assets" on recoverable amount disclosures

Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" – "Novation of derivatives"

IFRIC 21 "Levies"

##### *Changes effective for transactions with transaction date on or after 1 July 2014*

Annual Improvements 2012, which includes changes to: IFRS 2, 3, IAS 37 and 39

The adoption of the above amended standards and interpretation 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.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.1 Basis of preparation (Continued)

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements.

	<b>Effective for accounting periods beginning on or after</b>
Amendment to IAS 19 regarding defined benefit plans	1 July 2014
Annual improvements 2012, which includes changes to: IFRS 8, IAS 16, 24 and 38	1 July 2014
Annual improvements 2013, which includes changes to: IFRS 3, 13 and IAS 40	1 July 2014
IFRS 14 'Regulatory Deferral Accounts'	1 January 2016
Amendment to IFRS 11 on accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 and 41 on bearer plants	1 January 2016
Amendments to IFRS 10 and IAS 28 on the sale or contribution of assets between an investor and its associates or joint venture	1 January 2016
Amendments to IAS 27 on the equity method	1 January 2016
Annual improvements 2014, which includes changes to: IFRS 5, 7, IAS 19 and 34	1 July 2016
IFRS 15 "Revenue from Contracts with Customers"	1 January 2017
IFRS 9 "Financial Instruments"	1 January 2018

# Notes to the consolidated financial statements (Continued)

## 2. Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

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

The Group has commenced an assessment of the related impact to the Group, and anticipates that the adoption of above new and amended standards will have no material impact on the results and financial position of the Group, except for the following set out below:

- IFRS 15, "Revenue from Contracts with Customers", establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contracts with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition. The standard is not effective until 1 January 2017. As the implementation of IFRS 15 is complex, the Group is yet to assess IFRS 15's full impact and will apply the new standard when it becomes effective.
- IFRS 9, "Financial instruments", has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.1 Basis of preparation (Continued)

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

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost, a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more “rule-based” approach of IAS 39.

The standard is not effective until 1 January 2018. The Group is yet to assess IFRS 9’s full impact and will apply the new standard when it becomes effective.

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.

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

## Notes to the consolidated financial statements (Continued)

### 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.

## Notes to the consolidated financial statements (Continued)

### 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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

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.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.2 Subsidiaries (Continued)

##### 2.2.1 Consolidation (Continued)

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

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

###### (c) Disposal of subsidiaries

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

##### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost 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.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.3 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 investments in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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 of associates" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates 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.

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



## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. 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 has. The Group has assessed the nature of its joint arrangements and determined that it has both joint ventures and joint operations.

##### 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. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. 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.

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

##### Joint operations

The Group recognises its direct rights to (and its share of) the jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the consolidated financial statements under the appropriate headings.

#### 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.

## Notes to the consolidated financial statements (Continued)

### 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 other comprehensive income 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".

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.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.6 Foreign currency translation (Continued)

##### (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.

##### (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.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 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	20-40 years
– Machinery	5-20 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.

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.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 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 the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. 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.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.10 Intangible assets (Continued)

##### (b) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents 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 identified net assets acquired.

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 CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs 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.

## Notes to the consolidated financial statements (Continued)

### 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, available for sale and held-to-maturity financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, if expected to be settled within 12 months; otherwise, they are classified as non-current.

##### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "restricted bank deposit" and "cash and cash equivalents" in the balance sheet.

##### (c) Available-for-sale financial assets

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

##### (d) Held-to-maturity financial assets

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

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.12 Financial assets (Continued)

##### 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 and held-to-maturity financial assets are subsequently 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.

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.



## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.14 Impairment of financial assets

##### (a) Assets carried at amortised cost

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

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 investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

##### (b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists 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 profit or loss. 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 profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, 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 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 profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 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, properties under development and held for sale, completed properties held for sale 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.

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs eligible for capitalisation incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion. Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

#### 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

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.

#### 2.19 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.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.20 Financial instruments classified as equity

Financial instruments issued by the Group are classified as equity instruments when all the following conditions have been met:

- (i) The financial instruments have no contracted obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavorable circumstance;
- (ii) The financial instruments will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a fixed number of its own equity instruments; if the financial is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Financial instruments classified as equity instruments are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, these financial instruments are measured at amortised cost using the effective interest method.

#### 2.21 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.

#### 2.22 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.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.23 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.

#### 2.24 Current and deferred income tax

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

##### (a) Current income tax

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

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.24 Current and deferred income tax (Continued)

##### (b) Deferred income tax (Continued)

###### *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.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

##### (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.

#### 2.25 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.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.25 Employee benefits (Continued)

##### (a) Pension obligations (Continued)

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses 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.

For defined contribution plans, the full-time employees of the Group in the PRC excluding Hong Kong and Macau ("Mainland China") are covered by the government-sponsored or privately administered pension plans under which the employees are entitled to a monthly pension based on certain formula. The Group pays contributions to these pension plans monthly, on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense as incurred.

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

##### (b) Other post-employment obligations

The Group provides 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 gains and losses 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.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.25 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.

#### 2.26 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.

#### 2.27 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 and intangible assets are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.28 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.



## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.29 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.

#### 2.30 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.

#### 2.31 Dividend income

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

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.32 Leases

##### 2.32.1 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. Lease income on operation leases is recognised over the term of the lease on a straight-line basis.

##### 2.32.2 Finance leases

**(a) As a lessee**

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.

**(b) As a lessor**

When assets are leased out by the Group under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to as the "actuarial method". The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

## Notes to the consolidated financial statements (Continued)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.33 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.

#### 2.34 Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks by the Group to secure loans. These guarantees in relation to loans are provided for no compensation.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement.

#### 2.35 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.

## Notes to the consolidated financial statements (Continued)

### 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 2014, denominated in foreign currencies, mainly United States Dollars ("USD"), are disclosed in Notes 16, 20, 24 and 25, 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 2014, 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 RMB450 million (2013: 5%, RMB351 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 2014 than 2013 mainly because of the increased amount of US dollar-denominated trade and other payables and borrowings.

## Notes to the consolidated financial statements (Continued)

### 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 in 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:

	2014	2013
Increases/decreases in quoted price in open markets	10%	10%

  

	2014 RMB million	2013 RMB million
Impact on post-tax profit for the year	16	19
Impact on equity attributable to owners of the Company for the year	2,028	1,247

##### (iii) Cash flow and fair value interest rate risk

The Group's and the Company's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group and the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2014 and 2013, the Group's borrowings at variable rate were mainly denominated in RMB, USD, Euro ("EUR"), Japanese Yen ("JPY") and Hong Kong Dollars ("HKD"). The Company's borrowings at variable rate were mainly denominated in RMB.

Borrowings obtained at fixed rates expose the Group and the Company to fair value interest rate risk.

Increases in interest rates will increase the cost of new borrowings and the interest expense with respect to the Group's and the Company's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's and the Company's financial position. Management continuously monitors the interest rate position of the Group and the Company, and makes decisions with reference to the latest market conditions. From time to time, the Group and the Company may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the Directors did not consider it was necessary to do so in 2014 and 2013.

## Notes to the consolidated financial statements (Continued)

### 3. Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (a) Market risk (Continued)

###### (iii) *Cash flow and fair value interest rate risk (Continued)*

As at 31 December 2014, approximately RMB70,988 million (2013: RMB110,030 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 25. As at 31 December 2014, 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 RMB109 million lower/higher (2013: 0.25 percentage-point higher/lower, RMB120 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2014, approximately RMB10,555 million (2013: RMB8,950 million) of the Company's borrowings were at variable rates. The interest rates and terms of repayment of the Company's borrowings are disclosed in Note 25. As at 31 December 2014, if interest rates on borrowings had been 0.25 percentage-point higher/lower with all other variables held constant, profit of the Company for the year would have been RMB78 million lower/higher (2013: 0.25 percentage-point higher/lower, RMB75 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

##### (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.

## Notes to the consolidated financial statements (Continued)

### 3. Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (b) Credit risk (Continued)

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 16.

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 good 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 25.

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.

## Notes to the consolidated financial statements (Continued)

### 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
<b>As at 31 December 2014</b>				
Borrowings (excluding finance lease liabilities)	98,715	36,124	60,198	83,092
Finance lease liabilities	737	564	1,395	541
Net-settled derivative financial instruments	7	6	6	–
Gross-settled derivative financial instruments				
– outflows	5,585	–	–	–
Gross-settled derivative financial instruments				
– inflows	(5,657)	–	–	–
Trade and other payables (excluding statutory and non-financial liabilities)	163,923	7,591	–	–
Financial guarantee contracts	–	–	133	394
	<b>263,310</b>	<b>44,285</b>	<b>61,732</b>	<b>84,027</b>
<b>As at 31 December 2013</b>				
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)	146,619	2,694	–	–
Financial guarantee contracts	–	–	115	147
	240,588	21,727	47,765	74,207



## Notes to the consolidated financial statements (Continued)

### 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
<b>As at 31 December 2014</b>				
Borrowings	26,028	2,802	16,451	7,937
Net-settled derivative financial instruments	-	1	1	-
Trade and other payables (excluding statutory and non-financial liabilities)	9,014	17	-	-
Financial guarantee contracts	5,391	3,571	809	12,597
	<b>40,433</b>	<b>6,391</b>	<b>17,261</b>	<b>20,534</b>
<b>As at 31 December 2013</b>				
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

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, associates 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.

## Notes to the consolidated financial statements (Continued)

### 3. Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (d) Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (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.

	2014 RMB million	2013 RMB million
Total borrowings (Note 25)	<b>228,835</b>	186,975
Less: Cash and cash equivalents (Note 20(b))	<b>(71,823)</b>	(81,238)
Net debt	<b>157,012</b>	105,737
Total equity	<b>131,612</b>	104,841
Total capital	<b>288,624</b>	210,578
Gearing ratio	<b>54%</b>	50%

The gearing ratio as at 31 December 2014 increased by 4% compared with that in 2013 primarily attributable to the increase in borrowings to meet the financing needs of projects.

## Notes to the consolidated financial statements (Continued)

### 3. Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (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 East 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 2014, 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 2013: 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.

#### 3.2 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).

## Notes to the consolidated financial statements (Continued)

### 3. Financial Risk Management (Continued)

#### 3.2 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>Assets</b>				
Financial assets at fair value through profit or loss	171	–	–	171
Derivative financial instruments – held for trading	–	26	–	26
Available-for-sale financial assets				
– Equity securities	20,275	–	–	20,275
– Other unlisted instruments	–	6,586	–	6,586
<b>Total assets</b>	<b>20,446</b>	<b>6,612</b>	<b>–</b>	<b>27,058</b>
<b>Liabilities</b>				
Derivative financial instruments – held for trading	–	(48)	–	(48)
<b>Total liabilities</b>	<b>–</b>	<b>(48)</b>	<b>–</b>	<b>(48)</b>

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
<b>Assets</b>				
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
<b>Total assets</b>	<b>12,662</b>	<b>4,324</b>	<b>–</b>	<b>16,986</b>
<b>Liabilities</b>				
Derivative financial instruments – held for trading	–	(11)	–	(11)
<b>Total liabilities</b>	<b>–</b>	<b>(11)</b>	<b>–</b>	<b>(11)</b>

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.

## Notes to the consolidated financial statements (Continued)

### 3. Financial Risk Management (Continued)

#### 3.2 Fair value estimation (Continued)

##### (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.

## Notes to the consolidated financial statements (Continued)

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

#### 4.2 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 2.11.

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.

#### 4.3 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.

Based on the latest assessment, the Group revised the criteria for grouping the receivables with similar credit risk characteristics. Where the impairment of trade and other receivables is provided for based on the ageing of these receivables, the group of ageing is refined and the proportion of impairment provision applied is also revised. The change in accounting estimates was approved in March 2014 by the Board of Directors, and adopted from 1 January 2014.

These changes in accounting estimates are expected to reduce the Group's impairment of trade and other receivables and then increase the Group's profit before income tax for the year ended 31 December 2014 by approximately RMB616 million.

#### 4.4 Impairment of available-for-sale equity investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of RMB107 million in the consolidated financial statements for the year ended 31 December 2014, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the consolidated income statement.

## Notes to the consolidated financial statements (Continued)

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

#### 4.5 Consolidation of entities in which the Company holds less than 50%

Management consider that the Company has de facto control of Shanghai Zhenhua Heavy Industry Co., Ltd. ("ZPMC") even though it has less than 50% of the voting rights. The Company is the majority shareholder of ZPMC with a 46.23% equity interest, while all other shareholders individually own less than 1% of its equity shares. There is no history of other shareholders forming a group to exercise their votes collectively.

#### 4.6 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.

#### 4.7 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).

#### 4.8 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 27.

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 (2013: RMB35 million) lower or RMB37 million (2013: RMB36 million) higher.

## Notes to the consolidated financial statements (Continued)

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

#### 4.9 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.

The Group revised the accounting estimates on the useful lives and residual value of property, plant and equipment to align with their actual useful lives and residual value. The change in accounting estimates was approved in March 2014 by the Board of Directors, and adopted from 1 January 2014.

The table below shows the details of estimated useful lives and estimated residual value of property, plant and equipment before and after 1 January 2014:

Category of property, plant and equipment	Before 1 January 2014			After 1 January 2014		
	Estimated Useful lives	Estimated residual value (%)	Annual depreciation rate (%)	Estimated Useful lives	Estimated residual value (%)	Annual depreciation rate (%)
Buildings	20-30 years	–	3.3-5	20-40 years	–	2.5-5
Machinery	5-10 years	–	10-20	5-20 years	–	5-20
Vessels	10-25 years	By reference to the price of scrap steel	n/a	10-25 years	5-10	3.6-9.5

These changes in accounting estimates are expected to reduce the Group's depreciation expense and then increase the Group's profit before income tax for the year ended 31 December 2014 by approximately RMB458 million.

### 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").



## Notes to the consolidated financial statements (Continued)

### 5. Segment Information (Continued)

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, available-for-sale financial assets and derivative financial instruments.

Segment liabilities comprise primarily payables and amounts due to customers for contract work. They exclude taxation, borrowings and derivative financial instruments.

