中國交通建設股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
H Share Stock Code : 1800

# Annual Report 2011

# Contents

# Corporate Profile

China Communications Construction Company Limited ("CCCC" or the "Company"), initiated and founded by China Communications Construction Group (Limited) ("CCCG", a state-owned enterprise under the SASAC), was incorporated on 8 October 2006. Its H shares were listed on the Main Board of the Hong Kong Stock Exchange with stock code of 1800.HK on 15 December 2006. It is the first large state-owned transportation infrastructure group entering the overseas capital market. The Company's A shares were listed on the Main Board of the Shanghai Stock Exchange with stock code of 601800.SS on 9 March 2012, representing another leap-and-bound advance taken by the Company in the course of its development. CCCC was named one of the "Global 500" companies for four consecutive years (2008-2011) by Fortune Magazine. As the integrated strength of the Company grew further, its ranking moved up accordingly from 426 in 2008 to 211 in 2011, making CCCC one of the fastest-growing enterprises on the list.

As a leading transportation infrastructure group in the PRC, the Company and its subsidiaries (collectively, the "Group") is the industry leader in each of its four core businesses, namely infrastructure construction, infrastructure design, dredging and heavy machinery manufacturing. It is the largest port design and construction company in China, a leading company in road and bridge construction and design in China, a leading railway construction company in China and the largest dredging company (in terms of total capacity of suction hopper dredgers and cutter suction dredgers) in the world. The Company is also the world's largest container crane manufacturer and the largest international contractor and designer in China. The Company is capable of providing integrated solutions throughout each stage of infrastructure projects for its customers. The Company currently has 36 wholly–owned or controlled subsidiaries. The Company operates it businesses throughout China, covering all the provinces, municipalities directly under the Central Government, autonomous regions and Hong Kong and Macau Special Administrative Regions, and has established its global presence in over 80 countries and regions.

The Group has actively participated in and competed for projects under foreign economic aid projects and international contracting projects. It has been standing on the Engineering News Records' ("ENR") list of the world's top 225 international contractors since 1992 consecutively and ranking the first among the Chinese enterprises in ENR for five consecutive years in terms of revenue from overseas projects. Together with CHEC, CBRC and ZPMC, CCCC enjoys a high reputation around the world.

CCCC places great emphasis on scientific research and development which would improve the Company's competency in operation. The Company established and perfected its technological innovation system which has a sound structure and high operation efficiency. A cluster of R&D facilities, with "23 centres, 13 laboratories and 15 institutes" (8 state-level science and research centres, 15 provincial-level science and research centres, 6 provincial and ministerial-level key laboratories, 7 key laboratories of the Group, 15 scientific research institutes focusing on technological R&D) at its core, holds a leading position in the relevant scientific R&D fronts. The Company attaches great importance to cultivating talents and has spared no effort in nurturing teams of talents and cadres continuously. The Company retains a team of cutting-edge researchers, comprising of 2 members of the Chinese Academy of Engineering, 13 National Reconnaissance Master and a number of other state level experts and senior engineers. The Group also holds 7 Post-Doctoral research centres.

The Group owns a diverse range of specialised equipment, including modern dredging vessels, dedicated transportation fleet for port machinery, various equipment for marine and onshore engineering, as well as various advanced machinery and equipment for investigation, design and research, which enables the Group to win and perform contracts of challenging large and complex projects.

The Company is committed to providing its world-wide customers with high quality services and products in line with its corporate mission of "Trustworthy Service to Clients, High Quality Returns to Shareholders and Consistent Out-Performance", to pursue a even brighter future.

# Performance Highlights

| *RMB million (except per share data)* | For the year ended 31 December<br>**2011** | 2010 | Change (%) |
|---|---|---|---|
| Revenue | **294,281** | 272,734 | 7.9 |
| Operating Profit | **16,218** | 13,753 | 17.9 |
| Profit for the year | **11,983** | 9,638 | 24.3 |
| Profit attributable to equity holders of the Company | **11,767** | 9,599 | 22.6 |
| Earnings per share | **0.79** | 0.65 | 22.6 |

| *RMB million* | As at 31 December<br>**2011** | 2010 | Change (%) |
|---|---|---|---|
| Total assets | **358,780** | 310,633 | 15.5 |
| Total liabilities | **277,835** | 236,712 | 17.4 |
| Total equity | **80,945** | 73,921 | 9.5 |
| Capital and reserves attributable to equity holders of the Company | **70,206** | 62,990 | 11.5 |

