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 set out on pages 90 to 203, which comprise the consolidated balance sheet as at 31 December 2015, 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance 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, 28 March 2016

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CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 RMB million	2014 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	6	**67,973**	63,377
Lease prepayments	7	**10,036**	9,682
Investment properties	8	**2,045**	733
Intangible assets	9	**141,345**	90,378
Investments in joint ventures	12	**1,967**	1,742
Investments in associates	12	**10,622**	7,988
Deferred income tax assets	27	**4,169**	2,916
Available-for-sale financial assets	15	**22,322**	22,205
Trade and other receivables	16	**77,816**	75,902
Held-to-maturity financial assets		**280**	328
		338,575	275,251
Current assets			
Inventories	17	**51,904**	46,149
Trade and other receivables	16	**167,914**	150,734
Amounts due from customers for contract work	18	**74,645**	73,223
Other financial assets at fair value through profit or loss		**143**	171
Available-for-sale financial assets	15	**46**	6,586
Derivative financial instruments	19	**9**	26
Restricted bank deposits and term deposits with initial term of over three months	20(a),(b)	**3,117**	6,217
Cash and cash equivalents	20(c)	**94,960**	71,823
		392,738	354,929
Total assets		**731,313**	630,180

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 RMB million	2014 RMB million
EQUITY and LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	**16,175**	16,175
Share premium	21	**19,656**	19,656
Financial instruments classified as equity	22	**19,431**	4,986
Reserves	23	**91,462**	75,714
		146,724	116,531
Non-controlling interests	24	**22,282**	15,081
Total equity		**169,006**	131,612
Liabilities			
Non-current liabilities			
Borrowings	26	**168,578**	137,801
Deferred income		**4,396**	4,921
Deferred income tax liabilities	27	**7,543**	7,805
Retirement benefit obligations	28	**1,589**	1,796
Trade and other payables	25	**7,121**	6,949
		189,227	159,272
Current liabilities			
Trade and other payables	25	**257,379**	224,617
Amounts due to customers for contract work	18	**25,499**	19,585
Current income tax liabilities		**3,197**	3,473
Borrowings	26	**86,605**	91,034
Derivative financial instruments	19	**134**	48
Retirement benefit obligations	28	**113**	153
Provisions for other liabilities and charges	29	**153**	386
		373,080	339,296
Total liabilities		**562,307**	498,568
Total equity and liabilities		**731,313**	630,180

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

The financial statements on pages 90 to 203 were approved by the Board of Directors on 28 March 2016 and were signed on its behalf.

Liu Qitao
Director

Fu Junyuan
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2015 RMB million	2014 RMB million
Revenue	5	**403,616**	366,042
Cost of sales	33	**(353,862)**	(326,770)
Gross profit		**49,754**	39,272
Other income	30	**3,000**	2,414
Other gains, net	31	**744**	1,776
Selling and marketing expenses	33	**(696)**	(528)
Administrative expenses	33	**(26,129)**	(18,324)
Other expenses	32	**(875)**	(825)
Operating profit		**25,798**	23,785
Finance income	35	**3,701**	3,588
Finance costs, net	36	**(10,212)**	(10,108)
Share of profit of joint ventures	12	**95**	81
Share of profit of associates	12	**289**	258
Profit before income tax		**19,671**	17,604
Income tax expense	37	**(3,758)**	(3,721)
Profit for the year		**15,913**	13,883
Attributable to:			
– Owners of the Company		**15,828**	13,985
– Non-controlling interests		**85**	(102)
		15,913	13,883
Earnings per share for profit attributable to owners of the Company			
(expressed in RMB per share)			
– Basic	40	**0.96**	0.86
– Diluted	40	**0.96**	0.86

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	RMB million	RMB million
Profit for the year	**15,913**	13,883
Other comprehensive income/(expenses)		
Item that will not be subsequently reclassified to profit or loss		
Actuarial losses on retirement benefit obligations, net of deferred tax	**(36)**	(91)
Item that may be subsequently reclassified to profit or loss		
Changes in fair value of available-for-sale financial assets, net of deferred tax		
– Gains arising during the year	**282**	6,561
– Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**(674)**	(741)
Losses from cash flow hedges, net of deferred tax	**(2)**	–
Share of other comprehensive expenses of associates	**(3)**	–
Currency translation differences	**483**	(11)
Other comprehensive income for the year, net of tax	**50**	5,718
Total comprehensive income for the year	**15,963**	19,601
Total comprehensive income/(expenses) attributable to:		
– Owners of the Company	**15,925**	19,671
– Non-controlling interests	**38**	(70)
	15,963	19,601

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company							
	Note	Share capital RMB million	Share premium RMB million	Financial instruments classified as equity RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2014		16,175	19,656	–	11,462	47,568	94,861	9,980	104,841
Comprehensive income									
Profit/(losses) for the year		–	–	–	–	13,985	13,985	(102)	13,883
Other comprehensive income									
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
Total comprehensive income/(expenses)		–	–	–	5,686	13,985	19,671	(70)	19,601
2013 final dividend	41	–	–	–	–	(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)	–	–	–
Balance at 31 December 2014		16,175	19,656	4,986	18,200	57,514	116,531	15,081	131,612

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company							
		Share capital RMB million	Share premium RMB million	Financial instruments classified as equity RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2015		16,175	19,656	4,986	18,200	57,514	116,531	15,081	131,612
Comprehensive income									
Profit for the year		–	–	–	–	15,828	15,828	85	15,913
Other comprehensive income									
Changes in fair value of available-for-sale financial assets, net of deferred tax		–	–	–	152	–	152	130	282
Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax		–	–	–	(478)	–	(478)	(196)	(674)
Actuarial losses on retirement benefit obligations, net of deferred tax		–	–	–	(36)	–	(36)	–	(36)
Losses from cash flow hedges, net of deferred tax		–	–	–	(2)	–	(2)	–	(2)
Share of other comprehensive expenses of associates		–	–	–	(3)	–	(3)	–	(3)
Currency translation differences		–	–	–	464	–	464	19	483
Total other comprehensive income/(expenses), net of tax		–	–	–	97	–	97	(47)	50
Total comprehensive income		–	–	–	97	15,828	15,925	38	15,963
2014 final dividend	41	–	–	–	–	(2,778)	(2,778)	–	(2,778)
Distributions to holders of financial instruments classified as equity		–	–	–	–	(300)	(300)	–	(300)
Dividends paid and payable to non-controlling interests		–	–	–	–	–	–	(372)	(372)
Contribution from non-controlling interests		–	–	–	–	–	–	2,241	2,241
Cash contribution from government	23	–	–	–	2,971	–	2,971	–	2,971
Financial instruments classified as equity	22,24	–	–	14,445	–	–	14,445	6,706	21,151
Disposal of subsidiaries		–	–	–	–	–	–	(79)	(79)
Deemed disposal of a subsidiary		–	–	–	–	–	–	(1,340)	(1,340)
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries		–	–	–	(23)	(50)	(73)	7	(66)
Share of other reserves a joint venture		–	–	–	3	–	3	–	3
Transfer to statutory surplus reserve	23	–	–	–	304	(304)	–	–	–
Transfer to general reserve	23	–	–	–	281	(281)	–	–	–
Transfer to safety reserve	23	–	–	–	102	(102)	–	–	–
Balance at 31 December 2015		16,175	19,656	19,431	21,935	69,527	146,724	22,282	169,006

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2015 RMB million	2014 RMB million
Cash flows from operating activities			
Cash generated from operations	43	36,538	8,403
Income tax paid		(4,625)	(3,995)
Net cash generated from operating activities		31,913	4,408
Cash flows from investing activities			
Purchases of property, plant and equipment ("PPE")		(13,342)	(9,941)
Increase in lease prepayments		(674)	(1,091)
Purchases of intangible assets		(37,999)	(31,781)
Proceeds from disposal of PPE	43	683	548
Proceeds from disposal of lease prepayments		59	10
Proceeds from disposal of intangible assets		6	–
Additional investments in joint ventures		(189)	(663)
Additional investments in associates		(895)	(1,346)
Acquisition of subsidiaries	46	(3,735)	(5,888)
Proceeds from disposal of subsidiaries		710	–
Net cash outflow in respect of deemed disposal of a subsidiary		(860)	–
Purchases of available-for-sale financial assets		(4,346)	(8,787)
Purchases of other financial assets at fair value through profit or loss		(4)	(20)
Changes in term deposits with initial term of over three months		1,432	96
Proceeds from disposal of joint ventures		17	2
Proceeds from disposal of associates		221	224
Proceeds from disposal of available-for-sale financial assets		10,235	8,573
Proceeds from disposal of other financial assets at fair value through profit or loss		39	22
Proceeds from withdrawal upon maturity of held-to-maturity financial assets		22	–
Proceeds from government grants related to assets		1,181	2,826
Interest received		1,014	982
Dividends received		952	729
Net cash used in investing activities		(45,473)	(45,505)
Cash flows from financing activities			
Proceeds from borrowings		190,529	163,978
Proceeds from financial instruments classified as equity		21,151	4,986
Repayments of borrowings		(163,667)	(125,732)
Interest paid		(14,462)	(11,646)
Changes in restricted bank deposits		1,222	(978)
Dividends paid to the Company's shareholders		(2,778)	(3,035)
Distributions paid to holders of financial instruments classified as equity		(300)	–
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries		(66)	–
Dividends paid to non-controlling interests of subsidiaries		(417)	(81)
Capital contribution from non-controlling interests		2,241	4,260
Cash contribution from government		2,971	49
Net cash generated from financing activities		36,424	31,801
Net increase/(decrease) in cash and cash equivalents		22,864	(9,296)
Cash and cash equivalents at beginning of year		71,823	81,238
Exchange gains/(losses) on cash and cash equivalents		273	(119)
Cash and cash equivalents at end of year		94,960	71,823

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

1. GENERAL INFORMATION

China Communications Construction Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 8 October 2006 as a joint stock company with limited liability under the Company Law of the PRC as part of the group reorganisation of China Communications Construction Group Ltd. ("CCCG"), the parent company and a state-owned enterprise established in the PRC. The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 15 December 2006 and the A shares of the Company were listed on the Shanghai Stock Exchange on 9 March 2012. The address of the Company's registered office is 85 De Sheng Men Wai Street, Xicheng District, Beijing, the PRC.

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

On 20 April 2015, CCCC International Holding Limited ("CCCI"), a wholly-owned subsidiary of the Company, completed the acquisition of 100% equity interests in John Holland Group Pty Ltd. ("John Holland") from Leighton Holdings Limited ("Leighton") with a consideration of Australian Dollar ("AUD") 787 million (equivalent to approximately RMB3,954 million). Upon completion of the acquisition, the Company has indirectly held 100% equity interests in John Holland, which has become an indirectly wholly-owned subsidiary of the Company. Detailed information of this acquisition was set out in Note 46.

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 28 March 2016.

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

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

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015.

	Effective for accounting periods beginning on or after
Amendment to IAS 19 regarding defined benefit plans: employee contributions	1 July 2014
Annual improvements 2010-2012, which include changes to: IFRS2, IFRS3, IFRS8, IAS 16, IAS 38 and IAS 24	1 July 2014
Annual improvements 2011-2013, which include changes to: IFRS 3, IFRS 13 and IAS 40	1 July 2014

The adoption of the above amended standards in the current year did not have any material effect on the consolidated financial statements or result in any significant changes in the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) 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 2015, and have not been applied in preparing these consolidated financial statements.

	Effective for accounting periods beginning on or after
IFRS 14 'Regulatory Deferral Accounts'	1 January 2016
Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations	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 Agriculture: bearer plants	1 January 2016
Amendments to IFRS 10 and IAS 28 on the sale or contribution of assets between an investor and its associate or joint venture	to be determined
Amendment to IAS 27 on the equity method in separate financial statements	1 January 2016
Annual improvements 2012-2014, which includes changes to: IFRS 5, 7, IAS 19 and 34	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities: applying the consolidation exception	1 January 2016
Amendments to IAS 1 on disclosure initiative	1 January 2016
Amendments to IAS 12 "Recognition of deferred tax assets for unrealised losses"	1 January 2017
Amendments to IAS 7 "Statement of cash flows"	1 January 2017
IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
IFRS 9 "Financial Instruments"	1 January 2018
IFRS 16 "Leases"	1 January 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(c) 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 2018. 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", replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it includes an expected credit losses model that replaces the incurred loss impairment model used today; it also includes an improved hedge accounting model to better align hedge accounting with the risk management activities. 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.

- IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 "Leases", and related interpretations. The standard is effective on 1 January 2019. The Group is currently assessing the impact of IFRS 16 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.

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 ultimate controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the ultimate 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 ultimate controlling party's interest.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination (Continued)

Acquisition 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.

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.

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.

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.

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.

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.