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

## Notes to the consolidated financial statements (Continued)

### 5. Segment Information (Continued)

The segment results for the year ended 31 December 2014 and other segment items included in the consolidated financial statements are as follows:

For the year ended 31 December 2014

	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	299,192	21,086	27,838	26,733	4,192	(12,999)	366,042
Inter-segment revenue	(4,318)	(808)	(6,444)	(628)	(801)	12,999	-
<b>Revenue</b>	<b>294,874</b>	<b>20,278</b>	<b>21,394</b>	<b>26,105</b>	<b>3,391</b>	<b>-</b>	<b>366,042</b>
Segment result	15,637	2,591	2,644	1,843	9	(43)	22,681
Unallocated income							1,104
Operating profit							23,785
Finance income							3,588
Finance costs, net							(10,108)
Share of profit of joint ventures							81
Share of profit of associates							258
<b>Profit before income tax</b>							<b>17,604</b>
Income tax expense							(3,721)
<b>Profit for the year</b>							<b>13,883</b>
<b>Other segment items</b>							
Depreciation	4,881	221	881	1,234	31	-	7,248
Amortisation	559	31	22	93	44	-	749
Write-down of inventories	63	-	-	140	-	-	203
Provision for/(reversal of) foreseeable losses on construction contracts	438	-	(1)	325	-	-	762
(Reversal of)/provision for impairment of trade and other receivables	(175)	24	333	122	24	-	328

## Notes to the consolidated financial statements (Continued)

### 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	Design	Dredging	Heavy	Others	Elimination	Total
	RMB million	RMB million	RMB million	machinery	RMB million	RMB million	RMB million
				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	-
<b>Revenue</b>	<b>258,315</b>	<b>18,447</b>	<b>29,311</b>	<b>23,109</b>	<b>2,616</b>	<b>-</b>	<b>331,798</b>
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
<b>Profit before income tax</b>							<b>15,852</b>
Income tax expense							(3,580)
<b>Profit for the year</b>							<b>12,272</b>
<b>Other segment items</b>							
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 available-for-sale financial assets	150	-	-	-	-	-	150

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.

## Notes to the consolidated financial statements (Continued)

### 5. Segment Information (Continued)

The segment assets and liabilities at 31 December 2014 and capital expenditure for the year then ended are as follows:

As at 31 December 2014

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Segment assets	439,488	20,601	60,794	51,151	8,431	(21,111)	559,354
Investments in joint ventures							1,742
Investments in associates							7,988
Unallocated assets							61,096
<b>Total assets</b>							<b>630,180</b>
Segment liabilities	230,695	12,763	21,644	12,284	1,001	(20,760)	257,627
Unallocated liabilities							240,941
<b>Total liabilities</b>							<b>498,568</b>
Capital expenditure	48,234	408	1,649	1,332	30	-	51,653

Segment assets and liabilities at 31 December 2014 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	559,354	257,627
Investments in joint ventures	1,742	-
Investments in associates	7,988	-
Unallocated:		
Deferred income tax assets/liabilities	2,916	7,805
Current income tax liabilities	-	3,473
Current borrowings	-	91,034
Non-current borrowings	-	137,801
Available-for-sale financial assets	28,791	-
Other financial assets at fair value through profit or loss	171	-
Derivative financial instruments	26	48
Cash and other corporate assets/corporate liabilities	29,192	780
<b>Total</b>	<b>630,180</b>	<b>498,568</b>

## Notes to the consolidated financial statements (Continued)

### 5. Segment Information (Continued)

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	Design	Dredging	Heavy	Others	Elimination	Total
	RMB million	RMB million	RMB million	machinery	RMB million	RMB million	RMB million
				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
<b>Total assets</b>							<b>517,445</b>
Segment liabilities	185,972	10,661	23,470	5,899	2,063	(9,685)	218,380
Unallocated liabilities							194,224
<b>Total liabilities</b>							<b>412,604</b>
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	Liabilities
	RMB million	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
<b>Total</b>	<b>517,445</b>	<b>412,604</b>

## Notes to the consolidated financial statements (Continued)

### 5. Segment Information (Continued)

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

	2014 RMB million	2013 RMB million
PRC (excluding Hong Kong and Macau)	303,547	275,179
Other regions	62,495	56,619
	<b>366,042</b>	331,798

Non-current assets other than financial instruments, investments in joint ventures, investments in associates and deferred income tax assets located in the PRC and other regions is as follows:

	2014 RMB million	2013 RMB million
PRC (excluding Hong Kong and Macau)	158,189	115,616
Other regions	5,981	3,620
	<b>164,170</b>	119,236

Other regions primarily include countries in Africa, Middle East and South East Asia.

## Notes to the consolidated financial statements (Continued)

### 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 2013						
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)
<b>Net book amount</b>	<b>12,026</b>	<b>10,035</b>	<b>24,917</b>	<b>2,723</b>	<b>7,111</b>	<b>56,812</b>
Year ended 31 December 2013						
Opening net book amount	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 42(b))	(82)	(180)	(660)	(116)	–	(1,038)
Transfers	1,273	657	1,183	65	(3,178)	–
Disposal of a subsidiary	(431)	–	(69)	(12)	(9)	(521)
Transferred from investment properties (Note 8)	156	–	–	–	–	156
Depreciation charge (Note 32)	(571)	(1,887)	(3,074)	(2,003)	–	(7,535)
<b>Closing net book amount</b>	<b>12,537</b>	<b>10,282</b>	<b>23,578</b>	<b>3,423</b>	<b>5,799</b>	<b>55,619</b>
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)
<b>Net book amount</b>	<b>12,537</b>	<b>10,282</b>	<b>23,578</b>	<b>3,423</b>	<b>5,799</b>	<b>55,619</b>
Year ended 31 December 2014						
Opening net book amount	<b>12,537</b>	<b>10,282</b>	<b>23,578</b>	<b>3,423</b>	<b>5,799</b>	<b>55,619</b>
Additions	<b>244</b>	<b>2,645</b>	<b>1,016</b>	<b>2,498</b>	<b>3,564</b>	<b>9,967</b>
Transferred from inventories	–	–	–	–	<b>1,746</b>	<b>1,746</b>
Disposals (Note 42(b))	<b>(112)</b>	<b>(97)</b>	<b>(63)</b>	<b>(186)</b>	–	<b>(458)</b>
Acquisition of subsidiaries	<b>1,418</b>	<b>273</b>	<b>3</b>	–	<b>2,038</b>	<b>3,732</b>
Transfers	<b>1,193</b>	<b>1,120</b>	<b>163</b>	<b>(716)</b>	<b>(1,760)</b>	–
Transferred to investment properties (Note 8)	<b>(18)</b>	–	–	–	–	<b>(18)</b>
Depreciation charge (Note 32)	<b>(571)</b>	<b>(2,301)</b>	<b>(1,924)</b>	<b>(2,415)</b>	–	<b>(7,211)</b>
<b>Closing net book amount</b>	<b>14,691</b>	<b>11,922</b>	<b>22,773</b>	<b>2,604</b>	<b>11,387</b>	<b>63,377</b>
At 31 December 2014						
Cost	<b>19,631</b>	<b>25,638</b>	<b>43,901</b>	<b>8,952</b>	<b>11,387</b>	<b>109,509</b>
Accumulated depreciation	<b>(4,940)</b>	<b>(13,716)</b>	<b>(21,128)</b>	<b>(6,348)</b>	–	<b>(46,132)</b>
<b>Net book amount</b>	<b>14,691</b>	<b>11,922</b>	<b>22,773</b>	<b>2,604</b>	<b>11,387</b>	<b>63,377</b>

## Notes to the consolidated financial statements (Continued)

### 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 2013						
Cost	22	31	53	114	2	222
Accumulated depreciation	(5)	(31)	(42)	(95)	–	(173)
<b>Net book amount</b>	<b>17</b>	<b>–</b>	<b>11</b>	<b>19</b>	<b>2</b>	<b>49</b>
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
Year ended 31 December 2014						
Opening net book amount	<b>16</b>	<b>–</b>	<b>13</b>	<b>17</b>	<b>4</b>	<b>50</b>
Additions	–	–	5	4	–	9
Depreciation charge	(1)	–	(1)	(5)	–	(7)
Closing net book amount	<b>15</b>	<b>–</b>	<b>17</b>	<b>16</b>	<b>4</b>	<b>52</b>
At 31 December 2014						
Cost	<b>22</b>	<b>31</b>	<b>64</b>	<b>122</b>	<b>4</b>	<b>243</b>
Accumulated depreciation	<b>(7)</b>	<b>(31)</b>	<b>(47)</b>	<b>(106)</b>	<b>–</b>	<b>(191)</b>
<b>Net book amount</b>	<b>15</b>	<b>–</b>	<b>17</b>	<b>16</b>	<b>4</b>	<b>52</b>



## Notes to the consolidated financial statements (Continued)

### 6. Property, Plant and Equipment (Continued)

- (a) Depreciation of the Group's property, plant and equipment of RMB6,466 million (2013: RMB6,875 million) has been charged to cost of sales, RMB680 million (2013: RMB643 million) to administrative expenses and RMB65 million (2013: RMB17 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 RMB240 million (2013: RMB374 million) (Note 25).
- (c) As at 31 December 2014, 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 RMB4,383 million (2013: RMB4,532 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:

	2014 RMB million	2013 RMB million
Cost – Capitalised finance leases	5,617	5,309
Accumulated depreciation	(1,521)	(1,029)
Net book amount	<b>4,096</b>	4,280

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.

- (e) The category of machinery, vessels and vehicles and other equipment includes vehicles and equipment leased by the Group to third parties under operating leases with the following carrying amounts:

	2014 RMB million	2013 RMB million
Cost	4,115	3,330
Accumulated depreciation	(2,440)	(1,682)
Net book amount	<b>1,675</b>	1,648

## Notes to the consolidated financial statements (Continued)

### 7. Lease Prepayments – Group

	2014 RMB million	2013 RMB million
At 1 January		
Cost	9,454	8,993
Accumulated amortisation	(1,181)	(1,032)
<b>Net book amount</b>	<b>8,273</b>	<b>7,961</b>
For the year ended 31 December		
Opening net book amount	8,273	7,961
Additions	1,091	765
Disposals	(10)	(58)
Amortisation charge (Note 32)	(214)	(188)
Acquisition of subsidiaries (Note 45)	542	–
Disposal of a subsidiary	–	(207)
<b>Closing net book amount</b>	<b>9,682</b>	<b>8,273</b>
<b>At 31 December</b>		
Cost	11,074	9,454
Accumulated amortisation	(1,392)	(1,181)
<b>Net book amount</b>	<b>9,682</b>	<b>8,273</b>

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:

	2014 RMB million	2013 RMB million
Held on:		
Leases of over 50 years	552	537
Leases of between 10 to 50 years	9,130	7,736
	<b>9,682</b>	<b>8,273</b>

- (a) Amortisation of the Group's lease prepayments of RMB57 million (2013: RMB59 million) has been charged to cost of sales and RMB157 million (2013: RMB129 million) to administrative expenses.
- (b) As at 31 December 2014, 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 RMB418 million (2013: RMB228 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 RMB1,163 million (2013: RMB1,811 million) (Note 25).

## Notes to the consolidated financial statements (Continued)

### 8. Investment Properties – Group

	2014 RMB million	2013 RMB million
At 1 January		
Cost	1,009	1,227
Accumulated depreciation	(257)	(239)
<b>Net book amount</b>	<b>752</b>	<b>988</b>
For the year ended 31 December		
Opening net book amount	752	988
Transferred from/(to) property, plant and equipment (Note 6)	18	(156)
Disposals	–	(4)
Depreciation charge (Note 32)	(37)	(38)
Disposal of a subsidiary	–	(38)
<b>Closing net book amount</b>	<b>733</b>	<b>752</b>
At 31 December		
Cost	1,041	1,009
Accumulated depreciation	(308)	(257)
<b>Net book amount</b>	<b>733</b>	<b>752</b>
Fair value at end of the year (a)	<b>3,657</b>	<b>3,595</b>

- (a) As at 31 December 2014, 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 RMB3,260 million (2013: RMB3,128 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 RMB397 million (2013: RMB467 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 RMB135 million (2013: RMB138 million) was recognised as "other income" and depreciation of the Group's investment properties of RMB37 million (2013: RMB38 million) was recognised as "other expenses" in the consolidated income statement for the year ended 31 December 2014.
- (c) As at 31 December 2014, the Group had no unprovided contractual obligations for future repairs and maintenance (2013: Nil).

## Notes to the consolidated financial statements (Continued)

### 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 2013						
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 32)	(198)	–	(22)	(27)	(34)	(281)
Disposal of a subsidiary	–	–	–	(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
Year ended at						
31 December 2014						
Opening net book amount	<b>53,814</b>	<b>308</b>	<b>219</b>	<b>85</b>	<b>166</b>	<b>54,592</b>
Additions	<b>35,014</b>	–	<b>1</b>	<b>74</b>	<b>1</b>	<b>35,090</b>
Acquisition of subsidiaries (Note 45)	–	<b>1,229</b>	–	<b>2</b>	–	<b>1,231</b>
Amortisation charge (Note 32)	<b>(446)</b>	–	<b>(22)</b>	<b>(36)</b>	<b>(31)</b>	<b>(535)</b>
Closing net book amount	<b>88,382</b>	<b>1,537</b>	<b>198</b>	<b>125</b>	<b>136</b>	<b>90,378</b>
At 31 December 2014						
Cost	<b>89,425</b>	<b>1,537</b>	<b>368</b>	<b>306</b>	<b>266</b>	<b>91,902</b>
Accumulated amortisation	<b>(1,043)</b>	–	<b>(170)</b>	<b>(181)</b>	<b>(130)</b>	<b>(1,524)</b>
Net book amount	<b>88,382</b>	<b>1,537</b>	<b>198</b>	<b>125</b>	<b>136</b>	<b>90,378</b>

## Notes to the consolidated financial statements (Continued)

### 9. Intangible Assets

#### Company

	<b>Computer software</b>
	RMB million
Year ended at 31 December 2013	
Opening net book amount	13
Additions	10
Amortisation charge	(5)
Closing net book amount	18
<b>At 31 December 2013</b>	
Cost	43
Accumulated amortisation	(25)
Net book amount	18
Year ended at 31 December 2014	
Opening net book amount	<b>18</b>
Additions	<b>50</b>
Amortisation charge	<b>(8)</b>
Closing net book amount	<b>60</b>
<b>At 31 December 2014</b>	
Cost	<b>93</b>
Accumulated amortisation	<b>(33)</b>
Net book amount	<b>60</b>

- (a) As at 31 December 2014, concession assets represent assets under "Build-Operate-Transfer" service concession arrangements and mainly consist of toll roads in the PRC, with cost of RMB45,300 million (2013: RMB25,403 million) generating operating income and RMB44,125 million (2013: RMB29,008 million) under construction.
- (b) Amortisation of the Group's intangible assets of RMB452 million (2013: RMB206 million) has been charged to cost of sales, and RMB83 million (2013: RMB75 million) to administrative expenses.
- (c) Certain bank borrowings are secured by concession assets with carrying amount of approximately RMB57,388 million (2013: RMB28,548 million) (Note 25).