| *RMB million* | For the year ended 31 December<br>**2011** | **% of total** | 2010 | Change (%) |
|---|---|---|---|---|
| New Contracts | **457,848** | **100.0** | 411,738 | 11.2 |
| Infrastructure Construction Business | **364,671** | **79.7** | 334,109 | 9.1 |
| – Port Construction | **59,366** | **13.0** | 50,462 | 17.6 |
| – Road and Bridge Construction | **126,237** | **27.6** | 104,420 | 20.9 |
| – Railway Construction | **–** | **–** | 65,086 | –100.0 |
| – Investment Business | **66,800** | **14.6** | 22,834 | 192.5 |
| – Overseas Projects | **80,828** | **17.6** | 62,323 | 29.7 |
| – Other Projects | **31,440** | **6.9** | 28,984 | 8.5 |
| Infrastructure Design Business | **22,943** | **5.0** | 14,830 | 54.7 |
| Dredging Business | **37,539** | **8.2** | 34,422 | 9.1 |
| Heavy Machinery Manufacturing Business | **26,668** | **5.8** | 21,653 | 23.2 |
| Other Businesses | **6,027** | **1.3** | 6,724 | –10.4 |

| *RMB million* | As at 31 December<br>**2011** | **% of total** | 2010 | Change (%) |
|---|---|---|---|---|
| Backlog | **601,912** | **100.0** | 512,103 | 17.5 |
| Infrastructure Construction Business | **512,000** | **85.1** | 432,500 | 18.4 |
| Infrastructure Design Business | **31,970** | **5.3** | 20,833 | 53.5 |
| Dredging Business | **27,952** | **4.6** | 28,985 | –3.6 |
| Heavy Machinery Manufacturing Business | **27,810** | **4.6** | 27,366 | 1.6 |
| Other Businesses | **2,180** | **0.4** | 2,419 | –9.9 |

# Chairman's Statement

**Dear Shareholders,**

In 2011, amid the dynamic complicated global environment and new domestic economic landscape, the Company had focused its work on enhancing its operating effectiveness. Taking the development of core businesses as the basis, the Company upgraded its asset structure, business structure and market structure, and spent great effort in implementing the "going global" overseas business expansion strategy. The Company made significant achievements in various aspects evidenced by the rapid growth in value of new contracts, revenue and earnings per share.

Revenue in 2011 was RMB294,281 million, representing a year-on-year growth of 7.9%. Profit attributable to equity holders of the Company was RMB11,767 million, representing a year-on-year increase of 22.6%. Earnings per share amounted to RMB0.79, representing a year-on-year growth of approximately 22.6%. In 2011, the value of new contracts was RMB457,848 million, representing a year-on-year growth of 11.2%. As at 31 December 2011, the backlog of the Company amounted to RMB601,912 million, representing a year-on-year growth of 17.5%.

The overall capability of the Company was further improved in 2011. The Company ranked 211th among "Global 500", which is 13 ranks higher than last year; the Company ranked 11th among "ENR's Top 225 International Contractors", having secured the first place among other Chinese enterprises on the chart for five consecutive years; the Company ranked 17th among "The Top 150 Global Design Firms", coming first among all Chinese enterprises on the chart; the Company was awarded as a national-level innovative enterprise by the Ministry of Science and Technology of the PRC, and was named the best listed company of the sector in Asia by Institutional Investor, an American magazine. During the political turbulence in Libya, the Company's well-planned deployment and proper measures taken to secure the safe evacuation of 4,893 staffs were highly praised by leaders of the central government and related ministries and commissions.

The Company made new achievements in its capital market development. After its successful listing in Hong Kong in 2006, the Company was successfully listed on China's A-share market on 9 March 2012 through an innovative way of initial public issue of RMB ordinary shares and merger arrangement with CRBC International. The Company issued a total of approximately 1,350 million new shares and raised approximately RMB5,000 million proceeds, marking a remarkable leap in the Company's development process.

When it comes to fulfilling social responsibility, the Company is the pillar and a national player in the transportation infrastructure of China. Capitalising on its influence in motivating and guiding the construction of transportation infrastructure in 2011, the Company helped to create convenient transportation for the society and provided high-quality infrastructure for the country's economic development. The Company operates in strict compliance with laws and regulations of the State, social moral values, business ethnics and the rules of the industry, emphasising operation in compliance with the law and regulations and in good faith. No material breach in laws, regulations and commitment during the year.