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

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

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

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

– Leasehold land classified as finance lease	Shorter of useful life or remaining lease term
– Buildings	20-40 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

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

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

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

2.8 Investment properties

Investment properties, principally comprising leasehold buildings, are held for long-term rental yields and are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Investment properties are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

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

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

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

2.9 Lease prepayments

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

2.10 Intangible assets

(a) Concession assets

The Group is engaged in certain service concession arrangements in which the Group carries out construction work (e.g. toll highways, bridges and ports) in exchange for a right for the Group to operate the asset concerned in accordance with pre-established conditions set by the granting authority. In accordance with the IFRIC Interpretation 12 Service Concession Arrangement (IFRIC 12), the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangibles if the operator receives a right (a license) to charge users of the public service or as financial assets if 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. Such concession assets represent the consideration received for its construction service rendered (Note 2.29). Once the underlying infrastructure of the concession arrangements is completed, the concession assets are amortised over the term of the concession using traffic flow method or straight-line method under the intangible asset model.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (Continued)

(b) Goodwill

Goodwill arises on the acquisition of subsidiaries 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 individual acquisition group level within respective operation segment.

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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets

2.12.1 Classification

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

2.12.2 Recognition and measurement (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Derivative financial instruments and hedging activities

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. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 3.2. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'other gains, net'.

Amounts accumulated in equity are reclassified in the consolidated income statement in the periods when the hedged item affects profit or loss (for instance when the forecast purchase that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging foreign currency denominated expenses or receivables is recognised in the consolidated income statement within "other gains, net". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, property, plant and equipment) or a non-financial liability, the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. The deferred amounts are ultimately recognised in the consolidated income statement as "cost of sales" in the case of inventory, or as depreciation or impairment in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement, or upon the initial recognition of a non-financial asset or liability. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(b) Derivatives at fair value through profit or loss

Certain 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 variable number of its own equity instruments; if the financial instrument 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.

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.

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.

Outside basis differences

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, 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 ventures 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Current and deferred income tax (Continued)

(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 tax 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (Continued)

(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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Government grants

Grants from the government are recognised 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.

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 when it is probable that total contract costs will exceed total revenue. 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 balance of the value of contract work-in-progress and progress billings is determined on a project by project basis. On the consolidated balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset the "amounts due from customers for contract work" where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability the "amounts due to customers for contract work" where the opposite is the case.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 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, dredging and manufacturing of heavy machinery contracts

Revenue from individual construction, 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 survey and design, transportations and logistics services is recognised in the accounting period in which the services are rendered by reference to stage of completion of the specific transaction, 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.

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.

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. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount less cumulative amortisation, 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.

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 2015, denominated in foreign currencies, mainly United States Dollars ("USD"), are disclosed in Notes 16, 20, 25 and 26, 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 2015, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the year would have been approximately RMB510 million (2014: 5%, RMB450 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. Profit is more sensitive to movement in RMB/USD exchange rates in 2015 than 2014 mainly because of the increased amount of USD-denominated trade and other payables and borrowings.

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:

	2015	2014
Increases/decreases in quoted price in open markets	**10%**	10%

	2015	2014
	RMB million	RMB million
Impact on post-tax profit for the year	**14**	16
Impact on equity attributable to owners of the Company for the year	**2,067**	2,028

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2015 and 2014, the Group's borrowings at variable rate were mainly denominated in RMB, USD, Euro ("EUR"), Hong Kong Dollars ("HKD") and Japanese Yen ("JPY").

Borrowings obtained at fixed rates expose the Group 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 outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position. Management continuously monitors the interest rate position of the Group, and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the Directors did not consider it was necessary to do so in 2015 and 2014.

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 2015, approximately RMB134,970 million (2014: RMB115,889 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 26. As at 31 December 2015, if interest rates on borrowings had been 1.00 percentage-point higher/lower with all other variables held constant, profit attributable to the owners of the Company for the year would have been RMB1,350 million lower/higher (2014: 1.00 percentage-point higher/lower, RMB1,159 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.

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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 26.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
As at 31 December 2015				
Borrowings (excluding finance lease liabilities)	**94,779**	**44,667**	**56,529**	**151,928**
Finance lease liabilities	**656**	**626**	**1,180**	**385**
Trade and other payables (excluding statutory and non-financial liabilities)	**190,517**	**8,668**	**–**	**–**
Financial guarantee contracts	**895**	**–**	**–**	**–**
Net-settled derivative financial instruments	**8**	**7**	**–**	**–**
Gross-settled derivative financial instruments – outflows				
– held for trading	**1,753**	**–**	**–**	**–**
– cash flow hedges	**635**	**–**	**–**	**–**
Gross-settled derivative financial instruments – inflows				
– held for trading	**(1,754)**	**–**	**–**	**–**
– cash flow hedges	**(2)**	**–**	**–**	**–**
	287,487	**53,968**	**57,709**	**152,313**
As at 31 December 2014				
Borrowings (excluding finance lease liabilities)	98,715	36,124	60,198	83,092
Finance lease liabilities	737	564	1,395	541
Trade and other payables (excluding statutory and non-financial liabilities)	163,923	7,591	–	–
Financial guarantee contracts	527	–	–	–
Net-settled derivative financial instruments	7	6	6	–
Gross-settled derivative financial instruments outflows – held for trading	5,585	–	–	–
Gross-settled derivative financial instruments inflows – held for trading	(5,657)	–	–	–
	263,837	44,285	61,599	83,633

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The Group entered into the guarantee contracts for bank borrowings made by joint ventures, associates and a third party. 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.

Derivative financial instruments comprise forward foreign exchange contracts used by the Group to hedge the exposure to foreign currency risk.

(d) Capital risk management

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

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

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.

	2015 **RMB million**	2014 RMB million
Total borrowings (Note 26)	**255,183**	228,835
Less: cash and cash equivalents (Note 20(c))	**(94,960)**	(71,823)
Net debt	**160,223**	157,012
Total equity	**169,006**	131,612
Total capital	**329,229**	288,624
Gearing ratio	**49%**	54%

The gearing ratio as at 31 December 2015 decreased by 5% compared with that in 2014 primarily attributable to the issuance of financial instruments classified as equity to meet the financing needs of projects.

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 2015, 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 2014: 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).

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 2015.

	Level 1 RMB million	**Level 2 RMB million**	**Level 3 RMB million**	**Total RMB million**
Assets				
Financial assets at fair value through profit or loss	**143**	**–**	**–**	**143**
Derivative financial instruments				
– held for trading	**–**	**1**	**–**	**1**
– cash flow hedges	**–**	**8**	**–**	**8**
Available-for-sale financial assets				
– equity securities and other investments	**20,253**	**–**	**414**	**20,667**
– other unlisted instruments	**–**	**46**	**–**	**46**
Total assets	**20,396**	**55**	**414**	**20,865**
Liabilities				
Derivative financial instruments				
– held for trading	**–**	**(122)**	**–**	**(122)**
– cash flow hedges	**–**	**(12)**	**–**	**(12)**
Total liabilities	**–**	**(134)**	**–**	**(134)**

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
Assets				
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
Total assets	20,446	6,612	–	27,058
Liabilities				
Derivative financial instruments – held for trading	–	(48)	–	(48)
Total liabilities	–	(48)	–	(48)

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.

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.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

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

4.1 Construction contracts

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

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

4. 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. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade and other receivables would be required.

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. For those unlisted investments without quoted price in active market, the Group evaluates 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 RMB193 million in the consolidated financial statements for the year ended 31 December 2015, 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.

4.5 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

As at 31 December 2015, the carrying amount of goodwill is RMB6,016 million (2014: RMB1,537 million). Details of the impairment test for goodwill are disclosed in Note 9.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (CONTINUED)

4.6 Determination of control over structured entities

The Group invested in several structured entities which were mainly engaged in infrastructure investment activities. Based on the assessment following the accounting policies set out in Notes 2.2.1, 2.3 and 2.4, the Group consolidated certain structured entities that it has control and account for as joint ventures when it has joint control over the structured entities. For those that the Group has neither control nor joint control, the Group accounts for as available-for-sale. Judgement is involved when performing the assessment. Should those joint ventures and available-for-sale be consolidated, net assets, revenue and profit of the Group could be affected.

Management applies its judgement to determine whether the control indicators set out in Note 2.2.1 indicate that the Group controls a structured entity.

The Group acts as manager to a number of structured entities and also carries interests in these entities. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity.

Further disclosure in respect of unconsolidated structured entities in which the Group has an interest has been set out in Note 11.

4.7 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.

4.8 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.

4.9 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).

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (CONTINUED)

4.10 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 28.

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 RMB31 million (2014: RMB35 million) lower or RMB33 million (2014: RMB37 million) higher.

4.11 Depreciation on property, plant and equipment

Depreciation on the Group's property, plant and equipment is calculated using the straight-line method to allocate cost up to residual values over the estimated useful lives of the assets. Management reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. The accounting estimate of the useful lives of property, plant and equipment is based on historical experience, taking into account anticipated technological changes. When the useful lives differ from the original estimated useful lives, management will adjust the estimated useful lives accordingly. It is possible that actual outcomes in next financial period are different from estimates made based on historical experience. Then it could cause a material adjustment to the depreciation and carrying amount of the Group's property, plant and equipment.

5. SEGMENT INFORMATION

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

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

(a) infrastructure construction of ports, roads, bridges, and railways (the "Construction Segment");

(b) infrastructure design of ports, roads and bridges (the "Design Segment");

(c) dredging (the "Dredging Segment");

(d) manufacturing of heavy machinery (the "Heavy Machinery Segment"); and

(e) others (the "Others Segment").

In 2015, the Board of Directors approved a restructuring in respect of the assets, personnel and entities relating to the Group's dredging business. A new subsidiary, CCCC Dredging (Group) Co., Ltd. was incorporated, which is principally engaged in: (i) dredging business; (ii) land reclamation business; (iii) pre- and post-dredging services; and (iv) environmental protection and maritime engineering business. In this connection, the following changes were made to the operating segments to align with the restructured dredging business:

– CCCC International Shipping Corporation, which is primarily engaged in the business of ships and equipment transportation for the maritime engineering business, previously included in Construction Segment, is now allocated to Dredging Segment;

– Hong Kong Marine Construction Limited, previously included in Construction Segment, is now allocated to Dredging Segment.

The changes are in line with the internal management reporting to the President Office.

The comparative segment information has been restated to reflect the above mentioned changes.

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 sales 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, investment properties, intangible assets, inventories, receivables, amounts due from customers for contract work, restricted cash, term deposits with initial term of over three months and cash and cash equivalents. They exclude deferred taxation, investments, available-for-sale financial assets, held-to-maturity financial assets, other financial assets at fair value through profit or loss 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.

5. SEGMENT INFORMATION (CONTINUED)

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).

The segment results for the year ended 31 December 2015 and other segment items included in the consolidated financial statements are as follows:

	For the year ended 31 December 2015						
	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	345,475	24,483	33,515	24,104	4,323	(28,284)	403,616
Inter-segment revenue	(6,351)	(1,876)	(18,807)	(965)	(285)	28,284	–
Revenue	339,124	22,607	14,708	23,139	4,038	–	403,616
Segment result	18,259	2,923	3,752	1,491	(69)	(447)	25,909
Unallocated costs							(111)
Operating profit							25,798
Finance income							3,701
Finance costs, net							(10,212)
Share of profit of joint ventures							95
Share of profit of associates							289
Profit before income tax							19,671
Income tax expense							(3,758)
Profit for the year							15,913
Other segment items							
Depreciation	5,359	186	888	1,260	39	–	7,732
Amortisation	582	31	26	110	34	–	783
Write-down of inventories	4	–	–	55	–	–	59
Provision for foreseeable losses on construction contracts	616	–	–	305	89	–	1,010
Provision for impairment of trade and other receivables	911	242	1,234	294	482	–	3,163

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 (Restated)						
	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Total gross segment revenue	298,986	21,086	28,020	26,733	4,192	(12,975)	366,042
Inter-segment revenue	(4,294)	(808)	(6,444)	(628)	(801)	12,975	–
Revenue	294,692	20,278	21,576	26,105	3,391	–	366,042
Segment result	15,605	2,591	2,676	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
Profit before income tax							17,604
Income tax expense							(3,721)
Profit for the year							13,883
Other segment items							
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

5. SEGMENT INFORMATION (CONTINUED)

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

The segment assets and liabilities at 31 December 2015 and capital expenditure for the year then ended are as follows:

	As at 31 December 2015						
	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Segment assets	502,171	22,931	61,320	58,323	20,747	(24,419)	641,073
Investments in joint ventures							1,967
Investments in associates							10,622
Unallocated assets							77,651
Total assets							731,313
Segment liabilities	255,770	15,219	24,061	14,826	1,338	(23,969)	287,245
Unallocated liabilities							275,062
Total liabilities							562,307
Capital expenditure	56,913	441	2,306	2,565	45	–	62,270

Segment assets and liabilities at 31 December 2015 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	641,073	287,245
Investments in joint ventures	1,967	–
Investments in associates	10,622	–
Unallocated:		
Deferred income tax assets/liabilities	4,169	7,543
Current income tax liabilities	–	3,197
Current borrowings	–	86,605
Non-current borrowings	–	168,578
Available-for-sale financial assets	22,368	–
Other financial assets at fair value through profit or loss	143	–
Derivative financial instruments	9	134
Cash and other corporate assets/corporate liabilities	50,962	9,005
Total	731,313	562,307

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 (Restated)						
	Construction	Design	Dredging	Heavy machinery	Others	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	438,829	20,601	61,372	51,151	8,431	(21,030)	559,354
Investments in joint ventures							1,742
Investments in associates							7,988
Unallocated assets							61,096
Total assets							630,180
Segment liabilities	230,513	12,763	21,745	12,284	1,001	(20,679)	257,627
Unallocated liabilities							240,941
Total liabilities							498,568
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	Liabilities
	RMB million	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
Total	630,180	498,568

5. SEGMENT INFORMATION (CONTINUED)

Revenue from external customers in the PRC and other regions (other regions primarily include Australia and countries in Africa, Middle East and South East Asia) is as follows:

	2015 **RMB million**	2014 RMB million
PRC (excluding Hong Kong, Macau and Taiwan)	**328,655**	303,547
Other regions	**74,961**	62,495
	403,616	366,042

Revenue from the individual countries or regions other than the PRC is not material in 2015 and 2014.

