*The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.*

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

December 11, 2012

The Directors
China Machinery Engineering Corporation

BOCI Asia Limited

Dear Sirs,

**INTRODUCTION**

We set out below our report on the financial information relating to China Machinery Engineering Corporation (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 (the "Track Record Period"), and the consolidated balance sheets of the Group as at December 31, 2009, 2010 and 2011 and June 30, 2012, together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated December 11, 2012 (the "Prospectus").

The Company was established as a joint stock company with limited liability in the People's Republic of China (the "PRC") on January 18, 2011 as part of the reorganization (the "Reorganization") of China National Machinery & Equipment Import & Export Corporation (the "Predecessor"), a state-owned enterprise, as described in Section A below. The Predecessor was the holding company of the subsidiaries now comprising the Group prior to the Reorganization. Pursuant to the Reorganization as detailed in the section headed "History and Reorganization" in the Prospectus, the Predecessor was converted into a joint stock company, namely China Machinery Engineering Corporation, i.e. the Company, the details of which are set out in Section A below. The registered office of the Company is located at No. 178, Guang'anmenwai Street, Xicheng District, Beijing, the PRC.

As at the date of this report, no audited financial statements have been prepared for the subsidiaries of the Company set out below, as these subsidiaries are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

**Name of Subsidiary**
Ausino Pty. Ltd.
Sino American Machinery Corporation
C-MEC America, Inc.
Euro M.E.C. Import & Export GmbH
CMEC Japan Co., Ltd.
CMIC Enmei Co., Ltd.
CMEC Engineering, C.A.

Except for CMEC Japan Co., Ltd. and CMIC Enmei Co., Ltd., which have adopted March 31 as their financial year end date, and Ausino Pty. Ltd., which has adopted June 30 as its financial year end date, all other companies now comprising the Group have adopted December 31 as their financial year end date. The statutory financial statements of the Predecessor and its subsidiaries in the PRC now comprising the Group as set out in Section A below were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises established in the PRC and were audited by BDO China Da Hua Certified Public Accountants Co., Ltd. (大華會計師事務所有限公司) (formerly known as BDO China Li Xin Da Hua Certified Public Accountants Co., Ltd. (立信大華會計師事務所有限公司)), a certified public accounting firm registered in the PRC. Details of the overseas subsidiaries that are subject to statutory audit requirement, and the names of the respective auditors are set out in note 36 of Section C. The statutory financial statements of these overseas subsidiaries were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated.

The directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below which are in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

## BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to June 30, 2012.

**OPINION**

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's consolidated results and cash flows for the Track Record Period, and the state of affairs of the Group as at December 31, 2009, 2010 and 2011 and June 30, 2012.

**CORRESPONDING FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended June 30, 2011, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

**A BASIS OF PREPARATION**

The Company was established in the PRC on January 18, 2011 as a joint stock company with limited liability and with a registered capital of RMB3,300 million as part of the Reorganization of the Predecessor in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries are mainly engaged in construction contracting business on international infrastructure-related projects and the trading business of machineries and equipments. Prior to the establishment of the Company, the Predecessor was the holding company of the subsidiaries now comprising the Group prior to the Reorganization, and was wholly owned by China National Machinery Industry Corporation ("SINOMACH"). In substance, the Company replaced the Predecessor as the holding company of the Predecessor's subsidiaries.

Pursuant to the Reorganization, the Company retained all of the assets and liabilities of the Predecessor. Upon establishment, the Company had a total of 3,300 million issued ordinary shares, with a par value of RMB1.00 each. The Company issued to SINOMACH 3,267 million shares, or 99% of the total issued shares, in exchange for all the assets and liabilities of the Predecessor. The Company also issued 33 million shares, or 1% of the total issued shares, to China United Engineering Corporation ("China United", 中國聯合工程公司), a wholly owned subsidiary of SINOMACH, in exchange for cash of RMB46,930,900. As there was no change in controlling shareholder before and after the Reorganization, the Financial Information has been prepared as a continuation of the Predecessor. Accordingly, the relevant assets and liabilities of the companies comprising the Group have been recognized at historical cost or deemed cost except for assets and liabilities which are stated at their fair value in accordance with the accounting policies as described in note 1 of Section C.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in Section B(1), B(3) and B(4), respectively include the results of operations of the companies comprising the Group for the Track Record Period (or where the companies were established at a date later than January 1, 2009, for the period from the date of establishment to June 30, 2012), as if the group structure has been in existence throughout the Track Record Period. The consolidated balance sheets as at December 31, 2009, 2010 and 2011 and June 30, 2012 as set out in Section B(2) have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

As at June 30, 2012, the Company had direct or indirect interests in the following entities, all of which the Company has the power to govern, particulars of which are set out below:

| | Name of company | Place and date of incorporation/ establishment | Issued and paid-in capital/ registered capital | Attributable equity interest | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| 1 | CMEC International Engineering Co., Ltd. 中設國際工程有限責任公司 *(note i)* | The PRC September 9, 1997 | RMB50,000,000 | 100% | – | Construction contracting and trading |
| 2 | COMIBEL S.A. 加蓬貝林加鐵礦公司 | Gabon March 19, 2008 | XAF2,400,000,000 | 66% | – | Exploration and research of iron ore |
| 3 | China Everbest Development International Limited 華盛昌發展有限公司 | Hong Kong SAR August 12, 1988 | HKD22,136,400 | 100% | – | Trading and security investment |
| 4 | China Machinery & Equipment (HK) Company Limited 中國機械設備香港有限公司 | Hong Kong SAR September 20, 1983 | HKD25,115,970 | 100% | – | Trading |
| 5 | CMEC Engineering Machinery Import & Export Co., Ltd. 中設工程機械進出口有限責任公司 *(note i)* | The PRC January 9, 1995 | RMB20,000,000 | 100% | – | Trading |

| Name of company | | Place and date of incorporation/ establishment | Issued and paid-in capital/ registered capital | Attributable equity interest | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| 6 | CMEC Comtrans International Co., Ltd. 中設國際商務運輸代理有限責任公司 *(note i)* | The PRC March 5, 1997 | RMB20,000,000 | 100% | – | Transportation agency |
| 7 | Ausino Pty. Ltd. 澳大利亞澳華機械有限公司 | Australia September 13, 1984 | AUD3,974,486 | 92.95% | – | Wholesale and retail of machinery equipment |
| 8 | Shanghai International Transportation Co., Ltd. 中設集團上海國際貨代儲運有限公司 *(note i)* | The PRC January 30, 1996 | RMB10,820,000 | 100% | – | Transportation agency |
| 9 | Shenzhen CMEC Industry Corporation Limited 深圳市中設實業有限公司 *(note i)* | The PRC March 18, 1992 | RMB9,200,000 | 100% | – | Storage and property service |
| 10 | CMEC International Trading Co., Ltd. 中設國際貿易有限責任公司 *(note i)* | The PRC January 16, 1995 | RMB8,000,000 | 100% | – | Trading |
| 11 | CMEC Machinery & Electric Equipment Import & Export Co., Ltd. 中設機電進出口有限公司 *(note i)* | The PRC January 16, 1995 | RMB8,000,000 | 100% | – | Trading |
| 12 | CMEC International Exhibition Co., Ltd. 西麥克國際展覽有限責任公司 *(note i)* | The PRC January 9, 1995 | RMB4,000,000 | 100% | – | Exhibition services |
| 13 | CMEC Beijing Property Development Co., Ltd. 中國機械設備進出口北京物業發展有限責任公司 *(note i)* | The PRC January 15, 1985 | RMB5,000,000 | 100% | – | Property management and rental |
| 14 | CMEC General Machinery Import & Export Co., Ltd. 中設通用機械進出口有限責任公司 *(note i)* | The PRC January 9, 1995 | RMB6,000,000 | 100% | – | Trading |

| Name of company | | Place and date of incorporation/ establishment | Issued and paid-in capital/ registered capital | Attributable equity interest | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| 15 | China Machinery and Equipment International Tendering Co., Ltd. 中設國際招標有限責任公司 *(note i)* | The PRC April 29, 1996 | RMB5,000,000 | 100% | – | Tendering for construction contracts |
| 16 | China Machinery Industrial Products Co., Ltd. 中設集團工貿發展有限責任公司 *(note i)* | The PRC February 6, 2002 | RMB15,000,000 | 100% | – | Trading |
| 17 | CMEC Petrochemical-General Machinery Co., Ltd. 中設石化機械有限公司 *(note i)* | The PRC January 16, 1995 | RMB5,000,000 | 100% | – | Trading |
| 18 | China Machinery International Engineering Design & Research Institute Co., Ltd. 中機國際工程設計研究院有限責任公司 *(note i)* | The PRC October 5, 1993 | RMB116,220,000 | 100% | – | Engineering design, contracting and supervision |
| 19 | China-East Resources Import & Export Co., Ltd. 中經東源進出口有限責任公司 *(note i)* | The PRC July 22, 1993 | RMB20,000,000 | 100% | – | Construction contracting and trading |
| 20 | China National Machinery & Equipment Import & Export (Suzhou) Co., Ltd. 中設(蘇州)機械設備進出口有限責任公司 *(note i)* | The PRC February 20, 1987 | RMB19,562,000 | 100% | – | Trading |
| 21 | Shanghai Zhong Jing Import & Export Corporation 上海中經進出口有限責任公司 *(note i)* | The PRC December 21, 1995 | RMB3,500,000 | 100% | – | Trading |
| 22 | China National Machinery & Equipment Import & Export (Wuxi) Co., Ltd. 中設(無錫)機械設備進出口有限責任公司 *(note i)* | The PRC April 9, 1987 | RMB11,500,000 | 100% | – | Trading |

| Name of company | | Place and date of incorporation/ establishment | Issued and paid-in capital/ registered capital | Attributable equity interest | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| 23 | Sino American Machinery Corporation 美國華美機械有限公司 | United States of America ("USA") August 22, 1983 | USD1,918,476 | 100% | – | Trading |
| 24 | C-MEC America, Inc. 美國西麥克有限公司 | USA September 1, 1987 | USD1,000 | 100% | – | Trading |
| 25 | Euro M.E.C. Import & Export GmbH 歐麥克進出口有限公司 | Germany March 9, 1990 | DEM100,000 | 100% | – | Trading |
| 26 | CMEC Japan Co., Ltd. CMEC日本株式會社 | Japan April 2, 1986 | JPY50,000,000 | 80% | – | Trading |
| 27 | Henan Machinery & Electric Import & Export Co., Ltd. 河南中經進出口有限責任公司 *(note i)* | The PRC April 17, 1997 | RMB4,180,000 | 67% | – | Trading |
| 28 | CMEC Nanjing Import & Export Co., Ltd. 南京中經進出口有限公司 *(note i)* | The PRC November 21, 1992 | RMB2,000,000 | 54% | 46% | Trading |
| 29 | CMIC International Exhibition Co., Ltd. 中經國際展覽有限公司 *(note i)* | The PRC May 17, 1995 | RMB1,000,000 | 90% | – | Exhibition services |
| 30 | CMIC Enmei Co., Ltd. CMIC 燕明株式會社 | Japan May 13, 1994 | JPY26,000,000 | 77% | – | Trading |
| 31 | CMEC International Economic & Legal Advisors (Beijing) Inc. 西邁克(北京)國際經濟法律諮詢有限責任公司 *(note i)* | The PRC September 24, 1993 | RMB500,000 | 100% | – | Legal consulting |
| 32 | CMEC (Group) Property Management Co., Ltd. 中設集團物業管理有限責任公司 *(note i)* | The PRC April 29, 2003 | RMB1,300,000 | 31% | 69% | Property management and rental |
| 33 | Shenzhen CMEC Import & Export Co., Ltd. 深圳市西麥克進出口有限責任公司 *(note i)* | The PRC March 6, 1993 | RMB5,000,000 | 100% | – | Trading |

| Name of company | | Place and date of incorporation/ establishment | Issued and paid-in capital/ registered capital | Attributable equity interest | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| 34 | China National Machinery & Equipment Import & Export (Fujian) Co., Ltd. 福建中設機械設備進出口有限公司 *(note i)* | The PRC February 21, 2001 | RMB5,460,000 | 55% | – | Trading |
| 35 | China National Machinery & Equipment Import & Export (Hubei) Co., Ltd. 中設集團湖北機械設備進出口有限公司 *(note i)* | The PRC November 30, 2007 | RMB5,000,000 | 51% | – | Trading |
| 36 | CMEC Senegal S.A. 中國機械設備進出口總公司塞內加爾股份有限公司 | Senegal April 20, 2009 | XOF10,000,000 | 100% | – | Construction contracting |
| 37 | CMEC Engineering, C.A. 西麥克委內瑞拉工程公司 | Venezuela March 11, 2011 | VEF200,000 | 99.9% | 0.1% | Construction contracting |

*Note:*

(i) Except for China Everbest Development International Limited, China Machinery & Equipment (HK) Company Limited, Ausino Pty. Ltd., Sino American Machinery Corporation, C-MEC America, Inc. and Euro M.E.C. Import & Export GmbH of which their official names are in English, the official names of COMIBEL S.A. and CMEC Senegal S.A. are in French, the official names of CMEC Japan Co., Ltd. and CMIC Enmei Co., Ltd. are in Japanese, and the official name of CMEC Engineering, C.A. is in Spanish, the official names of other entities in the list above are in Chinese and the English translation of their names is for identification only.

## B FINANCIAL INFORMATION

## 1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | *Section C Note* | Years ended December 31, 2009 | 2010 | 2011 | Six months ended June 30, 2011 | 2012 |
|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Revenue** | *2* | 19,287,696 | 19,077,015 | 20,517,769 | 9,838,760 | 10,354,140 |
| Cost of sales | | (17,528,085) | (16,134,642) | (16,858,738) | (8,387,225) | (8,450,180) |
| **Gross profit** | | 1,759,611 | 2,942,373 | 3,659,031 | 1,451,535 | 1,903,960 |
| Other revenue | *3* | 13,395 | 19,352 | 9,699 | 806 | 2,272 |
| Other expenses, net | *4* | (25,448) | (10,186) | (3,062) | (1,923) | (21,146) |
| Selling and marketing expenses | | (763,005) | (806,285) | (978,257) | (408,822) | (504,725) |
| Administrative expenses | | (287,897) | (289,910) | (406,388) | (171,718) | (212,306) |
| Other operating expenses | | (138,614) | (320,005) | (136,381) | (19,297) | (72,713) |
| **Profit from operations** | | 558,042 | 1,535,339 | 2,144,642 | 850,581 | 1,095,342 |
| Finance income | | 352,857 | 411,741 | 402,274 | 204,998 | 249,042 |
| Finance expenses | | (76,377) | (385,855) | (559,538) | (196,098) | (2,977) |
| Net finance income/(expenses) | *5(a)* | 276,480 | 25,886 | (157,264) | 8,900 | 246,065 |
| Share of profits less losses of associates | | 147 | 192 | (9) | (129) | (215) |
| **Profit before taxation** | *5* | 834,669 | 1,561,417 | 1,987,369 | 859,352 | 1,341,192 |
| Income tax | *6* | (224,520) | (429,248) | (515,026) | (217,076) | (351,694) |
| **Profit for the year/period** | | 610,149 | 1,132,169 | 1,472,343 | 642,276 | 989,498 |
| **Other comprehensive income for the year/period** | | | | | | |
| Exchange differences on translation of financial information of overseas subsidiaries | | (270) | 3,042 | 1,235 | (3,429) | 978 |
| **Total comprehensive income for the year/period** | | 609,879 | 1,135,211 | 1,473,578 | 638,847 | 990,476 |
| **Profit attributable to:** | | | | | | |
| Equity owners of the Company | | 613,600 | 1,136,475 | 1,474,893 | 642,185 | 990,768 |
| Non-controlling interests | | (3,451) | (4,306) | (2,550) | 91 | (1,270) |
| **Profit for the year/period** | | 610,149 | 1,132,169 | 1,472,343 | 642,276 | 989,498 |
| **Total comprehensive income attributable to:** | | | | | | |
| Equity owners of the Company | | 613,647 | 1,137,945 | 1,475,096 | 639,427 | 991,256 |
| Non-controlling interests | | (3,768) | (2,734) | (1,518) | (580) | (780) |
| **Total comprehensive income for the year/period** | | 609,879 | 1,135,211 | 1,473,578 | 638,847 | 990,476 |
| **Basic and diluted earnings per share (RMB)** | *9* | 0.19 | 0.34 | 0.45 | 0.19 | 0.30 |

The accompanying notes form part of the Financial Information.