## Notes to the consolidated financial statements (Continued)

### 9. Intangible Assets (Continued)

- (d) Goodwill is allocated to the Group's CGUs identified in accordance with operating segment. The goodwill of the Group mainly relates to Construction and Heavy Machinery segments.
- (i) The goodwill relates to Construction arose in connection with the Group's acquisitions of Sanya Phoenix Island International Cruise Terminal Development Co., Ltd., Sanya Phoenix Island Development Co., Ltd., and Sanya Phoenix Island Real Estate Co., Ltd. in March and April 2014 (Note 45).
- (ii) The goodwill relates to Heavy Machinery mainly 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

	2014 RMB million	2013 RMB million
<b>Non-current assets</b>		
Listed investments, at cost	6,671	6,671
Unlisted investments, at cost	94,306	85,204
	<b>100,977</b>	91,875
Quoted market value of listed investments	<b>9,277</b>	4,480
<b>Current assets</b>		
Loans to subsidiaries (Note a)	26,881	17,897
Amounts due from subsidiaries (Note b)	8,519	4,164
<b>Current liabilities</b>		
Amounts due to subsidiaries (Note c)	<b>32,463</b>	33,361

- (a) The loans to subsidiaries are unsecured, repayable within 1 year, and bear interest at rates ranging from 5.04% to 5.54% (2013: 5.00% 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 3.03% (2013: 0.39% to 3.30%) per annum.
- (d) Details of the principal subsidiaries as at 31 December 2014 are shown in Note 47.

## Notes to the consolidated financial statements (Continued)

### 10. Subsidiaries – Company (Continued)

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

The total non-controlling interests as at 31 December 2014 was RMB15,081 million, of which RMB7,873 million is for ZPMC, and RMB3,002 million is for CCCC (Beijing) Equity Investment Fund LLP. The non-controlling interests in respect of other subsidiaries are not material.

#### Financial information on subsidiaries with material non-controlling interests

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

	2014 RMB million	2013 RMB million
<b>Current</b>		
Assets	27,332	26,880
Liabilities	(34,326)	(28,276)
<b>Total current net liabilities</b>	<b>(6,994)</b>	<b>(1,396)</b>
<b>Non-current</b>		
Assets	28,834	22,296
Liabilities	(6,863)	(6,210)
<b>Total non-current net assets</b>	<b>21,971</b>	<b>16,086</b>
<b>Net assets</b>	<b>14,977</b>	<b>14,690</b>

##### Summarised income statement

	2014 RMB million	2013 RMB million
Revenue	25,069	23,202
Profit before income tax	163	120
Income tax expense	25	56
Post-tax profit	188	176
Other comprehensive income	71	71
Total comprehensive income	259	247
Total comprehensive income allocated to Non-controlling interests	(51)	(6)
Dividends paid to Non-controlling interests	–	–

## Notes to the consolidated financial statements (Continued)

### 10. Subsidiaries – Company (Continued)

#### (e) Material non-controlling interests (Continued)

##### Financial information on subsidiaries with material non-controlling interests (Continued)

###### Summarised cash flows

	2014 RMB million	2013 RMB million
<b>Cash flows from operating activities</b>		
Cash (used)/generated from operations	(586)	1,157
Income tax paid	(287)	(218)
Net cash (used)/generated from operating activities	(873)	939
Net cash used in investing activities	(1,680)	(2,688)
Net cash generated from financing activities	1,272	2,544
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,281)</b>	<b>795</b>
Cash and cash equivalents at beginning of year	3,153	2,358
Exchange losses on cash and cash equivalents	(3)	–
Cash and cash equivalents at end of year	1,869	3,153

Set out below are the financial information for CCCC (Beijing) Equity Investment Fund LLP in which there is non-controlling interests that are material to the Group.

###### Summarised balance sheet

	2014 RMB million	2013 RMB million
<b>Current</b>		
Assets	3,756	–
Liabilities	(3)	–
<b>Total current net assets</b>	<b>3,753</b>	<b>–</b>
<b>Net assets</b>	<b>3,753</b>	<b>–</b>

###### Summarised income statement

	2014 RMB million	2013 RMB million
Revenue	21	–
Profit before income tax	9	–
Post-tax profit	9	–
Total comprehensive income	9	–
Total comprehensive income allocated to Non-controlling interests	6	–
Dividends paid to Non-controlling interests	–	–



## Notes to the consolidated financial statements (Continued)

### 10. Subsidiaries – Company (Continued)

#### (e) Material non-controlling interests (Continued)

##### Financial information on subsidiaries with material non-controlling interests (Continued)

###### Summarised cash flows

	2014 RMB million	2013 RMB million
<b>Cash flows from operating activities</b>		
Cash used in operations	(10)	–
Net cash used in operating activities	(10)	–
Net cash used in investing activities	(3,729)	–
Net cash generated from financing activities	3,745	–
<b>Net increase in cash and cash equivalents</b>	<b>6</b>	<b>–</b>
Cash and cash equivalents at beginning of year	–	–
Cash and cash equivalents at end of year	6	–

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

### 11. Unconsolidated structured entities managed by the Group

The Group invested in several funds (“Investee Funds”) which were mainly engaged in infrastructure construction and property development activities. These Investee Funds were established in the form of Limited Liability Partnership (the “LLP”). The Group, together with some other unrelated asset managers, acted as general partners of the LLP and applied various investment strategies to accomplish the respective investment objectives of these Investee Funds. A number of trust funds acted as limited partners of the LLP and finance the operation activities of these Investee Funds.

The Directors of the Company are of the opinion that the Group did not have sufficient ability to affect the variable returns through its power over the Investee Funds and therefore, these Investee Funds were deemed as structured entities and were not consolidated by the Group.

As at 31 December 2014, the total assets of these unconsolidated structured entities amounted to RMB1,376 million (2013: nil).

The exposure to the Group’s investments in the unconsolidated structured entities as at 31 December 2014 is disclosed in the following table.

	2014 RMB million	2013 RMB million
Available-for-sale financial assets	63	–
Investments in joint ventures	2	–
	<b>65</b>	<b>–</b>

As at 31 December 2014, there was no contractual liquidity arrangements, guarantees or other commitments between the Group and the Investee Funds.

## Notes to the consolidated financial statements (Continued)

### 12. Investments accounted for using the equity method

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

	Group	
	2014 RMB million	2013 RMB million
Associates	7,988	6,780
Joint ventures	1,742	1,019
	<b>9,730</b>	7,799

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

	Group	
	2014 RMB million	2013 RMB million
Associates	258	157
Joint ventures	81	65
	<b>339</b>	222

#### (a) Investments in associates

	Group	
	2014 RMB million	2013 RMB million
<b>At 1 January</b>	<b>6,780</b>	3,811
Additions	1,346	2,948
Disposals	(169)	(120)
Disposal of a subsidiary	–	(46)
Share of profit or loss, net	258	157
Dividend distribution	(35)	(3)
Transferred to Available-for-sale financial assets, due to loss of significant influence (Note 15)	(192)	–
Transferred from joint ventures	–	33
<b>At 31 December</b>	<b>7,988</b>	6,780

- (i) The Directors are of the opinion that all of the associates are individually immaterial to the Group.
- (ii) All of the associates of the Group are unlisted and there is no quoted market price available for their shares.
- (iii) The Group acts as the guarantors for various external borrowings made by certain associates amounted to RMB358 million (2013: RMB119 million).

## Notes to the consolidated financial statements (Continued)

### 12. Investments accounted for using the equity method (Continued)

#### (b) Investments in joint ventures

	Group	
	2014 RMB million	2013 RMB million
<b>At 1 January</b>	<b>1,019</b>	1,052
Additions	<b>663</b>	258
Disposals	<b>(3)</b>	(38)
Disposal of a subsidiary	–	(148)
Transferred to associates, due to loss of joint control	–	(33)
Transferred to subsidiaries	–	(124)
Share of profit or loss, net	<b>81</b>	65
Dividend distribution	<b>(18)</b>	(13)
<b>At 31 December</b>	<b>1,742</b>	1,019

- (i) In the opinion of the Directors, none of the joint ventures is individually material to the Group as at 31 December 2014.
- (ii) All of the joint ventures of the Group are unlisted and there is no quoted market price available for their shares.
- (iii) The Group acts as the guarantors for various external borrowings made by certain joint ventures amounted to RMB149 million (2013: RMB143 million).
- (iv) There is no contingent liability relating to the Group's interest in its joint ventures and there is no material contingent liability of the joint ventures themselves.

### 13. Joint operations

The Group has the following interests in joint operations:

Name of arrangement	Principal activity	Country/Region	Ownership interests	
			31 December 2014 %	31 December 2013 %
Hong Kong-Zhuhai-Macau Bridge Link Road (Section between HKSAR Boundary and Scenic Hill)	Construction	Hong Kong	<b>40.00</b>	40.00
Toll Road Development of Medan-Kualanamu, Indonesia	Construction	Indonesia	<b>37.50</b>	37.50
Tuen Mun-Chek Lap Kok Link-Northern Connection Toll Plaza and Associated Works	Construction	Hong Kong	<b>51.00</b>	–

## Notes to the consolidated financial statements (Continued)

### 14. 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
<b>Assets as per consolidated balance sheet</b>				
<b>31 December 2014</b>				
Available-for-sale financial assets (Note 15)	–	–	28,791	28,791
Derivative financial instruments (Note 19)	–	26	–	26
Other financial assets at fair value through profit or loss	–	171	–	171
Trade and other receivables excluding prepayments (Note 16)	209,039	–	–	209,039
Cash and bank balances (Note 20)	78,040	–	–	78,040
<b>Total</b>	<b>287,079</b>	<b>197</b>	<b>28,791</b>	<b>316,067</b>
<b>31 December 2013</b>				
Available-for-sale financial assets (Note 15)	–	–	18,116	18,116
Derivative financial instruments (Note 19)	–	121	–	121
Other financial assets at fair value through profit or loss	–	191	–	191
Trade and other receivables excluding prepayments (Note 16)	170,076	–	–	170,076
Cash and bank balances (Note 20)	85,487	–	–	85,487
<b>Total</b>	<b>255,563</b>	<b>312</b>	<b>18,116</b>	<b>273,991</b>

## Notes to the consolidated financial statements (Continued)

### 14. Financial Instruments by Category (Continued)

#### Group

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
<b>Liabilities as per consolidated balance sheet</b>			
<b>31 December 2014</b>			
Borrowings (excluding finance lease liabilities) (Note 25)	–	226,130	226,130
Finance lease liabilities (Note 25)	–	2,705	2,705
Derivative financial instruments (Note 19)	48	–	48
Trade and other payables excluding statutory and non-financial liabilities (Note 24)	–	170,872	170,872
<b>Total</b>	<b>48</b>	<b>399,707</b>	<b>399,755</b>
<b>31 December 2013</b>			
Borrowings (excluding finance lease liabilities) (Note 25)	–	183,818	183,818
Finance lease liabilities (Note 25)	–	3,157	3,157
Derivative financial instruments (Note 19)	11	–	11
Trade and other payables excluding statutory and non-financial liabilities (Note 24)	–	148,745	148,745
<b>Total</b>	<b>11</b>	<b>335,720</b>	<b>335,731</b>

## Notes to the consolidated financial statements (Continued)

### 14. 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
<b>Assets as per balance sheet</b>				
<b>31 December 2014</b>				
Available-for-sale financial assets (Note 15)	–	–	13,903	13,903
Trade and other receivables excluding prepayments (Note 16)	10,897	–	–	10,897
Loans to subsidiaries (Note 10)	26,881	–	–	26,881
Amounts due from subsidiaries (Note 10)	8,519	–	–	8,519
Cash and bank balances (Note 20)	18,806	–	–	18,806
<b>Total</b>	<b>65,103</b>	<b>–</b>	<b>13,903</b>	<b>79,006</b>
<b>31 December 2013</b>				
Available-for-sale financial assets (Note 15)	–	–	7,957	7,957
Trade and other receivables excluding prepayments (Note 16)	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 20)	25,227	–	–	25,227
<b>Total</b>	<b>54,322</b>	<b>–</b>	<b>7,957</b>	<b>62,279</b>

## Notes to the consolidated financial statements (Continued)

### 14. Financial Instruments by Category (Continued)

#### Company

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
<b>Liabilities as per balance sheet</b>			
<b>31 December 2014</b>			
Borrowings (Note 25)	–	47,195	47,195
Amounts due to subsidiaries (Note 10)	–	32,463	32,463
Derivative financial instruments (Note 19)	2	–	2
Trade and other payables excluding statutory and non-financial liabilities (Note 24)	–	11,465	11,465
<b>Total</b>	<b>2</b>	<b>91,123</b>	<b>91,125</b>
<b>31 December 2013</b>			
Borrowings (Note 25)	–	41,650	41,650
Amounts due to subsidiaries (Note 10)	–	33,361	33,361
Derivative financial instruments (Note 19)	2	–	2
Trade and other payables excluding statutory and non-financial liabilities (Note 24)	–	9,616	9,616
<b>Total</b>	<b>2</b>	<b>84,627</b>	<b>84,629</b>

### 15. Available-for-sale Financial Assets

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
<b>At 1 January</b>	<b>18,116</b>	15,962	<b>7,957</b>	8,413
Fair value gains/(losses)	<b>8,554</b>	(951)	<b>6,061</b>	(575)
Release of investment revaluation upon disposal of available-for-sale financial assets	<b>(941)</b>	(338)	–	(1)
Additions	<b>9,237</b>	8,976	<b>53</b>	621
Transferred from investments in associates (Note 12)	<b>192</b>	–	–	–
Disposals	<b>(6,367)</b>	(5,532)	<b>(168)</b>	(500)
Transferred to National Social Security Fund (Note 23)	–	(1)	–	(1)
<b>At 31 December</b>	<b>28,791</b>	18,116	<b>13,903</b>	7,957
Less: non-current portion	<b>(22,205)</b>	(13,913)	<b>(13,903)</b>	(7,957)
<b>Current portion</b>	<b>6,586</b>	4,203	–	–

## Notes to the consolidated financial statements (Continued)

### 15. Available-for-sale Financial Assets (Continued)

Available-for-sale financial assets include the following:

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
<b>Non-current</b>				
Listed equity securities, at fair value (Note b)				
– Mainland China	20,151	12,403	13,885	7,824
– Hong Kong	124	68	–	–
Unlisted equity investments, at cost (Note c)	1,930	1,442	18	133
	<b>22,205</b>	13,913	<b>13,903</b>	7,957
<b>Current</b>				
Other unlisted instruments, at fair value (Note d)	6,586	4,203	–	–
	<b>28,791</b>	18,116	<b>13,903</b>	7,957
Market value of listed securities	<b>20,275</b>	12,471	<b>13,885</b>	7,824