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:

	2015 **RMB million**	2014 RMB million
PRC (excluding Hong Kong, Macau and Taiwan)	**207,392**	158,189
Other regions	**14,007**	5,981
	221,399	164,170

Non-current assets in the individual countries or regions other than the PRC are not material as at 31 December 2015 and 2014.

6. PROPERTY, PLANT AND EQUIPMENT

	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 2014						
Cost	16,764	20,086	44,064	9,966	5,799	96,679
Accumulated depreciation	(4,227)	(9,804)	(20,486)	(6,543)	–	(41,060)
Net book amount	12,537	10,282	23,578	3,423	5,799	55,619
Year ended 31 December 2014						
Opening net book amount	12,537	10,282	23,578	3,423	5,799	55,619
Additions	244	2,645	1,016	2,498	3,564	9,967
Transferred from inventories	–	–	–	–	1,746	1,746
Disposals (Note 43(b))	(112)	(97)	(63)	(186)	–	(458)
Acquisition of subsidiaries	1,418	273	3	–	2,038	3,732
Transfers	1,193	1,120	163	(716)	(1,760)	–
Transferred to investment properties (Note 8)	(18)	–	–	–	–	(18)
Depreciation charge (Note 33)	(571)	(2,301)	(1,924)	(2,415)	–	(7,211)
Closing net book amount	14,691	11,922	22,773	2,604	11,387	63,377
At 31 December 2014						
Cost	19,631	25,638	43,901	8,952	11,387	109,509
Accumulated depreciation	(4,940)	(13,716)	(21,128)	(6,348)	–	(46,132)
Net book amount	14,691	11,922	22,773	2,604	11,387	63,377
Year ended 31 December 2015						
Opening net book amount	**14,691**	**11,922**	**22,773**	**2,604**	**11,387**	**63,377**
Additions	**654**	**3,279**	**1,020**	**2,437**	**7,321**	**14,711**
Disposals (Note 43(b))	**(17)**	**(343)**	**(140)**	**(78)**	**–**	**(578)**
Acquisition of subsidiaries (Note 46)	**102**	**869**	**52**	**18**	**21**	**1,062**
Disposal of subsidiaries	**(177)**	**(120)**	**(2)**	**(5)**	**(1,214)**	**(1,518)**
Transfers	**1,138**	**(481)**	**2,096**	**239**	**(2,992)**	**–**
Transferred to investment properties (Note 8)	**(22)**	**–**	**–**	**–**	**(1,325)**	**(1,347)**
Transferred to intangible assets (Note 9)	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Depreciation charge (Note 33)	**(669)**	**(2,714)**	**(2,054)**	**(2,229)**	**–**	**(7,666)**
Currency translation differences	**(7)**	**(51)**	**(3)**	**(1)**	**–**	**(62)**
Closing net book amount	**15,693**	**12,361**	**23,742**	**2,985**	**13,192**	**67,973**
At 31 December 2015						
Cost	**21,159**	**27,681**	**46,365**	**10,783**	**13,192**	**119,180**
Accumulated depreciation	**(5,466)**	**(15,320)**	**(22,623)**	**(7,798)**	**–**	**(51,207)**
Net book amount	**15,693**	**12,361**	**23,742**	**2,985**	**13,192**	**67,973**

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Depreciation of the Group's property, plant and equipment of RMB6,930 million (2014: RMB6,466 million) has been charged to cost of sales, RMB659 million (2014: RMB680 million) to administrative expenses and RMB77 million (2014: RMB65 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 RMB772 million (2014: RMB240 million) (Note 26).

(c) As at 31 December 2015, 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 RMB3,931 million (2014: RMB4,383 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:

	2015 **RMB million**	2014 RMB million
Cost – Capitalised finance leases	**5,610**	5,617
Accumulated depreciation	**(1,231)**	(1,521)
Net book amount	**4,379**	4,096

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:

	2015 **RMB million**	2014 RMB million
Cost	**778**	714
Accumulated depreciation	**(322)**	(359)
Net book amount	**456**	355

7. LEASE PREPAYMENTS

	2015 RMB million	2014 RMB million
At 1 January		
Cost	11,074	9,454
Accumulated amortisation	(1,392)	(1,181)
Net book amount	9,682	8,273
For the year ended 31 December		
Opening net book amount	9,682	8,273
Additions	843	1,091
Disposals	(62)	(10)
Acquisition of subsidiaries	–	542
Disposal of subsidiaries	(61)	–
Transferred to inventories (Note 17)	(144)	–
Amortisation charge (Note 33)	(222)	(214)
Closing net book amount	10,036	9,682
At 31 December		
Cost	11,681	11,074
Accumulated amortisation	(1,645)	(1,392)
Net book amount	10,036	9,682

(a) Amortisation of the Group's lease prepayments of RMB129 million (2014: RMB57 million) has been charged to cost of sales and RMB93 million (2014: RMB157 million) to administrative expenses.

(b) As at 31 December 2015, 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 RMB2,494 million (2014: RMB418 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 RMB1,348 million (2014: RMB1,163 million) (Note 26).

8. INVESTMENT PROPERTIES

	2015	2014
	RMB million	RMB million
At 1 January		
Cost	**1,041**	1,009
Accumulated depreciation	**(308)**	(257)
Net book amount	**733**	752
For the year ended 31 December		
Opening net book amount	**733**	752
Additions	**31**	–
Transferred from property, plant and equipment (Note 6)	**1,347**	18
Depreciation charge (Note 33)	**(66)**	(37)
Closing net book amount	**2,045**	733
At 31 December		
Cost	**2,433**	1,041
Accumulated depreciation	**(388)**	(308)
Net book amount	**2,045**	733
Fair value at end of the year (a)	**8,448**	3,657

(a) As at 31 December 2015, 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 RMB7,808 million (2014: RMB3,260 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 RMB640 million (2014: RMB397 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 RMB217 million (2014: RMB135 million) was recognised as "other income" and depreciation of the Group's investment properties of RMB66 million (2014: RMB37 million) was recognised as "other expenses" in the consolidated income statement for the year ended 31 December 2015.

(c) As at 31 December 2015, the Group had no unprovided contractual obligations for future repairs and maintenance (2014: nil).

9. INTANGIBLE ASSETS

	Concession assets	Goodwill	Trademark, patent and proprietary technologies	Computer software	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2014						
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	53,814	308	219	85	166	54,592
Additions	35,014	–	1	74	1	35,090
Acquisition of subsidiaries (Note 46)	–	1,229	–	2	–	1,231
Amortisation charge (Note 33)	(446)	–	(22)	(36)	(31)	(535)
Closing net book amount	88,382	1,537	198	125	136	90,378
At 31 December 2014						
Cost	89,425	1,537	368	306	266	91,902
Accumulated amortisation	(1,043)	–	(170)	(181)	(130)	(1,524)
Net book amount	88,382	1,537	198	125	136	90,378
Year ended at 31 December 2015						
Opening net book amount	**88,382**	**1,537**	**198**	**125**	**136**	**90,378**
Additions	**46,600**	**–**	**34**	**50**	**1**	**46,685**
Disposals	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Acquisition of subsidiaries (Note 46)	**–**	**4,805**	**743**	**111**	**23**	**5,682**
Disposal of subsidiaries	**(464)**	**–**	**–**	**(1)**	**–**	**(465)**
Transferred from property, plant and equipment (Note 6)	**–**	**–**	**–**	**6**	**–**	**6**
Amortisation charge (Note 33)	**(462)**	**–**	**(20)**	**(50)**	**(29)**	**(561)**
Impairment charge	**–**	**(50)**	**–**	**–**	**–**	**(50)**
Currency translation differences	**–**	**(276)**	**(42)**	**(6)**	**–**	**(324)**
Closing net book amount	**134,056**	**6,016**	**913**	**235**	**125**	**141,345**
At 31 December 2015						
Cost	**135,561**	**6,066**	**1,103**	**463**	**280**	**143,473**
Accumulated amortisation and impairment	**(1,505)**	**(50)**	**(190)**	**(228)**	**(155)**	**(2,128)**
Net book amount	**134,056**	**6,016**	**913**	**235**	**125**	**141,345**

(a) As at 31 December 2015, concession assets represent assets under "Build-Operate-Transfer" service concession arrangements and mainly consist of toll roads in the PRC. Certain concession projects have been put into operations, the cost of related concession assets amounted to RMB60,002 million (2014: RMB45,300 million). The cost of concession assets where the related projects were under construction amounted to RMB75,559 million (2014: RMB44,125 million).

(b) Amortisation of the Group's intangible assets of RMB469 million (2014: RMB452 million) has been charged to cost of sales, and RMB92 million (2014: RMB83 million) to administrative expenses.

(c) Certain bank borrowings are secured by concession assets with carrying amount of approximately RMB103,565 million (2014: RMB57,388 million) (Note 26).

9. INTANGIBLE ASSETS (CONTINUED)

(d) Goodwill is allocated to the Group's CGUs identified in accordance with individual acquisition group within respective operating segments. The goodwill of the Group mainly relates to the following three acquisition groups.

(i) The goodwill included in Construction segment that arose in connection with the Group's acquisition of 100% equity interest in John Holland in April 2015 (Note 46).

(ii) The goodwill included in Construction segment that 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. (collectively referred as "Phoenix Island") in March and April 2014.

(iii) The goodwill included in Heavy Machinery segment that arose in connection with the Group's acquisition of 100% equity interest in Friede Goldman United, Ltd. ("F&G") in August 2010.

Impairment test for goodwill:

The following is a summary of goodwill allocation for each acquisition group:

	2015 **RMB million**	2014 RMB million
John Holland (i)	**4,529**	–
Phoenix Island	**1,229**	1,229
F&G (ii)	**245**	295
Others	**13**	13
	6,016	1,537

(i) For goodwill arose in connection with John Holland, the recoverable amount was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 2.5%. The growth rate does not exceed the long-term average growth rate for the related industry in which John Holland operates.

The summary of key assumptions are set out below:

	John Holland
Revenue (% annual growth rate) (a)	2.5%
Pre-tax discount rate (b)	21.8%

(a) Revenue growth rate is the average annual growth rate over the five-year forecast period. It is based on past performance and management's expectations of market development.

(b) The discount rate used are pre-tax and reflect specific risks relating to the acquisition group.

No impairment was recognised based on the assessment as at 31 December 2015.

9. INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill: (Continued)

(ii) As at 31 December 2015, the carrying amount of the goodwill in connection with F&G has been calculated using value-in-use method, the recoverable amount of which has been reduced to RMB245 million, with the recognition of an impairment loss of RMB50 million. This loss has been included in "cost of sales" in the consolidated income statement. The impairment was due to the estimated reduction of new contracts in the coming 2 to 3 years.

10. SUBSIDIARIES

(a) Details of the principal subsidiaries as at 31 December 2015 are shown in Note 48.

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2015 was RMB22,282 million (2014: RMB15,081 million), of which RMB7,868 million is for ZPMC (2014: RMB7,873 million), and RMB3,000 million is for CCCC (Beijing) Equity Investment Fund LLP (2014: RMB3,002 million). In addition, on 21 April 2015, a subsidiary of the Company issued a tranche of USD denominated perpetual securities which should be classified as equity of the issuer, and consequently, as non-controlling interests of the Group (Note 24). The non-controlling interests in respect of other subsidiaries are individually 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

	2015 RMB million	2014 RMB million (Restated)
Current		
Assets	28,673	28,050
Liabilities	(40,057)	(35,451)
Total current net liabilities	(11,384)	(7,401)
Non-current		
Assets	30,369	29,975
Liabilities	(3,183)	(6,965)
Total non-current net assets	27,186	23,010
Net assets	15,802	15,609

10. SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (Continued)

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

Summarised income statement

	2015 RMB million	2014 RMB million (Restated)
Revenue	**23,272**	25,477
Profit before income tax	**272**	178
Income tax expense	**(78)**	(21)
Profit for the year	**194**	157
Other comprehensive (expenses)/income	**(107)**	70
Total comprehensive income	**87**	227
Total comprehensive expenses allocated to non-controlling interests	**51**	47
Dividends paid to non-controlling interests	**–**	–

Summarised cash flows

	2015 RMB million	2014 RMB million (Restated)
Cash flows from operating activities		
Cash used in operations	**(1,562)**	(537)
Income tax paid	**(270)**	(327)
Net cash used in operating activities	**(1,832)**	(864)
Net cash generated from/(used in) investing activities	**2,582**	(1,856)
Net cash (used in)/generated from financing activities	**(335)**	1,144
Net increase/(decrease) in cash and cash equivalents	**415**	(1,576)
Cash and cash equivalents at beginning of year	**1,881**	3,463
Exchange gains/(losses) on cash and cash equivalents	**41**	(6)
Cash and cash equivalents at end of year	**2,337**	1,881

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

	2015 RMB million	2014 RMB million
Current		
Assets	**3,756**	3,756
Liabilities	**(2)**	(3)
Total current net assets	**3,754**	3,753
Net assets	**3,754**	3,753

10. SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (Continued)

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

Summarised income statement

	2015 RMB million	2014 RMB million
Revenue	303	21
Profit before income tax	276	9
Profit for the year	276	9
Total comprehensive income	276	9
Total comprehensive income allocated to non-controlling interests	221	6
Dividends paid to non-controlling interests	(276)	–

Summarised cash flows

	2015 RMB million	2014 RMB million
Cash flows from operating activities		
Cash generated from/(used in) operations	276	(10)
Net cash generated from/(used in) operating activities	276	(10)
Net cash used in investing activities	–	(3,729)
Net cash (used in)/generated from financing activities	(276)	3,745
Net increase in cash and cash equivalents	–	6
Cash and cash equivalents at beginning of year	6	–
Cash and cash equivalents at end of year	6	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 investment 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 2015, the total assets and total liabilities of these unconsolidated structured entities amounted to RMB4,713 million and RMB4,181 million, respectively. (2014: RMB1,376 million and RMB1,311 million, respectively).