## 2 CONSOLIDATED BALANCE SHEETS

| | *Section C* | At December 31, | | | At June 30, |
|---|---|---|---|---|---|
| | *Note* | **2009** | **2010** | **2011** | **2012** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *11* | 370,599 | 345,126 | 391,645 | 395,873 |
| Investment properties | *12* | 48,160 | 32,101 | 32,255 | 22,759 |
| Lease prepayments | *13* | 75,938 | 73,607 | 1,630,371 | 1,642,697 |
| Intangible assets | *14* | 3,972 | 6,619 | 5,205 | 4,561 |
| Interest in associates | | 316 | 508 | 499 | 284 |
| Other non-current assets | *15* | 112,018 | 111,283 | 253,490 | 253,483 |
| Trade and other receivables | *17* | 163,973 | 282,457 | 106,929 | 70,128 |
| Construction contracts | *18* | 5,901,642 | 5,705,452 | 4,774,293 | 4,684,502 |
| Deferred tax assets | *25(b)* | 165,144 | 211,284 | 82,485 | 159,532 |
| **Total non-current assets** | | 6,841,762 | 6,768,437 | 7,277,172 | 7,233,819 |
| **Current assets** | | | | | |
| Inventories | *16* | 175,011 | 174,724 | 212,285 | 356,064 |
| Trade and other receivables | *17* | 4,657,590 | 4,919,368 | 6,426,789 | 5,640,383 |
| Construction contracts | *18* | 3,558,219 | 3,902,532 | 3,176,301 | 2,681,953 |
| Restricted deposits | *19* | 297,033 | 197,824 | 389,720 | 268,794 |
| Time deposits with original maturity over three months | | 1,996,724 | 4,346,541 | 3,955,217 | 4,609,998 |
| Cash and cash equivalents | *20* | 2,353,052 | 5,078,823 | 5,170,757 | 10,191,897 |
| **Total current assets** | | 13,037,629 | 18,619,812 | 19,331,069 | 23,749,089 |
| **Current liabilities** | | | | | |
| Borrowings | *21* | 513,122 | 576,171 | 160,108 | 97,743 |
| Receipts in advance | *22* | 5,077,452 | 8,670,951 | 10,316,022 | 12,582,768 |
| Trade and other payables | *23* | 8,453,871 | 9,605,348 | 9,671,321 | 11,312,719 |
| Construction contracts | *18* | 4,154 | 5,080 | – | – |
| Retirement and other supplemental benefit obligation | *24(a)* | 35,880 | 31,780 | 31,770 | 31,650 |
| Income tax payable | *25(a)* | 401,856 | 432,135 | 318,016 | 280,064 |
| Provisions | *26* | – | 125,000 | – | – |
| **Total current liabilities** | | 14,486,335 | 19,446,465 | 20,497,237 | 24,304,944 |
| **Net current liabilities** | | (1,448,706) | (826,653) | (1,166,168) | (555,855) |
| **Total assets less current liabilities** | | 5,393,056 | 5,941,784 | 6,111,004 | 6,677,964 |

| | Section C Note | At December 31, 2009 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | At June 30, 2012 RMB'000 |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Borrowings | 21 | 1,749,789 | 1,259,636 | 225,529 | 190,454 |
| Trade and other payables | 23 | 178,320 | 320,972 | 131,036 | 103,069 |
| Retirement and other supplemental benefit obligation | 24(a) | 441,150 | 393,020 | 379,630 | 373,460 |
| Deferred tax liabilities | 25(b) | 3,256 | 3,144 | 914 | 848 |
| **Total non-current liabilities** | | 2,372,515 | 1,976,772 | 737,109 | 667,831 |
| **NET ASSETS** | | 3,020,541 | 3,965,012 | 5,373,895 | 6,010,133 |
| **CAPITAL AND RESERVES** | 27 | | | | |
| Capital | | 627,097 | 740,254 | 3,300,000 | 3,300,000 |
| Reserves | | 2,394,941 | 3,229,153 | 2,079,736 | 2,716,754 |
| **Total equity attributable to the equity owners of the Company** | | 3,022,038 | 3,969,407 | 5,379,736 | 6,016,754 |
| **Non-controlling interests** | | (1,497) | (4,395) | (5,841) | (6,621) |
| **TOTAL EQUITY** | | 3,020,541 | 3,965,012 | 5,373,895 | 6,010,133 |

The accompanying notes form part of the Financial Information.

## 3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Section C Note | Attributable to equity owner of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital | Capital reserve | Reserve fund | Exchange reserve | Retained earnings | Sub-total | Non-controlling interests | Total equity |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At January 1, 2009** | | 626,697 | (120,311) | 826,848 | 18,061 | 1,261,876 | 2,613,171 | 902 | 2,614,073 |
| **Changes in equity:** | | | | | | | | | |
| Profit for the year | | – | – | – | – | 613,600 | 613,600 | (3,451) | 610,149 |
| Other comprehensive income | | – | – | – | 47 | – | 47 | (317) | (270) |
| Total comprehensive income | | – | – | – | 47 | 613,600 | 613,647 | (3,768) | 609,879 |
| Capital contributions | | 150 | 900 | – | – | – | 1,050 | 1,706 | 2,756 |
| Appropriation to reserves | | – | – | 97,351 | – | (97,351) | – | – | – |
| Dividends paid to equity owner of the Company | *27(a)* | – | – | – | – | (216,282) | (216,282) | – | (216,282) |
| Dividends paid to non-controlling interests of subsidiaries | | – | – | – | – | – | – | (337) | (337) |
| Transfer from capital reserve to capital | | 250 | (250) | – | – | – | – | – | – |
| Revaluation | *27(c)(i)* | – | 10,452 | – | – | – | 10,452 | – | 10,452 |
| **At December 31, 2009** | | 627,097 | (109,209) | 924,199 | 18,108 | 1,561,843 | 3,022,038 | (1,497) | 3,020,541 |
| **At January 1, 2010** | | 627,097 | (109,209) | 924,199 | 18,108 | 1,561,843 | 3,022,038 | (1,497) | 3,020,541 |
| **Changes in equity:** | | | | | | | | | |
| Profit for the year | | – | – | – | – | 1,136,475 | 1,136,475 | (4,306) | 1,132,169 |
| Other comprehensive income | | – | – | – | 1,470 | – | 1,470 | 1,572 | 3,042 |
| Total comprehensive income | | – | – | – | 1,470 | 1,136,475 | 1,137,945 | (2,734) | 1,135,211 |
| Capital contributions | | 101,710 | – | – | – | – | 101,710 | – | 101,710 |
| Distribution to equity owner of the Company | | – | (19,818) | – | – | – | (19,818) | – | (19,818) |
| Appropriation to reserves | | – | – | 485,599 | – | (485,599) | – | – | – |
| Dividends paid to equity owner of the Company | *27(a)* | – | – | – | – | (272,468) | (272,468) | – | (272,468) |
| Dividends paid to non-controlling interests of subsidiaries | | – | – | – | – | – | – | (164) | (164) |
| Transfer from capital reserve to capital | | 11,447 | (11,447) | – | – | – | – | – | – |
| **At December 31, 2010** | | 740,254 | (140,474) | 1,409,798 | 19,578 | 1,940,251 | 3,969,407 | (4,395) | 3,965,012 |

| | Section C Note | Attributable to equity owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital | Capital reserve | Reserve fund | Exchange reserve | Retained earnings | Sub-total | Non-controlling interests | Total equity |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At January 1, 2011** | | 740,254 | (140,474) | 1,409,798 | 19,578 | 1,940,251 | 3,969,407 | (4,395) | 3,965,012 |
| **Changes in equity:** | | | | | | | | | |
| Profit for the year | | – | – | – | – | 1,474,893 | 1,474,893 | (2,550) | 1,472,343 |
| Other comprehensive income | | – | – | – | 203 | – | 203 | 1,032 | 1,235 |
| Total comprehensive income | | – | – | – | 203 | 1,474,893 | 1,475,096 | (1,518) | 1,473,578 |
| Capital contributions | | 33,000 | 13,931 | – | – | – | 46,931 | 387 | 47,318 |
| Revaluation, net of tax effect | *27(c)(i)* | – | 602,379 | – | – | (16,061) | 586,318 | – | 586,318 |
| Appropriation to reserves | | – | – | 135,052 | – | (135,052) | – | – | – |
| Dividends paid to equity owner of the company | *27(a)* | – | – | – | – | (698,016) | (698,016) | – | (698,016) |
| Dividends paid to non-controlling interests of subsidiaries | | – | – | – | – | – | – | (315) | (315) |
| Capitalization upon establishment of the Company | | 2,526,746 | 125,287 | (1,409,798) | – | (1,242,235) | – | – | – |
| **At December 31, 2011** | | 3,300,000 | 601,123 | 135,052 | 19,781 | 1,323,780 | 5,379,736 | (5,841) | 5,373,895 |
| **At January 1, 2012** | | 3,300,000 | 601,123 | 135,052 | 19,781 | 1,323,780 | 5,379,736 | (5,841) | 5,373,895 |
| **Changes in equity:** | | | | | | | | | |
| Profit for the period | | – | – | – | – | 990,768 | 990,768 | (1,270) | 989,498 |
| Other comprehensive income | | – | – | – | 488 | – | 488 | 490 | 978 |
| Total comprehensive income | | – | – | – | 488 | 990,768 | 991,256 | (780) | 990,476 |
| Dividends paid to equity owners of the Company | *27(a)* | – | – | – | – | (354,238) | (354,238) | – | (354,238) |
| **At June 30, 2012** | | 3,300,000 | 601,123 | 135,052 | 20,269 | 1,960,310 | 6,016,754 | (6,621) | 6,010,133 |
| **(Unaudited)** | | | | | | | | | |
| **At January 1, 2011** | | 740,254 | (140,474) | 1,409,798 | 19,578 | 1,940,251 | 3,969,407 | (4,395) | 3,965,012 |
| **Changes in equity:** | | | | | | | | | |
| Profit for the period | | – | – | – | – | 642,185 | 642,185 | 91 | 642,276 |
| Other comprehensive income | | – | – | – | (2,758) | – | (2,758) | (671) | (3,429) |
| Total comprehensive income | | – | – | – | (2,758) | 642,185 | 639,427 | (580) | 638,847 |
| Capital contributions | | 33,000 | 13,931 | – | – | – | 46,931 | – | 46,931 |
| Revaluation, net of tax effect | *27(c)(i)* | – | 602,379 | – | – | (16,061) | 586,318 | – | 586,318 |
| Dividends paid to equity owner of the Company | *27(a)* | – | – | – | – | (506,264) | (506,264) | – | (506,264) |
| Dividends paid to non-controlling interests of subsidiaries | | – | – | – | – | – | – | (97) | (97) |
| Capitalization upon establishment of the Company | | 2,526,746 | 125,287 | (1,409,798) | – | (1,242,235) | – | – | – |
| **At June 30, 2011** | | 3,300,000 | 601,123 | – | 16,820 | 817,876 | 4,735,819 | (5,072) | 4,730,747 |

The accompanying notes form part of the Financial Information.

## 4 CONSOLIDATED CASH FLOW STATEMENTS

| | Section C Note | Years ended December 31, 2009 | 2010 | 2011 | Six months ended June 30, 2011 | 2012 |
|---|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| **Cash flows from operating activities** | | | | | | |
| Profit before taxation | | 834,669 | 1,561,417 | 1,987,369 | 859,352 | 1,341,192 |
| Adjustments for: | | | | | | |
| Depreciation | 5(c) | 34,664 | 36,136 | 50,310 | 22,762 | 35,873 |
| Amortization | 5(c) | 2,374 | 4,419 | 21,402 | 10,169 | 18,618 |
| Impairment of trade and other receivables | 5(c) | 137,559 | 61,108 | 96,004 | 21,579 | 66,673 |
| Impairment/(reversal of impairment) of construction contracts | 5(c) | – | 132,908 | 40,045 | (2,606) | 5,910 |
| Write-down of inventories to net realizable value | | – | – | 100 | 1,677 | 3,324 |
| Provision for foreseeable losses on construction contracts | 5(c) | 18,291 | 29,429 | 146 | 146 | 2,370 |
| Net (gains)/losses on disposal of property, plant and equipment | 4 | (18) | 277 | 167 | 616 | (343) |
| Losses on disposal of investments in subsidiaries | | – | 106 | – | – | – |
| Losses on disposal of other non-current assets | | – | 864 | – | – | – |
| Finance income | 5(a) | (62,698) | (129,491) | (192,560) | (82,378) | (101,300) |
| Finance expenses | 5(a) | 26,005 | 26,873 | 18,605 | 14,318 | 6,010 |
| Net foreign exchange losses/(gains) | | 1,952 | 28,374 | 55,057 | (16,018) | 6,645 |
| Dividend income | 3 | (10,718) | (11,013) | (8,094) | (229) | (896) |
| Net losses on foreign currency forward exchange contracts and interest rate swaps | 4 | 29,139 | 15,994 | 8,323 | 2,472 | 21,257 |
| Share of profits less losses of associates | | (147) | (192) | 9 | 129 | 215 |
| **Operating profit before changes in working capital** | | 1,011,072 | 1,757,209 | 2,076,883 | 831,989 | 1,405,548 |
| (Increase)/decrease in inventories | | (99,092) | 287 | (37,661) | 2,731 | (147,103) |
| (Increase)/decrease in construction contracts | | (1,801,561) | (309,534) | 1,612,119 | 920,388 | 575,859 |
| Decrease/(increase) in trade and other receivables | | 1,258,425 | (367,984) | (1,427,371) | (222,215) | 764,311 |
| (Decrease)/increase in receipts in advance | | (1,424,695) | 3,593,499 | 1,645,071 | 1,453,879 | 2,266,746 |
| Increase/(decrease) in trade and other payables | | 2,228,479 | 1,301,574 | (219,850) | (98,461) | 1,597,740 |
| Decrease in retirement and other supplemental benefit obligation | | (27,480) | (52,230) | (13,400) | (8,070) | (6,290) |
| Increase/(decrease) in provisions | | – | 125,000 | (125,000) | – | – |
| **Cash generated from operations** | | 1,145,148 | 6,047,821 | 3,510,791 | 2,880,241 | 6,456,811 |
| Income tax paid | 25(a) | (436,261) | (445,221) | (682,557) | (474,607) | (466,759) |
| **Net cash generated from operating activities** | | 708,887 | 5,602,600 | 2,828,234 | 2,405,634 | 5,990,052 |

| | Section C Note | Years ended December 31, 2009 | 2010 | 2011 | Six months ended June 30, 2011 | 2012 |
|---|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| **Cash flows from investing activities** | | | | | | |
| Payments for acquisition of property, plant and equipment | | (18,726) | (15,546) | (50,202) | (11,038) | (31,682) |
| Payments for acquisition of investment properties | | (58) | – | (168) | (25) | – |
| Payments for acquisition of land use rights | | (18,633) | (1,757) | (873,642) | (873,610) | (30,000) |
| Payments for acquisition of intangible assets | | (1,515) | (4,009) | (688) | (688) | (300) |
| Payments for disposal of investment in a subsidiary | | – | (56) | – | – | – |
| Payments for disposal of other non-current assets | | – | (15) | – | – | – |
| Payments for acquisition of investments | | – | (1,990) | – | – | – |
| Payments for settlement of foreign currency forward exchange contracts and interest rate swaps | | – | (16,992) | (12,337) | (6,269) | (5,487) |
| Proceeds from disposal of property, plant and equipment | | 1,514 | 819 | 790 | 48 | 1,218 |
| Proceeds from disposal and redemption of investments | | 3,000 | 1,990 | – | – | – |
| Dividends received | | 10,718 | 11,013 | 8,349 | 229 | 896 |
| Interest income received | | 55,311 | 96,819 | 195,379 | 101,201 | 94,710 |
| (Increase)/decrease in time deposits | | (1,553,329) | (2,349,817) | 391,324 | 2,030,728 | (654,781) |
| (Increase)/decrease in restricted deposits | | (137,620) | 99,209 | (191,896) | 17,803 | 120,926 |
| **Net cash (used in)/generated from investing activities** | | (1,659,338) | (2,180,332) | (533,091) | 1,258,379 | (504,500) |
| **Cash flows from financing activities** | | | | | | |
| Capital contributions | | 2,606 | 100,000 | 20,451 | 20,064 | – |
| Proceeds from borrowings | | 1,614,480 | 199,043 | 140,219 | 106,765 | 49,315 |
| Repayment of borrowings | | (974,475) | (609,893) | (1,572,378) | (1,272,738) | (147,309) |
| Dividends paid to equity owners of the Company | | (216,282) | (272,468) | (698,016) | (506,264) | (354,238) |
| Dividends paid to non-controlling interests of subsidiaries | | (311) | (144) | (292) | (97) | (20) |
| Interest paid | | (110,058) | (68,373) | (20,125) | (15,322) | (6,069) |
| **Net cash generated from/(used in) financing activities** | | 315,960 | (651,835) | (2,130,141) | (1,667,592) | (458,321) |
| **Net (decrease)/increase in cash and cash equivalents** | | (634,491) | 2,770,433 | 165,002 | 1,996,421 | 5,027,231 |
| **Cash and cash equivalents at January 1** | | 2,992,165 | 2,353,052 | 5,078,823 | 5,078,823 | 5,170,757 |
| **Effect of foreign exchange rate changes** | | (4,622) | (44,662) | (73,068) | 1,463 | (6,091) |
| **Cash and cash equivalents at December 31/June 30** | 20 | 2,353,052 | 5,078,823 | 5,170,757 | 7,076,707 | 10,191,897 |

The accompanying notes form part of the Financial Information.

## C NOTES TO THE FINANCIAL INFORMATION

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes International Accounting Standards and related interpretations, promulgated by the IASB. Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2012. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2012 are set out in note 35.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended June 30, 2011 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

#### (b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and has been prepared as if the Group had always been in existence, as further explained in Section A.

#### (c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the Group's presentation currency and the functional currency of the Company and its subsidiaries in the PRC carrying on the principle activities of the Group.

The Financial Information is prepared on the historical cost or deemed cost basis except for derivative financial instruments (see note 1(i)) that are stated at their fair values.

#### (d) Going concern

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at December 31, 2009, 2010 and 2011 and June 30, 2012. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the eighteen-month period ending December 31, 2013, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements for a reasonable period of time (see note 28(b)).

#### (e) Use of estimates and judgments

The preparation of the Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 34.

#### (f) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheets within equity, separately from equity attributable to the equity owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheets in accordance with notes 1(r) or (s) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(h)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(g)).