- (a) The Group reclassified available-for-sale investments gains, net of deferred tax, of RMB741 million (2013: RMB254 million) upon disposal from other comprehensive income to consolidated income statement. The Group did not provide any impairment for available-for-sale financial assets during the year of 2014 (2013: RMB113 million, net of deferred tax).
- (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 these securities 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 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 2014, bank borrowings are secured by certain unlisted debt instruments with carrying amount of approximately RMB2,063 million (31 December 2013: RMB3,980 million) (Note 25).
- (e) Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
RMB	28,347	17,730	13,903	7,957
HKD	162	105	–	–
USD	282	281	–	–
	<b>28,791</b>	18,116	<b>13,903</b>	7,957



## Notes to the consolidated financial statements (Continued)

### 16. Trade and Other Receivables

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Trade and bills receivables (a)	63,693	62,153	3,215	3,035
Less: Provision for impairment	(4,161)	(3,802)	(66)	(39)
Trade and bills receivables – net	59,532	58,351	3,149	2,996
Prepayments	17,597	14,826	4,813	5,612
Retentions	47,335	36,710	4,438	2,509
Deposits	20,707	18,766	131	448
Other receivables	27,601	16,976	2,736	619
Staff advances	810	740	10	11
Long-term receivables	53,054	38,533	433	451
	226,636	184,902	15,710	12,646
<b>Less: non-current portion</b>				
– Retentions	(26,337)	(19,162)	(3,529)	(634)
– Deposits	(3,360)	(3,514)	–	–
– Long-term receivables	(44,928)	(31,012)	(433)	(451)
– Prepayments for equipment	(1,277)	(1,344)	(300)	(300)
	(75,902)	(55,032)	(4,262)	(1,385)
<b>Current portion</b>	<b>150,734</b>	<b>129,870</b>	<b>11,448</b>	<b>11,261</b>

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Within 6 months	45,715	48,147	2,719	2,447
6 months to 1 year	5,161	5,865	61	484
1 year to 2 years	7,133	4,762	356	103
2 years to 3 years	2,871	1,603	79	–
Over 3 years	2,813	1,776	–	1
	63,693	62,153	3,215	3,035

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

## Notes to the consolidated financial statements (Continued)

### 16. Trade and Other Receivables (Continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Trade and bills receivables	59,532	58,351	3,149	2,996
Retentions	47,361	36,741	4,442	2,513
Deposits	20,710	18,778	131	448
Other receivables	27,601	16,976	2,736	619
Staff advances	810	740	10	11
Long-term receivables	53,085	38,576	433	451
	<b>209,099</b>	170,162	<b>10,901</b>	7,038

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 6.00% to 6.55% per annum as at 31 December 2014 (2013: ranging from 6.15% to 6.55%) available to the Group for similar financial instruments. The fair values are within level 3 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 2014, retentions, deposits and long-term receivables of the Group totalling RMB113,563 million (2013: RMB93,017 million) were neither past due nor impaired, and RMB8,166 million (2013: RMB1,559 million) were past due/partially impaired with the provision of RMB633 million (2013: RMB567 million). These receivables of the Company amounting to RMB5,002 million (2013: RMB3,408 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 2014, relevant trade receivables, with recourse factoring clauses in the agreements, amounted to RMB1,374 million (2013: RMB2,817 million). In the opinion of the Directors, such transactions did not qualify for derecognition and were accounted for as secured borrowings (Note 25). In addition, as at 31 December 2014, trade receivables of RMB13,058 million (2013: RMB13,293 million) had been transferred to the banks in accordance with relevant non-recourse factoring agreements. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.
- (e) As at 31 December 2014, bills receivables – bank acceptance notes of RMB22 million (2013: RMB41 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 2014, bills receivables – bank acceptance notes of RMB2,057 million (2013: RMB1,206 million) were endorsed to suppliers, and RMB860 million (2013: RMB340 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.

## Notes to the consolidated financial statements (Continued)

### 16. Trade and Other Receivables (Continued)

- (f) As of 31 December 2014, trade and bills receivables of the Group amounting to RMB4,321 million (2013: RMB4,732 million) were neither past due nor impaired. Trade and bills receivables of the Company amounting to RMB1 million (2013: RMB173 million) were neither past due nor impaired as of 31 December 2014.
- (g) As of 31 December 2014, trade and bills receivables of RMB40,671 million (2013: RMB47,154 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 RMB2,673 million (2013: RMB2,773 million) were past due but not impaired as of 31 December 2014. The ageing analysis of these trade and bills receivables is as follows:

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Within 6 months	<b>38,564</b>	41,782	<b>2,640</b>	2,677
6 months to 1 year	<b>498</b>	2,887	<b>7</b>	56
1 year to 2 years	<b>1,013</b>	1,779	<b>26</b>	24
2 years to 3 years	<b>493</b>	370	–	16
Over 3 years	<b>103</b>	336	–	–
	<b>40,671</b>	47,154	<b>2,673</b>	2,773

- (h) As of 31 December 2014, trade and bills receivables of RMB18,701 million (2013: RMB10,267 million) were impaired and provided for. The provision amounted to RMB4,161 million as of 31 December 2014 (2013: RMB3,802 million). The amount of individually impaired receivables was RMB3,077 million (2013: RMB751 million) with the provision of RMB829 million (2013: RMB542 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 2014, trade and bills receivables of the Company amounting to RMB541 million (2013: RMB89 million) were impaired and provided for. The provision of the Company amounted to RMB66 million (2013: 39 million). The amount of individually impaired receivables of the Company was RMB219 million (2013: RMB65 million) with the provision of RMB34 million (2013: RMB19 million). The ageing analysis of these receivables (net of impairment provision) is as follows:

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Within 6 months	<b>3,998</b>	1,751	<b>389</b>	5
6 months to 1 year	<b>4,441</b>	2,198	<b>54</b>	–
1 year to 2 years	<b>3,943</b>	1,656	–	–
2 years to 3 years	<b>1,499</b>	625	–	45
Over 3 years	<b>659</b>	235	<b>32</b>	–
	<b>14,540</b>	6,465	<b>475</b>	50

## Notes to the consolidated financial statements (Continued)

### 16. Trade and Other Receivables (Continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
<b>At 1 January</b>	<b>3,802</b>	2,964	<b>39</b>	21
Provision for the year	<b>1,648</b>	1,826	<b>47</b>	18
Receivables written off during the year as uncollectible	<b>(28)</b>	(10)	–	–
Released	<b>(1,261)</b>	(978)	<b>(20)</b>	–
<b>At 31 December</b>	<b>4,161</b>	3,802	<b>66</b>	39

The provision and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement. 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	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
RMB	<b>206,886</b>	169,302	<b>13,058</b>	10,954
USD	<b>11,142</b>	8,928	<b>303</b>	334
Central African CFA Franc BEAC	<b>1,558</b>	931	–	–
Qatar Riyal	<b>860</b>	929	–	–
Saudi Riyal	<b>1,210</b>	905	–	–
United Arab Emirates Dirham	<b>642</b>	758	–	–
EUR	<b>405</b>	547	<b>1,468</b>	1,155
Other currencies	<b>3,933</b>	2,602	<b>881</b>	203
	<b>226,636</b>	184,902	<b>15,710</b>	12,646

As at 31 December 2014, other currencies mainly comprised of Macanese Pataca, HKD and Libyan Dinar.

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

## Notes to the consolidated financial statements (Continued)

### 16. Trade and Other Receivables (Continued)

(l) Receivables generated from finance leases

	2014	2013
	RMB million	RMB million
<b>Non-current receivables</b>		
Finance leases – gross receivables	675	–
Unearned finance income	(71)	–
<b>Net investment in finance leases</b>	<b>604</b>	<b>–</b>

(m) Receivables generated from operating leases

The Group rents out various offices, machinery, vessels and vehicles and other equipment 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

	2014	2013
	RMB million	RMB million
No later than 1 year	242	147
Later than 1 year and no later than 5 years	248	278
Later than 5 years	218	276
	<b>708</b>	<b>701</b>

The Company has no receivables generated from operating leases.

### 17. Inventories

	Group		Company	
	2014	2013	2014	2013
	RMB million	RMB million	RMB million	RMB million
Raw materials	18,119	16,284	5	–
Work in progress	1,988	3,508	–	–
Properties under development and held for sale (a)	21,153	10,909	336	336
Completed properties held for sale (b)	3,973	1,513	–	–
Finished goods	916	636	–	–
	<b>46,149</b>	<b>32,850</b>	<b>341</b>	<b>336</b>

Bank borrowings are secured by certain properties under development and held for sale and completed properties held for sale with an aggregate book carrying amount of approximately RMB2,189 million (2013: RMB661 million) (Note 25).

## Notes to the consolidated financial statements (Continued)

### 17. Inventories (Continued)

#### (a) Properties under development and held for sale

	Group	
	2014	2013
	RMB million	RMB million
As at 1 January	10,909	5,750
Additions	6,692	6,981
Acquisition of subsidiaries (Note 45)	5,292	–
Properties completed during the year	(1,740)	(1,822)
As at 31 December	21,153	10,909

	Group	
	2014	2013
	RMB million	RMB million
Properties under development and held for sale comprise:		
Land use rights	11,552	8,122
Construction cost	8,568	2,120
Finance cost capitalised	1,033	667
	21,153	10,909
Land use rights:		
In the PRC (excluding Hongkong and Macau), held on leases of:		
– Between 10-50 years	4,291	3,227
– Over 50 years	6,541	4,188
	10,832	7,415
In other regions, held on leases of:		
– Over 50 years	720	707
	720	707

All of the properties under development are expected to be completed within the Group's normal operating cycle and are included under current assets.

## Notes to the consolidated financial statements (Continued)

### 17. Inventories (Continued)

#### (b) Completed properties held for sale

	Group	
	2014 RMB million	2013 RMB million
As at 1 January	1,513	743
Additions	1,740	1,822
Acquisition of subsidiaries (Note 45)	2,047	–
Properties sold during the year	(1,327)	(1,052)
As at 31 December	3,973	1,513

### 18. Contract Work-in-progress

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Contract costs incurred and recognised profit (less recognised losses)	1,435,934	1,224,864	87,984	81,235
Less: progress billings	(1,382,296)	(1,173,829)	(84,974)	(79,082)
	53,638	51,035	3,010	2,153
Representing:				
Amounts due from customers for contract work	73,223	66,131	4,211	3,165
Amounts due to customers for contract work	(19,585)	(15,096)	(1,201)	(1,012)
	53,638	51,035	3,010	2,153

	Group	
	Year ended 31 December	
	2014 RMB million	2013 RMB million
Contract revenue recognised as revenue in the year	331,096	302,767

## Notes to the consolidated financial statements (Continued)

### 19. Derivative Financial Instruments

#### Group

	2014		2013	
	Assets RMB million	Liabilities RMB million	Assets RMB million	Liabilities RMB million
Forward foreign exchange contracts				
– held for trading	26	(48)	121	(11)

#### Company

	2014		2013	
	Assets RMB million	Liabilities RMB million	Assets RMB million	Liabilities RMB million
Forward foreign exchange contracts				
– held for trading	–	(2)	–	(2)

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2014 were RMB5,675 million (2013: RMB3,957 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.

### 20. Cash and Bank Balances

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Restricted bank deposits (a)	6,217	4,249	98	1
Cash and cash equivalents (b)	71,823	81,238	18,708	25,226
	78,040	85,487	18,806	25,227

- (a) As at 31 December 2014, restricted bank deposits mainly included deposits for issuance of bank acceptance notes, performance bonds, letters of credit to customers, term deposits with initial term of over three months and mandatory reserve deposits placed with People's Bank of China by CCCC Finance Company Limited.



## Notes to the consolidated financial statements (Continued)

### 20. Cash and Bank Balances (Continued)

#### (b) Cash and cash equivalents

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Cash on hand	176	162	1	2
Bank deposits				
– Term deposits with initial term of over three months	–	2,713	–	616
– Other bank deposits	71,647	78,363	18,707	24,608
<b>Cash and cash equivalents</b>	<b>71,823</b>	<b>81,238</b>	<b>18,708</b>	<b>25,226</b>

- (i) 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.
- (ii) The weighted average effective interest rate on bank deposits was 0.61% per annum as at 31 December 2014 (2013: 0.91% per annum).

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
– RMB	54,553	65,816	16,344	21,263
– USD	15,841	11,991	1,846	3,237
– Central African CFA Franc BEAC	1,365	335	200	175
– Angolan Kwanza	1,024	984	310	472
– Saudi Riyal	697	214	–	–
– EUR	633	1,429	–	–
– HKD	485	303	–	–
– Pakistani Rupee	211	1,848	–	56
– Papua New Guinea Kina	203	162	–	24
– Singapore Dollar	192	214	–	–
– Others	2,836	2,191	106	–
	<b>78,040</b>	<b>85,487</b>	<b>18,806</b>	<b>25,227</b>

- (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 2014, less than 5% (2013: less than 4%) 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.

## Notes to the consolidated financial statements (Continued)

### 21. Share Capital and Premium

	2014		2013	
	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
<b>At 31 December</b>	<b>16,174,735</b>	<b>16,174,735</b>	16,174,735	16,174,735

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 2014, the Company's share capital was RMB16,174,735,425 (2013: 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.

### 22. Financial instruments classified as equity

As approved by National Association of Financial Market Institutional Investors ("NAFMII"), a tranche of medium term notes (the "MTN") was issued by the Company on 18 December 2014, with a nominal value of RMB5,000 million. There is no maturity date for the MTN and the holders have no right to receive a return of principal. The initial interest rate of the MTN was 6% per annum, which will be reset once in every five years since the issuance date. Pursuant to the terms of the MTN, the Company may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred.

The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the MTN, and the MTN should be classified as equity.