With regard to internal control and risk management, the Company, through creating a favourable internal control environment, establishing a regular risk identification and evaluation mechanism and strengthening the supervision effectiveness of internal control, ensured the smooth function of the internal control system and enhanced the effectiveness of internal control as well as pushed ahead the enhancement of the risk management standard and the achievement of the corporate strategic goals.

The Company's various achievements in 2011 have marked a glamorous beginning for the Twelfth Five-Year Plan. Looking into the year of 2012, although the uncertainties in domestic and overseas markets will be sensibly more than past years and the demand of domestic traditional infrastructure sector will be weak in general, the Company anticipates more opportunities than challenges with its core businesses being optimised. The Company will focus on the following aspects in accordance with the market features in 2012:

Firstly, for infrastructure construction business, the Company will concentrate on three issues during the steady development of the business: first, avoid substantially relying on bank loans to expand business and avoid excessive debts; second, further reduce trade receivables and inventories to improve operating cash flows; third, proactively innovate business models and create opportunities to enhance profitability.

Secondly, for infrastructure design business, its profitability has been growing steadily over these years while its development still needs to be further accelerated. Once the management at any level discovers any declining in profitability growth, they should immediately consider calmly and timely about whether they should continue adopting the current growth pattern and business model or adjust the business pattern and develop another business model.

Thirdly, for dredging business, with the high-input and high-value-added features of this industry, the proportion of profit contributed by this sector can be further increased when compared to the infrastructure construction sector. The growth pattern of the dredging business will therefore continue to change and a new business model will be developed so as to enhance asset operating efficiency through an appropriate control of capital expenses.

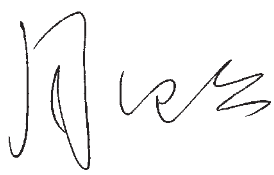
Fourthly, for heavy machinery manufacturing business, although ZPMC already recorded a turnaround in 2011, the Company would still spend more efforts in exploring new markets, since ZPMC's competitive strength can only be demonstrated when ZPMC can seek and obtain orders from the market. Therefore, this year and in the coming few years, the heavy machinery manufacturing business has a mission to achieve a significant breakthrough in the marine heavy machinery industry so as to break the current deadlock.

Fifthly, the Company will speed up the "overseas business expansion" strategy. During the recent years, the scope of the Company's overseas business has recorded a remarkable and rapid growth, which can be seen by the proportion of its profit contribution amounting to more than a double of the proportion of net assets and its input-output ratio being higher than all similar business segments in the PRC. For the next few years, the Company will continue to adjust its market structure to achieve a transnationality index of 30% by the end of the Twelfth Five-Year Plan and 40% as its long-term goal. In this regard, the Company is the most capable and has a strong foundation among all leading infrastructure construction listed companies. And in order to realise the goal, the Company set up the Overseas Business Department at the end of 2011, which will provide guidance and direction to the Group's international business operation. The Overseas Business Department will advance the existing business model to bring its proactivity in various aspects into full play and to achieve a more even and effective allocation of resources within the Group, thus driving the overall effect of "overseas business expansion" strategy to a maximum to realise a better and quicker business growth.

Sixthly, the investment business has recorded promising performance after five years of development yet the Company's target of structure adjustment has not been fully achieved. This year, the Company will continue to seize opportunities emerging from the market adjustment to seek more suitable projects for investment. Emphasis will be put on properly keeping a good balance on the relationship between nurturing operating assets and strengthening supervision over projects under construction, so that the expected profits from projects under construction and completed projects can be realised.

After all, the key issue is to further enhance the Company's profitability and to increase profits. The Company will adjust the traditional development mode which relied much on expansion of scale, and put more emphasis on improving the Company's profitability. The Company will further enhance its business performance and profitability to meet the expectations from its shareholders through optimising structure of assets and business, standardising the establishment of corporate systems and strengthening management of fundamental work.

Dear shareholders and all other friends that have paid long-term attention on the Company, we sincerely wish that you can help and support the Company consistently! Over the years, with these support and help, the Company managed to achieve healthy and robust development. In the future, your support and help will definitely brighten up the Company's development ahead!