In the Company's balance sheets, an investment in a subsidiary is stated at cost less impairment losses (see note 1(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

**(g) Associates**

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(n)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/period are recognized in profit or loss, whereas the Group's share of the post-acquisition post tax items of the investees' other comprehensive income is recognized in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(h)).

In the Company's balance sheets, interest in associates are stated at cost less impairment losses (see note 1(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

**(h) Other investments in equity securities**

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise. These investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized in the balance sheets at cost less impairment losses (see note 1(n)).

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

**(i) Derivative financial instruments**

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

**(j) Investment property**

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(m)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheets at cost less accumulated depreciation and impairment losses (see note 1(n)). Depreciation is calculated to write off the cost of investment properties, less their estimated residual value, if any, using the straight-line method over the estimated useful lives ranging from 20 to 35 years. Any gain or loss arising from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 1(x)(iv).

**(k) Other property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(n)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(z)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

| | |
|---|---|
| – Buildings | 20-35 years |
| – Motor vehicles | 3-10 years |
| – Office and other equipment | 2-15 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(l) Intangible assets**

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 1(n)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

| | |
|---|---|
| – software and others | 2-10 years |

Both the period and method of amortization are reviewed annually.

**(m) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

***(i) Classification of assets leased to the Group***

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

***(ii) Operating lease charges***

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term.

**(n) Impairment of assets**

***(i) Impairment of investments in debt and equity securities and other receivables***

Investments in equity securities and other current and non-current receivables that are stated at cost or amortized cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

– For interest in subsidiaries and associates (including those recognized using the equity method (see note 1(g)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(n)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with note 1(n)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years/periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

***(ii) Impairment of other assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- investment properties;
- lease prepayments; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

- *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- *Reversals of impairment losses*

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognized.

**(o) Inventories**

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in, first-out (FIFO), specific identification of costs or weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

**(p) Construction contracts**

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(x)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognized profit less recognized losses and progress billing, and are presented in the balance sheets as the "construction contracts" (as an asset or a liability, as applicable). Progress billings not yet paid by the customer are included in the balance sheets under "Trade and other receivables". Amounts received before the related work is performed are included in the balance sheets under "Receipts in advance".

**(q) Trade and other receivables**

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(n)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

**(r) Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**(s) Trade and other payables**

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 1(w)(i), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(t) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(u) Employee benefits**

***(i) Short-term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

***(ii) Defined benefit retirement plan obligations***

The Group provided supplementary pension subsidies to employees in the PRC, who retired before January 1, 2010. In addition, the Group also provided subsidies to early retirees. Such supplementary pension subsidies and subsidies to early retirees are considered as defined benefit plans.

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognized immediately in profit or loss.

In calculating the Group's obligation in respect of a plan, if any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in profit or loss. Otherwise, the actuarial gain or loss is not recognized.

***(iii) Termination benefits***

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

**(v) Income tax**

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combinations, or items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years/periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

**(w) Financial guarantees issued, provisions and contingent liabilities**

***(i) Financial guarantees issued***

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within "Trade and other payables". Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in "Trade and other payables" in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

***(ii) Provisions and contingent liabilities***

Provisions are recognized for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(x) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

***(i) Sale of goods***

Revenue is recognized when all of the general conditions stated above and following conditions are satisfied:

– the significant risks and rewards of ownership of the goods have been transferred to buyers; and

– the Group does not retain continuing managerial involvement to the degree usually associated with ownership of the goods sold, and has no effective control over the goods sold.

Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

*(ii) Contract revenue*

When the outcome of a construction contract can be estimated reliably:

- revenue from a fixed price contract is recognized using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs, surveys of work performed or completion of a physical proportion of the contract work for the contract. A fixed price contract is a contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses; and

- revenue from a cost plus contract is recognized by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs, surveys of work performed or completion of a physical proportion of the contract work for the contract. A cost plus contract is a contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus a percentage of these costs or a fixed fee.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

*(iii) Revenue from services*

Revenue from rendering of services is measured at the fair value of the consideration received or receivable under the contract or agreement:

- at the balance sheet date, where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognized in the income statement by reference to the stage of completion of the transaction based on the progress of work performed, the proportion of services performed to date to the total services to be performed, or the proportion of costs incurred to date to the estimated total costs; or

- where the outcome of rendering of services cannot be estimated reliably, if the costs incurred are expected to be recoverable, revenues are recognized to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; if the costs incurred are not expected to be recoverable, the costs incurred are recognized in profit or loss and no service revenue is recognized.

*(iv) Rental income from operating leases*

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

*(v) Interest income*

Interest income is recognized as it accrues using the effective interest method.

*(vi) Dividends*

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

*(vii) Government grants*

Government grants are recognized in the balance sheets initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and consequently are effectively recognized in profit or loss over the useful life of the asset.

**(y) Translation of foreign currencies**

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

**(z) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(aa) Related parties**

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(bb) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 2 REVENUE

The principal activities of the Group are construction contracting on international infrastructure-related projects, sales of machineries and equipments etc and provision of other services.

Revenue represents: (i) an appropriate proportion of contract revenue of construction contracts, net of business tax and surcharges if any; (ii) the invoiced value of goods sold, net of value-added tax and surcharges, and after trade discounts; and (iii) the value of other services rendered.

An analysis of the Group's revenue is as follows:

| | | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | *Note* | **2009** | **2010** | **2011** | **2011** | **2012** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Revenue from construction contracts | | 13,646,660 | 12,019,649 | 12,055,186 | 5,507,450 | 6,426,103 |
| Sales of goods in trading business | | 4,979,101 | 6,295,526 | 7,688,577 | 4,010,736 | 3,522,165 |
| Others | *(i)* | 661,935 | 761,840 | 774,006 | 320,574 | 405,872 |
| | | 19,287,696 | 19,077,015 | 20,517,769 | 9,838,760 | 10,354,140 |

*Note:*

(i) Other revenue mainly represents revenue from the provision of export-import agency services, tendering agency services, exhibition services, design services and logistics services.

The Group's customer base is diversified. For the year ended December 31, 2009, revenue from construction contracts from an external customer in Turkey and another external customer in the Republic of Congo accounted for 12% and 11% of total revenue of the Group, respectively. For the year ended December 31, 2010, revenue from construction contracts from an external customer in the Republic of Congo accounted for 10% of total revenue of the Group. For the year ended December 31, 2011, revenue from construction contracts from an external customer in Sri Lanka accounted for 11% of total revenue of the Group. For the six months ended June 30, 2011 (unaudited), revenue from construction contracts from an external customer in Federal Republic of Nigeria accounted for 11% of total revenue of the Group. For the six months ended June 30, 2012, there was no revenue from an external customer accounted for more than 10% of total revenue of the Group.

## 3 OTHER REVENUE

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2011** | **2012** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Dividend income from unquoted equity securities | 10,718 | 11,013 | 8,094 | 229 | 896 |
| Government grants | 2,677 | 8,339 | 1,605 | 577 | 1,376 |
| | 13,395 | 19,352 | 9,699 | 806 | 2,272 |

## 4 OTHER EXPENSES, NET

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Net gains/(losses) on disposal of property, plant and equipment | 18 | (277) | (167) | (616) | 343 |
| Net losses on foreign currency forward exchange contracts and interest rate swaps | (29,139) | (15,994) | (8,323) | (2,472) | (21,257) |
| Others | 3,673 | 6,085 | 5,428 | 1,165 | (232) |
| | (25,448) | (10,186) | (3,062) | (1,923) | (21,146) |

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/crediting:

### (a) Finance income and finance expenses

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Finance income on receivables from customers | 290,159 | 282,250 | 209,714 | 122,620 | 147,742 |
| Interest income | 62,698 | 129,491 | 192,560 | 82,378 | 101,300 |
| Finance income | 352,857 | 411,741 | 402,274 | 204,998 | 249,042 |
| Interest cost recognized in respect of defined benefit retirement plans *(note 24(a)(iii))* | 15,810 | 15,830 | 16,050 | 8,010 | 7,140 |
| Interest expenses on borrowings wholly repayable within five years | 23,360 | 23,789 | 16,223 | 12,785 | 5,911 |
| Interest expenses on other borrowings | 82,958 | 40,778 | 4,153 | 3,304 | 99 |
| Foreign exchange losses/(gains), net | 24,830 | 332,109 | 505,185 | 162,778 | (13,890) |
| Bank charges and others | 9,732 | 11,043 | 19,698 | 10,992 | 3,717 |
| | 156,690 | 423,549 | 561,309 | 197,869 | 2,977 |
| Less: Interest expenses capitalized in construction contracts* | 80,313 | 37,694 | 1,771 | 1,771 | – |
| Finance expenses | 76,377 | 385,855 | 559,538 | 196,098 | 2,977 |
| Net finance income/(expenses) recognized in profit or loss | 276,480 | 25,886 | (157,264) | 8,900 | 246,065 |

* The borrowing costs have been capitalized at rates of 2.68% to 4.32%, 2.41% to 4.32%, 4.32% and 4.32% (unaudited) per annum for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011, respectively. There was no borrowing cost capitalized for the six months ended June 30, 2012.

**(b) Staff costs**

| | Note | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | | 2009 | 2010 | 2011 | 2011 | 2012 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Contributions to defined contribution retirement plans | | 46,585 | 52,943 | 66,109 | 27,830 | 35,448 |
| Expenses recognized in respect of defined benefit retirement plans | *24(a)(iii)* | (14,730) | (33,830) | 2,750 | (200) | 1,940 |
| Salaries, wages and other benefits | | 738,379 | 737,069 | 863,383 | 384,770 | 461,289 |
| | | 770,234 | 756,182 | 932,242 | 412,400 | 498,677 |

**(c) Other items**

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Amortization | | | | | |
| – lease prepayments | 1,679 | 3,057 | 19,448 | 9,159 | 17,674 |
| – intangible assets | 695 | 1,362 | 1,954 | 1,010 | 944 |
| | 2,374 | 4,419 | 21,402 | 10,169 | 18,618 |
| Depreciation | | | | | |
| – property, plant and equipment | 32,223 | 32,889 | 47,805 | 21,385 | 34,480 |
| – investment properties | 2,441 | 3,247 | 2,505 | 1,377 | 1,393 |
| | 34,664 | 36,136 | 50,310 | 22,762 | 35,873 |
| Impairment losses/(reversal of impairment losses) on | | | | | |
| – trade and other receivables | 137,559 | 61,108 | 96,004 | 21,579 | 66,673 |
| – construction contracts *(note (i))* | – | 132,908 | 40,045 | (2,606) | 5,910 |
| Operating lease charges | | | | | |
| – hire of properties | 8,175 | 9,282 | 21,330 | 4,382 | 8,784 |
| – hire of other assets | 169 | 52 | – | – | – |
| | 8,344 | 9,334 | 21,330 | 4,382 | 8,784 |

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Auditors' remuneration | | | | | |
| – audit services | 1,236 | 1,376 | 1,629 | 252 | 495 |
| – tax services | 363 | 373 | 393 | 120 | 496 |
| – other services | – | 14,150 | 17,385 | 6,633 | 3,750 |
| | 1,599 | 15,899 | 19,407 | 7,005 | 4,741 |
| Provision for foreseeable losses on construction contracts | 18,291 | 29,429 | 146 | 146 | 2,370 |
| Rental income from investment properties | | | | | |
| – Gross rental | 26,368 | 27,475 | 29,436 | 12,688 | 10,782 |
| – Direct outgoings | (2,862) | (3,938) | (4,613) | (2,673) | (2,296) |
| – Net rental | 23,506 | 23,537 | 24,823 | 10,015 | 8,486 |
| Cost of inventories *(note (ii))* | 4,536,955 | 6,170,308 | 7,250,944 | 3,810,669 | 3,368,773 |

*Notes:*

(i) The impairment loss made on the construction contracts in 2010 and 2011 and during the six months ended June 30, 2012 was related to unbilled balances for certain completed projects and a result of the evidence of significant financial difficulty of the specific debtors came into the Group's attention in 2010 and 2011 and during the six months ended June 30, 2012.

(ii) For the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012, cost of inventories includes RMB4,485,000, RMB4,377,000, RMB6,526,000, RMB3,550,000 (unaudited) and RMB2,725,000 relating to staff costs, depreciation and amortization expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

### (a) Income tax in the consolidated statements of comprehensive income represents:

| | | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | *Note* | 2009 | 2010 | 2011 | 2011 | 2012 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Current tax | | | | | | |
| – PRC Corporate Income Tax | | 309,324 | 451,931 | 544,017 | 259,577 | 419,890 |
| – Hong Kong Profits Tax | | 1,307 | 308 | 564 | – | 98 |
| – Others | | 10,837 | 23,261 | 8,376 | 462 | 8,819 |
| | | 321,468 | 475,500 | 552,957 | 260,039 | 428,807 |
| Deferred tax | *25(b)* | (96,948) | (46,252) | (37,931) | (42,963) | (77,113) |
| | | 224,520 | 429,248 | 515,026 | 217,076 | 351,694 |

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising the Group domicile or operate.

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period.

Effective from January 1, 2008, PRC's statutory income tax rate is 25%. Certain subsidiaries of the Group, being enterprises located in the designated Special Economic Zones, were taxed at a preferential income tax rate of 15% prior to January 1, 2008. Pursuant to the new Corporate Income Tax Law of the PRC ("new tax law") as approved by the Fifth Plenary Session of Tenth National People's Congress on March 16, 2007, and its relevant regulations, these subsidiaries of the Group are entitled to apply the transitional rates of 20%, 22%, 24% and 25% for 2009, 2010, 2011 and 2012 onwards, respectively. In addition, pursuant to the implementation rules of the new tax law, a subsidiary of the Group, being a small-scale enterprise, is entitled to a preferential income tax rate of 20% during the Track Record Period. Another subsidiary obtained a high-new technology enterprise certificate, which is valid for three years, dated December 30, 2009. Accordingly, such subsidiary is entitled to a preferential income tax rate of 15% from 2009 to 2011.

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates:**

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2011** | **2012** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Profit before taxation | 834,669 | 1,561,417 | 1,987,369 | 859,352 | 1,341,192 |
| Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned | 208,318 | 388,826 | 495,734 | 214,409 | 335,071 |
| PRC tax concessions | (403) | (243) | (2,073) | (2,228) | (2) |
| Effect of non-deductible expenses | 11,930 | 25,877 | 10,080 | 4,573 | 7,386 |
| Effect of non-taxable income | (2,780) | (2,559) | (1,966) | – | (224) |
| Tax effect of unused tax losses and deductible temporary differences not recognized | 2,552 | 3,514 | 8,259 | 2,117 | 1,206 |
| Others | 4,903 | 13,833 | 4,992 | (1,795) | 8,257 |
| Actual tax expense | 224,520 | 429,248 | 515,026 | 217,076 | 351,694 |

## 7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments are as follows:

| | Directors' and Supervisors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended December 31, 2009** | | | | | |
| Executive Directors: | | | | | |
| Mr. Yang Wansheng | – | 460 | 474 | 27 | 961 |
| Ms. Li Taifang | – | 313 | 323 | 27 | 663 |
| Mr. Jia Zhiqiang | – | 460 | 474 | 27 | 961 |
| Mr. Zhang Chun | – | – | – | – | – |
| Non-executive Directors: | | | | | |
| Mr. Pan Chongyi | – | – | – | – | – |
| Mr. Wang Zhian | – | – | – | – | – |
| Independent non-executive Directors: | | | | | |
| Mr. Liu Li | – | – | – | – | – |
| Ms. Liu Hongyu | – | – | – | – | – |
| Mr. Fang Yongzhong | – | – | – | – | – |
| Mr. Chan Kin Ho | – | – | – | – | – |
| Mr. Chen Jianshen | – | – | – | – | – |
| Supervisors: | | | | | |
| Mr. Quan Huaqiang | – | – | – | – | – |
| Mr. Qian Xiangdong | – | – | – | – | – |
| Mr. Bai Ming | – | 238 | – | 27 | 265 |
| | – | 1,471 | 1,271 | 108 | 2,850 |
| **Year ended December 31, 2010** | | | | | |
| Executive Directors: | | | | | |
| Mr. Yang Wansheng | – | 460 | 474 | 29 | 963 |
| Ms. Li Taifang | – | 313 | 323 | 29 | 665 |
| Mr. Jia Zhiqiang | – | 460 | 474 | 29 | 963 |
| Mr. Zhang Chun | – | – | – | – | – |
| Non-executive Directors: | | | | | |
| Mr. Pan Chongyi | – | – | – | – | – |
| Mr. Wang Zhian | – | – | – | – | – |
| Independent non-executive Directors: | | | | | |
| Mr. Liu Li | – | – | – | – | – |
| Ms. Liu Hongyu | – | – | – | – | – |
| Mr. Fang Yongzhong | – | – | – | – | – |
| Mr. Chan Kin Ho | – | – | – | – | – |
| Mr. Chen Jianshen | – | – | – | – | – |
| Supervisors: | | | | | |
| Mr. Quan Huaqiang | – | – | – | – | – |
| Mr. Qian Xiangdong | – | – | – | – | – |
| Mr. Bai Ming | – | 252 | – | 29 | 281 |
| | – | 1,485 | 1,271 | 116 | 2,872 |