## Notes to the consolidated financial statements (Continued)

### 23. Other Reserves

#### Group

	Capital reserve RMB million	Statutory surplus reserve RMB million	General 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	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	-	-	-	-	(254)	-	-	-	(254)
Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets	-	-	-	-	113	-	-	-	113
Actuarial gains on retirement benefit obligations	-	-	-	132	-	-	-	-	132
Cash contribution from government (Note a)	63	-	-	-	-	-	-	-	63
Acquisition of a subsidiary	(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)	-	-	-	-	-	-	-	(1)	(1)
2012 final dividend	-	-	-	-	-	-	-	(2,988)	(2,988)
Transfer to statutory surplus reserve (Note b)	-	1,107	-	-	-	-	-	(1,107)	-
Transfer to general reserve (Note c)	-	-	54	-	-	-	-	(54)	-
Transfer to safety reserve (Note d)	-	-	-	-	-	140	-	(140)	-
<b>At 31 December 2013</b>	<b>464</b>	<b>2,516</b>	<b>54</b>	<b>8</b>	<b>7,015</b>	<b>1,448</b>	<b>(43)</b>	<b>47,568</b>	<b>59,030</b>

## Notes to the consolidated financial statements (Continued)

### 23. Other Reserves (Continued)

#### Group (Continued)

	Capital reserve (Note a) RMB million	Statutory surplus reserve RMB million	General 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 2014	464	2,516	54	8	7,015	1,448	(43)	47,568	59,030
Profit for the year	-	-	-	-	-	-	-	13,985	13,985
Currency translation differences	-	-	-	-	-	-	(4)	-	(4)
Changes in fair value of available-for-sale financial assets, net of deferred tax	-	-	-	-	6,360	-	-	-	6,360
Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax	-	-	-	-	(579)	-	-	-	(579)
Actuarial gains on retirement benefit obligations, net of deferred tax	-	-	-	(91)	-	-	-	-	(91)
Cash contribution from government (Note a)	48	-	-	-	-	-	-	-	48
2013 final dividend	-	-	-	-	-	-	-	(3,035)	(3,035)
Transfer to statutory surplus reserve (Note b)	-	948	-	-	-	-	-	(948)	-
Transfer to general reserve (Note c)	-	-	54	-	-	-	-	(54)	-
Transfer to safety reserve (Note d)	-	-	-	-	-	2	-	(2)	-
<b>At 31 December 2014</b>	<b>512</b>	<b>3,464</b>	<b>108</b>	<b>(83)</b>	<b>12,796</b>	<b>1,450</b>	<b>(47)</b>	<b>57,514</b>	<b>75,714</b>

## Notes to the consolidated financial statements (Continued)

### 23. 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 2013	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)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	-	-	-	(1)	-	1	-
Actuarial gains on retirement benefit obligations, net of deferred tax	-	-	12	-	-	-	12
Disposal of joint ventures	(40)	-	-	-	-	-	(40)
Disposal of a subsidiary	(34)	-	-	-	-	30	(4)
Transfer to National Social Security Fund (Note e)	-	-	-	-	-	(2)	(2)
2012 final dividend	-	-	-	-	-	(2,988)	(2,988)
Transfer to statutory surplus reserve (Note b)	-	1,107	-	-	-	(1,107)	-
<b>At 31 December 2013</b>	<b>21,170</b>	<b>2,520</b>	<b>53</b>	<b>4,698</b>	<b>6</b>	<b>9,818</b>	<b>38,265</b>

	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 2014	<b>21,170</b>	<b>2,520</b>	<b>53</b>	<b>4,698</b>	<b>6</b>	<b>9,818</b>	<b>38,265</b>
Profit for the year	-	-	-	-	-	9,414	9,414
Changes in fair value of available-for-sale financial assets, net of deferred tax	-	-	-	4,546	-	-	4,546
Actuarial losses on retirement benefit obligations, net of deferred tax	-	-	(3)	-	-	-	(3)
2013 final dividend	-	-	-	-	-	(3,035)	(3,035)
Transfer to statutory surplus reserve (Note b)	-	948	-	-	-	(948)	-
<b>At 31 December 2014</b>	<b>21,170</b>	<b>3,468</b>	<b>50</b>	<b>9,244</b>	<b>6</b>	<b>15,249</b>	<b>49,187</b>

## Notes to the consolidated financial statements (Continued)

### 23. 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.

As at 31 December 2014, in accordance with relevant regulations issued by the Ministry of Finance, cash contribution from government of RMB49 million cannot be distributed as dividend (2013: 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 2014, the Board of Directors proposed appropriation 10% (2013: 10%) of the Company's profit after tax as determined under the PRC GAAP, of RMB948 million (2013: RMB1,107 million) to the statutory surplus reserve.

#### (c) General Reserve

CCCC Finance Company Limited (“CCCC Finance”), one of the subsidiaries of the Company, is required by the Ministry of Finance to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year-end balance of its risk assets.

The general reserve balance of CCCC Finance as at 31 December 2014 amounted to RMB108 million (2013: RMB54 million), which has reached 1.5% of the year-end balance of the risk assets of CCCC Finance.

## Notes to the consolidated financial statements (Continued)

### 23. Other Reserves (Continued)

#### (d) 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 charge to the consolidated income statement as incurred.

#### (e) 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.

### 24. Trade and Other Payables

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Trade and bills payables (a)	142,874	126,415	6,817	6,263
Advances from customers	51,076	43,127	6,092	4,022
Deposits from suppliers	10,780	9,311	27	89
Retentions	8,489	5,997	3,489	2,900
Other taxes	7,937	6,854	75	112
Social security	1,026	984	11	29
Accrued payroll	655	480	8	2
Accrued expenses	243	228	–	–
Others	8,486	6,794	1,132	364
	<b>231,566</b>	200,190	<b>17,651</b>	13,781
<b>Less: non-current portion</b>				
– Retentions	(6,949)	(2,126)	(2,451)	(539)
<b>Current portion</b>	<b>224,617</b>	198,064	<b>15,200</b>	13,242

## Notes to the consolidated financial statements (Continued)

### 24. Trade and Other Payables(Continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Within 1 year	129,322	115,799	4,870	5,040
1 year to 2 years	9,074	8,002	818	1,212
2 years to 3 years	2,803	1,595	1,122	11
Over 3 years	1,675	1,019	7	–
	<b>142,874</b>	126,415	<b>6,817</b>	6,263

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
RMB	189,771	166,785	15,223	11,349
USD	28,560	23,260	2	5
HKD	1,585	1,478	–	1
EUR	1,393	1,645	1,213	1,213
Central African CFA Franc BEAC	1,166	554	–	–
Saudi Riyal	1,081	1,142	–	–
Ethiopia Birr	904	225	–	–
Other currencies	7,106	5,101	1,213	1,213
	<b>231,566</b>	200,190	<b>17,651</b>	13,781

At 31 December 2014, other currencies mainly consist of Qatar Riyal, Macanese Pataca and Libyan Dinar.



## Notes to the consolidated financial statements (Continued)

### 25. Borrowings

	Note	Group		Company	
		2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
<b>Non-current</b>					
Long-term bank borrowings					
– secured	(a)	72,514	48,296	–	1,219
– unsecured		24,402	17,625	1,984	79
		<b>96,916</b>	65,921	<b>1,984</b>	1,298
Other borrowings					
– secured	(a)	1,520	1,561	–	–
– unsecured		3,412	1,443	129	138
Corporate bonds	(b)	19,846	19,834	19,846	19,834
Medium term notes	(c)	3,800	3,797	–	–
Non-public debt instruments	(e)	10,189	4,294	–	–
Finance lease liabilities	(l)	2,118	2,307	–	–
		<b>40,885</b>	33,236	<b>19,975</b>	19,972
Total non-current borrowings		<b>137,801</b>	99,157	<b>21,959</b>	21,270
<b>Current</b>					
Current portion of long-term bank borrowings					
– secured	(a)	6,442	4,893	–	–
– unsecured		5,237	2,630	1,306	108
		<b>11,679</b>	7,523	<b>1,306</b>	108
Short-term bank borrowings					
– secured	(a)	13,976	17,820	–	–
– unsecured		52,475	44,406	10,557	10,601
		<b>66,451</b>	62,226	<b>10,557</b>	10,601
Other borrowings					
– secured	(a)	500	117	–	–
– unsecured		1,746	2,860	3,760	10
Corporate bonds	(b)	373	2,509	374	2,509
Medium term notes	(c)	188	2,459	–	–
Debentures	(d)	9,240	7,152	9,239	7,152
Non-public debt instruments	(e)	270	2,122	–	–
Finance lease liabilities	(l)	587	850	–	–
		<b>12,904</b>	18,069	<b>13,373</b>	9,671
Total current borrowings		<b>91,034</b>	87,818	<b>25,236</b>	20,380
<b>Total borrowings</b>		<b>228,835</b>	186,975	<b>47,195</b>	41,650

## Notes to the consolidated financial statements (Continued)

### 25. Borrowings (Continued)

- (a) As at 31 December 2014, these borrowings were secured by the Group's property, plant and equipment (Note 6), lease prepayment (Note 7), concession assets (Note 9), unlisted financial instruments (Note 15), trade receivables (Note 16), properties under development and held for sale and completed properties held for sale (Note 17) and guarantees provided by certain subsidiaries of the Group, the Company and certain third parties (2013: secured by the Group's property, plant and equipment, concession assets, term deposits, lease prepayment, unlisted financial instruments, trade receivables, inventories and guarantees provided by certain subsidiaries of the Group, the Company and a 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 August 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. On 18 August 2014, the bonds of RMB2,100 million have been fully paid off.

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 NAFMII:
- 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. As at 31 December 2014, these medium term notes have been fully paid off.
  - 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.

## Notes to the consolidated financial statements (Continued)

### 25. Borrowings (Continued)

(d) The Group issued the following debentures 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. As at 31 December 2014, these three tranches of debentures have been fully paid off.
- Five tranches of debentures were issued in February, March, April, June and August 2014, respectively, at nominal values of RMB3,000 million, RMB3,000 million, RMB3,000 million, RMB3,000 million and RMB3,000 million, respectively, totalling RMB15,000 million, with maturities of 180 days, 270 days, 270 days, 270 days and 270 days from issuance respectively. The interest rate is 5.50%, 5.20%, 5.05%, 4.80% and 4.68% per annum, respectively. As at 31 December 2014, the two tranches of debentures issued in February and March with total amount of RMB6,000 million have been fully paid off.

The debentures are stated at amortised cost.

(e) The Group issued the following non-public instruments as approved by NAFMII:

- 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. As at 31 December 2014, this tranche of non-public debt instrument have been fully paid off.
- 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.
- Two tranches of non-public debt instruments were issued in April and one tranche of non-public debt instrument was issued in October 2013, respectively, at nominal values of RMB1,500 million, RMB800 million and RMB800 million, respectively, totalling RMB3,100 million, with maturities of five years, five years and five years from issuance, respectively. The interest rate is 5.10%, 6.00% and 6.65% per annum, respectively.
- Ten tranches of non-public debt instruments were issued in March, May, June, August, and September 2014, respectively, at nominal values of RMB500 million, RMB800 million, RMB800 million, RMB700 million, RMB500 million, RMB500 million, RMB500 million, RMB1,000 million, RMB500 million and RMB100 million, respectively, totalling RMB5,900 million, with maturities of three years, three years, three years, three years, three years, three years, five years, five years, three years and three years from issuance, respectively. The interest rate is 7.10%, 6.35%, 7.00%, 6.50%, 6.60%, 6.30%, 7.00%, 6.00%, 6.40%, and 5.60% per annum, respectively.

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

## Notes to the consolidated financial statements (Continued)

### 25. Borrowings (Continued)

- (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	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
6 months or less	<b>107,417</b>	102,920	<b>14,995</b>	16,103
6 – 12 months	<b>50,336</b>	28,068	<b>8,924</b>	2,059
1 – 5 years	<b>54,908</b>	35,483	<b>17,137</b>	8,149
Over 5 years	<b>16,174</b>	20,504	<b>6,139</b>	15,339
	<b>228,835</b>	186,975	<b>47,195</b>	41,650

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Bank borrowings				
– Within 1 year	<b>78,130</b>	69,749	<b>11,863</b>	10,709
– Between 1 and 2 years	<b>22,379</b>	12,120	<b>1,615</b>	1,256
– Between 2 and 5 years	<b>22,938</b>	18,670	<b>368</b>	41
– Over 5 years	<b>51,599</b>	35,131	<b>1</b>	1
	<b>175,046</b>	135,670	<b>13,847</b>	12,007
Others, excluding finance lease liabilities				
– Within 1 year	<b>12,317</b>	17,219	<b>13,373</b>	9,671
– Between 1 and 2 years	<b>6,365</b>	875	<b>10</b>	10
– Between 2 and 5 years	<b>26,367</b>	16,096	<b>13,931</b>	6,024
– Over 5 years	<b>6,035</b>	13,958	<b>6,034</b>	13,938
	<b>51,084</b>	48,148	<b>33,348</b>	29,643
	<b>226,130</b>	183,818	<b>47,195</b>	41,650

## Notes to the consolidated financial statements (Continued)

### 25. Borrowings (Continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Wholly repayable within 5 years				
– Bank borrowings	<b>118,280</b>	100,141	<b>13,716</b>	11,876
– Others, excluding finance lease liabilities	<b>43,445</b>	34,158	<b>27,314</b>	15,654
	<b>161,725</b>	134,299	<b>41,030</b>	27,530
Wholly repayable after 5 years				
– Bank borrowings	<b>56,766</b>	35,529	<b>131</b>	131
– Others, excluding finance lease liabilities	<b>7,639</b>	13,990	<b>6,034</b>	13,989
	<b>64,405</b>	49,519	<b>6,165</b>	14,120
	<b>226,130</b>	183,818	<b>47,195</b>	41,650

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
RMB	<b>206,528</b>	167,921	<b>44,241</b>	40,096
USD	<b>19,141</b>	16,108	<b>2,885</b>	1,368
EUR	<b>1,212</b>	806	–	55
HKD	<b>1,130</b>	684	–	–
JPY	<b>268</b>	698	<b>69</b>	131
Others	<b>556</b>	758	–	–
	<b>228,835</b>	186,975	<b>47,195</b>	41,650

(i) Borrowings of the Group, excluding corporate bonds, medium term notes, debentures, non-public debt instruments and finance lease liabilities, bear interest at effective rates ranging from 1.37% to 7.69% per annum at the end of the reporting period (2013: 1.06% to 7.8%).

## Notes to the consolidated financial statements (Continued)

### 25. Borrowings (Continued)

- (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	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Carrying amount				
– Bank borrowings	<b>96,916</b>	65,921	<b>1,984</b>	1,298
– Other borrowings	<b>4,932</b>	3,004	<b>129</b>	138
– Corporate bonds	<b>19,846</b>	19,834	<b>19,846</b>	19,834
– Medium term notes	<b>3,800</b>	3,797	–	–
– Finance lease liabilities	<b>2,118</b>	2,307	–	–
– Non-public debt instruments	<b>10,189</b>	4,294	–	–
	<b>137,801</b>	99,157	<b>21,959</b>	21,270
Fair value				
– Bank borrowings	<b>96,046</b>	65,224	<b>1,956</b>	1,266
– Other borrowings	<b>4,883</b>	2,979	<b>125</b>	128
– Corporate bonds	<b>19,167</b>	19,571	<b>19,167</b>	19,571
– Medium term notes	<b>3,617</b>	3,527	–	–
– Finance lease liabilities	<b>2,105</b>	2,329	–	–
– Non-public debt instruments	<b>10,125</b>	4,237	–	–
	<b>135,943</b>	97,867	<b>21,248</b>	20,965

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	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Floating rate				
– Expiring within one year	<b>85,120</b>	115,608	<b>37,100</b>	37,480
– Expiring beyond one year	<b>363,958</b>	294,741	<b>216,556</b>	198,243
	<b>449,078</b>	410,349	<b>253,656</b>	235,723

## Notes to the consolidated financial statements (Continued)

### 25. 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.

	2014 RMB million	2013 RMB million
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	737	882
Later than 1 year and no later than 5 years	1,959	1,978
Later than 5 years	541	915
	<b>3,237</b>	3,775
Future finance charges on finance leases	<b>(532)</b>	(618)
<b>Present value of finance lease liabilities</b>	<b>2,705</b>	3,157
<b>The present value of finance lease liabilities is as follows:</b>		
No later than 1 year	587	850
Later than 1 year and no later than 5 years	1,633	1,673
Later than 5 years	485	634
	<b>2,705</b>	3,157

- (m) 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 2014, 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 2014 (31 December 2013: nil).