11. UNCONSOLIDATED STRUCTURED ENTITIES MANAGED BY THE GROUP (CONTINUED)

The exposure to the Group's investments in the unconsolidated structured entities as at 31 December 2015 is disclosed in the following table.

	2015 RMB million	2014 RMB million
Available-for-sale financial assets	**414**	64
Investments in joint ventures	**135**	2
	549	66

As at 31 December 2015, there was no contractual liquidity arrangements, guarantees or other commitments between the Group and the Investee Funds.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	2015 RMB million	2014 RMB million
Associates	**10,622**	7,988
Joint ventures	**1,967**	1,742
	12,589	9,730

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

	2015 RMB million	2014 RMB million
Associates	**289**	258
Joint ventures	**95**	81
	384	339

(a) Investments in associates

	2015 RMB million	2014 RMB million
At 1 January	**7,988**	6,780
Additions	**895**	1,346
Acquisition of subsidiaries (Note 46)	**127**	–
Disposals	**(26)**	(169)
Share of profit or loss, net	**289**	258
Dividend distribution	**(108)**	(35)
Transferred from subsidiaries, due to deemed disposal of a subsidiary	**560**	–
Transferred from available-for-sale financial assets, due to acquiring of significant influence (Note 15)	**900**	–
Share of other comprehensive expenses of associates	**(3)**	–
Transferred to available-for-sale financial assets, due to loss of significant influence (Note 15)	**–**	(192)
At 31 December	**10,622**	7,988

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Investments in associates (Continued)

(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 RMB694 million (2014: RMB358 million).

(b) Investments in joint ventures

	2015 **RMB million**	2014 RMB million
At 1 January	**1,742**	1,019
Additions	**189**	663
Disposals	**(13)**	(3)
Share of profit or loss, net	**95**	81
Dividend distribution	**(49)**	(18)
Share of other reserves of a joint venture	**3**	–
At 31 December	**1,967**	1,742

(i) In the opinion of the Directors, none of the joint ventures is individually material to the Group as at 31 December 2015.

(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 RMB182 million (2014: RMB149 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. JOINT OPERATIONS

Joint operations in which the Group has material interests are set out below:

Name of arrangement	Principal activity	Country/ Region	Ownership interests 31 December 2015 %	Ownership interests 31 December 2014 %
Hong Kong-Zhuhai-Macau Bridge Hong Kong Link Road (Section between HKSAR Boundary and Scenic Hill)	Construction	Hong Kong	**40.00**	40.00
Toll Road Development of Medan-Kualanamu, Indonesia	Construction	Indonesia	**37.50**	37.50
Tuen Mun-Chek Lap Kok Link-Northern Connection Toll Plaza and Associated Works	Construction	Hong Kong	**40.00**	51.00
Abigroup Contractors Pty Ltd & Coleman Rail Pty Ltd & John Holland Pty Ltd (Integrate Rail)	Construction	Australia	**40.00**	N/A
Coleman Rail John Holland & York Civil (Tracksure Rail Upgrade)	Construction	Australia	**38.00**	N/A
GHD John Holland (Perth City Link Rail Alliance)	Construction	Australia	**85.00**	N/A
John Holland Bouygues Travaux Publics (North Strathfield Rail Underpass)	Construction	Australia	**50.00**	N/A
John Holland Abigroup Contractors (Bulk Water Alliance)	Construction	Australia	**50.00**	N/A
John Holland Coleman Rail (Activate)	Construction	Australia	**50.00**	N/A
John Holland Fairbrother (Uni Tas, Risdon, IMAS)	Construction	Australia	**50.00**	N/A
John Holland Fulton Hogan (Hunua, Minor Rail Projects)	Construction	Australia	**50.00**	N/A
John Holland Leed Engineering and Construction (NIAW)	Construction	Australia	**67.00**	N/A
John Holland Leighton Asia, India and Offshore (South East Asia)	Construction	India	**50.00**	N/A
John Holland Lend Lease (SW Program Management Works)	Construction	Australia	**50.00**	N/A
John Holland Pindan (Eastern Goldfields)	Construction	Australia	**50.00**	N/A
John Holland Tenix Alliance (Mackay Water)	Construction	Australia	**50.00**	N/A
John Holland UGL Infrastructure (Murrumbidgee Irrigation Alliance)	Construction	Australia	**50.00**	N/A
John Holland Veolia Water Australia (Sydney Desalination Plant)	Construction	Australia	**72.00**	N/A
John Holland Veolia Water Australia (Gold Coast Desalination Plant)	Construction	Australia	**64.00**	N/A
Leighton Asia, India and Offshore John Holland (Hong Kong South Island Line Project)	Construction	Hong Kong	**45.00**	N/A
Leighton Asia, India and Offshore John Holland (Singapore LTA Project)	Construction	Singapore	**50.00**	N/A
Thiess John Holland (EastLink)	Construction	Australia	**50.00**	N/A

13. JOINT OPERATIONS (CONTINUED)

Name of arrangement	Principal activity	Country/ Region	Ownership interests 31 December 2015 %	31 December 2014 %
Dragados Australia Pty Ltd & John Holland Pty Ltd & Thiess Pty Ltd (NWRL TSC)	Construction	Australia	**25.00**	N/A
John Holland Pty Ltd and Kellogg Brown & Root Pty Ltd (Melbourne Water Capital Works)	Construction	Australia	**50.00**	N/A
John Holland Pty Ltd, UGL Engineering Pty Ltd and GHD Pty Ltd (Malabar Alliance)	Construction	Australia	**43.00**	N/A

14. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Loans and receivables RMB million	Assets at fair value through profit or loss RMB million	Available-for-sale financial assets RMB million	Total RMB million
Assets as per consolidated balance sheet				
31 December 2015				
Available-for-sale financial assets (Note 15)	–	–	**22,368**	**22,368**
Derivative financial instruments (Note 19)	–	**9**	–	**9**
Other financial assets at fair value through profit or loss	–	**143**	–	**143**
Trade and other receivables excluding prepayments (Note 16)	**225,200**	–	–	**225,200**
Cash and bank balances (Note 20)	**98,077**	–	–	**98,077**
Total	**323,277**	**152**	**22,368**	**345,797**
31 December 2014				
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
Total	287,079	197	28,791	316,067

14. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
	RMB million	RMB million	RMB million
Liabilities as per consolidated balance sheet			
31 December 2015			
Borrowings (excluding finance lease liabilities) (Note 26)	–	**252,673**	**252,673**
Finance lease liabilities (Note 26)	–	**2,510**	**2,510**
Derivative financial instruments (Note 19)	**134**	–	**134**
Trade and other payables excluding statutory and non-financial liabilities (Note 25)	–	**197,638**	**197,638**
Total	**134**	**452,821**	**452,955**
31 December 2014			
Borrowings (excluding finance lease liabilities) (Note 26)	–	226,130	226,130
Finance lease liabilities (Note 26)	–	2,705	2,705
Derivative financial instruments (Note 19)	48	–	48
Trade and other payables excluding statutory and non-financial liabilities (Note 25)	–	170,872	170,872
Total	48	399,707	399,755

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	RMB million	RMB million
At 1 January	**28,791**	18,116
Fair value gains	**287**	8,554
Release of investment revaluation upon disposal of available-for-sale financial assets	**(848)**	(941)
Additions	**4,346**	9,237
Transferred from investments in associates, due to loss of significant influence (Note 12)	–	192
Transferred to investments in associates, due to acquiring of significant influence (Note 12)	**(900)**	–
Disposals	**(9,308)**	(6,367)
At 31 December	**22,368**	28,791
Less: non-current portion	**(22,322)**	(22,205)
Current portion	**46**	6,586

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets include the following:

	2015 RMB million	2014 RMB million
Non-current		
Listed equity securities and other unlisted investments, at fair value (Note b)		
– Mainland China	20,025	20,151
– Hong Kong	642	124
Unlisted equity investments, at cost (Note c)	1,655	1,930
	22,322	22,205
Current		
Other unlisted instruments, at fair value (Note d)	46	6,586
	22,368	28,791

(a) The Group reclassified available-for-sale investments gains, net of deferred tax, of RMB674 million (2014: RMB741 million) upon disposal from other comprehensive income to consolidated income statement.

(b) These securities primarily represent promoters' shares listed and traded in stock markets, of which no securities are subject to trading restrictions at the end of the reporting period. The fair value of 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.

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

	2015 RMB million	2014 RMB million
RMB	21,387	28,347
HKD	682	162
USD	299	282
	22,368	28,791

16. TRADE AND OTHER RECEIVABLES

	2015 RMB million	2014 RMB million
Trade and bills receivables (a)	**70,446**	63,693
Less: provision for impairment	**(7,156)**	(4,161)
Trade and bills receivables – net	**63,290**	59,532
Prepayments	**20,530**	17,597
Retentions	**53,955**	47,335
Deposits	**20,810**	20,707
Other receivables	**29,081**	27,601
Staff advances	**760**	810
Long-term receivables	**57,304**	53,054
	245,730	226,636
Less: non-current portion		
– Retentions	**(28,576)**	(26,337)
– Deposits	**(1,939)**	(3,360)
– Long-term receivables	**(46,179)**	(44,928)
– Prepayments for equipment	**(1,122)**	(1,277)
	(77,816)	(75,902)
Current portion	**167,914**	150,734

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

	2015 RMB million	2014 RMB million
Within 6 months	**45,508**	45,715
6 months to 1 year	**6,976**	5,161
1 year to 2 years	**9,191**	7,133
2 years to 3 years	**3,827**	2,871
Over 3 years	**4,944**	2,813
	70,446	63,693

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. Please refer to Note 16(f), (g) and (h) for detailed impairment analysis.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2015	2014
	RMB million	RMB million
Trade and bills receivables	**63,290**	59,532
Retentions	**53,984**	47,361
Deposits	**20,812**	20,710
Other receivables	**29,081**	27,601
Staff advances	**760**	810
Long-term receivables	**57,335**	53,085
	225,262	209,099

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 4.75% to 4.90% per annum as at 31 December 2015 (2014: ranging from 6.00% 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 2015, retentions, deposits and long-term receivables of the Group totalling RMB124,723 million (2014: RMB113,563 million) were neither past due nor impaired, and RMB8,000 million (2014: RMB8,166 million) were past due/partially impaired with the provision of RMB654 million (2014: RMB633 million).

(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 2015, relevant trade receivables, with recourse factoring clauses in the agreements, amounted to RMB1,885 million (2014: RMB1,374 million). In the opinion of the Directors, such transactions did not qualify for derecognition and were accounted for as secured borrowings (Note 26). In addition, as at 31 December 2015, trade receivables of RMB11,683 million (2014: RMB13,058 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 2015, bills receivables – bank acceptance notes of RMB61 million (2014: RMB22 million) were endorsed to suppliers and RMB175 million (2014: RMB24 million) were discounted with banks with rights of recourse. In the opinion of the Directors, such transactions did not qualify for derecognition. In addition, as at December 2015, bills receivables – bank acceptance and commercial acceptance notes of RMB1,958 million (2014: RMB2,057 million) were endorsed to suppliers, and RMB418 million (2014: RMB860 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.