| | Directors' and Supervisors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended December 31, 2011** | | | | | |
| Executive Directors: | | | | | |
| Mr. Yang Wansheng | – | 668 | 474 | 30 | 1,172 |
| Ms. Li Taifang | – | 532 | 323 | 30 | 885 |
| Mr. Jia Zhiqiang | – | 657 | 474 | 30 | 1,161 |
| Mr. Zhang Chun | – | – | – | – | – |
| Non-executive Directors: | | | | | |
| Mr. Pan Chongyi | 50 | 35 | – | – | 85 |
| Mr. Wang Zhian | 50 | 34 | – | – | 84 |
| Independent non-executive Directors: | | | | | |
| Mr. Liu Li | 50 | 35 | – | – | 85 |
| Ms. Liu Hongyu | 50 | 34 | – | – | 84 |
| Mr. Fang Yongzhong | 25 | 18 | – | – | 43 |
| Mr. Chan Kin Ho | – | – | – | – | – |
| Mr. Chen Jianshen | 46 | 22 | – | – | 68 |
| Supervisors: | | | | | |
| Mr. Quan Huaqiang | – | – | – | – | – |
| Mr. Qian Xiangdong | – | – | – | – | – |
| Mr. Bai Ming | – | 476 | – | 30 | 506 |
| | 271 | 2,511 | 1,271 | 120 | 4,173 |
| **Six months ended June 30, 2011 (unaudited)** | | | | | |
| Executive Directors: | | | | | |
| Mr. Yang Wansheng | – | 384 | 237 | 15 | 636 |
| Ms. Li Taifang | – | 171 | 161 | 15 | 347 |
| Mr. Jia Zhiqiang | – | 249 | 237 | 15 | 501 |
| Mr. Zhang Chun | – | – | – | – | – |
| Non-executive Directors: | | | | | |
| Mr. Pan Chongyi | 25 | 14 | – | – | 39 |
| Mr. Wang Zhian | 25 | 14 | – | – | 39 |
| Independent non-executive Directors: | | | | | |
| Mr. Liu Li | 25 | 14 | – | – | 39 |
| Ms. Liu Hongyu | 25 | 14 | – | – | 39 |
| Mr. Fang Yongzhong | – | – | – | – | – |
| Mr. Chan Kin Ho | – | – | – | – | – |
| Mr. Chen Jianshen | 25 | 6 | – | – | 31 |
| Supervisors: | | | | | |
| Mr. Quan Huaqiang | – | – | – | – | – |
| Mr. Qian Xiangdong | – | – | – | – | – |
| Mr. Bai Ming | – | 149 | – | 15 | 164 |
| | 125 | 1,015 | 635 | 60 | 1,835 |

| | Directors' and Supervisors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Six months ended June 30, 2012** | | | | | |
| Executive Directors: | | | | | |
| Mr. Yang Wansheng | – | 384 | 237 | 16 | 637 |
| Ms. Li Taifang | – | 384 | 237 | 16 | 637 |
| Mr. Jia Zhiqiang | – | 160 | 99 | 7 | 266 |
| Mr. Zhang Chun | – | 224 | 138 | 9 | 371 |
| Non-executive Directors: | | | | | |
| Mr. Pan Chongyi | 25 | 10 | – | – | 35 |
| Mr. Wang Zhian | 25 | 10 | – | – | 35 |
| Independent non-executive Directors: | | | | | |
| Mr. Liu Li | 25 | 10 | – | – | 35 |
| Ms. Liu Hongyu | 25 | 10 | – | – | 35 |
| Mr. Fang Yongzhong | 25 | 10 | – | – | 35 |
| Mr. Chan Kin Ho | – | – | – | – | – |
| Mr. Chen Jianshen | – | – | – | – | – |
| Supervisors: | | | | | |
| Mr. Quan Huaqiang | – | – | – | – | – |
| Mr. Qian Xiangdong | – | – | – | – | – |
| Mr. Bai Ming | – | 196 | – | 16 | 212 |
| | 125 | 1,398 | 711 | 64 | 2,298 |

Mr. Chen Jianshen resigned from independent non-executive director of the Company on November 11, 2011. Mr. Chan Kin Ho was appointed as an independent non-executive director of the Company on December 30, 2011.

Mr. Jia Zhiqiang resigned from executive director of the Company on March 16, 2012. Mr. Zhang Chun was appointed as an executive director of the Company on March 16, 2012.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

## 8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012 are set forth below:

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2011** | **2012** |
| | | | | (unaudited) | |
| Directors | 3 | 2 | 3 | 2 | 2 |
| Non-directors | 2 | 3 | 2 | 3 | 3 |
| | 5 | 5 | 5 | 5 | 5 |

The emoluments of the directors are disclosed in note 7. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2011** | **2012** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Salaries and other emoluments | 626 | 1,857 | 922 | 915 | 726 |
| Discretionary bonuses | 645 | 257 | 645 | 161 | 560 |
| Retirement scheme contributions | 54 | 86 | 60 | 44 | 48 |
| | 1,325 | 2,200 | 1,627 | 1,120 | 1,334 |

The emoluments of the remaining individuals with the highest emoluments are within the following bands:

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2011** | **2012** |
| | *Number of individuals* | *Number of individuals* | *Number of individuals* | *Number of individuals* (unaudited) | *Number of individuals* |
| Nil to HKD1,000,000 | 2 | 3 | 2 | 3 | 3 |

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**9 EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to equity owners of the Company of RMB613,600,000, RMB1,136,475,000, RMB1,474,893,000, RMB642,185,000 (unaudited) and RMB990,768,000 for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012 and the 3,300 million ordinary shares in issue as at the date of the Prospectus as if the share were outstanding throughout the entire Track Record Period.

The Company did not have any potential dilutive shares throughout the entire Track Record Period. Accordingly, diluted earnings per share is the same as basic earnings per share.

**10 SEGMENT REPORTING**

The Group manages its businesses by divisions, which are organized by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments.

- Construction contracts: this segment mainly undertakes engineering, procurement and construction ("EPC") contracting business of overseas infrastructure-related construction projects (including hydropower, thermal power or other engineering projects) in various countries.

- Trading business: this segment mainly engages in the business of importing and/or exporting various machinery, electrical and instrumental products for domestic and overseas customers.

- Other businesses: this segment mainly engages in providing export-import agency services, tendering agency services, exhibition services, design services and logistics services.

**(a) Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current assets and current assets with the exception of restricted deposits, time deposits with original maturity over three months, cash and cash equivalents, property, plant and equipment, lease prepayments, intangible assets, interest in associates, unquoted equity investments in non-listed companies, deferred tax assets and other unallocated assets. Segment liabilities include receipts in advance, trade and other payables (excluding accrued salaries, wages and benefits, and payables that cannot be reasonably allocated to any segment), construction contracts, provisions and borrowings managed directly for the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

The measure used for reporting segment profit is the profit before taxation. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 (unaudited) and 2012 is set out below:

| | Year ended December 31, 2009 | | | |
|---|---|---|---|---|
| | **Construction contracts** | **Trading business** | **Other businesses** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue from external customers | 13,646,660 | 4,979,101 | 661,935 | 19,287,696 |
| Inter-segment revenue | – | – | 376,308 | 376,308 |
| Reportable segment revenue | 13,646,660 | 4,979,101 | 1,038,243 | 19,664,004 |
| Reportable segment profit/(loss) | 685,135 | (46,673) | 178,974 | 817,436 |
| Interest income on receivables from customers | 289,990 | 169 | – | 290,159 |
| Interest expenses | 21,782 | 4,218 | 5 | 26,005 |
| Depreciation and amortization | – | – | 2,816 | 2,816 |
| Provision of impairment losses | | | | |
| – trade and other receivables | – | 137,559 | – | 137,559 |
| – foreseeable losses on construction contracts | 18,291 | – | – | 18,291 |
| Reportable segment assets | 11,309,211 | 1,973,074 | 1,422,736 | 14,705,021 |
| – capital expenditure | – | – | 58 | 58 |
| Reportable segment liabilities | 12,042,875 | 1,786,408 | 1,752,743 | 15,582,026 |

| | Year ended December 31, 2010 | | | |
|---|---|---|---|---|
| | Construction contracts | Trading business | Other businesses | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue from external customers | 12,019,649 | 6,295,526 | 761,840 | 19,077,015 |
| Inter-segment revenue | – | 17,852 | 453,353 | 471,205 |
| Reportable segment revenue | 12,019,649 | 6,313,378 | 1,215,193 | 19,548,220 |
| Reportable segment profit | 1,301,000 | 91,874 | 128,916 | 1,521,790 |
| Interest income on receivables from customers | 281,652 | 598 | – | 282,250 |
| Interest expenses | 24,927 | 1,686 | 260 | 26,873 |
| Depreciation and amortization | – | – | 3,689 | 3,689 |
| Provision of impairment losses | | | | |
| – trade and other receivables | 2,526 | 58,582 | – | 61,108 |
| – construction contracts | 132,908 | – | – | 132,908 |
| – foreseeable losses on construction contracts | 29,429 | – | – | 29,429 |
| Reportable segment assets | 11,183,859 | 2,533,158 | 1,542,736 | 15,259,753 |
| – capital expenditure | – | – | 1,657 | 1,657 |
| Reportable segment liabilities | 16,067,435 | 2,307,306 | 1,792,222 | 20,166,963 |

| | Year ended December 31, 2011 | | | |
|---|---|---|---|---|
| | Construction contracts | Trading business | Other businesses | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue from external customers | 12,055,186 | 7,688,577 | 774,006 | 20,517,769 |
| Inter-segment revenue | – | – | 453,150 | 453,150 |
| Reportable segment revenue | 12,055,186 | 7,688,577 | 1,227,156 | 20,970,919 |
| Reportable segment profit | 1,734,229 | 74,563 | 145,510 | 1,954,302 |
| Interest income on receivables from customers | 199,926 | 9,788 | – | 209,714 |
| Interest expenses | 13,393 | 5,212 | – | 18,605 |
| Depreciation and amortization | – | – | 3,235 | 3,235 |
| Provision of impairment losses | | | | |
| – trade and other receivables | 66,812 | 11,635 | 8,710 | 87,157 |
| – construction contracts | 40,045 | – | – | 40,045 |
| – inventories | – | 100 | – | 100 |
| – foreseeable losses on construction contracts | 146 | – | – | 146 |
| Reportable segment assets | 11,153,838 | 3,122,073 | 1,086,707 | 15,362,618 |
| – capital expenditure | – | – | 274 | 274 |
| Reportable segment liabilities | 16,379,195 | 2,856,014 | 759,139 | 19,994,348 |

| | Six months ended June 30, 2011 | | | |
|---|---|---|---|---|
| | Construction contracts | Trading business | Other businesses | Total |
| | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) | *RMB'000* (unaudited) |
| Revenue from external customers | 5,507,450 | 4,010,736 | 320,574 | 9,838,760 |
| Inter-segment revenue | – | – | 268,403 | 268,403 |
| Reportable segment revenue | 5,507,450 | 4,010,736 | 588,977 | 10,107,163 |
| Reportable segment profit | 678,775 | 31,245 | 105,158 | 815,178 |
| Interest income on receivables from customers | 122,620 | – | – | 122,620 |
| Interest expenses | 12,987 | 1,331 | – | 14,318 |
| Depreciation and amortization | – | – | 2,107 | 2,107 |
| Provision of impairment losses | | | | |
| – trade and other receivables | 24,541 | (1,054) | (1,908) | 21,579 |
| – construction contracts | (2,606) | – | – | (2,606) |
| – inventories | – | 1,677 | – | 1,677 |
| – foreseeable losses on construction contracts | 146 | – | – | 146 |

| | Six months ended June 30, 2012 | | | |
|---|---|---|---|---|
| | Construction contracts | Trading business | Other businesses | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue from external customers | 6,426,103 | 3,522,165 | 405,872 | 10,354,140 |
| Inter-segment revenue | – | – | 187,249 | 187,249 |
| Reportable segment revenue | 6,426,103 | 3,522,165 | 593,121 | 10,541,389 |
| Reportable segment profit | 1,100,461 | 86,823 | 108,913 | 1,296,197 |
| Interest income on receivables from customers | 147,742 | – | – | 147,742 |
| Interest expenses | 3,854 | 2,156 | – | 6,010 |
| Depreciation and amortization | – | – | 1,643 | 1,643 |
| Provision of impairment losses | | | | |
| – trade and other receivables | 35,151 | 8,912 | 31,650 | 75,713 |
| – construction contracts | 5,910 | – | – | 5,910 |
| – inventories | – | 3,324 | – | 3,324 |
| – foreseeable losses on construction contracts | 2,370 | – | – | 2,370 |
| Reportable segment assets | 10,478,394 | 2,729,795 | 1,025,350 | 14,233,539 |
| Reportable segment liabilities | 19,975,024 | 2,611,682 | 1,058,776 | 23,645,482 |

(b) **Reconciliation of reportable segment revenue, profit/(loss), assets and liabilities**

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Revenue** | | | | | |
| Reportable segment revenue | 19,664,004 | 19,548,220 | 20,970,919 | 10,107,163 | 10,541,389 |
| Elimination of inter-segment revenue | (376,308) | (471,205) | (453,150) | (268,403) | (187,249) |
| | 19,287,696 | 19,077,015 | 20,517,769 | 9,838,760 | 10,354,140 |
| **Profit** | | | | | |
| Reportable segment profit | 817,436 | 1,521,790 | 1,954,302 | 815,178 | 1,296,197 |
| Share of profits less losses of associates | 147 | 192 | (9) | (129) | (215) |
| Other revenue | 10,718 | 11,013 | 8,094 | 229 | 896 |
| Other (expenses)/income, net | (1,676) | (3,711) | (1,136) | (933) | 53 |
| Interest income from bank deposits | 62,698 | 129,491 | 192,560 | 82,378 | 101,300 |
| Interest cost recognized in respect of defined benefit retirement plans | (15,810) | (15,830) | (16,050) | (8,010) | (7,140) |
| Foreign exchange (losses)/gains, net | (4,622) | (44,662) | (73,068) | 1,463 | (6,091) |
| Depreciation and amortization | (34,222) | (36,866) | (68,477) | (30,824) | (52,848) |
| (Impairment losses)/reversal of impairment losses on other receivables | – | – | (8,847) | – | 9,040 |
| | 834,669 | 1,561,417 | 1,987,369 | 859,352 | 1,341,192 |

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Assets** | | | | |
| Reportable segment assets | 14,705,021 | 15,259,753 | 15,362,618 | 14,233,539 |
| Elimination of inter-segment receivables | (319,253) | (441,752) | (706,662) | (837,747) |
| | 14,385,768 | 14,818,001 | 14,655,956 | 13,395,792 |
| Restricted deposits | 297,033 | 197,824 | 389,720 | 268,794 |
| Time deposits with original maturity over three months | 1,996,724 | 4,346,541 | 3,955,217 | 4,609,998 |
| Cash and cash equivalents | 2,353,052 | 5,078,823 | 5,170,757 | 10,191,897 |
| Property, plant and equipment | 370,599 | 345,126 | 391,645 | 395,873 |
| Lease prepayments | 64,402 | 61,546 | 1,592,801 | 1,621,444 |
| Intangible assets | 3,972 | 6,619 | 5,205 | 4,561 |
| Interest in associates | 316 | 508 | 499 | 284 |
| Deferred tax assets | 165,144 | 211,284 | 82,485 | 159,532 |
| Other non-current assets | 112,018 | 111,283 | 253,490 | 253,483 |
| Other unallocated assets | 130,363 | 210,694 | 110,466 | 81,250 |
| | 19,879,391 | 25,388,249 | 26,608,241 | 30,982,908 |

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Liabilities** | | | | |
| Reportable segment liabilities | 15,582,026 | 20,166,963 | 19,994,348 | 23,645,482 |
| Elimination of inter-segment payables | (319,253) | (441,752) | (706,662) | (837,747) |
| | 15,262,773 | 19,725,211 | 19,287,686 | 22,807,735 |
| Retirement and other supplemental benefit obligation | 477,030 | 424,800 | 411,400 | 405,110 |
| Accrued salaries, wages and benefits | 363,138 | 333,764 | 459,219 | 625,507 |
| Income tax payable | 401,856 | 432,135 | 318,016 | 280,064 |
| Deferred tax liabilities | 3,256 | 3,144 | 914 | 848 |
| Other unallocated liabilities | 350,797 | 504,183 | 757,111 | 853,511 |
| | 16,858,850 | 21,423,237 | 21,234,346 | 24,972,775 |

**(c) Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, lease prepayments, intangible assets, interest in associates and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or to which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, investment properties and lease prepayments, the location of the operation to which they are used, in the case of intangible assets, and the location of operations, in the case of interest in associates and other non-current assets.