## Notes to the consolidated financial statements (Continued)

### 26. Deferred Income Tax

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	2,445	2,472	6	93
– Deferred tax assets to be recovered within 12 months	471	140	–	–
	<b>2,916</b>	2,612	<b>6</b>	93
Deferred tax liabilities:				
– Deferred tax liabilities to be settled after more than 12 months	(7,723)	(2,844)	(3,011)	(1,584)
– Deferred tax liabilities to be settled within 12 months	(82)	(49)	–	–
	<b>(7,805)</b>	(2,893)	<b>(3,011)</b>	(1,584)
Deferred tax liabilities (net)	<b>(4,889)</b>	(281)	<b>(3,005)</b>	(1,491)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
At 1 January	(281)	(721)	(1,491)	(1,639)
Recognised in the income statement (Note 36)	125	156	–	8
Recognised in other comprehensive income	(1,770)	276	(1,514)	140
Disposal of subsidiaries	–	8	–	–
Acquisition of subsidiaries (Note 45)	(2,963)	–	–	–
<b>At 31 December</b>	<b>(4,889)</b>	(281)	<b>(3,005)</b>	(1,491)



## Notes to the consolidated financial statements (Continued)

### 26. 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			
	<b>Available-for-sale financial assets</b>	<b>Undistributed profits in subsidiaries</b>	<b>Others</b>	<b>Total</b>
	RMB million	RMB million	RMB million	RMB million
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	–	–	18	18
<b>At 31 December 2013</b>	<b>(2,395)</b>	<b>(311)</b>	<b>(770)</b>	<b>(3,476)</b>
At 1 January 2014	<b>(2,395)</b>	<b>(311)</b>	<b>(770)</b>	<b>(3,476)</b>
Charged to the consolidated income statement	–	<b>(86)</b>	<b>(172)</b>	<b>(258)</b>
Charged to other comprehensive income	<b>(1,750)</b>	–	–	<b>(1,750)</b>
Acquisition of subsidiaries (Note 45)	–	–	<b>(3,119)</b>	<b>(3,119)</b>
<b>At 31 December 2014</b>	<b>(4,145)</b>	<b>(397)</b>	<b>(4,061)</b>	<b>(8,603)</b>

	Company		
	<b>Available-for-sale financial assets</b>	<b>Others</b>	<b>Total</b>
	RMB million	RMB million	RMB million
At 1 January 2013	(1,705)	(35)	(1,740)
Credited to the income statement	–	12	12
Credited to other comprehensive income	144	–	144
<b>At 31 December 2013</b>	<b>(1,561)</b>	<b>(23)</b>	<b>(1,584)</b>
At 1 January 2014	<b>(1,561)</b>	<b>(23)</b>	<b>(1,584)</b>
Credited to the income statement	–	<b>23</b>	<b>23</b>
Charged to other comprehensive income	<b>(1,515)</b>	–	<b>(1,515)</b>
<b>At 31 December 2014</b>	<b>(3,076)</b>	–	<b>(3,076)</b>

## Notes to the consolidated financial statements (Continued)

### 26. Deferred Income Tax (Continued)

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

#### Deferred Tax Assets

	Group							
	Provision for impairment of assets	Depreciation and amortisation	Provision for foreseeable contract losses	Provision for employee benefits	Tax losses	Discount on long-term receivables	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2013	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	(3)	(5)	-	-	-	-	(2)	(10)
<b>At 31 December 2013</b>	<b>1,013</b>	<b>12</b>	<b>44</b>	<b>429</b>	<b>492</b>	<b>638</b>	<b>567</b>	<b>3,195</b>
At 1 January 2014	1,013	12	44	429	492	638	567	3,195
Credited/(charged) to the consolidated income statement	70	(5)	58	(53)	190	80	43	383
Credited/(charged) to other comprehensive income	-	-	-	23	-	-	(43)	(20)
Acquisition of a subsidiary (Note 45)	-	-	-	-	-	-	156	156
<b>At 31 December 2014</b>	<b>1,083</b>	<b>7</b>	<b>102</b>	<b>399</b>	<b>682</b>	<b>718</b>	<b>723</b>	<b>3,714</b>

	Company				
	Provision for impairment of assets	Discount of long-term receivable	Provision for employee benefits	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2013	13	24	26	38	101
Charged to the income statement	-	-	(2)	(2)	(4)
Charged to other comprehensive income	-	-	(4)	-	(4)
<b>At 31 December 2013</b>	<b>13</b>	<b>24</b>	<b>20</b>	<b>36</b>	<b>93</b>
Charged to the income statement	-	(24)	(1)	2	(23)
Charged to other comprehensive income	-	-	1	-	1
<b>At 31 December 2014</b>	<b>13</b>	<b>-</b>	<b>20</b>	<b>38</b>	<b>71</b>

## Notes to the consolidated financial statements (Continued)

### 26. 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 2014, the Group did not recognise deferred tax assets of RMB2,033 million (2013: RMB1,719 million) in respect of tax losses amounting to RMB8,287 million (2013: RMB6,982 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 2014, the tax losses with no deferred tax assets recognised carried forward are as follows:

	2014 RMB million	2013 RMB million
<b>Year of expiry of tax losses</b>		
2015	1,271	1,370
2016	898	960
2017	2,062	2,161
2018	1,694	1,809
2019	2,362	–
	<b>8,287</b>	6,300

- (d) As at 31 December 2014, the unrecognised deferred income tax liabilities were RMB10 million (2013: RMB10 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 2014 amounted to RMB64 million (2013: RMB64 million).

### 27. 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 amounts of retirement benefit obligations recognised in the balance sheet are determined as follows:

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Present value of defined benefits obligations	1,949	1,953	79	79
Less: current portion	(153)	(144)	(5)	(5)
	<b>1,796</b>	1,809	<b>74</b>	74

## Notes to the consolidated financial statements (Continued)

### 27. Retirement Benefit Obligations (Continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
<b>At 1 January</b>	<b>1,953</b>	2,316	<b>79</b>	109
Past service cost	<b>11</b>	(33)	<b>(2)</b>	2
Interest cost	<b>83</b>	77	<b>3</b>	3
Effect of settlement	<b>(3)</b>	(14)	–	(10)
	<b>2,044</b>	2,346	<b>80</b>	104
<b>Remeasurements</b>				
– Losses/(gains) from change in financial assumptions	<b>102</b>	(153)	<b>4</b>	(6)
– Experience losses/(gains)	<b>12</b>	(5)	–	(10)
	<b>2,158</b>	2,188	<b>84</b>	88
Payment	<b>(209)</b>	(235)	<b>(5)</b>	(9)
<b>At 31 December</b>	<b>1,949</b>	1,953	<b>79</b>	79

- (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:

	2014	2013
Discount rate	<b>3.75%</b>	4.50%
Medical cost growth rate	<b>4%-8%</b>	4%-8%

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

	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	(1.82%)	1.88%
Medical cost growth rate	1.00%	1.53%	(1.35%)

The above sensitivity analyses are based on a change in an assumption while holding another assumption constant. In practice, this is unlikely to occur, and changes in the above assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumption the same method (present value of the defined benefit obligations 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.

## Notes to the consolidated financial statements (Continued)

### 27. Retirement Benefit Obligations (Continued)

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:

Discount rate: The decrease of discount rate will result in an increase in the plan's liabilities.

Inflation rate: The defined benefit obligations are related to inflation rate. The increase of inflation rate will result in an increase in the plan's liabilities.

- (d) The weighted average duration of the defined benefit obligations is 7.5 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
<b>As at 31 December 2014</b>					
Defined benefit obligations	153	223	498	1,796	2,670

### 28. Provisions for Other Liabilities and Charges – Group

	Pending Lawsuits RMB million	Others RMB million	Total RMB million
<b>At 1 January 2013</b>	294	40	334
Charged to the consolidated income statement:			
– Additional provisions	8	31	39
– Utilised/reversed during the year	(1)	(16)	(17)
<b>At 31 December 2013</b>	301	55	356
<b>At 1 January 2014</b>	301	55	356
Acquisition of subsidiaries (Note 45)	–	13	13
Charged to the consolidated income statement:			
– Additional provisions	9	35	44
– Utilised/reversed during the year	(13)	(14)	(27)
<b>At 31 December 2014</b>	297	89	386

## Notes to the consolidated financial statements (Continued)

### 29. Other Income

	2014 RMB million	2013 RMB million
Rental income	367	373
Income from sale of materials	49	126
Dividend income on available-for-sale financial assets		
– Listed equity securities	542	480
– Unlisted equity investments	87	73
Government grants	372	286
Dividend income on other financial assets at fair value through profit or loss	6	–
Others	991	716
	<b>2,414</b>	2,054

### 30. Other gains, net

	2014 RMB million	2013 RMB million
Gains on disposal of property, plant and equipment	90	35
Gains on disposal of lease prepayments	–	75
Gains/(losses) on disposal of other financial assets at fair value through profit or loss	16	(5)
Fair value losses from other financial assets at fair value through profit or loss	(34)	(7)
Net (losses)/gains on derivative financial instruments:		
– Foreign exchange forward contracts	(82)	156
Gains on disposal of available-for-sale financial assets	2,206	531
Net foreign exchange losses (Note 37)	(474)	(197)
Net gains on disposal of subsidiaries	–	152
Net gains on disposal of joint ventures and associates	54	27
	<b>1,776</b>	767

### 31. Other Expenses

	2014 RMB million	2013 RMB million
Depreciation and other costs relating to assets being leased out	177	213
Provision for impairment of available-for-sale financial assets	–	150
Cost of sale of materials	127	233
Others	521	298
	<b>825</b>	894

## Notes to the consolidated financial statements (Continued)

### 32. Expenses by Nature

	2014 RMB million	2013 RMB million
Raw materials and consumables used	110,914	108,670
Subcontracting costs	116,563	99,363
Employee benefits expenses (Note 33)	35,179	30,580
Rentals	14,581	14,273
Business tax and other transaction taxes	9,233	8,642
Fuel	6,427	6,479
Depreciation of property, plant and equipment and investment properties (Note 6, Note 8)	7,248	7,573
Transportation costs	332	307
Amortisation of intangible assets (Note 9)	535	281
Amortisation of lease prepayments (Note 7)	214	188
Cost of goods sold	7,483	4,437
Research and development costs	3,324	3,381
Repair and maintenance expenses	1,986	1,876
Utilities	1,427	1,256
Insurance	1,016	844
Provision for impairment of trade and other receivables	328	1,158
Provision for foreseeable losses on construction contracts	762	235
Write-down of inventories	203	328
Auditors' remuneration	40	40
Other expenses	27,827	24,239
<b>Total cost of sales, selling and marketing expenses and administrative expenses</b>	<b>345,622</b>	<b>314,150</b>

### 33. Employee Benefit Expenses

	2014 RMB million	2013 RMB million
Salaries, wages and bonuses	24,815	21,424
Pension costs – defined contribution plans (Note a)	2,810	2,471
Pension costs – defined benefit plans (Note 27)	91	30
Housing benefits (Note b)	1,316	1,155
Share appreciation rights (Note c)	–	(5)
Welfare, medical and other expenses	6,147	5,505
	<b>35,179</b>	<b>30,580</b>

## Notes to the consolidated financial statements (Continued)

### 33. Employee Benefit Expenses (Continued)

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

No forfeited contribution was available as at 31 December 2014 and 2013 to reduce future contributions.

Contributions totalling RMB594 million (2013: RMB660 million) payable to various retirement benefit plans as at 31 December 2014 are included in trade and other payables.

- (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.
- (c) The Group has adopted a cash-settled share-based payment arrangement, also known as share appreciation rights ("SAR") plan (the "Plan"), which provides for the grant of SAR to eligible participants as approved by the Company's Board of Directors.

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.

As at 31 December 2013, all of the above share appreciation 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.

The Group did not adopt any share-based payment plan in the year ended 31 December 2014.

### 34. Finance Income

	2014 RMB million	2013 RMB million
Interest income:		
– Bank deposits	847	723
– Unwinding of discount of long-term receivables	2,555	1,612
Others	186	93
	<b>3,588</b>	2,428



## Notes to the consolidated financial statements (Continued)

### 35. Finance Costs, net

	2014 RMB million	2013 RMB million
Interest expense incurred	12,383	8,598
Less: Capitalised interest expense	(3,376)	(2,858)
Net interest expense	9,007	5,740
Representing:		
– Bank borrowings	6,307	3,460
– Other borrowings	247	221
– Corporate bonds	1,057	1,093
– Medium term notes	241	312
– Debentures	498	241
– Non-public debt instruments	517	308
– Finance lease liabilities	140	105
	9,007	5,740
Net foreign exchange gains on borrowings (Note 37)	(81)	(476)
Others	1,182	1,109
	<b>10,108</b>	<b>6,373</b>

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 RMB3,376 million (2013: RMB2,858 million) were capitalised in 2014, of which approximately RMB1,611 million (2013: RMB1,182 million) was charged to contract work-in-progress, approximately RMB1,595 million (2013: RMB1,320 million) was included in cost of concession assets, approximately RMB170 million (2013: RMB344 million) was included in cost of construction-in-progress, and none was included in property, plant and equipment (2013: RMB12 million) as at 31 December 2014. A generally capitalisation rate of 5.29% (2013: 4.4%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets.