**Zhou Jichang**
*Chairman*

26 March 2012

# Yantian Port Phase III Expansion project

The berth is 1400 meters long while the south revetment is 495 meters long with high-pile beam and slab structure.

# Business Overview

The year of 2011 marked the beginning of China's "Twelfth Five-year Period". In this year, with the goals set out in the "Twelfth Five-year Plan" and the Business Plan for 2011, the Company mainly focused on improving the quality of corporate operation, put emphasis on the fundamental tasks of expanding the main businesses, adjusted asset structure, business structure and market structure, and implemented an overseas expansion strategy of "going global". As a result, the Company has achieved new records in performance indicators.

In 2011, revenue of the Group was RMB294,281 million, representing a year-on-year increase of 7.9%; the total profit before income tax was RMB15,029 million, representing a year-on-year increase of 24.4%. The value of new contracts amounted to RMB457,848 million, representing a year-on-year increase of 11.2%. As at 31 December 2011, the backlog was RMB601,912 million, representing a year-on-year increase of 17.5%.

## I. Business Review

In 2011, despite the turmoil in the international financial market, destabilising politics and nerve-rattling situations across the North African region, and prevailing uncertainties in the recovery progress of global economy, the investment demand for infrastructure around the globe remained strong and the markets in Asia, Latin America, and Africa were vigorous, which presented a silver lining for the Company to reap larger market share.

In 2011, thanks to the pro-active fiscal policy and prudent monetary policy and continuously strengthened and improved macro control, China saw a solid momentum in its economic and social development, leading to a steady and fast economic growth. Although the domestic infrastructure market sustained stable growth, the robustness of the construction industry had been challenged by the fierce competition and the rising costs in terms of labour, raw materials, and financing. In addition, the tight monetary policies dented the investment growth in transport infrastructure construction as compared to 2010, bringing the market of railway construction to a grinding halt.

In facing the pressure and difficulties, the Company mainly focused on improving the quality of corporate operation, put emphasis on the fundamental tasks of expanding the main businesses, adjusted asset structure, business structure and market structure, and made great strides in implementing an overseas expansion strategy of "going global", so as to meet the overall requirement of "sharpening advantages and optimising operations to establish itself as a world-class top-tier enterprise in all respects".

Firstly, the value of new contracts for port and highway construction projects maintained a fast growth in 2011 which played a pivotal role in the core businesses of the Company. Infrastructure design and infrastructure construction businesses showed stronger interactions, and the value of contracts for EPC projects surged dramatically. Heavy Machinery Manufacturing business recovered steadily with ZPMC turned around and, continue securing its global market share of more than 75%. The seamless integration of the design expertise and the technical resources of F&G with the manufacturing capabilities of ZPMC has further enhanced the Company's ability to expand the offshore heavy machinery market.

Secondly, the investment business kept optimising its investment structure for the past five years. As a result, the Company gained clearer mindset on future development, and became more experienced in business operations and more capable of controlling risks. By the end of the "Twelfth Five-year Period", the Company will form a basic pattern for investment business, and will optimise the industrial layout of the Group. In 2011, 16 newly signed investment contracts with a total investment of RMB66,800 million greatly boosted the development of the core businesses. Meanwhile, the Company proactively explored the emerging business markets, such as, municipal projects, subway projects, airport projects, wind power projects, logistics business, urban rail transit projects, and tunnel shield manufacturing, thus, enriched the project reservoir.

## I. Business Review (Continued)

Thirdly, thanks to the full implementation of the overseas expansion strategy, the operations achieved remarkable results. In 2011, economic benefits recorded leapfrogging improvement. The value of new contracts from overseas business reached USD15,572 million, representing approximately 23.0% of the Group's new contract value. With a vision of shaping an overseas development platform of "one body with two wings", and capitalising on the strong overseas brand equity of our two wholly-owned subsidiaries, CHEC and CRBC, the brand of CCCC enjoyed escalating fame in 2011 and witnessed a substantial increase in signed contracts by giving full play to the integrated advantages of the Group's businesses.