(f) As of 31 December 2015, trade and bills receivables of the Group amounting to RMB3,754 million (2014: RMB4,321 million) were neither past due nor impaired.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

(g) As of 31 December 2015, trade and bills receivables of RMB42,579 million (2014: RMB40,671 million) were past due but not impaired. These receivables relate to a number of customers for whom there is no recent history of default. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade and bills receivables is as follows:

	2015 **RMB million**	2014 RMB million
Within 6 months	**38,787**	38,564
6 months to 1 year	**1,706**	498
1 year to 2 years	**1,382**	1,013
2 years to 3 years	**206**	493
Over 3 years	**498**	103
	42,579	40,671

(h) As of 31 December 2015, trade and bills receivables of RMB24,113 million (2014: RMB18,701 million) were impaired and provided for. The provision amounted to RMB7,156 million as of 31 December 2015 (2014: RMB4,161 million). The amount of individually impaired receivables was RMB3,642 million (2014: RMB3,077 million) with the provision of RMB1,320 million (2014: RMB829 million). The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments. The Directors are of the opinion that only a portion of the receivables is expected to be recovered. The ageing analysis of these receivables (net of impairment provision) is as follows:

	2015 **RMB million**	2014 RMB million
Within 6 months	**2,571**	3,998
6 months to 1 year	**4,838**	4,441
1 year to 2 years	**6,197**	3,943
2 years to 3 years	**2,342**	1,499
Over 3 years	**1,009**	659
	16,957	14,540

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

	2015 **RMB million**	2014 RMB million
At 1 January	**4,161**	3,802
Provision for the year	**3,912**	1,648
Receivables written off during the year as non-collectible	**(1)**	(28)
Released	**(916)**	(1,261)
At 31 December	**7,156**	4,161

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.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2015 RMB million	2014 RMB million
RMB	**222,186**	206,886
USD	**12,183**	11,142
Central African CFA Franc BEAC	**2,270**	405
Saudi Riyal	**1,860**	1,558
HKD	**1,019**	832
Qatar Riyal	**1,016**	642
Macanese Patacas	**808**	520
United Arab Emirates Dirham	**730**	1,210
JPY	**535**	140
EUR	**375**	860
Other currencies	**2,748**	2,441
	245,730	226,636

As at 31 December 2015, other currencies mainly comprised of Libyan Dinar, Kuwaiti Dinar and Indonesian Rupiah.

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

(l) Receivables generated from finance leases

	2015 RMB million	2014 RMB million
Non-current receivables		
Finance leases – gross receivables	**1,162**	675
Unearned finance income	**(95)**	(71)
Net investment in finance leases	**1,067**	604

(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:

	2015 RMB million	2014 RMB million
No later than 1 year	**201**	228
Later than 1 year and no later than 5 years	**229**	187
Later than 5 years	**363**	144
	793	559

17. INVENTORIES

	2015 RMB million	2014 RMB million
Raw materials	**16,487**	18,119
Work in progress	**2,966**	1,988
Properties under development and held for sale (a)	**26,517**	21,153
Completed properties held for sale (b)	**5,356**	3,973
Finished goods	**578**	916
	51,904	46,149

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 RMB5,331 million (2014: RMB2,189 million) (Note 26).

(a) Properties under development and held for sale

	2015 RMB million	2014 RMB million
As at 1 January	**21,153**	10,909
Additions	**8,531**	6,692
Acquisition of subsidiaries	**–**	5,292
Transferred from lease prepayment (Note 7)	**144**	–
Properties completed during the year	**(3,311)**	(1,740)
As at 31 December	**26,517**	21,153

	2015 RMB million	2014 RMB million
Properties under development and held for sale comprise:		
Land use rights	**14,341**	11,552
Construction cost	**11,230**	8,568
Finance cost capitalised	**946**	1,033
	26,517	21,153

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

(b) Completed properties held for sale

	2015 RMB million	2014 RMB million
As at 1 January	**3,973**	1,513
Additions	**3,311**	1,740
Acquisition of subsidiaries	**–**	2,047
Properties sold during the year	**(1,928)**	(1,327)
As at 31 December	**5,356**	3,973

The amount of properties under development and held for sale expected to be recovered beyond one year is RMB1,856 million (2014: RMB855 million). The remaining amount is expected to be recovered within one year.

18. CONTRACT WORK-IN-PROGRESS

	2015 RMB million	2014 RMB million
Contract costs incurred and recognised profit (less recognised losses)	1,741,664	1,435,934
Less: progress billings	(1,692,518)	(1,382,296)
	49,146	53,638
Representing:		
Amounts due from customers for contract work	74,645	73,223
Amounts due to customers for contract work	(25,499)	(19,585)
	49,146	53,638

	Year ended 31 December	
	2015 RMB million	2014 RMB million
Contract revenue recognised as revenue in the year	360,470	331,096

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Assets RMB million	Liabilities RMB million	Assets RMB million	Liabilities RMB million
Forward foreign exchange contracts				
– held for trading	1	(122)	26	(48)
– cash flow hedges	8	(12)	–	–
	9	(134)	26	(48)

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2015 were RMB2,443 million (2014: RMB5,675 million).

In order to protect against exchange rate movements, John Holland has entered into forward exchange contracts to purchase USD, EUR, Offshore Chinese Yuan ("CNH"), Great Britain Pound ("GBP"), JPY and New Zealand Dollars ("NZD") by AUD, and purchase AUD by NZD. These contracts are hedging recognised assets and liabilities, firm commitments and highly probable forecast transactions, and the contracts are timed to mature when items of plant and equipment or constructions materials are to be shipped or when trade and other payables is due.

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

		2015 RMB million	2014 RMB million
Restricted bank deposits	(a)	**2,438**	3,933
Term deposits with initial term of over three months	(b)	**679**	2,284
Cash and cash equivalents	(c)	**94,960**	71,823
		98,077	78,040

(a) As at 31 December 2015, restricted bank deposits mainly included deposits for issuance of bank acceptance notes, performance bonds, letters of credit to customers, and mandatory reserve deposits placed with People's Bank of China by CCCC Finance Company Limited ("CCCC Finance").

(b) Term deposits with initial term of over three months are excluded from cash and cash equivalents, as management are of the opinion that these term deposits are not readily convertible to known amounts of cash without significant risk of changes in value.

(c) Cash and cash equivalents

	2015 RMB million	2014 RMB million
Cash on hand	**150**	176
Bank deposits	**94,810**	71,647
Cash and cash equivalents	**94,960**	71,823

(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 0.43% per annum as at 31 December 2015 (2014: 0.61% per annum).

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

	2015 RMB million	2014 RMB million
– RMB	**71,908**	54,553
– USD	**16,941**	15,841
– AUD	**2,460**	211
– EUR	**1,085**	633
– Angolan Kwanza	**917**	1,024
– Central African CFA Franc BEAC	**823**	1,365
– HKD	**494**	485
– Saudi Riyal	**152**	697
– Others	**3,297**	3,231
	98,077	78,040

20. CASH AND BANK BALANCES (CONTINUED)

(e) The Group's cash and bank balances denominated in RMB are deposited with banks in the PRC. 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 2015, less than 3% (2014: less than 5%) of the cash and bank balances denominated in currencies other than RMB was deposited in banks in certain countries which are subject to foreign exchange control and the currencies are not freely convertible into other currencies or remitted out of those countries.

21. SHARE CAPITAL AND PREMIUM

	2015		2014	
	Number of shares (thousands)	**Nominal value (RMB'000)**	Number of shares (thousands)	Nominal value (RMB'000)
Registered, issued and fully paid				
A shares of RMB1.00 each	**11,747,235**	**11,747,235**	11,747,235	11,747,235
H shares of RMB1.00 each	**4,427,500**	**4,427,500**	4,427,500	4,427,500
At 31 December	**16,174,735**	**16,174,735**	16,174,735	16,174,735

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 2015, the Company's share capital was RMB16,174,735,425 (2014: 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

	2015 RMB million	2014 RMB million
Medium term notes (a)	4,963	4,986
Preference shares (b)	14,468	–
	19,431	4,986

(a) 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 MTN is subject to redemption in whole, at the option of the Company, five years after the issue date, or upon the occurrence of certain events, at its principal amount together with accrued interest.

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.

(b) As approved by China Securities Regulatory Commission ("CSRC"), two tranches of preference shares were issued on 10 September and 26 October 2015, respectively, with a total number of shares of 145 million. The initial dividend rate of these tranches of preference shares were 5.1% and 4.7% respectively, which will be reset once in every five years since the issuance dates. The declaration of dividend is optional for the issuer and the undeclared dividend is non-cumulative. The subscription price of these preference shares is RMB100 per share and the total net proceeds were RMB14,468 million.

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

23. RESERVES

	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 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	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)	–
At 31 December 2014	512	3,464	108	(83)	12,796	1,450	(47)	57,514	75,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. RESERVES (CONTINUED)

	Capital reserve RMB million	Statutory surplus reserve RMB million	General Reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB million	Hedging Reserve RMB million	Safety reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2015	512	3,464	108	(83)	12,796	–	1,450	(47)	57,514	75,714
Profit for the year	–	–	–	–	–	–	–	–	15,828	15,828
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	–	–	152	–	–	–	–	152
Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax	–	–	–	–	(478)	–	–	–	–	(478)
Losses from cash flow hedges, net of deferred tax	–	–	–	–	–	(2)	–	–	–	(2)
Share of other comprehensive expenses of associates	–	–	–	–	(3)	–	–	–	–	(3)
Actuarial losses on retirement benefit obligations, net of deferred tax	–	–	–	(36)	–	–	–	–	–	(36)
Currency translation differences	–	–	–	–	–	–	–	464	–	464
2014 final dividend	–	–	–	–	–	–	–	–	(2,778)	(2,778)
Share of other reserves of a joint venture	3	–	–	–	–	–	–	–	–	3
Distributions to holders of financial instruments classified as equity	–	–	–	–	–	–	–	–	(300)	(300)
Cash contribution from government (Note a)	2,971	–	–	–	–	–	–	–	–	2,971
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries	(23)	–	–	–	–	–	–	–	(50)	(73)
Transfer to statutory surplus reserve (Note b)	–	304	–	–	–	–	–	–	(304)	–
Transfer to general reserve (Note c)	–	–	281	–	–	–	–	–	(281)	–
Transfer to safety reserve (Note d)	–	–	–	–	–	–	102	–	(102)	–
At 31 December 2015	3,463	3,768	389	(119)	12,467	(2)	1,552	417	69,527	91,462

23. 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.

Including in current year contributions were a concession made by a non-controlling interest of a subsidiary amounting to RMB2,971 million. The amount was originated from government's capital contribution to a state-owned enterprise operating a BOT project. As the enterprise encountered financial difficulties in obtaining sufficient fund for the project, the Group was invited to become the majority shareholder of the project company upon successful bidding. Based on negotiation, the non-controlling interest agreed to concede a portion of government contribution to the Group. As there is no transaction involved in this concession, such amount was treated as transaction between the equity owners and is recorded in equity. Such amount cannot be converted into shares of the Company.

(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 2015, the Board of Directors proposed appropriation 10% (2014: 10%) of the Company's profit after tax as determined under the PRC GAAP, of RMB304 million (2014: RMB948 million) to the statutory surplus reserve.

(c) General Reserve

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 2015 amounted to RMB389 million (2014: RMB108 million), which has reached 1.5% of the year-end balance of the risk assets of CCCC Finance.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. NON-CONTROLLING INTERESTS

On 21 April 2015, CCCI Treasure Limited ("Issuer"), a company incorporated in British Virgin Islands and an indirect wholly owned subsidiary of the Company, issued a tranche of USD denominated unsubordinated guaranteed perpetual securities ("Securities") with an aggregate principal amount of USD1,100 million (equivalent to approximately RMB6,706 million). The Securities are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange of Hong Kong Limited by way of debt issues to professional investors only. The Securities bear the initial interest rate of 3.5% per annum and has no maturity date. The interest rate will be reset from 21 April 2020 every five years. The interest is payable semi-annually in arrears on 21 April and 21 October in each year starting from 21 October 2015. Pursuant to the terms and conditions of the Securities, the Issuer may, at its sole discretion, 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 Securities are subject to redemption in whole, at the option of the Issuer, five years after the issue date, or upon the occurrence of certain changes in tax laws and regulations and certain other events, at their principal amount together with accrued interest.

The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Securities, the Securities should be classified as equity of the Issuer, and consequently, as non-controlling interests of the Group.

Upon completion of the issuance, the proceeds have been transferred to other subsidiaries of the Company.

25. TRADE AND OTHER PAYABLES

	2015 RMB million	2014 RMB million
Trade and bills payables (a)	156,279	142,874
Advances from customers	57,752	51,076
Deposits from suppliers	13,250	10,780
Retentions	9,706	8,489
Deposits from CCCG and fellow subsidiaries (b)	7,237	337
Other taxes	7,090	7,937
Social security	1,268	1,026
Accrued payroll	752	655
Accrued expenses	242	243
Others	10,924	8,149
	264,500	231,566
Less: non-current portion		
– Retentions	(7,121)	(6,949)
Current portion	257,379	224,617

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

	Group	
	2015 RMB million	2014 RMB million
Within 1 year	141,231	129,322
1 year to 2 years	9,683	9,074
2 years to 3 years	2,504	2,803
Over 3 years	2,861	1,675
	156,279	142,874

25. TRADE AND OTHER PAYABLES (CONTINUED)

(b) CCCC Finance, a subsidiary of the Company, accepted deposits from CCCG and fellow subsidiaries. These deposits were due within one year with average annual interest rate of 0.3%.

(c) At 31 December 2015, the fair values of non-current portion of trade and other payables is RMB7,131 million (2014: RMB6,920 million). The fair values are based on projected cash flows discounted using a rate based on current market interest rate ranging from 4.75% to 4.90% per annum as available to the Group for similar financial instruments (2014: 6.00% to 6.55% per annum). The fair values are within level 3 of the fair value hierarchy. The carrying amounts of the current trade and other payables approximate their fair value.