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Revenue from external customers** | | | | | |
| China (Mainland) | 1,983,586 | 2,407,490 | 4,010,122 | 2,340,532 | 1,262,020 |
| Sri Lanka | 1,892,912 | 1,040,695 | 2,184,199 | 856,320 | 645,364 |
| Equatorial Guinea | 1,912,343 | 1,885,666 | 1,919,082 | 702,743 | 1,010,436 |
| The Republic of Congo | 2,030,765 | 1,931,592 | 1,574,552 | 552,373 | 379,962 |
| Nigeria | 7,410 | 553,609 | 1,338,958 | 1,133,024 | 231,817 |
| United States | 839,552 | 906,737 | 1,257,022 | 688,746 | 629,816 |
| Sudan | 493,030 | 1,202,451 | 1,119,639 | 958,275 | 100,185 |
| Turkey | 2,977,825 | 2,437,900 | 939,396 | 461,532 | 715,134 |
| Angola | 1,746,153 | 1,717,320 | 849,822 | 197,367 | 1,097,969 |
| Italy | 1,017,967 | 804,719 | 446,501 | 269,837 | 243,672 |
| Belarus | – | – | 441,799 | 652 | 695,094 |
| Malaysia | 632,584 | 191,877 | 75,437 | 16,655 | 15,855 |
| Pakistan | 302,201 | 101,886 | 75,394 | 13,915 | 36,270 |
| Venezuela | 3,460 | 3,230 | 34,041 | 14,743 | 971,869 |
| Others | 3,447,908 | 3,891,843 | 4,251,805 | 1,632,046 | 2,318,677 |
| | 19,287,696 | 19,077,015 | 20,517,769 | 9,838,760 | 10,354,140 |

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Specified non-current assets** | | | | |
| China (Mainland) | 598,483 | 558,240 | 2,302,499 | 2,308,582 |
| Others | 12,520 | 11,004 | 10,966 | 11,075 |
| | 611,003 | 569,244 | 2,313,465 | 2,319,657 |

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Note | Buildings | Motor vehicles | Office and other equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Cost:** | | | | | | |
| At January 1, 2009 | | 500,785 | 71,186 | 52,694 | 516 | 625,181 |
| Additions | | – | 8,836 | 9,456 | 434 | 18,726 |
| Transfer from construction in progress | | 950 | – | – | (950) | – |
| Disposals | | – | (7,383) | (2,984) | – | (10,367) |
| Revaluation | 27(c)(i) | – | (1,748) | (1,429) | – | (3,177) |
| Exchange adjustments | | 350 | 113 | 325 | – | 788 |
| At December 31, 2009 | | 502,085 | 71,004 | 58,062 | – | 631,151 |
| At January 1, 2010 | | 502,085 | 71,004 | 58,062 | – | 631,151 |
| Additions | | – | 6,282 | 9,264 | – | 15,546 |
| Distribution to equity owner of the Company | | (6,848) | – | – | – | (6,848) |
| Disposals | | (542) | (1,503) | (4,262) | – | (6,307) |
| Exchange adjustments | | (2,509) | 106 | 20 | – | (2,383) |
| At December 31, 2010 | | 492,186 | 75,889 | 63,084 | – | 631,159 |
| At January 1, 2011 | | 492,186 | 75,889 | 63,084 | – | 631,159 |
| Additions | | 8,870 | 15,811 | 7,598 | 18,061 | 50,340 |
| Transfer from investment properties | | 1,028 | – | – | – | 1,028 |
| Disposals | | (301) | (2,003) | (4,383) | – | (6,687) |
| Revaluation | 27(c)(i) | (42,459) | (7,225) | (13,809) | – | (63,493) |
| Exchange adjustments | | (1,294) | (143) | 8 | – | (1,429) |
| At December 31, 2011 | | 458,030 | 82,329 | 52,498 | 18,061 | 610,918 |
| At January 1, 2012 | | 458,030 | 82,329 | 52,498 | 18,061 | 610,918 |
| Additions | | 847 | 13,688 | 4,255 | 12,892 | 31,682 |
| Transfer from investment properties | | 12,219 | – | – | – | 12,219 |
| Disposals | | – | (7,967) | (525) | – | (8,492) |
| Exchange adjustments | | (740) | (183) | (33) | – | (956) |
| At June 30, 2012 | | 470,356 | 87,867 | 56,195 | 30,953 | 645,371 |
| **Accumulated depreciation:** | | | | | | |
| At January 1, 2009 | | 176,211 | 37,686 | 27,647 | – | 241,544 |
| Charge for the year | | 16,415 | 8,269 | 7,539 | – | 32,223 |
| Written back on disposals | | – | (6,449) | (2,739) | – | (9,188) |
| Revaluation | 27(c)(i) | (640) | (2,638) | (1,325) | – | (4,603) |
| Exchange adjustments | | 197 | 61 | 318 | – | 576 |
| At December 31, 2009 | | 192,183 | 36,929 | 31,440 | – | 260,552 |

| | Note | Buildings | Motor vehicles | Office and other equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At January 1, 2010 | | 192,183 | 36,929 | 31,440 | – | 260,552 |
| Charge for the year | | 16,653 | 8,318 | 7,918 | – | 32,889 |
| Written back on disposals | | (345) | (978) | (3,878) | – | (5,201) |
| Distribution to equity owner of the Company | | (831) | – | – | – | (831) |
| Exchange adjustments | | (1,469) | 63 | 30 | – | (1,376) |
| At December 31, 2010 | | 206,191 | 44,332 | 35,510 | – | 286,033 |
| At January 1, 2011 | | 206,191 | 44,332 | 35,510 | – | 286,033 |
| Charge for the year | | 27,386 | 12,003 | 8,416 | – | 47,805 |
| Transfer from investment properties | | 38 | – | – | – | 38 |
| Written back on disposals | | (77) | (1,539) | (4,162) | – | (5,778) |
| Revaluation | *27(c)(i)* | (83,847) | (11,311) | (12,805) | – | (107,963) |
| Exchange adjustments | | (756) | (105) | (1) | – | (862) |
| At December 31, 2011 | | 148,935 | 43,380 | 26,958 | – | 219,273 |
| At January 1, 2012 | | 148,935 | 43,380 | 26,958 | – | 219,273 |
| Charge for the period | | 26,960 | 3,617 | 3,903 | – | 34,480 |
| Transfer from investment properties | | 4,109 | – | – | – | 4,109 |
| Written back on disposals | | – | (7,310) | (394) | – | (7,704) |
| Exchange adjustments | | (507) | (122) | (31) | – | (660) |
| At June 30, 2012 | | 179,497 | 39,565 | 30,436 | – | 249,498 |
| **Net book value:** | | | | | | |
| At December 31, 2009 | | 309,902 | 34,075 | 26,622 | – | 370,599 |
| At December 31, 2010 | | 285,995 | 31,557 | 27,574 | – | 345,126 |
| At December 31, 2011 | | 309,095 | 38,949 | 25,540 | 18,061 | 391,645 |
| At June 30, 2012 | | 290,859 | 48,302 | 25,759 | 30,953 | 395,873 |

(a) The analysis of net book value of properties is as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2012** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Outside Hong Kong | | | | |
| – long leases | 6,043 | 5,724 | 41,014 | 39,653 |
| – medium-term leases | 287,866 | 266,600 | 231,006 | 215,310 |
| – freehold | 15,993 | 13,671 | 37,075 | 35,896 |
| | 309,902 | 285,995 | 309,095 | 290,859 |

(b) As at December 31, 2009, 2010 and 2011 and June 30, 2012, certain of the Group's borrowings were secured by certain of the Group's buildings with an aggregate net book value of RMB nil, RMB5,906,000, RMB nil and RMB nil, respectively.

(c) As at June 30, 2012, the Group was in the process of applying for the ownership certificates for certain buildings. The aggregate carrying value of such properties of the Group was RMB53,414,000. The directors are of the opinion that the Group is entitled to lawfully occupy or use these buildings.

## 12 INVESTMENT PROPERTIES

| | | At December 31, | | | At June 30, |
|---|---|---|---|---|---|
| | *Note* | **2009** | **2010** | **2011** | **2012** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | |
| At the beginning of the year/period | | 73,414 | 73,559 | 58,968 | 56,148 |
| Additions | | 58 | – | 168 | – |
| Transfer to property, plant and equipment | | – | – | (1,028) | (12,219) |
| Revaluation | *27(c)(i)* | 90 | – | (1,878) | – |
| Distribution to equity owner of the Company | | – | (14,553) | – | – |
| Exchange adjustments | | (3) | (38) | (82) | 7 |
| At the end of the year/period | | 73,559 | 58,968 | 56,148 | 43,936 |
| **Accumulated depreciation:** | | | | | |
| At the beginning of the year/period | | 24,197 | 25,399 | 26,867 | 23,893 |
| Charge for the year/period | | 2,441 | 3,247 | 2,505 | 1,393 |
| Transfer to property, plant and equipment | | – | – | (38) | (4,109) |
| Revaluation | *27(c)(i)* | (1,238) | – | (5,425) | – |
| Distribution to equity owner of the Company | | – | (1,767) | – | – |
| Exchange adjustments | | (1) | (12) | (16) | – |
| At the end of the year/period | | 25,399 | 26,867 | 23,893 | 21,177 |
| **Net book value:** | | 48,160 | 32,101 | 32,255 | 22,759 |

(a) The analysis of net book value of properties is as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2012** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| In Hong Kong | | | | |
| – freehold | 1,452 | 1,381 | 1,294 | 1,301 |
| Outside Hong Kong | | | | |
| – long leases | 5,224 | 4,896 | 4,704 | 3,854 |
| – medium-term leases | 41,484 | 25,824 | 26,257 | 17,604 |
| | 48,160 | 32,101 | 32,255 | 22,759 |

(b) According to the Property Valuation Reports issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent qualified valuer in Hong Kong, on December 5, 2011, May 4, 2012 and August 14, 2012, the fair value of the Group's investment properties, including land use rights, which have been classified in "lease prepayments" (note 13), are RMB353,562,000, RMB333,287,000, RMB372,018,000 and RMB290,497,000 as at December 31, 2009, 2010 and 2011 and June 30, 2012, respectively.

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 19 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating lease are receivables as follow:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 20,417 | 25,592 | 23,618 | 15,138 |
| After 1 year but within 5 years | 28,778 | 31,430 | 18,916 | 13,964 |
| After 5 years | 4,094 | 2,756 | 1,378 | 753 |
| | 53,289 | 59,778 | 43,912 | 29,855 |

## 13 LEASE PREPAYMENTS

| | | At December 31, | | | At June 30, |
|---|---|---|---|---|---|
| | *Note* | 2009 | 2010 | 2011 | 2012 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | |
| At the beginning of the year/period | | 78,565 | 86,904 | 87,630 | 1,660,966 |
| Additions | | 671 | 1,741 | 1,000,136 | 30,000 |
| Revaluation | *27(c)(i)* | 7,668 | – | 573,200 | – |
| Distribution to equity owner of the Company | | – | (1,015) | – | – |
| At the end of the year/period | | 86,904 | 87,630 | 1,660,966 | 1,690,966 |
| **Accumulated amortization:** | | | | | |
| At the beginning of the year/period | | 9,317 | 10,966 | 14,023 | 30,595 |
| Charge for the year/period | | 1,679 | 3,057 | 19,448 | 17,674 |
| Revaluation | *27(c)(i)* | (30) | – | (2,876) | – |
| At the end of the year/period | | 10,966 | 14,023 | 30,595 | 48,269 |
| **Net book value:** | | 75,938 | 73,607 | 1,630,371 | 1,642,697 |

(a) Lease prepayments mainly represent land use right premiums paid by the Group for land located outside Hong Kong. The analysis of net book value of lease prepayments is as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Outside Hong Kong | | | | |
| – long leases | 8,058 | 7,657 | 7,290 | 7,147 |
| – medium-term leases | 67,880 | 65,950 | 1,623,081 | 1,635,550 |
| | 75,938 | 73,607 | 1,630,371 | 1,642,697 |

(b) As at December 31, 2009, 2010 and 2011 and June 30, 2012, certain of the Group's borrowings were secured by certain of the Group's land use rights with an aggregate net book value of RMB nil, RMB9,087,000, RMB nil and RMB nil, respectively.

## 14 INTANGIBLE ASSETS

| | Note | At December 31, 2009 | At December 31, 2010 | At December 31, 2011 | At June 30, 2012 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Cost:** | | | | | |
| At the beginning of the year/period | | 6,015 | 7,468 | 11,477 | 6,850 |
| Additions | | 1,515 | 4,009 | 688 | 300 |
| Disposals | | (62) | – | (2,328) | – |
| Revaluation | *27(c)(i)* | – | – | (2,987) | – |
| At the end of the year/period | | 7,468 | 11,477 | 6,850 | 7,150 |
| **Accumulated amortization:** | | | | | |
| At the beginning of the year/period | | 2,863 | 3,496 | 4,858 | 1,645 |
| Charge for the year/period | | 695 | 1,362 | 1,954 | 944 |
| Disposals | | (62) | – | (2,281) | – |
| Revaluation | *27(c)(i)* | – | – | (2,886) | – |
| At the end of the year/period | | 3,496 | 4,858 | 1,645 | 2,589 |
| **Net book value:** | | 3,972 | 6,619 | 5,205 | 4,561 |

Intangible assets mainly represent computer software. The amortization charge for the year/period is included in "administrative expenses" in the consolidated statements of comprehensive income.

## 15 OTHER NON-CURRENT ASSETS

| | At December 31, 2009 | At December 31, 2010 | At December 31, 2011 | At June 30, 2012 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Unquoted equity investments in non-listed companies, at cost | 124,935 | 124,200 | 253,760 | 253,753 |
| Less: impairment losses | (12,917) | (12,917) | (270) | (270) |
| | 112,018 | 111,283 | 253,490 | 253,483 |

## 16 INVENTORIES

(a) Inventories in the balance sheets comprise:

| | At December 31, 2009 | At December 31, 2010 | At December 31, 2011 | At June 30, 2012 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Goods in transit *(note (i))* | 40,603 | 34,411 | 65,773 | 164,517 |
| Finished goods *(note (ii))* | 15,374 | 39,255 | 90,994 | 102,330 |
| Entrusted processing materials *(note (iii))* | 112,701 | 67,513 | 36,821 | 72,381 |
| Others *(note (iv))* | 6,333 | 33,545 | 18,697 | 16,836 |
| | 175,011 | 174,724 | 212,285 | 356,064 |

*Notes:*

The inventories were mainly related to the Group's trading business.

(i) Goods in transit represent goods on its delivery to the customers while risks and rewards of ownership of the goods have not passed to the customers.

(ii) Finished goods represent goods ready to be sold to the customers.

(iii) Entrusted processing materials represent materials owned by the Group and entrusted to third party entities to process for the purpose of selling to the customers.

(iv) Others mainly represent packaging materials and materials purchased for processing for the purpose of selling to the customers.

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

| | Years ended December 31 | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Carrying amounts of inventories sold | 4,536,955 | 6,170,308 | 7,250,844 | 3,808,992 | 3,365,449 |
| Write down of inventories | – | – | 100 | 1,677 | 3,324 |
| | 4,536,955 | 6,170,308 | 7,250,944 | 3,810,669 | 3,368,773 |

## 17 TRADE AND OTHER RECEIVABLES

| | | At December 31, | | | At June 30, |
|---|---|---|---|---|---|
| | *Note* | 2009 | 2010 | 2011 | 2012 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bills receivable | | 15,909 | 40,800 | 504,366 | 117,153 |
| Trade receivables | | | | | |
| – SINOMACH | *17(d)* | – | – | – | 249,737 |
| – fellow subsidiaries | *17(d)* | 1,307 | 2,095 | 1,019 | 936 |
| – third parties | | 1,579,121 | 2,397,185 | 3,262,650 | 2,976,061 |
| Less: allowance for doubtful debts | | (182,570) | (193,879) | (280,029) | (355,468) |
| Trade and bills receivables | | 1,413,767 | 2,246,201 | 3,488,006 | 2,988,419 |
| Amount due from/advances to fellow subsidiaries | *17(d)* | 136,450 | 179,458 | 63,412 | 19,708 |
| Advances to suppliers | | 1,508,481 | 993,370 | 1,850,247 | 1,649,369 |
| Other receivables related to agency services | | 1,108,717 | 1,128,681 | 625,174 | 484,160 |
| Derivative financial instruments | | 1,077 | – | – | – |
| Others | | 673,881 | 719,735 | 581,636 | 633,846 |
| Less: allowance for doubtful debts | | (20,810) | (65,620) | (74,757) | (64,991) |
| | | 4,821,563 | 5,201,825 | 6,533,718 | 5,710,511 |
| Less: portion classified as current assets | | 4,657,590 | 4,919,368 | 6,426,789 | 5,640,383 |
| Non-current portion | | 163,973 | 282,457 | 106,929 | 70,128 |

(a) Ageing analysis

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts) is as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Current | 902,473 | 1,649,342 | 2,924,913 | 1,904,578 |
| Within 3 months past due | 388,122 | 214,366 | 269,044 | 295,814 |
| More than 3 months to 6 months past due | 13,104 | 32,689 | 57,463 | 385,293 |
| More than 6 months to 1 year past due | 50,387 | 88,883 | 132,136 | 222,398 |
| More than 1 year past due | 59,681 | 260,921 | 104,450 | 180,336 |
| | 1,413,767 | 2,246,201 | 3,488,006 | 2,988,419 |

There are no unified standard credit terms granted to customers of construction contracting business and trading business. The credit terms granted to customers of construction contracting business are negotiated individually on a case-by-case basis and set forth in the relevant contracts. The credit terms granted to customers of trading business are normally about three to six months. The bills receivables are generally due within 180 days from the date of issuing. The Group's credit policy is set out in note 28(a).

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(n)(i)).

The movement in the allowance for doubtful debts during the Track Record Period is as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | 65,821 | 203,380 | 259,499 | 354,786 |
| Impairment losses recognized | 137,559 | 61,108 | 96,004 | 66,673 |
| Uncollectible amounts written off | – | (4,989) | (717) | (1,000) |
| At the end of the year/period | 203,380 | 259,499 | 354,786 | 420,459 |
| Attributable to: | | | | |
| Trade and bills receivables | 182,570 | 193,879 | 280,029 | 355,468 |
| Other receivables | 20,810 | 65,620 | 74,757 | 64,991 |

As at December 31, 2009, 2010 and 2011 and June 30, 2012, the Group's trade and bills receivables of RMB210,728,000, RMB245,192,000, RMB1,015,303,000 and RMB1,027,063,000 were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties or under the lawsuits proceedings, and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of the Group of RMB182,570,000, RMB193,879,000, RMB280,029,000 and RMB355,468,000 were recognized as at December 31, 2009, 2010 and 2011 and June 30, 2012.