Meanwhile, the Company actively established an "adaptable" organisation structure and carried forward the reform of the divisional organisation system and the setting-up of regional headquarters. In particular, the Company established the Overseas Business Department, the Equipment and Materials Division, and the Centre for Centralised Procurement of Equipment and Materials, as well as the regional headquarters in Haixi, Hainan, and Xinjiang, bringing the "six functions" (i.e., strategic management and control, functional management, business guidance, valued services, commercial assistance, and platform support) of the Company into full play. The Company also intensified efforts to expand the market of comprehensive and mega projects by making innovations to our marketing system and by actively forming strategic partnerships with local governments and state-owned enterprises. Moreover, by carefully studying the "Twelfth Five-year Plan of the Western Development Strategy" and considering our need for sustainable development, the Company pushed forward the marketing in the west and the key market regions, such as, Xinjiang, Guizhou, Sichuan, Fujian, Hainan, Zhejiang, Jiangsu, Guangdong, Hubei, Liaoning etc. On top of that, the Company will make great efforts to convert the strategic agreements into concrete projects so as to ensure the realisation of strategies.

### 1. Infrastructure Construction Business

In 2011, the value of new infrastructure construction contracts entered into by the Group amounted to RMB364,671 million, representing a year-on-year increase of 9.1%. The value of new infrastructure construction contracts in terms of port construction, road and bridge projects, investment business of BOT/BT projects, overseas infrastructure construction, and other projects amounted to RMB59,366 million, RMB126,237 million, RMB66,800 million, RMB80,828 million, RMB31,440 million, respectively, representing 16.3%, 34.6%, 18.3%, 22.2%, 8.6% of the total value of new infrastructure construction contracts. As at 31 December 2011, the backlog for infrastructure construction was RMB512,000 million, representing a year-on-year increase of 18.4%.

#### *(1) Port Construction*

In 2011, new contracts of the Group for Mainland China port construction projects reached RMB59,366 million, representing a year-on-year increase of 17.6%, and accounting for 16.3% of infrastructure construction business.

In 2011, specialised terminals for coal, oil, petrochemical and alike invested by related owners sprouted up, which resulted in the phase-out of the container terminals. Also, the regional investment hot spots had been concentrated; Regions across Bohai Rim kept the upward momentum; Yellow River Delta and the Blue Shandong Peninsula Economic Zone saw surge in market demand; the southern region kick-started the recovery as the trade grew. Furthermore, according to the Guidelines on the Inland Waterways Development on the Yangtze River issued by the State Council, China increased the investment in inland waterways, thus, speeding up the maintenance of waterways on the Yangtze River; the development of advanced waterway channels promoted the scale development of inland river ports, which, in turn, further drove the growth for port expansion projects.

# I. Business Review (Continued)

## 1. Infrastructure Construction Business (Continued)

### *(1) Port Construction (Continued)*

In 2011, the Group won the following new projects: Berth 1-5# at Pingtan Port, Fuzhou Harbour; Coal Dock Project at South Operation Section of Gaolan Port, Zhuhai Harbour; Oil Terminal and auxiliary storage and transport facilities at Yangpu Port, Hainan Province; Marine Civil Works for the Expansion of Macun Port (Phase II) at Haikou Port; Meijin Terminal at Taicang Port, Suzhou Harbour, etc.

### *(2) Road and Bridge Construction*

In 2011, new contracts of the Group for Mainland China road and bridge projects reached RMB126,237 million, representing a year-on-year increase of 20.9%, and accounting for 34.6% of infrastructure construction business.

In 2011, China had a total of 71,400 kilometres of newly-constructed highways, among which there were 11,000 kilometres of expressway. The highway construction market extended the up-surging momentum from the last two years. National financial support and new projects were mainly scattered in western provinces, which, however, led to a withering market in the eastern and central provinces. Therefore, the Company marched into the western market by strengthening the cooperation with local governments and seizing the opportunities presented by Western Development, in order to take the lead in the projects featuring advanced technology, innovation, uniqueness, and sophistication. As a result, the Company won several key projects of road construction in Xinjiang, Chongqing, etc.

In 2011, the Group won the following new projects: Hanjiaying-Huhhot Highway of Inner Mongolia Autonomous Region, Infrastructure Construction for East Jinghe Area of Junshan, WRDX-2 Section of Ring Expressway (Eastern Line) of Urumqi, civil construction of Enshi Highway of Hubei, and Section KT-3 of the Karamay-Tacheng Highway, etc.

### *(3) Railway Construction*

In 2011, the Group didn't sign any new contract for railway construction projects in Mainland China.