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

	2015	2014
	RMB million	RMB million
RMB	**214,460**	189,771
USD	**34,478**	28,560
EUR	**3,021**	1,393
HKD	**2,024**	1,585
Saudi Riyal	**1,321**	1,081
Central African CFA Franc BEAC	**1,163**	1,166
Ethiopia Birr	**874**	904
Other currencies	**7,159**	7,106
	264,500	231,566

At 31 December 2015, other currencies mainly consist of Libyan Dinar, Macanese Patacas and Qatar Riyal.

26. BORROWINGS

	Note	2015 RMB million	2014 RMB million
Non-current			
Long-term bank borrowings			
– secured	(a)	79,124	72,514
– unsecured	(b)	53,287	24,402
		132,411	96,916
Other borrowings			
– secured	(a)	700	1,520
– unsecured	(b)	1,451	3,412
Corporate bonds	(c)	19,857	19,846
Medium term notes	(d)	–	3,800
Non-public debt instruments	(f)	12,192	10,189
Finance lease liabilities	(m)	1,967	2,118
		36,167	40,885
Total non-current borrowings		168,578	137,801
Current			
Current portion of long-term bank borrowings			
– secured	(a)	1,965	6,442
– unsecured	(b)	13,330	5,237
		15,295	11,679
Short-term bank borrowings			
– secured	(a)	2,215	13,976
– unsecured	(b)	58,637	52,475
		60,852	66,451
Other borrowings			
– secured	(a)	–	500
– unsecured	(b)	221	1,746
Corporate bonds	(c)	374	373
Medium term notes	(d)	3,989	188
Debentures	(e)	5,023	9,240
Non-public debt instruments	(f)	308	270
Finance lease liabilities	(m)	543	587
		10,458	12,904
Total current borrowings		86,605	91,034
Total borrowings		255,183	228,835

26. BORROWINGS (CONTINUED)

(a) As at 31 December 2015 and 2014, these borrowings were secured by the Group's property, plant and equipment (Note 6), lease prepayment (Note 7), concession assets (Note 9), trade receivables (Note 16), properties under development and held for sale and completed properties held for sale (Note 17).

(b) Unsecured borrowings include those guaranteed by certain subsidiaries of the Group, the Company and certain third parties.

(c) As approved by China Securities Regulatory Commission document [2009] No. 761, the Company issued domestic corporate bonds with an aggregate principal amount of RMB7,900 million in August 2009. These corporate bonds bear interest at a rate of 5.2% per annum with maturities through 2019. The Company raised totally net proceeds of RMB7,829 million from the issuance.

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

The corporate bonds are stated at amortised cost with effective interest rates ranging from 4.45% to 5.32%. Interest is payable once a year. Accrued interest is included in current borrowings. All corporate bonds are guaranteed by CCCG.

(d) As approved by NAFMII, the Group issued the medium term notes with a nominal value of RMB3,800 million 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 with an effective interest rate of 6.21%. Interest is payable once a year. Accrued interest is included in current borrowings.

(e) The Group issued the following debentures as approved by NAFMII:

- As approved by NAFMII, three tranches of debentures were issued in April and June 2014, respectively, at nominal values of RMB3,000 million, RMB3,000 million and RMB3,000 million, respectively, totalling RMB9,000 million, with maturities of 270 days, 270 days and 270 days from issuance respectively. The interest rate is 5.05%, 4.80% and 4.68% per annum, respectively. As at 31 December 2015, these debentures have been fully paid off.

- As approved by NAFMII, two tranches of debentures were issued in January and March 2015, respectively, at nominal values of RMB3,000 million and RMB3,000 million, respectively, totalling RMB6,000 million, with maturities of 270 days, 270 days from issuance respectively. The interest rate is 4.70% and 4.60% per annum, respectively. As at 31 December 2015, these debentures have been fully paid off.

- As approved by NAFMII, two tranches of debentures were issued in October and November 2015, respectively, at nominal values of RMB3,000 million and RMB2,000 million, respectively, with maturities of 270 days and 360 days from issuance respectively. The interest rate is 3.24% and 3.50% per annum, respectively. The debentures are stated at amortised cost with effective interest rates ranging from 3.25% to 3.76%.

26. BORROWINGS (CONTINUED)

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

– 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.

– A tranche of non-public debt instrument with a nominal value of RMB2,000 million in August 2015, with a maturity of five years from issuance, bearing interest at a rate of 4.80% per annum.

The non-public debt instruments are stated at amortised cost with effective interest rates ranging from 4.95% to 7.10%. Interest is payable once a year. Accrued interest is included in current borrowings.

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

	2015 **RMB million**	2014 RMB million
6 months or less	**82,702**	58,871
6 -12 months	**52,268**	57,018
	134,970	115,889

26. BORROWINGS (CONTINUED)

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

	2015 RMB million	2014 RMB million
Bank borrowings		
– Within 1 year	**76,147**	78,130
– Between 1 and 2 years	**25,691**	22,379
– Between 2 and 5 years	**21,317**	22,938
– Over 5 years	**85,403**	51,599
	208,558	175,046
Others, excluding finance lease liabilities		
– Within 1 year	**9,915**	12,317
– Between 1 and 2 years	**13,247**	6,365
– Between 2 and 5 years	**14,996**	26,367
– Over 5 years	**5,957**	6,035
	44,115	51,084
	252,673	226,130

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

	2015 RMB million	2014 RMB million
RMB	**227,699**	206,528
USD	**21,918**	19,141
JPY	**2,388**	268
EUR	**1,565**	1,212
HKD	**1,141**	1,130
Others	**472**	556
	255,183	228,835

(j) 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 0.40% to 8.70% per annum at the end of the reporting period (2014: 1.37% to 7.69%).

26. BORROWINGS (CONTINUED)

(k) 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:

	2015 RMB million	2014 RMB million
Carrying amount		
– Bank borrowings	**132,411**	96,916
– Other borrowings	**2,151**	4,932
– Corporate bonds	**19,857**	19,846
– Medium term notes	**–**	3,800
– Finance lease liabilities	**1,967**	2,118
– Non-public debt instruments	**12,192**	10,189
	168,578	137,801
Fair value		
Level 1		
– Corporate bonds	**20,418**	19,771
Level 2		
– Bank borrowings	**133,352**	96,046
– Other borrowings	**1,987**	4,883
– Medium term notes	**–**	3,617
– Finance lease liabilities	**1,967**	2,105
– Non-public debt instruments	**13,048**	10,125
	170,772	136,547

The fair values of borrowings included in level 2 are based on cash flows discounted using the prevailing market rates of interest ranging from 4.35% to 4.90% available to the Group for financial instruments with similar terms and characteristics at the respective ends of reporting periods.

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

	2015 RMB million	2014 RMB million
Floating rate		
– Expiring within one year	**266,875**	85,120
– Expiring beyond one year	**313,420**	363,958
	580,295	449,078

26. BORROWINGS (CONTINUED)

(m) 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.

	2015 RMB million	2014 RMB million
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	656	737
Later than 1 year and no later than 5 years	1,806	1,959
Later than 5 years	385	541
	2,847	3,237
Future finance charges on finance leases	(337)	(532)
Present value of finance lease liabilities	2,510	2,705
The present value of finance lease liabilities is as follows:		
No later than 1 year	543	587
Later than 1 year and no later than 5 years	1,592	1,633
Later than 5 years	375	485
	2,510	2,705

27. DEFERRED INCOME TAX

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

	2015		2014	
	Deferred tax assets RMB million	Deferred tax liabilities RMB million	Deferred tax assets RMB million	Deferred tax liabilities RMB million
The balances before offsetting	5,755	(9,129)	3,714	(8,603)
Offsetting	(1,586)	1,586	(798)	798
	4,169	(7,543)	2,916	(7,805)

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

	2015 RMB million	2014 RMB million
At 1 January	(4,889)	(281)
Recognised in the income statement (Note 37)	569	125
Recognised in other comprehensive income (Note 37)	175	(1,770)
Acquisition of subsidiaries (Note 46)	1,086	(2,963)
Disposal of subsidiaries	(38)	–
Currency translation difference	(277)	–
At 31 December	(3,374)	(4,889)

(c) 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

	Available-for-sale financial assets RMB million	Undistributed profits in subsidiaries RMB million	Property, plant and equipment RMB million	Inventories RMB million	Others RMB million	Total RMB million
At 1 January 2014	(2,395)	(311)	(48)	–	(722)	(3,476)
Charged to the consolidated income statement	–	(86)	(23)	–	(149)	(258)
Charged to other comprehensive income	(1,750)	–	–	–	–	(1,750)
Acquisition of subsidiaries	–	–	(478)	(2,114)	(527)	(3,119)
At 31 December 2014	(4,145)	(397)	(549)	(2,114)	(1,398)	(8,603)
At 1 January 2015	(4,145)	(397)	(549)	(2,114)	(1,398)	(8,603)
(Charged)/credited to the consolidated income statement	–	(122)	14	–	(272)	(380)
Credited to other comprehensive income	150	–	–	–	3	153
Acquisition of subsidiaries (Note 46)	–	–	(28)	–	(76)	(104)
Currency translation difference	–	–	(52)	–	(143)	(195)
At 31 December 2015	(3,995)	(519)	(615)	(2,114)	(1,886)	(9,129)

27. DEFERRED INCOME TAX (CONTINUED)

(c) 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:

	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 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 subsidiaries	–	–	–	–	–	–	156	156
At 31 December 2014	1,083	7	102	399	682	718	723	3,714
At 1 January 2015	1,083	7	102	399	682	718	723	3,714
Credited/(charged) to the consolidated income statement	656	(15)	(187)	(72)	610	(22)	(21)	949
Credited to other comprehensive income	–	–	–	6	–	–	16	22
Acquisition of subsidiaries (Note 46)	–	115	961	–	–	–	114	1,190
Disposal of subsidiaries	–	–	–	–	(38)	–	–	(38)
Currency translation difference	–	(8)	(65)	–	–	–	(9)	(82)
At 31 December 2015	1,739	99	811	333	1,254	696	823	5,755

27. DEFERRED INCOME TAX (CONTINUED)

(d) 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 2015, the Group did not recognise deferred tax assets of RMB2,745 million (2014: RMB2,033 million) in respect of tax losses amounting to RMB11,212 million (2014: RMB8,287 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 2015, the tax losses with no deferred tax assets recognised carried forward are as follows:

	2015	2014
	RMB million	RMB million
Year of expiry of tax losses		
2015	**N/A**	1,271
2016	**832**	898
2017	**2,057**	2,062
2018	**1,670**	1,694
2019	**2,184**	2,362
2020	**4,469**	N/A
	11,212	8,287

As at 31 December 2015, the Group did not recognise deferred tax assets of RMB368 million (2014: RMB379 million) in respect of deductible temporary differences amounting to RMB1,504 million (2014: RMB1,543 million) as the Directors believe it is not probable that such deductible temporary differences would be utilised.

(e) As at 31 December 2015, the unrecognised deferred income tax liabilities were RMB13 million (2014: 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 2015 amounted to RMB85 million (2014: RMB64 million).

28. 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:

	2015 **RMB million**	2014 RMB million
Present value of defined benefits obligations	**1,702**	1,949
Less: current portion	**(113)**	(153)
	1,589	1,796

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

	2015 **RMB million**	2014 RMB million
At 1 January	**1,949**	1,953
Past service cost	**(127)**	11
Interest cost	**69**	83
Effect of settlement	**(33)**	(3)
	1,858	2,044
Remeasurements		
–Losses from change in financial assumptions	**99**	102
–Experience (gains)/losses	**(57)**	12
	1,900	2,158
Payment	**(198)**	(209)
At 31 December	**1,702**	1,949

(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:

	2015	2014
Discount rate	**3.00%**	3.75%
Medical cost growth rate	**4%-8%**	4%-8%

28. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

2015	**Impact on defined benefit obligations**		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	**(1.85%)**	**1.91%**
Medical cost growth rate	**1.00%**	**1.18%**	**(1.05%)**

2014	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.

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 discount rate. The decrease of discount 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	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB million	RMB million	RMB million	RMB million	RMB million
As at 31 December 2015					
Defined benefit obligations	**168**	**161**	**439**	**1,414**	**2,182**
As at 31 December 2014					
Defined benefit obligations	192	184	498	1,796	2,670

29. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Pending Lawsuits RMB million	Others RMB million	Total RMB million
At 1 January 2014	301	55	356
Acquisition of subsidiaries	–	13	13
Charged/(credited) to the consolidated income statement:			
– Additional provisions	9	35	44
– Utilised/reversed during the year	(13)	(14)	(27)
At 31 December 2014	297	89	386
At 1 January 2015	**297**	**89**	**386**
Charged/(credited) to the consolidated income statement:			
– Additional provisions	**–**	**44**	**44**
– Utilised/reversed during the year	**(273)**	**(4)**	**(277)**
At 31 December 2015	**24**	**129**	**153**

30. OTHER INCOME

	2015 **RMB million**	2014 RMB million
Rental income	**426**	367
Income from sale of materials	**36**	49
Dividend income on available-for-sale financial assets		
– Listed equity securities	**686**	542
– Unlisted equity investments	**82**	87
Government grants	**520**	372
Dividend income on other financial assets at fair value through profit or loss	**–**	6
Others	**1,250**	991
	3,000	2,414

In 2015 and 2014, others mainly consist of consultation service income, property management service income and transportation income.