## Notes to the consolidated financial statements (Continued)

### 36. 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% (2013: 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% (2013: 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% (2013: 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:

	2014 RMB million	2013 RMB million
Current income tax		
– PRC enterprise income tax	3,490	3,583
– Others	356	153
	<b>3,846</b>	3,736
Deferred income tax (Note 26)	<b>(125)</b>	(156)
<b>Income tax expense</b>	<b>3,721</b>	3,580

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:

	2014 RMB million	2013 RMB million
Profit before income tax	17,604	15,852
Less: Share of profits of joint ventures and associates	(339)	(222)
	<b>17,265</b>	15,630
Tax calculated at PRC statutory tax rate of 25% (2013: 25%)	4,316	3,908
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	(840)	(699)
Effect of higher tax rate for the appreciation of land in the PRC	23	–
Income not subject to tax	(142)	(104)
Additional tax concession on research and development costs	(278)	(213)
Expenses not deductible for tax purposes	145	289
Utilisation of previously unrecognised tax losses	(94)	(53)
Tax losses for which no deferred income tax asset was recognised	591	452
<b>Income tax expense</b>	<b>3,721</b>	3,580

## Notes to the consolidated financial statements (Continued)

### 36. Taxation (Continued)

#### (a) Income Tax Expense (Continued)

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

	2014			2013		
	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 (losses)/gains on retirement benefit obligations	(114)	23	(91)	158	(26)	132
Changes in fair value of available-for-sale financial assets	8,554	(1,993)	6,561	(951)	255	(696)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	(941)	200	(741)	(338)	84	(254)
Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets	-	-	-	150	(37)	113
Currency translation differences	(11)	-	(11)	(130)	-	(130)
<b>Other comprehensive income</b>	<b>7,488</b>	<b>(1,770)</b>	<b>5,718</b>	<b>(1,111)</b>	<b>276</b>	<b>(835)</b>
Current income tax		-			-	
Deferred income tax (Note 26)		(1,770)			276	
		<u>(1,770)</u>			<u>276</u>	

#### (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.

## Notes to the consolidated financial statements (Continued)

### 36. Taxation (Continued)

#### (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.

Pursuant to the Notice on Issuance of Business Tax to Value Added Tax Transformation Pilot Program ("Pilot Program") and relevant 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 value added tax at rates ranging from 6% to 11%.

### 37. Net Foreign Exchange (Losses)/Gains

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

	2014 RMB million	2013 RMB million
Finance costs (Note 35)	81	476
Other gains – net (Note 30)	(474)	(197)
	<b>(393)</b>	279

### 38. 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 RMB9,414 million (2013: RMB10,995 million).

### 39. 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.

	2014	2013
Profit attributable to owners of the Company (RMB million)	<b>13,985</b>	12,568
Weighted average number of ordinary shares in issue (million)	<b>16,175</b>	16,175
Basic earnings per share (RMB per share)	<b>0.86</b>	0.78

#### (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 2014 and 2013.

## Notes to the consolidated financial statements (Continued)

### 40. Dividends

	2014 RMB million	2013 RMB million
Proposed final dividend of RMB0.17172 per ordinary share (2013: RMB0.18762)	<b>2,778</b>	3,035

The dividends paid in 2014 and 2013 were RMB3,035 million (RMB0.18762 per ordinary share) and RMB2,988 million (RMB0.1847 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2014 of RMB0.17172 per ordinary share, amounting to a total dividend of RMB2,778 million, is to be approved at the annual general meeting in 2015. These financial statements do not reflect this dividend payable.

### 41. Directors' and Supervisors' Emoluments

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

	2014 RMB'000	2013 RMB'000
Directors and supervisors		
– Basis salaries, housing allowances and other allowances	<b>3,999</b>	3,455
– Contributions to pension plans	<b>245</b>	188
– Discretionary bonuses	<b>2,433</b>	2,067
	<b>6,677</b>	5,710

## Notes to the consolidated financial statements (Continued)

### 41. Directors' and Supervisors' Emoluments (Continued)

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

The emoluments of every director and supervisor for the year ended 31 December 2014 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. Liu Qitao	561	40	558	1,159
Mr. Chen Fenjian (i)	551	40	518	1,109
Mr. Fu Junyuan	490	40	517	1,047
Non-executive director				
Mr. Liu Maoxun (i)	–	–	–	–
Mr. Zhang Changfu (ii)	3	–	–	3
Independent non-executive directors				
Mr. Liu Zhangmin	168	–	–	168
Mr. Leung Chong Shun	137	–	–	137
Mr. Wu Zhenfang (i)	105	–	–	105
Mr. Huang Long (i)	84	–	–	84
Mr. Yuan Yaohui (ii)	47	–	–	47
Mr. Zou Qiao (ii)	51	–	–	51
Mr. Lu Hongjun (ii)	52	–	–	52
Supervisors				
Mr. Liu Xiangdong	478	40	516	1,034
Mr. Xu Sanhao (ii)	157	5	–	162
Mr. Yao Yanmin (iv)	558	40	162	760
Mr. Wang Yongbin	557	40	162	759
	<b>3,999</b>	<b>245</b>	<b>2,433</b>	<b>6,677</b>

## Notes to the consolidated financial statements (Continued)

### 41. Directors' and Supervisors' Emoluments (Continued)

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

- (i) Mr. Chen Fenjian, Mr. Liu Maoxun, Mr. Wu Zhenfang and Mr. Huang Long were elected as the directors of the Company on 22 April 2014.
- (ii) Mr. Zhang Changfu, Mr. Yuan Yaohui, Mr. Zou Qiao and Mr. Lu Hongjun retired from their positions as the directors of the Company on 22 April 2014.
- (iii) Mr. Xu Sanhao retired from his position as a supervisor of the Company on 22 April 2014.
- (iv) Mr. Yao Yanmin was elected as the supervisors of the Company on 27 February 2014.

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.

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.

## Notes to the consolidated financial statements (Continued)

### 41. Directors' and Supervisors' Emoluments (Continued)

#### (b) Five Highest Paid Individuals

None of the Directors' emoluments as disclosed in Note 41 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:

	2014 RMB'000	2013 RMB'000
Basic salaries, housing allowances, and other allowances and benefits in kind	2,416	2,256
Contributions to pension plans	278	256
Discretionary bonuses	5,797	7,491
	<b>8,491</b>	10,003

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

	2014	2013
– HKD1,500,001 to HKD2,000,000 (equivalent to approximately RMB1,183,306 to RMB1,577,740)	3	–
– HKD2,000,001 to HKD2,500,000 (equivalent to approximately RMB1,577,741 to RMB1,972,175)	–	3
– HKD2,500,001 to HKD3,000,000 (equivalent to approximately RMB1,972,176 to RMB2,366,610)	2	2
	<b>5</b>	5



## Notes to the consolidated financial statements (Continued)

### 42. Cash Generated from Operations

#### (a) Cash Generated from Operations

	2014 RMB million	2013 RMB million
Profit for the year	13,883	12,272
Adjustments for:		
– Income tax expense	3,721	3,580
– Depreciation of property, plant and equipment and investment properties	7,248	7,573
– Amortisation of intangible assets and lease prepayments	749	469
– Gains on disposal of property, plant and equipment	(90)	(35)
– Reversal of share-based payment provision	–	(5)
– Fair value losses/(gains) on derivative financial instruments	132	(89)
– Fair value losses on other financial assets at fair value through profit or loss	34	7
– Net gains on disposal of subsidiaries	–	(152)
– Gains on disposal of lease prepayments	–	(75)
– Gains on disposal of available-for-sale financial assets	(2,206)	(531)
– Gains/(losses) on disposal of other financial assets at fair value through profit or loss	(16)	5
– Net gains on disposal of joint ventures and associates	(54)	(27)
– Write-down of inventories	203	328
– Provision for impairment of trade and other receivables	328	1,158
– Provision for foreseeable losses on construction contracts	762	235
– Provision for impairment on available-for-sale financial assets	–	150
– Dividend income from available-for-sale financial assets	(629)	(553)
– Investment income from held-to-maturity financial assets	(11)	–
– Interest income	(3,588)	(2,428)
– Interest expenses	9,007	5,740
– Share of profit of joint ventures	(81)	(65)
– Share of profit of associates	(258)	(157)
– Net foreign exchange gains on borrowings	(81)	(476)
	<b>29,053</b>	26,924
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(6,409)	(3,277)
– Trade and other receivables	(38,003)	(35,286)
– Contract work-in-progress	(4,292)	(7,966)
– Restricted bank deposits	(1,086)	(1,323)
– Retirement benefit obligations	(118)	(205)
– Trade and other payables	29,030	31,866
– Provisions for other liabilities and charges	17	37
– Deferred income	211	(121)
<b>Cash generated from operations</b>	<b>8,403</b>	10,649

## Notes to the consolidated financial statements (Continued)

### 42. 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:

	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
Net book amount (Note 6)	<b>458</b>	1,038
Gains on disposal of property, plant and equipment (Note 30)	<b>90</b>	35
Proceeds from disposal of property, plant and equipment	<b>548</b>	1,073

### 43. Contingencies

	Group		Company	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>RMB million</b>	RMB million	<b>RMB million</b>	RMB million
Pending lawsuits (Note a)	<b>3,047</b>	439	–	–
Outstanding loan guarantees (Note b)	<b>527</b>	262	<b>22,368</b>	24,767
	<b>3,574</b>	701	<b>22,368</b>	24,767

- (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.

During the year ended 31 December 2013, a subsidiary of the Company was involved in a product quality dispute arising from the ordinary course of business. In September 2014, the contractor instituted a proceeding against the subsidiary, to claim a compensation relating to the product quality dispute, totalling Great Britain Pound 250 million (equivalent to approximately RMB2,386 million). As at 31 December 2014, the subsidiary was unable to ascertain the likelihood and reasonably estimate the outcome of the lawsuit based on advice of legal counsel.

- (b) The Group and the Company have acted as the guarantors for various external borrowings made by certain subsidiaries, joint ventures and associates of the Group and certain third party entities.

## Notes to the consolidated financial statements (Continued)

### 44. Commitments

#### (a) Capital Commitments

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Property, plant and equipment	126	331	126	331

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Property, plant and equipment	4,298	5,006	–	–
Intangible assets – concession assets	126,446	88,829	–	–
	130,744	93,835	–	–

#### (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	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
No later than 1 year	763	688	85	78
Later than 1 year and no later than 5 years	1,630	878	170	–
Later than 5 years	343	282	–	–
	2,736	1,848	255	78

## Notes to the consolidated financial statements (Continued)

### 45. Business combinations

During the year ended 31 December 2014, several business combinations were conducted by the Group. Detailed information of these business combinations are set out below:

#### (a) Acquisitions of Phoenix Island Cruise Terminal, Phoenix Island Development and Phoenix Island Real Estate

The Group acquired 45% equity interest in Sanya Phoenix Island International Cruise Terminal Development Co., Ltd. ("Phoenix Island Cruise Terminal") from Sanya Phoenix Island Investment Group Co., Ltd., a third party of the Group, for a total consideration of RMB1,000 million in cash. In addition, Sanya YuSheng Investment Co., Ltd. ("Sanya Yusheng"), a third party of the Group, who holds 10% equity interest in Phoenix Island Cruise Terminal, entrusts the Group to exercise the voting rights of 10% held by Sanya Yusheng. The acquisition was completed on 28 March 2014.

The Group holds 45% equity interest in Phoenix Island Cruise Terminal and the voting rights of 10% equity interest held by Sanya Yusheng, therefore the Group will hold the voting right of 55% in total and consolidate Phoenix Island Cruise Terminal upon the completion of the acquisition.

Upon the completion of the above acquisition, Phoenix Island Cruise Terminal acquired from Zhejiang Guodu Holding Co., Ltd. and Hainan Dayang Infrastructure Investment Co., Ltd., third parties of the Group, their 100% equity interests in Sanya Phoenix Island Development Co., Ltd. ("Phoenix Island Development") and Sanya Phoenix Island Real Estate Co., Ltd. ("Phoenix Island Real Estate") for a total consideration of RMB2,999 million and RMB962 million in cash, respectively. The acquisitions were completed on 9 April 2014 and 15 April 2014, respectively.

Phoenix Island Cruise Terminal, Phoenix Island Development and Phoenix Island Real Estate are together referred as "Phoenix entities". The Phoenix entities are incorporated in Hainan province, PRC, and are primarily engaged in the infrastructure development in Phoenix island in Hainan province.

At respective acquisition dates, the fair value of the net assets and liabilities in Phoenix Island Cruise Terminal, Phoenix Island Development and Phoenix Island Real Estate amounted to RMB1,681 million, RMB2,762 million and RMB363 million, respectively. The goodwill amounting to RMB244 million, RMB237 million and RMB599 million arising from the above acquisitions respectively are generated from the expected economic effects resulting from exploiting the platform of infrastructure developments in phoenix island in Hainan province.

The following tables summarise the consideration paid for Phoenix Island Cruise Terminal, Phoenix Island Development and Phoenix Island Real Estate and the amounts of the assets acquired, liabilities assumed and the non-controlling interests recognised at the acquisition dates.

## Notes to the consolidated financial statements (Continued)

### 45. Business combinations (Continued)

#### (a) Acquisitions of Phoenix Island Cruise Terminal, Phoenix Island Development and Phoenix Island Real Estate (Continued)

##### (i) Acquisition of Phoenix Island Cruise Terminal

	At 28 March 2014 RMB million
Purchase consideration	
– cash paid	1,000
Amounts of identifiable assets acquired, liabilities assumed and non-controlling interests recognised:	
Property, plant and equipment	2,124
Lease prepayments (Note 7)	236
Trade and other receivables	24
Trade and other payables	(161)
Deferred income tax liabilities (Note 26)	(542)
Total identifiable net assets	1,681
Non-controlling interests	(925)
Goodwill (Note 9)	244
	1,000

The fair value of trade and other receivables is RMB24 million and includes trade receivables with a fair value of RMB5 million. The gross contractual amount for trade receivables due is RMB5 million, none of the receivables is expected to be uncollectible.

The Group has chosen to recognise the non-controlling interests at the proportion of net assets acquired shared by the non-controlling interests.

## Notes to the consolidated financial statements (Continued)

### 45. Business combinations (Continued)

#### (a) Acquisitions of Phoenix Island Cruise Terminal, Phoenix Island Development and Phoenix Island Real Estate (Continued)

##### (ii) Acquisition of Phoenix Island Development

	At 9 April 2014 RMB million
Purchase consideration	
– cash paid	2,999
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	167
Inventories-properties under development and completed properties held for sale	6,342
Trade and other receivables	1,405
Deferred income tax assets (Note 26)	156
Borrowings	(2,055)
Trade and other payables	(898)
Current income tax liabilities	(407)
Deferred income tax liabilities (Note 26)	(1,948)
Total identifiable net assets	2,762
Goodwill (Note 9)	237
	2,999

The fair value of trade and other receivables is RMB1,405 million and includes trade receivables with a fair value of RMB116 million. The gross contractual amount for trade receivables due is RMB116 million, none of the receivables is expected to be uncollectible.