As at December 31, 2009, 2010 and 2011 and June 30, 2012, the Group's other receivables of RMB22,487,000, RMB82,654,000, RMB86,941,000 and RMB76,821,000 were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of the Group of RMB20,810,000, RMB65,620,000, RMB74,757,000 and RMB64,991,000 were recognized as at December 31, 2009, 2010 and 2011 and June 30, 2012.

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Neither past due nor impaired | 902,473 | 1,649,342 | 2,525,307 | 1,637,648 |
| Within 3 months past due | 388,122 | 203,056 | 112,877 | 167,349 |
| More than 3 months to 6 months past due | 13,104 | 32,689 | 1,078 | 352,594 |
| More than 6 months to 1 year past due | 23,644 | 77,461 | 77,945 | 78,060 |
| More than 1 year past due | 58,266 | 232,340 | 35,525 | 81,173 |
| | 483,136 | 545,546 | 227,425 | 679,176 |
| | 1,385,609 | 2,194,888 | 2,752,732 | 2,316,824 |

Receivables that were neither past due nor impaired relate to customers and debtors for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group or entered into collateral with the Group. Based on past experience, the management believes that no impairment allowance 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.

(d) The amounts due from/advances to SINOMACH and fellow subsidiaries are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

(e) As at December 31, 2009, 2010 and 2011 and June 30, 2012, certain of the Group's borrowings were secured by certain of the Group's trade receivables with an aggregated amount of RMB19,454,000, RMB nil, RMB1,176,000 and RMB nil, respectively.

## 18 CONSTRUCTION CONTRACTS

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Gross amount due from contract customers for contract work | | | | |
| – current portion | 3,558,219 | 3,902,532 | 3,176,301 | 2,681,953 |
| – non-current portion | 5,901,642 | 5,705,452 | 4,774,293 | 4,684,502 |
| Gross amount due to contract customers for contract work | (4,154) | (5,080) | – | – |
| | 9,455,707 | 9,602,904 | 7,950,594 | 7,366,455 |
| Contract costs incurred plus recognized profits less recognized losses to date | 40,002,826 | 45,652,271 | 45,318,732 | 49,097,258 |
| Less: progress billings | 30,547,119 | 35,916,459 | 37,195,185 | 41,551,940 |
| allowance for doubtful debts for construction contracts | – | 132,908 | 172,953 | 178,863 |
| | 9,455,707 | 9,602,904 | 7,950,594 | 7,366,455 |

As at December 31, 2009, 2010 and 2011 and June 30, 2012, the amount of retentions receivable from customers, recorded within "Construction contracts" of the Group are RMB117,505,000, RMB156,411,000, RMB188,756,000 and RMB210,766,000, respectively, which are expected to be recovered after more than one year.

## 19 RESTRICTED DEPOSITS

Restricted deposits mainly represent cash pledged for bank facilities or for issue of letter of credit. These restricted deposits are expected to be released within one year.

## 20 CASH AND CASH EQUIVALENTS

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash on hand | 696 | 1,148 | 848 | 970 |
| Cash at bank and other financial institutions | 2,352,356 | 5,077,675 | 5,169,909 | 10,190,927 |
| Cash and cash equivalents | 2,353,052 | 5,078,823 | 5,170,757 | 10,191,897 |

## 21 BORROWINGS

| | At December 31, | | | | | | At June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | | 2010 | | 2011 | | 2012 | |
| | *Interest rate (%)* | *RMB'000* | *Interest rate (%)* | *RMB'000* | *Interest rate (%)* | *RMB'000* | *Interest rate (%)* | *RMB'000* |
| **Current:** | | | | | | | | |
| Short-term borrowings | | | | | | | | |
| Bank loans | | | | | | | | |
| – unsecured | | – | 2.79-3.95 | 73,231 | 4.80-5.14 | 14,914 | 4.80-7.07 | 25,359 |
| – secured | 2.76-3.50 | 118,627 | 2.98-5.61 | 7,635 | 4.70-5.84 | 3,148 | 4.70 | 2,015 |
| | | 118,627 | | 80,866 | | 18,062 | | 27,374 |
| Loans from a fellow subsidiary | | | | | | | | |
| – unsecured | | – | 2.79-4.00 | 20,738 | | – | | – |
| | | 118,627 | | 101,604 | | 18,062 | | 27,374 |
| Add: current portion of long-term borrowings | | 394,495 | | 474,567 | | 142,046 | | 70,369 |
| | | 513,122 | | 576,171 | | 160,108 | | 97,743 |
| **Non-current:** | | | | | | | | |
| Long-term borrowings | | | | | | | | |
| Bank loans | | | | | | | | |
| – unsecured | 4.32 | 913,823 | 4.32 | 740,645 | | – | | – |
| – secured | 2.45-4.32 | 1,230,461 | 2.45-4.32 | 993,558 | 2.18-3.28 | 367,575 | 2.18-3.28 | 260,823 |
| | | 2,144,284 | | 1,734,203 | | 367,575 | | 260,823 |
| Less: current portion of long-term borrowings | | 394,495 | | 474,567 | | 142,046 | | 70,369 |
| | | 1,749,789 | | 1,259,636 | | 225,529 | | 190,454 |
| | | 2,262,911 | | 1,835,807 | | 385,637 | | 288,197 |

(a) The borrowings are repayable as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year or on demand | 513,122 | 576,171 | 160,108 | 97,743 |
| After 1 year but within 2 years | 479,660 | 484,981 | 71,476 | 72,673 |
| After 2 years but within 5 years | 1,171,194 | 771,186 | 151,181 | 115,477 |
| After 5 years | 98,935 | 3,469 | 2,872 | 2,304 |
| | 1,749,789 | 1,259,636 | 225,529 | 190,454 |
| | 2,262,911 | 1,835,807 | 385,637 | 288,197 |

(b) As at December 31, 2009, 2010 and 2011 and June 30, 2012, certain borrowings were secured by the Group's property, plant and equipment, lease prepayments, restricted deposits and trade and other receivables.

As at December 31, 2009, 2010 and 2011 and June 30, 2012, borrowings of the Group guaranteed by SINOMACH amounted to RMB1,222,041,000, RMB984,896,000, RMB357,891,000 and RMB252,072,000, respectively.

**22 RECEIPTS IN ADVANCE**

| | | At December 31, | | | At June 30, |
|---|---|---|---|---|---|
| | *Note* | 2009 | 2010 | 2011 | 2012 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Receipts in advance for construction contracts | *(i)* | | | | |
| – SINOMACH | | – | 512,602 | 698,179 | – |
| – third parties | | 4,324,259 | 7,514,468 | 8,216,695 | 11,553,470 |
| Receipts in advance for sales of goods | | 699,137 | 580,532 | 1,310,338 | 895,032 |
| Others | | | | | |
| – fellow subsidiaries | | – | – | 568 | – |
| – third parties | | 54,056 | 63,349 | 90,242 | 134,266 |
| | | 5,077,452 | 8,670,951 | 10,316,022 | 12,582,768 |

*Note:*

(i) The balances as at December 31, 2009, 2010 and 2011 and June 30, 2012 represented advances received from customers (or main contractors, if relevant) for which the related construction work have not been performed as at the end of the reporting period.

## 23 TRADE AND OTHER PAYABLES

| | Note | At December 31, | | | At June 30, |
|---|---|---|---|---|---|
| | | 2009 | 2010 | 2011 | 2012 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bills payable | | 17,440 | 37,775 | – | – |
| Trade payables | | | | | |
| – fellow subsidiaries | | 227,630 | 315,804 | 265,303 | 237,727 |
| – third parties | | 6,215,878 | 7,500,148 | 8,054,429 | 9,704,844 |
| Trade and bills payables | | 6,460,948 | 7,853,727 | 8,319,732 | 9,942,571 |
| Amount due to SINOMACH | *23(b)* | – | – | 500 | 500 |
| Amount due to fellow subsidiaries | *23(b)* | 28,705 | 29,252 | 1,193 | 773 |
| Other payables related to agency services | | 1,595,953 | 1,451,361 | 632,696 | 516,087 |
| Accrued salaries, wages and benefits | | 363,138 | 333,764 | 459,219 | 625,507 |
| Other taxes payable | | 39,212 | 61,621 | 125,537 | 25,698 |
| Others | | 95,186 | 138,933 | 238,273 | 263,788 |
| Financial liabilities measured at amortized costs | | 8,583,142 | 9,868,658 | 9,777,150 | 11,374,924 |
| Derivative financial instruments | | 24,699 | 28,831 | 24,817 | 40,587 |
| Others | | 24,350 | 28,831 | 390 | 277 |
| | | 8,632,191 | 9,926,320 | 9,802,357 | 11,415,788 |
| Less: portion classified as current liabilities | | 8,453,871 | 9,605,348 | 9,671,321 | 11,312,719 |
| Non-current portion | | 178,320 | 320,972 | 131,036 | 103,069 |

(a) The ageing analysis of trade and bills payables is as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Due within 1 month or on demand | 2,266,445 | 3,904,897 | 4,694,054 | 5,565,501 |
| Due after 1 month but within 3 months | 1,193,373 | 1,234,845 | 948,536 | 1,504,280 |
| Due after 3 months but within 6 months | 1,668,111 | 1,221,102 | 1,108,699 | 1,212,121 |
| Due after 6 months but within 1 year | 1,005,502 | 1,082,854 | 1,081,988 | 1,179,044 |
| Due after 1 year | 327,517 | 410,029 | 486,455 | 481,625 |
| | 6,460,948 | 7,853,727 | 8,319,732 | 9,942,571 |

(b) These balances are unsecured, non-interest bearing and have no fixed terms of repayment.

## 24 EMPLOYEE BENEFITS

### (a) Defined benefit retirement plans

The Group paid supplementary pension subsidies (including post-retirement medical benefits) to its employees who retired prior to January 1, 2010. In addition, the Group provided subsidies to early retirees. The Group's obligations in respect of such defined benefit retirement plans at the end of the reporting period were computed by an independent actuary, Towers Watson, whose actuaries are members of the Society of Actuaries of the United States of America, using the projected unit credit method.

(i) The amounts recognized in the consolidated balance sheets are as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2012** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Present value of defined benefit obligations | 477,280 | 416,300 | 424,470 | 414,560 |
| Net unrecognized actuarial (losses)/gains | (250) | 8,500 | (13,070) | (9,450) |
| | 477,030 | 424,800 | 411,400 | 405,110 |
| Less: portion classified as current liabilities | 35,880 | 31,780 | 31,770 | 31,650 |
| Non-current portion | 441,150 | 393,020 | 379,630 | 373,460 |

(ii) Movements of the defined benefit obligations recognized in the balance sheets are as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2012** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | 504,510 | 477,030 | 424,800 | 411,400 |
| Benefits paid during the year/period | (28,560) | (34,230) | (32,200) | (15,370) |
| Interest cost | 15,810 | 15,830 | 16,050 | 7,140 |
| Recognized prior service cost | – | (20,740) | 300 | 700 |
| Actuarial losses | – | – | 2,450 | 1,240 |
| Effect of settlement | (14,730) | (13,090) | – | – |
| At the end of the year/period | 477,030 | 424,800 | 411,400 | 405,110 |

(iii) Expense recognized in the consolidated statements of comprehensive income is as follows:

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Interest cost | 15,810 | 15,830 | 16,050 | 8,010 | 7,140 |
| Recognized prior service cost | – | (20,740) | 300 | – | 700 |
| Net actuarial losses/(gains) recognized | – | – | 2,450 | (200) | 1,240 |
| Effect of settlement | (14,730) | (13,090) | – | – | – |
| | 1,080 | (18,000) | 18,800 | 7,810 | 9,080 |

The expense is recognized in the following line items in the consolidated statements of comprehensive income:

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Finance expenses | 15,810 | 15,830 | 16,050 | 8,010 | 7,140 |
| Administrative expenses | (14,730) | (33,830) | 2,750 | (200) | 1,940 |
| | 1,080 | (18,000) | 18,800 | 7,810 | 9,080 |

(iv) The principal actuarial assumptions used for the purpose of the actuarial valuation are as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| Discount rate | 3.75% | 4.00% | 3.50% | 3.50% |
| Early retirees' salary and retirees' supplementary benefits increase rate | 3.00%-4.50% | 3.00%-4.50% | 3.00%-4.50% | 3.00%-4.50% |
| Medical cost increase rate | 8.00% | 8.00% | 8.00% | 8.00% |

Mortality is assumed to be the average life expectancy of the residents in the PRC and the subsidies paid to retirees are assumed to continue until the death of the retirees.

(v) A one percentage point change in the assumed rate of increase in medical cost would have the following effects:

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Increase in effect on the interest cost | 200 | 210 | 180 | 200 | 170 |
| Decrease in effect on the interest cost | (170) | (180) | (150) | (170) | (150) |

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Increase in effect on the defined benefit obligations | 5,440 | 5,360 | 5,110 | 4,810 |
| Decrease in effect on the defined benefit obligations | (4,640) | (4,580) | (4,390) | (4,140) |

**(b) Defined contribution retirement plans**

Pursuant to the relevant labor rules and the regulations in the PRC, the companies of the Group in the PRC participated in defined contribution retirement schemes (the "Schemes") organized by the relevant local government authorities for its employees. The Group is required to make contributions to the Schemes at the rate of 11% to 22% of eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

In addition, some employees of the Group participate in a retirement plan managed by SINOMACH to supplement the above-mentioned Schemes. The Group is required to make contribution to SINOMACH at the rate of 5% of the eligible employees' salaries.

Except for those in respect of the defined benefit retirement plans (see note 24(a)), the Group has no other obligation to make payments in respect of pension benefits associated with these Schemes and supplementary retirement plan managed by SINOMACH other than the annual contributions described above.

**25 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS**

(a) Income tax payable in the consolidated balance sheets represents:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Income tax payable at the beginning of the year/period | 516,649 | 401,856 | 432,135 | 318,016 |
| Provision for the year/period *(note 6)* | 321,468 | 475,500 | 552,957 | 428,807 |
| Provision for revaluation | – | – | 15,481 | – |
| Income tax paid | (436,261) | (445,221) | (682,557) | (466,759) |
| Income tax payable at the end of the year/period | 401,856 | 432,135 | 318,016 | 280,064 |

(b) Deferred tax assets and liabilities recognized:

(i) The components of deferred tax assets/(liabilities) recognized and the movements during the Track Record Period are as follows:

| | Impairment loss on receivables | Construction contracts | Accrued expenses | Provision | Surplus on revaluation of property, plant and equipment | Surplus on revaluation of lease prepayments | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At January 1, 2009 | 10,339 | 28,469 | 38,710 | – | – | – | (12,578) | 64,940 |
| Credited/(charged) to profit or loss *(note 6(a))* | 34,586 | (9,937) | 61,605 | – | – | – | 10,694 | 96,948 |
| At December 31, 2009 | 44,925 | 18,532 | 100,315 | – | – | – | (1,884) | 161,888 |
| Credited/(charged) to profit or loss *(note 6(a))* | 46,579 | (7,952) | (28,943) | 31,250 | – | – | 5,318 | 46,252 |
| At December 31, 2010 | 91,504 | 10,580 | 71,372 | 31,250 | – | – | 3,434 | 208,140 |
| Credited/(charged) to profit or loss *(note 6(a))* | 31,524 | (3,536) | 26,231 | (31,250) | 3,672 | 4,182 | 7,108 | 37,931 |
| Charged to reserves | – | – | – | – | (11,769) | (121,772) | (30,959) | (164,500) |
| At December 31, 2011 | 123,028 | 7,044 | 97,603 | – | (8,097) | (117,590) | (20,417) | 81,571 |
| Credited/(charged) to profit or loss *(note 6(a))* | 21,279 | 593 | 45,614 | – | 1,864 | 1,107 | 6,656 | 77,113 |
| At June 30, 2012 | 144,307 | 7,637 | 143,217 | – | (6,233) | (116,483) | (13,761) | 158,684 |

(ii) Reconciliation to the balance sheets:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Net deferred tax assets recognized in the consolidated balance sheets | 165,144 | 211,284 | 82,485 | 159,532 |
| Net deferred tax liabilities recognized in the consolidated balance sheets | (3,256) | (3,144) | (914) | (848) |
| | 161,888 | 208,140 | 81,571 | 158,684 |

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 1(v), the Group has not recognized deferred tax assets in respect of unused tax losses and certain deductible temporary differences of RMB118,606,000, RMB132,661,000, RMB146,373,000 and RMB150,162,000 as at December 31, 2009, 2010 and 2011 and June 30, 2012, respectively, as it is not probable that future taxable profits against which the losses and the deductible temporary differences can be utilized will be available in the relevant tax jurisdictions and entities.

The unused tax losses of RMB143,503,000 as at June 30, 2012 include tax losses of RMB18,680,000 that will expire, if unused, on or before December 31, 2024 and tax losses of RMB124,823,000 with no expiry date under relevant tax legislation.

## 26 PROVISIONS

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Guarantees issued | – | 125,000 | – | – |

For some of its export agent business, the Group worked with banks to issue advance payment guarantees to foreign buyers, which guaranteed repayment in the event that sellers are not able to fulfill contractual obligations and fail to repay the advances. The provision arising from the aforementioned guarantees was based on the estimated compensation liability, which the Group was expected to undertake. The Group fully settled the compensation liability during the year ended December 31, 2011.