31. OTHER GAINS, NET

	2015 RMB million	2014 RMB million
Gains on disposal of property, plant and equipment	105	90
Losses on disposal of lease prepayments	(3)	–
Fair value gains/(losses) from other financial assets at fair value through profit or loss	7	(18)
Net losses on derivative financial instruments:		
– Foreign exchange forward contracts	(65)	(82)
Gains on disposal of available-for-sale financial assets	927	2,206
Net foreign exchange losses (Note 38)	(833)	(474)
Net gains on disposal of subsidiaries	407	–
Net gains on disposal of joint ventures and associates	199	54
	744	1,776

32. OTHER EXPENSES

	2015 RMB million	2014 RMB million
Depreciation and other costs relating to assets being leased out	238	177
Cost of sale of materials	126	127
Others	511	521
	875	825

33. EXPENSES BY NATURE

	2015 RMB million	2014 RMB million
Raw materials and consumables used	**117,259**	110,914
Subcontracting costs	**121,025**	116,563
Employee benefit expenses (Note 34)	**38,360**	35,179
Rentals	**16,815**	14,581
Business tax and other transaction taxes	**10,168**	9,233
Fuel	**5,978**	6,427
Depreciation of property, plant and equipment and investment properties (Note 6, Note 8)	**7,732**	7,248
Transportation costs	**1,029**	1,046
Amortisation of intangible assets (Note 9)	**561**	535
Amortisation of lease prepayments (Note 7)	**222**	214
Cost of goods sold	**9,000**	7,483
Research and development costs	**7,265**	3,324
Repair and maintenance expenses	**3,886**	1,986
Utilities	**1,328**	1,427
Insurance	**1,055**	1,016
Provision for impairment of trade and other receivables	**3,163**	328
Provision for foreseeable losses on construction contracts	**1,010**	762
Write-down of inventories	**59**	203
Auditors' remuneration	**40**	40
Other expenses	**34,732**	27,113
Total cost of sales, selling and marketing expenses and administrative expenses	**380,687**	345,622

In 2015 and 2014, other expenses mainly consist of survey and design expenses, office expenses and tendering expenses.

34. EMPLOYEE BENEFIT EXPENSES

	2015 RMB million	2014 RMB million
Salaries, wages and bonuses	**25,916**	24,815
Pension costs – defined contribution plans (Note a)	**2,954**	2,810
Pension (gains)/costs – defined benefit plans (Note 28)	**(91)**	91
Housing benefits (Note b)	**1,490**	1,316
Welfare, medical and other expenses	**8,091**	6,147
	38,360	35,179

(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.

Defined contributions totalling RMB452 million (2014: RMB594 million) payable to various retirement benefit plans as at 31 December 2015 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.

35. FINANCE INCOME

	2015 RMB million	2014 RMB million
Interest income:		
– Bank deposits	694	847
– Unwinding of discount of long-term receivables	2,765	2,555
Others	242	186
	3,701	3,588

36. FINANCE COSTS, NET

	2015 RMB million	2014 RMB million
Interest expense incurred	14,063	12,383
Less: capitalised interest expense	(4,720)	(3,376)
Net interest expense	9,343	9,007
Representing:		
– Bank borrowings	6,737	6,307
– Other borrowings	171	247
– Corporate bonds	991	1,057
– Medium term notes	223	241
– Debentures	364	498
– Non-public debt instruments	724	517
– Finance lease liabilities	133	140
	9,343	9,007
Net foreign exchange losses/(gains) on borrowings (Note 38)	317	(81)
Others	552	1,182
	10,212	10,108

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 RMB4,720 million (2014: RMB3,376 million) were capitalised in 2015, of which approximately RMB1,030 million (2014: RMB699 million) was charged to contract work-in-progress, approximately RMB765 million (2014: RMB912 million) was included in cost of properties under development, approximately RMB2,745 million (2014: RMB1,595 million) was included in cost of concession assets, approximately RMB180 million (2014: RMB170 million) was included in cost of construction-in-progress. A weighted average capitalisation rate of 4.75% (2014: 5.29%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets.

37. 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% (2014: 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% (2014: 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% (2014: 16.5%) on the estimated assessable profit for the year.

37. TAXATION (CONTINUED)

(a) Income Tax Expense (Continued)

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:

	2015 RMB million	2014 RMB million
Current income tax		
– PRC enterprise income tax	3,936	3,490
– Others	391	356
	4,327	3,846
Deferred income tax (Note 27)	(569)	(125)
Income tax expense	3,758	3,721

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:

	2015 RMB million	2014 RMB million
Profit before income tax	19,671	17,604
Less: share of profits of joint ventures and associates	(384)	(339)
	19,287	17,265
Tax calculated at PRC statutory tax rate of 25% (2014: 25%)	4,822	4,316
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	(1,700)	(840)
Effect of higher tax rate for the appreciation of land in the PRC	111	23
Income not subject to tax	(400)	(142)
Additional tax concession on research and development costs	(295)	(278)
Expenses not deductible for tax purposes	171	145
Utilisation of previously unrecognised tax losses	(68)	(94)
Tax losses for which no deferred income tax asset was recognised	1,117	591
Income tax expense	3,758	3,721

37. TAXATION (CONTINUED)

(a) Income Tax Expense (Continued)

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

	2015			2014		
	Before tax RMB million	**Tax credit RMB million**	**After tax RMB million**	Before tax RMB million	Tax Charge RMB million	After tax RMB million
Actuarial losses on retirement benefit obligations	**(42)**	**6**	**(36)**	(114)	23	(91)
Changes in fair value of available-for-sale financial assets	**287**	**(5)**	**282**	8,554	(1,993)	6,561
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**(848)**	**174**	**(674)**	(941)	200	(741)
Losses from cash flow hedge	**(2)**	**–**	**(2)**	–	–	–
Share of other comprehensive income of investments accounted for using the equity method	**(3)**	**–**	**(3)**	–	–	–
Currency translation differences	**483**	**–**	**483**	(11)	–	(11)
Other comprehensive income	**(125)**	**175**	**50**	7,488	(1,770)	5,718
Current income tax		**–**			–	
Deferred income tax (Note 27)		**175**			(1,770)	
		175			(1,770)	

(b) Business Tax ("BT") and Related Taxes

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

(c) Value-Added Tax ("VAT") and Related Taxes

Certain revenue of the Group are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. Certain products of the subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The transportation services and design services of the Group are subject to value added tax at rates ranging from 6% to 11%. The subsidiaries are also subject to CCT and ES based on 1% to 7% and 3% of net VAT payable, respectively.

38. NET FOREIGN EXCHANGE (LOSSES)/GAINS

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

	2015 RMB million	2014 RMB million
Finance costs (Note 36)	**(317)**	81
Other gains – net (Note 31)	**(833)**	(474)
	(1,150)	(393)

39. 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 RMB3,009 million (2014: RMB9,414 million).

40. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") 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.

For those financial instruments classified as equity, if the distributions are cumulative, the undeclared amount of the cumulative distributions were deducted in arriving at earnings for the purposes of the EPS calculation. On the other hand, if the distributions are non-cumulative, only the amount of dividends declared in respect of the year should be deducted in arriving at the profit attributable to ordinary shareholders.

	2015	2014
Profit attributable to owners of the Company (RMB million)	**15,828**	13,985
Less: distribution relating to the MTN (RMB million) (Note i)	**(300)**	–
Profit used to determine basic earnings per share (RMB million)	**15,528**	13,985
Weighted average number of ordinary shares in issue (millions)	**16,175**	16,175
Basic earnings per share (RMB per share)	**0.96**	0.86

(i) The MTN issued by the Company on 18 December 2014 were classified as equity instruments with deferrable cumulative interest distribution and payment. The MTN interests which have been generated but not yet declared, from issue date to 31 December 2015, were deducted from earnings when calculate the earnings per share for the year ended 31 December 2015.

(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 2015 and 2014.

41. DIVIDENDS

	2015 RMB million	2014 RMB million
Proposed final dividend of RMB0.19037 per ordinary share (2014: RMB0.17172)	3,079	2,778

The dividends paid in 2015 and 2014 were RMB2,778 million (RMB0.17172 per ordinary share) and RMB3,035 million (RMB0.18762 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2015 of RMB0.19037 per ordinary share, amounting to a total dividend of RMB3,079 million, is to be approved at the annual general meeting in 2016. These financial statements do not reflect this dividend payable.

42. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

(a) Directors' and Supervisors' Emoluments

	2015 RMB'000	2014 RMB'000
Directors and supervisors		
– Basis salaries, housing allowances and other allowances	2,341	3,999
– Contributions to pension plans	268	245
– Discretionary bonuses	2,929	2,433
	5,538	6,677

The emoluments of every director and supervisor for the year ended 31 December 2015 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	187	44	656	887
Mr. Chen Fenjian	186	44	667	897
Mr. Fu Junyuan	171	44	599	814
Non-executive director				
Mr. Liu Maoxun	–	–	–	–
Independent non-executive directors				
Mr. Liu Zhangmin	150	–	–	150
Mr. Leung Chong Shun	126	–	–	126
Mr. Wu Zhenfang (i)	33	–	–	33
Mr. Huang Long	143	–	–	143
Supervisors				
Mr. Zhen Shaohua (ii)	170	44	617	831
Mr. Wang Yongbin	580	44	195	819
Mr. Yao Yanmin	581	44	195	820
Mr. Liu Xiangdong (iii)	14	4	–	18
	2,341	268	2,929	5,538

(i) Mr. Wu Zhenfang retired from his position as an independent non-executive director of the Company on 2 April 2015.

(ii) Mr. Zhen Shaohua was elected as the Chairman of the Supervisory Committee on 15 January 2015.

(iii) Mr. Liu Xiangdong retired from his position as the Chairman of the Supervisory Committee on 15 January 2015.

42. 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. 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 (iii)	157	5	–	162
Mr. Yao Yanmin (iv)	558	40	162	760
Mr. Wang Yongbin	557	40	162	759
	3,999	245	2,433	6,677

(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.

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.

42. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

(b) Five Highest Paid Individuals

None of the Directors' emoluments as disclosed in Note 42 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:

	2015 RMB'000	2014 RMB'000
Basic salaries, housing allowances, and other allowances and benefits in kind	2,704	2,416
Contributions to pension plans	229	278
Discretionary bonuses	5,372	5,797
	8,305	8,491

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

	2015	2014
– HKD1,500,001 to HKD2,000,000 (equivalent to approximately RMB1,183,306 to RMB1,577,740)	3	3
– HKD2,000,001 to HKD2,500,000 (equivalent to approximately RMB1,577,741 to RMB1,972,175)	2	–
– HKD2,500,001 to HKD3,000,000 (equivalent to approximately RMB1,972,176 to RMB2,366,610)	–	2
	5	5

43. CASH GENERATED FROM OPERATIONS

(a) Cash Generated from Operations

	2015 RMB million	2014 RMB million
Profit for the year	**15,913**	13,883
Adjustments for:		
– Income tax expense	**3,758**	3,721
– Depreciation of property, plant and equipment and investment properties	**7,732**	7,248
– Amortisation of intangible assets and lease prepayments	**783**	749
– Net gains on disposal of property, plant and equipment	**(105)**	(90)
– Fair value losses on derivative financial instruments	**97**	132
– Fair value (gains)/losses on other financial assets at fair value through profit or loss	**(7)**	18
– Net gains on disposal of subsidiaries	**(407)**	–
– Losses on disposal of lease prepayments	**3**	–
– Net gains on disposal of available-for-sale financial assets	**(927)**	(2,206)
– Net gains on disposal of joint ventures and associates	**(199)**	(54)
– Write-down of inventories	**59**	203
– Provision for impairment of trade and other receivables	**3,163**	328
– Provision for foreseeable losses on construction contracts	**1,010**	762
– Provision for impairment of goodwill	**50**	–
– Dividend income from available-for-sale financial assets	**(768)**	(629)
– Investment income from held-to-maturity financial assets	**(22)**	(11)
– Interest income	**(3,701)**	(3,588)
– Interest expenses	**9,343**	9,007
– Share of profit of joint ventures	**(95)**	(81)
– Share of profit of associates	**(289)**	(258)
– Net foreign exchange losses/(gains) on borrowings	**317**	(81)
	35,708	29,053
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	**(4,600)**	(6,409)
– Trade and other receivables	**(19,440)**	(38,003)
– Contract work-in-progress	**(4,163)**	(4,292)
– Restricted bank deposits	**446**	(1,086)
– Retirement benefit obligations	**(289)**	(118)
– Trade and other payables	**30,915**	29,030
– Provisions for other liabilities and charges	**(233)**	17
– Deferred income	**(1,806)**	211
Cash generated from operations	**36,538**	8,403

43. 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:

	2015 RMB million	2014 RMB million
Net book amount (Note 6)	578	458
Gains on disposal of property, plant and equipment (Note 31)	105	90
Proceeds from disposal of property, plant and equipment	683	548

44. CONTINGENCIES

	2015 RMB million	2014 RMB million
Pending lawsuits	3,091	3,047

The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision as set out in Note 29 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 GBP 250 million (equivalent to approximately RMB2,403 million). As at 31 December 2015, the subsidiary was unable to ascertain the likelihood and reasonably estimate the outcome of the lawsuit based on advice of legal counsel.