## Notes to the consolidated financial statements (Continued)

### 45. Business combinations (Continued)

#### (a) Acquisitions of Phoenix Island Cruise Terminal, Phoenix Island Development and Phoenix Island Real Estate (Continued)

##### (iii) Acquisition of Phoenix Island Real Estate

	At 15 April 2014 RMB million
Purchase consideration	
– cash paid	962
Amounts of identifiable assets acquired and liabilities assumed:	
Inventories-properties under development and completed properties held for sale	997
Trade and other receivables	4
Trade and other payables	(39)
Deferred income tax liabilities(Note 26)	(599)
Total identifiable net assets	363
Goodwill (Note 9)	599
	962

The fair value of trade and other receivables is RMB4 million and no trade receivables included.

The total acquisition-related costs for Phoenix Island Cruise Terminal, Phoenix Island Development and Phoenix Island Real Estate are RMB7 million, which have been included in administrative expenses in the consolidated income statement for the year ended 31 December 2014.

Net cash outflow in respect of the acquisition of the Phoenix entities is analysed as follows:

Purchase consideration	
– cash paid	4,961
Less: Cash and cash equivalents in acquired subsidiaries	(167)
Net cash outflow on acquisition	4,794

The acquired businesses contributed revenue of RMB7 million and net losses of RMB291 million to the Group for the period from acquisition dates to 31 December 2014. If the acquisition had occurred on 1 January 2014, consolidated revenue and consolidated profits for the year ended 31 December 2014 would have been RMB366,409 million and RMB13,274 million respectively.

## Notes to the consolidated financial statements (Continued)

### 45. Business combinations (Continued)

#### (b) Acquisition of Shanghai Zhen Hua Heavy Industries Qidong Marine Engineering Company Limited

ZPMC, a subsidiary of the Company, acquired 67% equity interest in Shanghai Zhen Hua Heavy Industries Qidong Marine Engineering Company Limited ("Qidong Marine Engineering") from Nantong Huafu Port Co., Ltd., a third party of the Group, for a total consideration of RMB203 million in cash. The acquisition was completed on 28 February 2014.

At the acquisition date, the fair value of the net assets and liabilities in Qidong Marine Engineering amounted to RMB80 million. The goodwill amounting to RMB149 million is generated from the expected economic effects resulting from designing and manufacturing of vessels and equipments.

The following table summarises the consideration paid for Qidong Marine Engineering and the amounts of the assets acquired, liabilities assumed and the non-controlling interests recognised at the acquisition date.

	At 28 February 2014 RMB million
Purchase consideration	
– cash paid	203
Amounts of identifiable assets acquired, liabilities assumed and non-controlling interests recognised:	
Property, plant and equipment	1,181
Lease prepayments (Note 7)	306
Intangible assets (Note 9)	2
Cash and cash equivalents	80
Inventories-work in progress	256
Trade and other receivables	356
Borrowings	(960)
Deferred income	(4)
Deferred income tax liabilities (Note 26)	(30)
Trade and other payables	(960)
Amounts due to customers for contract work	(134)
Provisions for other liabilities and charges (Note 28)	(13)
Total identifiable net assets	80
Non-controlling interests	(26)
Goodwill (Note 9)	149
	203



## Notes to the consolidated financial statements (Continued)

### 45. Business combinations (Continued)

#### (b) Acquisition of Shanghai Zhen Hua Heavy Industries Qidong Marine Engineering Company Limited (Continued)

The fair value of trade and other receivables is RMB356 million and includes trade receivables with a fair value of RMB35 million. The gross contractual amount for trade receivables due is RMB35 million, none of the receivables is expected to be uncollectible.

The Group has chosen to recognise the non-controlling interests at the proportion of net assets acquired shared by the non-controlling interests.

The acquired businesses contributed revenue of RMB504 million and net losses of RMB487 million to the Group for the period from acquisition date to 31 December 2014.

### 46. 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 2014.

## Notes to the consolidated financial statements (Continued)

### 46. Related-party Transactions(Continued)

#### (a) Related Party Transactions

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

	2014 RMB million	2013 RMB million
<b>Transactions with CCCG</b>		
– Rental expense	57	46
– Property maintenance expenses	56	56
– Acquisition of a subsidiary	–	48
– Deposit placed with CCCC Finance and interest	2,805	1,408
<b>Transactions with fellow subsidiaries</b>		
– Revenue from provision of construction services	626	884
– Other costs	–	7
– Deposit placed with CCCC Finance and interest	2,039	200
<b>Transactions with joint ventures and associates</b>		
– Revenue from provision of construction services	5,313	3,063
– Disposal of property, plant and equipment	–	381
– Subcontracting fee charges	624	869
– Purchase of materials	110	154
– Services charges	74	54
– Other costs	12	8
– Sales of machinery	18	8
– Revenue from rental income	3	3
– Deposit placed with CCCC Finance and interest	1,001	–

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

#### (b) Key Management Compensation

	2014 RMB'000	2013 RMB'000
Basis salaries, housing allowances and other allowances	7,870	6,428
Contributions to pension plans	560	420
Others	6,692	5,109
	15,122	11,957

## Notes to the consolidated financial statements (Continued)

### 46. Related-party Transactions (Continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
<b>Trade and other receivables</b>				
<b>Trade receivables due from</b>				
– Fellow subsidiaries	420	346	420	346
– Joint ventures and associates	680	813	110	251
– Subsidiaries	–	–	240	178
Long-term receivables due from				
– Fellow subsidiaries	92	–	92	–
– Joint ventures and associates	258	89	–	–
– Subsidiaries	–	–	137	–
Prepayments				
– Subsidiaries	–	–	4,122	4,577
– Joint ventures and associates	11	64	–	–
Other receivables due from				
– Joint ventures and associates	1,036	570	–	–
– Subsidiaries	–	–	256	163
	<b>2,497</b>	1,882	<b>5,377</b>	5,515
<b>Loans to subsidiaries</b>	–	–	<b>26,881</b>	17,897
<b>Amounts due from subsidiaries</b>	–	–	<b>8,519</b>	4,164

The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties in 2014 and 2013.

## Notes to the consolidated financial statements (Continued)

### 46. Related-party Transactions (Continued)

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

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
<b>Trade and other payables</b>				
Trade and bills payable due to				
– Fellow subsidiaries	–	1	–	–
– Joint ventures and associates	<b>726</b>	683	–	–
– Subsidiaries	–	–	<b>5,623</b>	5,284
Advanced from customers				
– Fellow subsidiaries	<b>139</b>	–	<b>139</b>	–
– Joint ventures and associates	<b>380</b>	972	–	–
– Subsidiaries	–	–	<b>1,064</b>	712
Other payables due to				
– CCCG	<b>689</b>	943	<b>56</b>	226
– Fellow subsidiaries	<b>686</b>	652	–	–
– Joint ventures and associates	<b>65</b>	49	–	–
– Subsidiaries	–	–	<b>539</b>	157
	<b>2,685</b>	3,300	<b>7,421</b>	6,379
<b>Amounts due to subsidiaries</b>	–	–	<b>32,463</b>	33,361
<b>Amounts due from customers for contract work with</b>				
– Joint ventures and associates	<b>119</b>	253	–	–
<b>Amounts due to customers for contract work with</b>				
– Joint ventures and associates	<b>75</b>	117	<b>89</b>	62
<b>Outstanding corporate loan guarantees provided by the Group</b>				
– Joint ventures	<b>149</b>	143	<b>6</b>	7
– Associates	<b>358</b>	119	–	–
– Subsidiaries	–	–	<b>22,362</b>	24,760
<b>Outstanding bond guarantees provided by CCCG</b>	<b>20,220</b>	22,343	<b>20,220</b>	22,343

The payables bear no interest.

## Notes to the consolidated financial statements (Continued)

### 46. 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 2014 RMB million	2013 RMB million
<b>Transactions with other government-related entities</b>		
– Interest from bank deposits	537	399
– Interest on bank borrowings	9,035	6,156

	Group 2014 RMB million	2013 RMB million
<b>Balances with other government-related entities</b>		
– Restricted bank deposits	4,680	3,559
– Cash and cash equivalents	59,532	53,309
– Borrowings	167,294	131,606
	<b>231,506</b>	<b>188,474</b>

## Notes to the consolidated financial statements (Continued)

### 47. Particulars of Principal Subsidiaries

As at 31 December 2014, 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		Proportional of ordinary shares held by non-controlling interests	Principal activities and place of operation
				Directly held	Indirectly held		
<b>Listed -</b>							
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
<b>Unlisted -</b>							
China Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB3,278	50%	50%	-	Infrastructure construction in the PRC and other regions
China Road and Bridge Corporation	the PRC	Limited liability company	RMB3,889	96.37%	3.63%	-	Infrastructure construction in the PRC and other regions
CCCC First Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB5,475	100%	-	-	Infrastructure construction in the PRC
CCCC Second Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB3,002	100%	-	-	Infrastructure construction in the PRC
CCCC Third Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB3,740	100%	-	-	Infrastructure construction in the PRC
CCCC Fourth Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB3,140	100%	-	-	Infrastructure construction in the PRC
CCCC First Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB2,728	100%	-	-	Infrastructure construction in the PRC
CCCC Second Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB2,086	100%	-	-	Infrastructure construction in the PRC
Road & Bridge International Co., Ltd.	the PRC	Limited liability company	RMB2,449	100%	-	-	Infrastructure construction in the PRC
CCCC Investment Co., Ltd.	the PRC	Limited liability company	RMB8,901	100%	-	-	Investment holding in the PRC
CCCC Tianjin Dredging Co., Ltd.	the PRC	Limited liability company	RMB5,807	100%	-	-	Dredging in the PRC
CCCC Shanghai Dredging Co., Ltd.	the PRC	Limited liability company	RMB7,606	100%	-	-	Dredging in the PRC
CCCC Guangzhou Dredging Co., Ltd.	the PRC	Limited liability company	RMB4,934	100%	-	-	Dredging in the PRC
CCCC Third Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB930	100%	-	-	Infrastructure construction in the PRC
CCCC Fourth Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB685	100%	-	-	Infrastructure construction in the PRC

## Notes to the consolidated financial statements (Continued)

### 47. Particulars of 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		Proportional of ordinary shares held by non-controlling interests	Principal activities and place of operation
				Directly held	Indirectly held		
				CCCC Tunnel Engineering Co., Ltd.	the PRC	Limited liability company	
CCCC International Holding Limited	Hong Kong	Limited liability company	HKD2,372	100%	-	-	Investment holding in the PRC
CCCC Water Transportation Consultants Co., Ltd.	the PRC	Limited liability company	RMB818	100%	-	-	Infrastructure design in the PRC
CCCC Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB730	100%	-	-	Infrastructure design in the PRC
CCCC First Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB723	100%	-	-	Infrastructure design in the PRC
CCCC Second Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB428	100%	-	-	Infrastructure design in the PRC
CCCC Third Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB731	100%	-	-	Infrastructure design in the PRC
CCCC-FHDI Engineering Co., Ltd.	the PRC	Limited liability company	RMB630	100%	-	-	Infrastructure design in the PRC
CCCC First Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB856	100%	-	-	Infrastructure design in the PRC
CCCC Second Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB872	100%	-	-	Infrastructure design in the PRC
China Highway Engineering Consulting Group Co., Ltd.	the PRC	Limited liability company	RMB650	100%	-	-	Infrastructure design in the PRC
CCCC Road and Bridge Consultants Co., Ltd.	the PRC	Limited liability company	RMB123	100%	-	-	Infrastructure design in the PRC
CCCC Xi'an Road Construction Machinery Co., Ltd.	the PRC	Limited liability company	RMB433	54.31%	45.69%	-	Manufacturing of road construction machinery in the PRC
China Highway Vehicle & Machinery Co., Ltd.	the PRC	Limited liability company	RMB168	100%	-	-	Trading of motor vehicles spare parts in the PRC
Chuwa Bussan Co., Ltd.	Japan	Limited liability company	JPY 12,021	75%	-	25.00%	Trading of machinery in Japan
CCCC Shanghai Equipment Engineering Co., Ltd.	the PRC	Limited liability company	RMB10	55%	-	45.00%	Maintenance and repairing of port machinery in the PRC
CCCC Electromechanical Engineering Co., Ltd.	the PRC	Limited liability company	RMB833	60%	40%	-	Infrastructure construction in the PRC
China Communications Materials & Equipment Company Limited	the PRC	Limited liability company	RMB34	100%	-	-	Trading of construction materials and equipment in the PRC
CCCC Finance Company Limited	the PRC	Limited liability company	RMB3,500	95%	-	5.00%	Financial service in the PRC
CCCC Financial Leasing Co.,Ltd	the PRC	Limited liability company	RMB1,800	45%	55%	-	Financial service in the PRC
CCCC Fund Management Co.,Ltd	the PRC	Limited liability company	RMB100	70%	-	30%	Fund Management in the PRC

## Notes to the consolidated financial statements (Continued)

### 48. Holding Company

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

### 49. Subsequent Events

- (a) On 11 December 2014, CCCC International Holding Limited ("CCCI"), a wholly-owned subsidiary of the Company, entered into a share sale agreement with Leighton Holdings Limited ("Leighton"), a company incorporated in Australia. Pursuant to the share sale agreement, CCCI agreed to purchase and Leighton agreed to sell 100% equity interests in John Holland Group Pty Ltd. ("John Holland"), a direct wholly-owned subsidiary of Leighton, on the terms and conditions as set out in the share sale agreement. The aggregated amount of the proposed consideration for the acquisition equals to approximately RMB4,882 million.

The Company anticipates that the completion of this acquisition will occur on or before 30 April 2015. Upon the completion, the Company will indirectly hold 100% equity interests in John Holland, which will become an indirectly wholly-owned subsidiary of the Company.

- (b) As approved by NAFMII, two tranches of debentures were issued by the Company on 5 January 2015 and 3 March 2015, respectively, at nominal values of RMB3,000 million and RMB3,000 million, respectively, totalling RMB6,000 million, with maturities of 270 days from issuance. The interest rate is 4.7% and 4.6% per annum, respectively.
- (c) As approved by the Extraordinary General Meeting held on 15 January 2015, the Company proposed to issue preference shares in the PRC. The total number of the preference shares to be issued shall not exceed 145 million shares with the proceeds not more than RMB14.5 billion. As at 30 March 2015, this proposed issuance is subject to the approval of China Securities Regulatory Commission ("CSRC"). Upon approval by CSRC, the preference shares will be issued in tranches by non-public issuance to qualified investors.
- (d) On 30 March 2015, the Board of Directors approved a restructuring in respect of the assets, personnel and entities relating to the Group's dredging business and the establishment of a joint stock limited company in preparation for a spin-off of the dredging business and subsequent listing.