## 27 CAPITAL AND RESERVES

### (a) Dividends

During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, dividends declared and paid to equity owners of the Company attributable to the financial years ended December 31, 2008, 2009, 2010 and 2011 were RMB216,282,000, RMB272,468,000, RMB698,016,000 and RMB354,238,000, respectively.

The rate of distribution and the number of shares ranking for dividend declared by the Company and its subsidiaries are not presented as such information is not meaningful for the purpose of this report.

### (b) Capital

For the purpose of this report, the capital of the Group as at December 31, 2009 and 2010 prior to the establishment of the Company represents the capital of the Predecessor.

The capital of the Company as at December 31, 2011 and June 30, 2012 represented a total of 3,300 million ordinary shares with a par value of RMB1.00 each.

### (c) Reserves

#### *(i) Capital reserve*

Capital reserve includes:

– the contributions or distributions to equity owners; and

– the revaluation surplus resulting from state-owned enterprises restructuring.

During the Predecessor's reorganization, the Predecessor was converted from a state-owned enterprise into a joint stock company and multiple subsidiaries of the Predecessor were converted from state-owned enterprises into limited liability companies within Track Record Period.

As required by PRC regulations on the restructuring of state-owned enterprises, the Predecessor and these subsidiaries engaged China Enterprise Appraisals Co., Ltd. (中企華資產評估公司), an assets appraiser certified in the PRC, to carry out an independent valuation of their assets and liabilities at the measurement dates. The valuation results have been recognized in the financial statements of the Predecessor and these subsidiaries. These event-driven fair value measurements have been used as deemed cost in the Financial Information at the measurements dates, and the resulting revaluation adjustments have been recognized in capital reserve.

#### *(ii) Reserve fund*

The reserve fund of the Company includes statutory reserve fund and discretionary common reserve.

Pursuant to the Articles of Association of the Company, the Company transfers 10% of its net profit as determined in accordance with the Accounting Rules and Regulations of the PRC to its statutory reserve fund unless the statutory reserve balance of the Company has reached 50% or more of its register capital.

The Company transfers some of its net profit as determined in accordance with Accounting Rules and Regulations of the PRC to its discretionary common reserve when it is approved by its equity owner (before Reorganization) or shareholders (after Reorganization).

The transfer to the reserve fund must be made before distribution of a dividend to equity owners. The reserve fund can be utilized in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

***(iii) Exchange reserve***

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial information of foreign operations that have functional currency other than the RMB. The reserve is dealt with in accordance with the accounting policies set out in note 1(y).

***(iv) Distributability of reserve***

Following the Reorganization, the payment of future dividends will be determined by the Company's shareholders. The payment of the dividends will depend upon the future earnings, capital requirement, financial conditions and general business conditions of the Company. As the controlling shareholder, SINOMACH will be able to influence the Company's dividend policy.

Following the establishment of the Company, under the Company Law of the PRC and the Company's Articles of Association, net profit can only be distributed as dividends after allowances have been made for the following:

(i) Making up prior years' cumulative losses, if any;

(ii) Allocations to the statutory reserve fund as set out in note 27(c)(ii) above; and

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

In accordance with the Articles of Association of the Company, the net profit of the Company for the purpose of dividends payment will be the lesser of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRSs.

**(d) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity owners/shareholders and benefits for other stakeholders, by pricing goods and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity owner/shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The liability-to-asset ratios of the Group as at December 31, 2009, 2010 and 2011 and June 30, 2012 are 85%, 84%, 80% and 81%, respectively.

There were no changes in the Group's approach to capital management compared with previous years/periods. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group primarily evaluates customers' credit status and their ability to guarantee payment through its establishment of an appropriate business evaluation system. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on credit assessment carried out by management on an individual basis. Also, in order to properly control the credit risk on trade and other receivables, the Group issued policies on the purchase of export credit insurance. To protect against credit risk in its trading business, the Group requires the Company and its subsidiary entities to buy unified export credit insurance from China Export & Credit Insurance Corporation ("SINOSURE"); for its construction contract business under the financing arrangement of export seller's credit provided by the Group to relevant customers, the Group requires each project to meet financing needs and control for credit risk on trade and other receivables by buying export credit insurance from SINOSURE.

The Group's significant concentration of credit risk stems from its significant trade and other receivables due from individual customers.

As at December 31, 2009, 2010 and 2011 and June 30, 2012, 6%, 9%, 8% and 9% of the total trade and other receivables was due from the Group's largest customer, and 21%, 26%, 22% and 25% of the total trade and other receivables was due from the five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

**(b) Liquidity risk**

The funding needs of the Company and its subsidiary entities are raised and allocated by the Group. Fund raising from external sources by subsidiary entities is subject to approval by the Company. The Company and its subsidiary entities manage cash flows according to their own business approval processes. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

The Group had net current liabilities of RMB1,448,706,000, RMB826,653,000, RMB1,166,168,000 and RMB555,855,000 as at December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. With regards to its future capital commitments and other financing requirements, the Group had unutilized banking facilities (including bank loans, letter of credit and letter of guarantees etc) of approximately RMB16,554,551,000 as of June 30, 2012.

In addition, the directors of the Group have carried out a review of the working capital forecast for the eighteen-month period ending December 31, 2013. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the period. In preparing the working capital forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned borrowings financing which may impact the operations of the Group prior to the end of the next twelve months after the date of this report. The directors are of the opinion that the assumptions which are included in the working capital forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realized.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

| | Contractual undiscounted cash outflow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand | More than 1 year but within 2 years | More than 2 years but within 5 years | More than 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At December 31, 2009** | | | | | | |
| Borrowings | 585,809 | 536,235 | 1,241,016 | 100,088 | 2,463,148 | 2,262,911 |
| Trade and other payables | 8,095,329 | 462,354 | 54,771 | – | 8,612,454 | 8,583,142 |
| | 8,681,138 | 998,589 | 1,295,787 | 100,088 | 11,075,602 | 10,846,053 |
| Interest rate swaps (net settled) | 12,506 | 8,277 | 3,239 | (388) | 23,634 | 23,444 |
| Derivatives settled gross: | | | | | | |
| Foreign currency forward exchange contracts: | | | | | | |
| – outflow | 106,705 | – | – | – | 106,705 | |
| – inflow | (106,524) | – | – | – | (106,524) | |

| | Contractual undiscounted cash outflow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand | More than 1 year but within 2 years | More than 2 years but within 5 years | More than 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At December 31, 2010** | | | | | | |
| Borrowings | 632,536 | 522,285 | 803,297 | 3,574 | 1,961,692 | 1,835,807 |
| Trade and other payables | 9,165,373 | 581,034 | 179,267 | – | 9,925,674 | 9,868,658 |
| | 9,797,909 | 1,103,319 | 982,564 | 3,574 | 11,887,366 | 11,704,465 |
| Interest rate swaps (net settled) | 12,540 | 9,218 | 6,577 | – | 28,335 | 28,026 |
| Derivatives settled gross: | | | | | | |
| Foreign currency forward exchange contracts: | | | | | | |
| – outflow | 116,756 | – | – | – | 116,756 | |
| – inflow | (115,943) | – | – | – | (115,943) | |
| **At December 31, 2011** | | | | | | |
| Borrowings | 167,170 | 75,975 | 154,672 | 2,979 | 400,796 | 385,637 |
| Trade and other payables | 9,182,133 | 574,512 | 42,721 | – | 9,799,366 | 9,777,150 |
| | 9,349,303 | 650,487 | 197,393 | 2,979 | 10,200,162 | 10,162,787 |
| Interest rate swaps (net settled) | 9,466 | 6,535 | 5,333 | – | 21,334 | 21,134 |
| Derivatives settled gross: | | | | | | |
| Foreign currency forward exchange contracts: | | | | | | |
| – outflow | 512,442 | 328,083 | 32,979 | – | 873,504 | |
| – inflow | (512,547) | (325,042) | (32,138) | – | (869,727) | |
| **At June 30, 2012** | | | | | | |
| Borrowings | 103,887 | 76,568 | 117,576 | 2,377 | 300,408 | 288,197 |
| Trade and other payables | 10,823,624 | 552,703 | 13,978 | – | 11,390,305 | 11,374,924 |
| | 10,927,511 | 629,271 | 131,554 | 2,377 | 11,690,713 | 11,663,121 |
| Interest rate swaps (net settled) | 8,110 | 5,602 | 3,417 | – | 17,129 | 17,021 |
| Derivatives settled gross: | | | | | | |
| Foreign currency forward exchange contracts: | | | | | | |
| – outflow | 745,014 | 567,480 | 411,358 | – | 1,723,852 | |
| – inflow | (739,706) | (559,821) | (399,980) | – | (1,699,507) | |

**(c) Interest rate risk**

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews and monitors the mix of fixed and variable rate borrowings either through the contractual terms of the interest-bearing financial assets and liabilities or through the use of interest rate swaps in order to manage its interest rate risks.

*(i) Interest rate profile*

The following table details the interest rate profile of the Group's net instruments (interest-bearing financial assets less interest-bearing financial liabilities) at the end of the reporting period, after taking into account the effect of interest rate swaps:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2012** |
| **Net fixed rate instruments:** | | | | |
| Trade and other receivables | 294,810 | 528,607 | 227,161 | 175,624 |
| Construction contracts | 7,156,049 | 7,199,887 | 6,188,474 | 5,835,112 |
| Bank deposits | 2,605,144 | 7,370,624 | 6,709,294 | 10,655,912 |
| Less: Borrowings | 1,600,537 | 1,393,239 | 302,548 | 279,446 |
| Trade and other payables | 299,473 | 535,475 | 245,844 | 190,070 |
| | 8,155,993 | 13,170,404 | 12,576,537 | 16,197,132 |
| **Net variable rate instruments:** | | | | |
| Bank deposits | 2,040,969 | 2,251,416 | 2,805,552 | 4,413,807 |
| Less: Borrowings | 662,374 | 442,568 | 83,089 | 8,751 |
| | 1,378,595 | 1,808,848 | 2,722,463 | 4,405,056 |

*(ii) Sensitivity Analysis*

At December 31, 2009, 2010 and 2011 and June 30, 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates of net variable rate instruments, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB10,415,000, RMB13,681,000, RMB20,539,000 and RMB33,200,000, respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to cash flow interest rate risk for non-derivative financial instruments in existence at the end of the reporting period.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The sensitivity analysis is performed on the same basis for the entire Track Record Period.

**(d) Currency risk**

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transaction relate. The currencies giving rise to this risk are primarily United States dollars ("USD") and Euros ("EUR"). The Group manages this risk as follows:

*(i) Forecast transactions*

The Group uses foreign currency forward exchange contracts to hedge some of its currency risk. At December 31, 2009, 2010 and 2011 and June 30, 2012, the Group had foreign currency forward exchange contracts hedging forecast transactions with a net fair value of RMB61,000, RMB(247,000), RMB(313,000) and RMB nil, respectively, recognized as derivative financial instruments recorded in "trade and other receivables" and "trade and other payables".

*(ii) Recognized assets and liabilities*

Changes in the fair value of foreign currency forward exchange contracts on monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss (see note 4). The net fair value of foreign currency forward exchange contracts used by the Group on monetary assets and liabilities denominated in foreign currencies at December 31, 2009, 2010 and 2011 and June 30, 2012 was RMB(239,000), RMB(558,000), RMB(3,370,000) and RMB(23,566,000), respectively, recognized as derivative financial instruments recorded in "trade and other payables".

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

*(iii) Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year/period end date. Differences resulting from the translation of the financial information of foreign operations into the Group's presentation currency are excluded.

| | Exposure to foreign currencies (expressed in RMB) | | |
|---|---|---|---|
| | **USD** | **EUR** | **Others** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **At December 31, 2009** | | | |
| Cash and cash equivalents | 392,236 | 86,824 | 373,318 |
| Restricted deposits | 33,309 | 3,627 | – |
| Trade and other receivables | 910,794 | 151,452 | 21,334 |
| Construction contracts | 9,052,640 | 96,494 | – |
| Borrowings | (734,537) | – | – |
| Trade and other payables | (1,096,044) | (49,401) | (36,673) |
| Gross exposure arising from recognized assets and liabilities | 8,558,398 | 288,996 | 357,979 |
| Notional amounts of foreign currency forward exchange contracts | 101,781 | – | – |
| Net exposure arising from recognized assets and liabilities | 8,660,179 | 288,996 | 357,979 |
| **At December 31, 2010** | | | |
| Cash and cash equivalents | 478,774 | 137,609 | 247,766 |
| Restricted deposits | 614 | 11,294 | 2,597 |
| Time deposits with original maturity over three months | 4,914 | – | – |
| Trade and other receivables | 1,426,291 | 176,991 | 246,576 |
| Construction contracts | 8,877,979 | 287,625 | – |
| Borrowings | (620,007) | – | – |
| Trade and other payables | (1,926,168) | (157,406) | (44,666) |
| Gross exposure arising from recognized assets and liabilities | 8,242,397 | 456,113 | 452,273 |
| Notional amounts of foreign currency forward exchange contracts | – | (63,802) | – |
| Net exposure arising from recognized assets and liabilities | 8,242,397 | 392,311 | 452,273 |

| | Exposure to foreign currencies (expressed in RMB) | | |
|---|---|---|---|
| | USD | EUR | Others |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **At December 31, 2011** | | | |
| Cash and cash equivalents | 1,197,085 | 270,872 | 161,781 |
| Restricted deposits | 230 | 148 | 853 |
| Trade and other receivables | 2,295,142 | 124,480 | 151,124 |
| Construction contracts | 7,486,843 | 16,532 | 91,805 |
| Borrowings | (375,953) | – | – |
| Trade and other payables | (1,401,681) | (107,835) | (91,538) |
| Gross exposure arising from recognized assets and liabilities | 9,201,666 | 304,197 | 314,025 |
| Notional amounts of foreign currency forward exchange contracts | (685,807) | – | – |
| Net exposure arising from recognized assets and liabilities | 8,515,859 | 304,197 | 314,025 |

| | Exposure to foreign currencies (expressed in RMB) | | |
|---|---|---|---|
| | USD | EUR | Others |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **At June 30, 2012** | | | |
| Cash and cash equivalents | 2,316,967 | 238,475 | 143,568 |
| Restricted deposits | 10,980 | 3,111 | 3 |
| Trade and other receivables | 1,740,209 | 228,061 | 3,686 |
| Construction contracts | 6,725,499 | 27,966 | 104,284 |
| Borrowings | (279,446) | – | – |
| Trade and other payables | (2,564,336) | (111,729) | (91,346) |
| Gross exposure arising from recognized assets and liabilities | 7,949,873 | 385,884 | 160,195 |
| Notional amounts of foreign currency forward exchange contracts | (1,699,850) | – | – |
| Net exposure arising from recognized assets and liabilities | 6,250,023 | 385,884 | 160,195 |

***(iv) Sensitivity analysis***

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure as at December 31, 2009, 2010 and 2011 and June 30, 2012 had changed at those dates, assuming all other risk variables remained constant.

| | At December 31, | | | | | | At June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | | 2010 | | 2011 | | 2012 | |
| | Increase/ (decrease) in foreign exchange rate | Increase/ (decrease) in profit after tax and retained profits | Increase/ (decrease) in foreign exchange rate | Increase/ (decrease) in profit after tax and retained profits | Increase/ (decrease) in foreign exchange rate | Increase/ (decrease) in profit after tax and retained profits | Increase/ (decrease) in foreign exchange rate | Increase/ (decrease) in profit after tax and retained profits |
| | | *RMB'000* | | *RMB'000* | | *RMB'000* | | *RMB'000* |
| USD | 5% | 324,922 | 5% | 309,175 | 5% | 319,675 | 5% | 234,502 |
| USD | (5%) | (324,922) | (5%) | (309,175) | (5%) | (319,675) | (5%) | (234,502) |
| EUR | 10% | 21,765 | 10% | 29,483 | 10% | 22,819 | 10% | 28,948 |
| EUR | (10%) | (21,765) | (10%) | (29,483) | (10%) | (22,819) | (10%) | (28,948) |
| Others | 5% | 13,737 | 5% | 17,166 | 5% | 11,793 | 5% | 6,077 |
| Others | (5%) | (13,737) | (5%) | (17,166) | (5%) | (11,793) | (5%) | (6,077) |

Results of the analysis presented in the above table represent an aggregate of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including intercompany payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial information of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for the Track Record Period.

**(e) Fair values**

***(i) Financial instruments carried at fair value***

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: (highest level): fair values measured using quoted priced (adjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3: (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The Group's financial instruments carried at fair value as at December 31, 2009, 2010 and 2011 and June 30, 2012 are all measured under level 2.

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Level 2** | | | | |
| **Assets** | | | | |
| Derivative financial instruments | | | | |
| – foreign currency forward exchange contracts | 1,077 | – | – | – |
| **Liabilities** | | | | |
| Derivative financial instruments | | | | |
| – foreign currency forward exchange contracts | 1,255 | 805 | 3,683 | 23,566 |
| – interest rate swaps | 23,444 | 28,026 | 21,134 | 17,021 |

***(ii) Fair values of financial instruments carried at other than fair value***

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair value as at December 31, 2009, 2010 and 2011 and June 30, 2012 except as follows:

| | At December 31, | | | | | | At June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | | 2010 | | 2011 | | 2012 | |
| | Book value | Fair value | Book value | Fair value | Book value | Fair value | Book value | Fair value |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Construction contracts | 9,529,833 | 9,292,613 | 9,645,222 | 9,597,381 | 7,978,770 | 7,811,272 | 7,397,001 | 7,149,624 |
| Long-term borrowings | (2,144,284) | (2,110,764) | (1,734,203) | (1,699,648) | (367,575) | (353,225) | (260,823) | (244,840) |

**(f) Estimation of fair values**

***(i) Receivables and borrowings***

The fair value is estimated as the present value of the future cash flows discounted at the market interest rates at the end of the reporting period.