In 2011, the railway market of China was heavily regulated. On 10 August 2011, the Executive Meetings of the State Council decided to systematically reassess the safety of the railway projects approved yet awaiting construction. According to the statistics from Ministry of Railways, the investment of railway projects in China for the year of 2011 amounted to RMB461,000 million, which has slowed significantly and represented a year-on-year decrease of 34.8%. Meanwhile, Mainland China suspended examination and approval for new railway projects, and took in-depth study of feasibility for the ones which have been approved, in order to ascertain appropriate technical standards and construction plans.

Against the backdrop of grave market conditions, the Company intensified the business liaison between the Department of Projects and Ministry of Railways, construction companies and design companies. Also, the Company carried out stringent cost control, enhanced the review and re-calculation of investment estimate according to construction plans, rationalised preliminary budgetary estimate, and claimed for various construction changes, so as to improve economic benefits.

# I. Business Review (Continued)

## 1. Infrastructure Construction Business (Continued)

### *(4) Investment Business (BOT/BOO and BT projects, etc.)*

In 2011, new contracts of the Group for Mainland China investment business amounted to RMB66,800 million, representing a year-on-year increase of 192.5%, and accounting for 18.3% of infrastructure construction business.

For the past five years, the Company has kept optimising its investment structure in its investment business. As a result, the Company gained clearer mindset on future development, and became more experienced in business operations and more capable of controlling risks. By the end of "Twelfth Five-year Period", the Company will form a basic pattern for investment business, and will optimise the industrial layout of the Group. The rapid growth in new contracts for investment business propelled the development of the core business of the Company, and will become a new profit generator of the Company.

In 2011, new projects won by the Group mainly included the estuary improvement and comprehensive development project of the Shantou Eastern Urban Economic Area, the BOT project of Huangjiabu Bridge, Wuhan, the BOT project of Sichuan Dazhou – Chongqing Wanzhou – HuBei Lichuan Expressway (Chongqing Section), the BOT project of the third-ring Expressway of Chongqing (TongLiang – Hechuan Section), the BOT project of Chongqing Youyang – Guizhou Yanhe Expressway, etc.

### *(5) Overseas Projects*

In 2011, new contracts for overseas projects of the infrastructure construction business entered into by the Group amounted to USD11,936 million (equivalent to approximately RMB80,828 million), representing a year-on-year increase of 29.7%, and accounting for 22.2% of its infrastructure construction business.

In 2011, the operating results of the Group's overseas projects hit a record high with substantially higher economic returns. In line with the plan to proactively set up an overseas development platform of "One Body with Two Wings", CCCC, as the core brand of the "Overseas Business Expansion", had recorded a substantial increase in the number of signed contracts, thereby giving full play to the integrated advantages of the Group's businesses. Serving as the "two wings" of the Group's "Overseas Business Expansion", CHEC and CRBC achieved steady growth in business scale, and accomplished new success in market expansion by establishing new business presence in a number of countries including Venezuela, Guyana, Bahamas, Morocco. Meanwhile, overseas investment projects made positive progress after full preparation, with steady and progressive advancement in the franchise project of the north-south expressway in Jamaica. During the course of "going global", the Company had continuously improved organisation management, further enhanced the capability of risk prevention and contingency planning, formulated and refined its internal control system, increased efforts in monitoring overseas projects under construction, and optimised assessment on project-related risks and compliance management, so as to lay a solid foundation for the implementation and promotion of the "Overseas Business Expansion" strategy.

In 2011, new projects won by the Group mainly included phase II of the railway and port project for ore transport from Tonkolili, Sierra Leone, the reclamation project of an artificial island at the Hong Kong Boundary Crossing of the Hong Kong-Zhuhai-Macao Bridge, the port infrastructure and breakwater construction project of the new Doha Port in Qatar, the new container terminal project of Puerto Cabello, the airport runway expansion project of the Minsk Airport in Belarus, etc.

# I. Business Review (Continued)

## 1. Infrastructure Construction Business (Continued)

### *(6) Other Projects*

In 2011, new contracts for other projects in Mainland China entered into by the Group reached RMB31,440 million, representing a year-on-year increase of 8.5%, and accounting for 8.6% of its infrastructure construction business.

In 2011, the Company made remarkable progress in projects such as municipal projects, housing construction, urban rail transit and airport construction with a steady increase in the value of new contracts, giving a favourable supplement to its core businesses.