45. COMMITMENTS

(a) Capital Commitments

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

	2015 RMB million	2014 RMB million
Intangible assets – concession assets	104,154	126,446
Property, plant and equipment	3,819	4,298
	107,973	130,744

(b) Operating Lease Commitments – 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:

	2015 RMB million	2014 RMB million
No later than 1 year	971	763
Later than 1 year and no later than 5 years	1,503	1,630
Later than 5 years	171	343
	2,645	2,736

46. BUSINESS COMBINATIONS

The Group acquired 100% equity interest in John Holland from Leighton with a consideration of AUD787 million (equivalent to approximately RMB3,954 million). The acquisition was completed on 20 April 2015.

John Holland is incorporated in Australia, and is primarily engaged in the infrastructure construction, operation and maintenance of rail infrastructure. The businesses are primarily operated in Australia, New Zealand, and South East Asia.

At the acquisition date, the estimated fair value of the net liabilities acquired in John Holland amounted to RMB849 million. The goodwill amounting to approximately RMB4,803 million arising from the above acquisitions is generated from the expected economic effects resulting from expected synergies, revenue growth, future market development and the assembled workforce of John Holland.

The following tables summarise the consideration paid for John Holland and the amounts of the assets acquired and the liabilities assumed at the acquisition dates.

46. BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisition of John Holland

	At 20 April 2015 RMB million
Purchase consideration	
– cash paid	3,954
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	219
Trade and other receivables	1,737
Investments in associates (Note 12)	127
Amount due from customers for contract work	40
Inventories	30
Derivative financial instruments-assets	2
Property, plant and equipment (Note 6)	1,062
Intangible assets (Note 9)	877
Goodwill (Note 9)	2
Deferred income tax assets (Note 27)	1,190
Trade and other payables	(6,003)
Derivative financial instruments-liabilities	(5)
Current income tax liabilities	(23)
Deferred income tax liabilities (Note 27)	(104)
Total identifiable net liabilities	(849)
Goodwill (Note 9)	4,803
	3,954

The total acquisition-related costs for John Holland is RMB49 million, which have been included in administrative expenses in the consolidated income statement for the year ended 31 December 2015.

As at 20 April 2015, the fair value of trade and other receivables was RMB1,737 million, of which the contractual amount was RMB1,737 million. These trade and other receivables were due within one year and none of which was expect to be uncollectible.

Net cash outflow in respect of the acquisition of the John Holland is analysed as follows:

Purchase consideration	
– cash paid	3,954
Less: cash and cash equivalents in acquired subsidiaries	(219)
Net cash outflow on acquisition	3,735

The acquired businesses contributed revenue of RMB7,914 million and net profit of RMB607 million to the Group for the period from acquisition date to 31 December 2015. If the acquisition had occurred on 1 January 2015, unaudited consolidated revenue and unaudited consolidated net profit for the year 2015 would have been RMB407,407 million and RMB15,701 million respectively.

47. 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 2015.

(a) Related Party Transactions

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

	2015 RMB million	2014 RMB million
Transactions with CCCG		
– Rental expenses	58	57
– Property maintenance expenses	55	56
– Deposit placed with CCCC Finance and interest	10,610	2,805
Transactions with fellow subsidiaries		
– Revenue from provision of construction services	142	626
– Revenue from rental income	34	–
– Deposit placed with CCCC Finance and interest	13,390	2,039
Transactions with joint ventures and associates		
– Revenue from provision of construction services	9,321	5,313
– Subcontracting fee charges	350	624
– Purchase of materials	124	110
– Sales of machinery	54	18
– Other costs	27	12
– Services charges	1	74
– Revenue from rental income	3	3
– Deposit placed with CCCC Finance and interest	762	1,001

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

47. RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key Management Compensation

	2015 RMB'000	2014 RMB'000
Basis salaries, housing allowances and other allowances	4,867	7,870
Contributions to pension plans	601	560
Others	7,289	6,692
	12,757	15,122

(c) Year-end Balances with Related Parties

	2015 RMB million	2014 RMB million
Trade and other receivables		
Trade receivables due from		
– Fellow subsidiaries	514	420
– Joint ventures and associates	486	680
Long-term receivables due from		
– Fellow subsidiaries	106	92
– Joint ventures and associates	343	258
Prepayments		
– Joint ventures and associates	11	11
Other receivables due from		
– Joint ventures and associates	488	1,036
	1,948	2,497

The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties in 2015 and 2014.

Long-term receivables are expected to be received beyond one year. The remaining trade and other receivables are expected to be received within one year.

47. RELATED-PARTY TRANSACTIONS (CONTINUED)

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

	2015 RMB million	2014 RMB million
Trade and other payables		
Trade and bills payable due to		
– Joint ventures and associates	730	726
Advanced from customers		
– Fellow subsidiaries	220	139
– Joint ventures and associates	513	380
Other payables due to		
– CCCG	4,219	689
– Fellow subsidiaries	3,018	686
– Joint ventures and associates	24	65
	8,724	2,685
Amounts due from customers for contract work with		
– Joint ventures and associates	2,114	119
Amounts due to customers for contract work with		
– Joint ventures and associates	225	–
– Fellow subsidiaries	286	75
Outstanding corporate loan guarantees provided by the Group		
– Joint ventures	182	149
– Associates	694	358
Outstanding bond guarantees provided by CCCG	20,231	20,219

The payables are not secured and bear no interest. They are expected to be repaid within one year.

47. 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:

	2015 RMB million	2014 RMB million
Transactions with other government-related entities		
– Interest from bank deposits	575	537
– Interest on bank borrowings	12,953	9,035
– Proceeds from borrowings	108,139	99,205

	2015 RMB million	2014 RMB million
Balances with other government-related entities		
– Restricted bank deposits	2,012	3,405
– Term deposits with initial terms over 3 months	250	1,275
– Cash and cash equivalents	82,076	59,532
– Borrowings	178,800	167,294
	263,138	231,506

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2015, the Company had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Proportional of ordinary shares held by the Company Directly held	Proportional of ordinary shares held by the Company Indirectly held	Proportional of ordinary shares held by non-controlling interests	Principal activities and place of operation
Listed –							
Shanghai Zhenhua Heavy Industry Co., Ltd.	the PRC	Joint stock limited company	RMB4,390	28.83%	17.40%	53.77%	Manufacturing of heavy machinery in the PRC
Unlisted –							
China Harbour Engineering Co., Ltd.	the PRC	Limited liability company	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	RMB6,010	100%	–	–	Infrastructure construction in the PRC
CCCC Second Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB3,810	100%	–	–	Infrastructure construction in the PRC
CCCC Third Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB5,377	100%	–	–	Infrastructure construction in the PRC
CCCC Fourth Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB4,282	100%	–	–	Infrastructure construction in the PRC
CCCC First Highway Engineering Co., Ltd.	the PRC	Limited liability company	RMB4,367	100%	–	–	Infrastructure construction in the PRC
CCCC Second Highway Engineering Co., Ltd.	the PRC	Limited liability company	RMB2,569	100%	–	–	Infrastructure construction in the PRC
Road & Bridge International Co., Ltd.	the PRC	Limited liability company	RMB2,824	100%	–	–	Infrastructure construction in the PRC
CCCC Investment Co., Ltd.	the PRC	Limited liability company	RMB10,551	100%	–	–	Investment holding in the PRC
CCCC Dredging (Group) Co., Ltd.	the PRC	Limited liability company	RMB11,775	99.9%	0.1%	–	Dredging in the PRC
CCCC Third Highway Engineering Co., Ltd.	the PRC	Limited liability company	RMB1,509	100%	–	–	Infrastructure construction in the PRC
CCCC Fourth Highway Engineering Co., Ltd.	the PRC	Limited liability company	RMB1,255	100%	–	–	Infrastructure construction in the PRC
CCCC Tunnel Engineering Co., Ltd.	the PRC	Limited liability company	RMB1,507	100%	–	–	Infrastructure construction in the PRC
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

48. 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: Directly held	Proportional of ordinary shares held by the Company: Indirectly held	Proportional of ordinary shares held by non-controlling interests	Principal activities and place of operation
CCCC 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 Fourth Harbour Consultants 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 Consultants Co., Ltd.	the PRC	Limited liability company	RMB650	100%	–	–	Infrastructure design in the PRC
CCCC Highway & Bridge Technology 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%	Trading of machinery in Japan
CCCC Shanghai Equipment Engineering Co., Ltd.	the PRC	Limited liability company	RMB10	55%	–	45%	Maintenance and repairing of port machinery in the PRC
CCCC Mechanical & Electrical Engineering Co., Ltd.	the PRC	Limited liability company	RMB833	60%	40%	–	Trading of machinery in PRC
China Communications Materials & Equipment Co., Ltd.	the PRC	Limited liability company	RMB34	100%	–	–	Trading of construction materials and equipment in the PRC
CCCC Finance	the PRC	Limited liability company	RMB3,500	95%	–	5%	Financial service in the PRC
CCCC Financial Leasing Co., Ltd	the PRC	Limited liability company	RMB3,600	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
CCCC Asset Management Co., Ltd	the PRC	Limited liability company	RMB11,914	5.88%	94.12%	–	Asset Management in the PRC
CCCC Urban Investment Co., Ltd.	the PRC	Limited liability partnership	RMB3,150	100%	–	–	Investment holding in the PRC

49. HOLDING COMPANY

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

50. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2015	2014
	RMB million	RMB million
ASSETS		
Non-current assets		
Property, plant and equipment	**81**	52
Intangible assets	**62**	60
Investments in subsidiaries	**114,820**	100,977
Investments in joint ventures	**62**	62
Investments in associates	**2,094**	2,094
Available-for-sale financial assets	**13,540**	13,903
Trade and other receivables	**2,652**	4,262
	133,311	121,410
Current assets		
Inventories	**341**	341
Trade and other receivables	**22,443**	11,448
Loans to subsidiaries	**24,186**	26,881
Amounts due from subsidiaries	**9,854**	8,519
Amounts due from customers for contract work	**5,334**	4,211
Restricted bank deposits	**26**	98
Cash and cash equivalents	**28,875**	18,708
	91,059	70,206
Total assets	**224,370**	191,616

50. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	Note	As at 31 December 2015 RMB million	2014 RMB million
EQUITY and LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**16,175**	16,175
Share premium		**19,656**	19,656
Financial instruments classified as equity		**19,431**	4,986
Reserves	(a)	**48,522**	49,187
Total equity		**103,784**	90,004
Liabilities			
Non-current liabilities			
Borrowings		**25,967**	21,959
Deferred income tax liabilities		**2,770**	3,005
Retirement benefit obligations		**63**	74
Trade and other payables		**2,265**	2,451
		31,065	27,489
Current liabilities			
Trade and other payables		**24,779**	15,200
Amounts due to subsidiaries		**42,901**	32,463
Amounts due to customers for contract work		**1,640**	1,201
Current income tax liabilities		**17**	16
Borrowings		**20,179**	25,236
Derivative financial instruments		**–**	2
Retirement benefit obligations		**5**	5
		89,521	74,123
Total liabilities		**120,586**	101,612
Total equity and liabilities		**224,370**	191,616

The balance sheet of the Company was approved by the Board of Directors on 28 March 2016 and were signed on its behalf.

Liu Qitao
Director

Fu Junyuan
Director

50. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the 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 2015	21,170	3,468	50	9,244	6	15,249	49,187
Profit for the year	–	–	–	–	–	3,009	3,009
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	–	(601)	–	–	(601)
Actuarial gains on retirement benefit obligations, net of deferred tax	–	–	5	–	–	–	5
2014 final dividend	–	–	–	–	–	(2,778)	(2,778)
Distributions to holders of financial instruments classified as equity	–	–	–	–	–	(300)	(300)
Transfer to statutory surplus reserve	–	304	–	–	–	(304)	–
At 31 December 2015	21,170	3,772	55	8,643	6	14,876	48,522

	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	21,170	2,520	53	4,698	6	9,818	38,265
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	–	948	–	–	–	(948)	–
At 31 December 2014	21,170	3,468	50	9,244	6	15,249	49,187

51. SUBSEQUENT EVENTS

(a) As approved by CSRC, a tranche of domestic corporate bonds were issued by CCCC Dredging (Group) Co., Ltd, a subsidiary of the Company, on 22 February 2016 at a nominal value of RMB2,000 million, with maturities of 5 years from issuance. The interest rate is 2.99% per annum.

(b) Pursuant to the Notice on Entire Implementation of Business Tax to Value Added Tax Transformation Pilot Program ("the Program") and relevant further regulations issued by Ministry of Finance and State Administration of Taxation on 23 March 2016, revenues derived from construction services and other relevant businesses of the Group will be no longer subject to business tax from 1 May 2016. Under the Program, the above businesses will be subject to VAT at the rates of 11% and 6%, respectively.