*(ii) Derivatives*

Foreign currency forward exchange contracts are either marked to market using listed market prices or by discounting the difference between the contractual forward price and the current market forward price. The fair value of interest rate swaps is obtained using discounted cash flow models.

**29 COMMITMENTS**

(a) Capital commitments outstanding at December 31, 2009, 2010 and 2011 and June 30, 2012 not provided for in the Financial Information were as follows:

| | Group | | | | Company |
|---|---|---|---|---|---|
| | At December 31, | | | At June 30, | At June 30, |
| | 2009 | 2010 | 2011 | 2012 | 2012 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Contracted for | – | – | 68,507 | 58,486 | 58,486 |
| Authorized but not contracted for | – | 365,190 | 1,575,908 | 1,575,809 | 914,010 |
| | – | 365,190 | 1,644,415 | 1,634,295 | 972,496 |

The Company's capital commitments outstanding as at June 30, 2012 represented capital commitments amounted to RMB972,496,000 for the planned construction of a new office building located in Beijing in the PRC.

(b) At December 31, 2009, 2010 and 2011 and June 30, 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Within 1 year | 2,874 | 3,580 | 10,730 | 14,251 |
| After 1 year but within 5 years | 2,118 | 1,074 | 12,714 | 10,904 |
| | 4,992 | 4,654 | 23,444 | 25,155 |

The Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provision for contingent lease rentals. None of the rental agreements contain escalation provision that may require higher future rental payment.

**30 CONTINGENT LIABILITIES**

**(a) Legal contingencies**

The Company and certain subsidiaries of the Group are defendants in certain lawsuits as well as the named parties in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the directors of the Company believe that any resulting liabilities will not have a material adverse impact on the financial position, liquidity, or operating results of the Group.

**(b) Guarantees**

For some agency business, the Group worked with banks to issue irrevocable letter of guarantee to buyers, which guaranteed the repayment of advances paid by the buyer plus interest if applicable if and when the total or part of the advances becomes repayable to the buyer from the seller in accordance with the relevant contracts.

As at December 31, 2009, 2010 and 2011 and June 30, 2012, the maximum liability of the Group under these guarantees issued are the outstanding amount of letter of guarantee issued through certain banks to the buyers of RMB1,832,182,000, RMB2,131,815,000, RMB1,727,327,000 and RMB1,246,625,000, respectively, which are secured by certain assets of the sellers or letter of guarantees through certain banks from sellers.

As at June 30, 2012, the maximum liability of the Company under these guarantees issued are the outstanding amount of letter of guarantee issued through certain banks to the buyers of RMB1,246,625,000.

The Company has issued guarantees to banks in respect of the banking facilities granted to its subsidiaries for issuance of letter of credit, letter of guarantees, bills and bank loans etc.

As at June 30, 2012, the maximum liability of the Company under these guarantees issued for its subsidiaries are the banking facilities drawn down by the subsidiaries of RMB1,558,403,000.

Except for the guarantees for which the provisions has been made (note 26), the directors of the Company do not consider it probable that a claim will be made against the Group under any other guarantees.

## 31 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with SINOMACH and fellow subsidiaries

The principal related party transactions with SINOMACH and fellow subsidiaries, which were carried out in the ordinary course of business are as follows:

| | | **Years ended December 31,** | | | **Six months ended June 30,** | |
|---|---|---|---|---|---|---|
| | *Note* | **2009** | **2010** | **2011** | **2011** | **2012** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Engineering services and products provided by – Fellow subsidiaries | *i* | 323,197 | 343,634 | 209,369 | 194,757 | 237,839 |
| Services rendered to – Fellow subsidiaries | *i* | 16,361 | 13,658 | 11,162 | 7,991 | 1,459 |
| Services rendered to – SINOMACH | *i* | 1,136,935 | 930,117 | 511,941 | 370,194 | 948,225 |
| Net deposits placed with/(withdrawn from) – A fellow subsidiary | *ii* | 1,168,250 | 2,559,168 | (2,690,926) | (307,419) | (1,452,642) |
| Borrowings from – A fellow subsidiary | *ii* | – | 20,738 | 14,622 | 14,622 | – |
| Borrowings repaid to – A fellow subsidiary | *ii* | – | – | 35,360 | 20,738 | – |
| Working capital (received from)/provided to – A fellow subsidiary | *i* | (117,315) | 48,683 | (109,201) | (108,845) | (37,308) |
| Interest income charged to – A fellow subsidiary | *ii* | 21,617 | 16,589 | 83,297 | 44,321 | 23,636 |
| Interest expenses paid to – A fellow subsidiary | *ii* | – | 125 | 70 | 70 | – |
| Goods purchased for trading from – Fellow subsidiaries | *i* | 1,149 | 1,378 | 11,714 | 2,956 | 8,152 |
| Lease expenses paid to – A fellow subsidiary | *i* | 195 | 302 | 312 | 148 | 145 |
| Guarantees revoked by – SINOMACH | *ii* | 1,132,721 | 442,527 | 899,943 | 645,907 | 105,819 |

*Notes:*

(i) The directors of the Company expect these transactions to be continued after the Listing of the Company's Shares on The Stock Exchange of Hong Kong Limited.

(ii) The directors of the Company do not expect these transactions to be continued after the Listing of the Company's Shares on The Stock Exchange of Hong Kong Limited.

The directors of the Company are of the opinion that the related party transactions were conducted in the ordinary and usual course of the Company's business.

**(b) Outstanding balances with SINOMACH and fellow subsidiaries**

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2012** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash deposits placed with | | | | |
| – A fellow subsidiary | 1,584,400 | 4,143,568 | 1,452,642 | – |
| Trade and other receivables due from | | | | |
| – SINOMACH | – | – | – | 249,737 |
| – Fellow subsidiaries | 137,757 | 181,553 | 64,431 | 20,644 |
| Amount of construction contracts due from | | | | |
| – SINOMACH | 172,020 | – | – | – |
| Borrowings due to | | | | |
| – A fellow subsidiary | – | 20,738 | – | – |
| Receipts in advance from | | | | |
| – SINOMACH | – | 512,602 | 698,179 | – |
| – Fellow subsidiaries | – | – | 568 | – |
| Trade and other payables due to | | | | |
| – SINOMACH | – | – | 500 | 500 |
| – Fellow subsidiaries | 256,335 | 345,056 | 266,496 | 238,500 |
| Guarantees provided by | | | | |
| – SINOMACH | 1,700,361 | 1,257,834 | 357,891 | 252,072 |

The directors of the Company confirm that all amounts due from/to related parties which are non-trading in nature have been fully settled before June 30, 2012.

**(c) Transactions with other state-controlled entities in the PRC**

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organizations (collectively "State-owned Enterprises"). During the Track Record Period, the Group had transactions with State-owned Enterprises including, but not limited to, sales of goods, rendering of services, purchase of goods and services. The directors consider that the transactions with these State-owned Enterprises are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and theses State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

Apart from transactions mentioned above, the Group has transactions with other state-controlled banks, including but not limited to depositing and borrowing money. The directors are of the opinion that these related party transactions require disclosure as other state-controlled entities transactions as follows:

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Interest income | 40,999 | 112,271 | 99,910 | 36,466 | 85,417 |
| Interest expense | 25,388 | 26,371 | 15,807 | 13,950 | 3,954 |
| Borrowings received | 1,608,503 | 97,974 | 80,915 | 55,094 | 13,938 |
| Borrowings repaid | 973,556 | 573,110 | 1,466,154 | 1,177,444 | 115,646 |
| Net deposits | (452,477) | 2,823,999 | 2,189,798 | 82,240 | 6,850,496 |

The balances due from/to other state-controlled entities transactions are as follows:

| | At December 31, | | | At June 30, |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bank deposits | 2,312,301 | 5,136,300 | 7,326,098 | 14,176,594 |
| Borrowings | 2,254,491 | 1,762,505 | 359,024 | 257,980 |

**(d) Key management personnel remuneration**

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7, and certain of the highest paid employees as disclosed in note 8, is as follows:

| | Years ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Short-term employee benefits | 5,682 | 5,939 | 9,115 | 3,598 | 4,516 |
| Retirement scheme contributions | 215 | 257 | 317 | 145 | 176 |
| | 5,897 | 6,196 | 9,432 | 3,743 | 4,692 |

The directors of the Company consider that the transactions entered into with related parties during the Track Record Period were conducted on normal commercial terms.

**32 PARENT AND ULTIMATE HOLDING COMPANY**

The directors of the Company consider the parent and ultimate holding company of the Company is SINOMACH, which is a state-owned enterprise established in the PRC. SINOMACH does not produce financial statements available for public use.

### 33 THE COMPANY'S BALANCE SHEET

The balance sheet of the Company as at December 31, 2011 and June 30, 2012 was as follows:

| | At December 31, 2011 | At June 30, 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Non-current assets** | | |
| Property, plant and equipment | 281,387 | 293,367 |
| Investment properties | 17,224 | 16,734 |
| Lease prepayments | 1,491,337 | 1,504,143 |
| Intangible assets | 3,994 | 3,323 |
| Investments in subsidiaries | 1,775,316 | 1,775,375 |
| Interest in associates | 499 | 284 |
| Other non-current assets | 252,340 | 252,340 |
| Construction contracts | 4,522,766 | 4,477,756 |
| Deferred tax assets | 26,922 | 94,551 |
| **Total non-current assets** | 8,371,785 | 8,417,873 |
| **Current assets** | | |
| Inventories | 55,633 | 183,465 |
| Trade and other receivables | 4,396,802 | 3,733,929 |
| Construction contracts | 2,900,842 | 2,416,171 |
| Restricted deposits | 309,994 | 198,290 |
| Time deposits with original maturity over three months | 3,777,394 | 4,414,261 |
| Cash and cash equivalents | 4,145,759 | 8,984,335 |
| **Total current assets** | 15,586,424 | 19,930,451 |
| **Current liabilities** | | |
| Borrowings | 140,510 | 68,862 |
| Receipts in advance | 9,052,432 | 11,403,311 |
| Trade and other payables | 8,223,483 | 9,838,764 |
| Retirement and other supplemental benefit obligation | 24,710 | 24,570 |
| Income tax payable | 254,890 | 221,361 |
| **Total current liabilities** | 17,696,025 | 21,556,868 |
| **Net current liabilities** | (2,109,601) | (1,626,417) |
| **Total assets less current liabilities** | 6,262,184 | 6,791,456 |
| **Non-current liabilities** | | |
| Borrowings | 217,381 | 183,210 |
| Trade and other payables | 15,489 | 27,255 |
| Retirement and other supplemental benefit obligation | 292,010 | 285,370 |
| **Total non-current liabilities** | 524,880 | 495,835 |
| **NET ASSETS** | 5,737,304 | 6,295,621 |
| **CAPITAL AND RESERVES** | | |
| Capital | 3,300,000 | 3,300,000 |
| Reserves | 2,437,304 | 2,995,621 |
| **TOTAL EQUITY** | 5,737,304 | 6,295,621 |

Pursuant to the Approval of Establishing China Machinery Engineering Corporation, issued by State-owned Assets Supervision and Administrative Commission of the State Council, the Company was established as a joint stock company on January 18, 2011.

## 34 CRITICAL ACCOUNTING JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those polices and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

### (a) Construction contracts

As explained in the accounting policy notes 1(p) and (x)(ii), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 18 will not include profit which the Group may eventually realize from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognized in future years as an adjustment to the amounts recorded to date.

### (b) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognized in accordance with accounting policy for impairment of non-current assets as described in note 1(n)(ii). The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

### (c) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

### (d) Retirement benefits

The Group establishes liabilities in connection with benefits paid to certain retired and early retired employees. The amounts of employee benefits expense and liabilities are determined using actuarial valuations, which are calculated by independent valuation professionals who conduct annual assessment of the actuarial position of the Group's retirement plans. These actuarial valuations involve making assumptions on discount rates, pension benefit increase rates, medical benefit increase rates, and other factors. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Actual results that differ from the assumptions are recognized immediately and therefore, affect recognized expenses in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experiences or changes in assumptions may affect the expenses related to the employee retirement benefit obligations.

### (e) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the management. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

### (f) Income tax

The Group files income taxes with a number of tax authorities. Judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences may impact the current income tax and deferred income tax provisions in the periods in which the final tax outcomes became available.

## 35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE PERIOD BEGINNING JANUARY 1, 2012

Up to the date of issue of the Financial Information, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period beginning January 1, 2012 and which have not been adopted in the Financial Information.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income* | July 1, 2012 |
| IFRS 10, *Consolidated financial statements* | January 1, 2013 |
| IFRS 11, *Joint arrangements* | January 1, 2013 |
| IFRS 12, *Disclosure of interests in other entities* | January 1, 2013 |
| IFRS 13, *Fair value measurement* | January 1, 2013 |
| IAS 27, *Separate financial statements* (2011) | January 1, 2013 |
| IAS 28, *Investments in associates and joint ventures* (2011) | January 1, 2013 |
| Revised IAS 19, *Employee benefits* | January 1, 2013 |
| IFRIC 20, *Stripping costs in the production phase of a surface mine* | January 1, 2013 |
| Amendments to IFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities* | January 1, 2013 |
| Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Government loans* | January 1, 2013 |
| *Annual Improvements to IFRSs – 2009-2011 Cycle* | January 1, 2013 |
| Amendments to IFRS 10, *Consolidated financial statements,* IFRS 11, *Joint arrangements* and IFRS 12, *Disclosure of interests in other entities – Transition guidance* | January 1, 2013 |
| Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities* | January 1, 2014 |
| Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities* | January 1, 2014 |
| IFRS 9, *Financial instruments* (2009) | January 1, 2015 |
| IFRS 9, *Financial instruments* (2010) | January 1, 2015 |
| Amendments to IFRS 9, *Financial instruments* and IFRS 7 *Financial instruments: Disclosures – Mandatory effective date and transition disclosures* | January 1, 2015 |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application but is not yet in a position to state whether these amendments and new standards would have a significant impact on the Group's or the Company's results of operations and financial position.

### 36 STATUTORY FINANCIAL STATEMENTS OF OVERSEAS SUBSIDIARIES

The statutory financial statements of following overseas subsidiaries of the Company for each of the three years ended December 31, 2009, 2010 and 2011, or since their respective dates of establishment, where this is a shorter period, were audited by following auditors:

| | Name of subsidiary | Financial period | Statutory auditors |
|---|---|---|---|
| 1 | China Machinery & Equipment (HK) Company Limited | Years ended December 31, 2009, 2010 and 2011 | M Square CPA Limited |
| 2 | China Everbest Development International Limited | Years ended December 31, 2009, 2010 and 2011 | M Square CPA Limited |
| 3 | COMIBEL S.A. *(note i)* | Years ended December 31, 2009, 2010 and 2011 | PricewaterhouseCoopers Tax & Legal SA |
| 4 | CMEC Senegal S.A. *(note i)* | Period from April 20, 2009 to December 31, 2009 and years ended December 31, 2010 and 2011 | Deloitte Senegal |

(i) The English translation of the names is for reference only. The official names of these entities are in French.

## D SUBSEQUENT EVENTS

### (a) Acquisition of China Power Construction Engineering Consulting Zhongnan Company ("Zhongnan")

On June 4, 2012, the Company and China Power Engineering Consulting Group Zhongnan Power Design Institute entered into a share transfer agreement in relation to the acquisition of 50% equity interest of Zhongnan for a total consideration of RMB4.6 million. In September 2012, the Company completed the acquisition of Zhongnan.

### (b) Assignment of an ongoing construction contracting project in Sudan and indemnifications provided by SINOMACH concerning the assignment and termination of two construction contracting projects in Sudan

On December 4, 2012, Company signed an assignment agreement (the "Assignment Agreement") with a subsidiary of SINOMACH (the "Assignee") to assign the rights and liabilities under the underlying contract of an ongoing construction contracting project in Sudan (the "Contract") to the Assignee without any assignment fee. Under the Assignment Agreement, the Assignee agreed to be bound by all the provisions of the Contract as if it were named in the Contract in place of the Company, and to perform, discharge and observe all obligations and liabilities on the part of the Company under the Contract which would, but for the Assignment Agreement, fall to be performed, discharged or observed by the Company. The Assignee also agreed to indemnify and hold harmless the Company against and from all liabilities, demands, claims, actions, causes of action, assessments, costs, damages, losses and expenses (including legal fees and expenses). On December 10, 2012, SINOMACH agreed to indemnify the Company for all liabilities, losses, damages, costs and expenses (if any) that may be incurred by the Company arising out of, or in connection with, any claims that may be brought forward by the project owner in relation to the assignment of the Contract.

On December 10, 2012, SINOMACH also agreed to indemnify the Company for all liabilities, losses, damages, costs and expenses (if any) that may be incurred by the Company arising out of, or in connection with, any claims that may be brought forward by the project owner in relation to the termination of another ongoing construction contracting project in Sudan. On January 12, 2012, the Company issued a notice of termination to the project owner of the project in Sudan to terminate the underlying contract pursuant to the contractual provision, since certain contractual obligation was not performed by the project owner.

The directors are of the opinion that the assignment and termination of the above mentioned contracts had no material adverse impact on the reputation, operations and financial position of the Company.

## E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to June 30, 2012.

Yours faithfully
**KPMG**
*Certified Public Accountants*
Hong Kong