## 2. Infrastructure Design Business

In 2011, the value of new infrastructure design contracts entered into by the Group reached RMB22,943 million, representing a year-on-year increase of 54.7%. As at 31 December 2011, the backlog for the Group's infrastructure design business was RMB31,970 million, representing a year-on-year increase of 53.5%.

In 2011, the value of new infrastructure design contracts grew rapidly, among which contracts for EPC engineering projects contributed a lot. At the same time, the Group's survey and design business also achieved a steady growth by winning the contracts for a batch of large projects which are influential in the industry. Analysed by project type, the contract value of survey and design business, project supervision business, EPC engineering business, and other projects represented 41%, 6%, 51% and 2% of the total value of new contracts respectively, as compared to 54%, 6%, 36% and 4% recorded in the same period of 2010.

In 2011, the Company stepped up the expansion of its infrastructure design business into overseas markets. The Company's success in securing the Panama Bridge Project marked the first winning of international public biddings for bridge construction projects in China's survey and design industry, laying a milestone for its expansion into international markets.

In 2011, new projects won by the Group mainly included Pier Construction Plan Design for the Deep-water Natural Gas Development project in the South China Sea, Survey and Design project for the Zhanjiang Guannan Highway, Survey and Design project for the Integrated Pier Construction at Longtougang of Nanchang, Survey and Design project for marine work of Huaneng Shangdong Shidao Bay nuclear power plant, and Survey and Design project for 50,000t coal wharf and breakwater of Haifeng Power Plant of China Resources Power, etc.

## 3. Dredging Business

In 2011, the value of new dredging contracts entered into by the Group reached RMB37,539 million, representing a year-on-year increase of 9.1%. As at 31 December 2011, the backlog for the Group's dredging business was RMB27,952 million, representing a year-on-year decrease of 3.6%.

In 2011, three special-purpose large vessels started to serve in the Group's dredger fleets, providing an additional capacity of approximately 30 million cubic meters under standard operating conditions. As at 31 December 2011, the Group's capacity amounted to approximately 685 million cubic meters under standard operating conditions.

# I. Business Review (Continued)

## 3. Dredging Business (Continued)

In 2011, the number of newly kicked off projects was relatively small due to the implementation of tightening monetary policy and real estate control policy, leading to a slowdown in the growth of value of the Company's new contracts. On the other hand, the Group's capacity has been expanding steadily over the recent years due to its continuous capital spending on purchasing large dredging vessels.

According to the marine development plans of coastal provinces and municipalities as well as the inland waterway development plans, the dredging market will keep a general trend of expanding during the "Twelfth Five-year Plan" period. The Company will make rational allocation of its internal capacity while capitalising on market opportunities, so as to maintain profitability at a reasonable level.

In 2011, new projects won by the Group mainly included the land formation project of Jintang Mu'ao Container Cargo Distribution Center in Zhoushan City, the Bid-A maintenance dredging project of the Yangtze River Estuary 12.5-meter deepwater navigation channel, the dredging project of the port basin and navigation channel of North Port of Changxing Island, the navigation channel broadening project of Jinzhou Port and the reclamation project of LNG Port in Tianjin Nangang Industrial Zone, etc.

## 4. Heavy Machinery Manufacturing Business

In 2011, the value of new heavy machinery manufacturing contracts entered into by the Group reached RMB26,668 million, representing a year-on-year increase of 23.2%. As at 31 December 2011, the backlog for the Group's heavy machinery manufacturing business was RMB27,810 million, representing a year-on-year increase of 1.6%.

In 2011, ZPMC secured a growing number of new contracts. New orders had particularly recorded a steady increase in number as a result of the gradual recovery in global port machinery market. The number of new orders for offshore heavy machinery products and steel structure had also grown substantially, with the percentage of contribution to the value of contracts rising from less than 15% three years ago to nearly 40%, thereby heavy machinery manufacturing business achieved substantive progress in the advancement of its product diversification strategy.

In addition, since the successful acquisition of F&G by the Company in August 2010, F&G has been running smoothly in both operations and management, the leading position of which in the industry was strengthened with a surging number of new contracts and steadily growing profitability. Currently, the cooperation between F&G and ZPMC is carried out steadily and progressively.

In 2011, new projects won by the Group mainly included 1,600t revolving floating crane, the special equipment and dynamic positioning system of pipe laying vessels, 2000t gravity floating crane, rubble bed leveling barge for the Hong Kong – Zhuhai – Macao Bridge and large cylindrical steel cylinder for the island tunneling project, 40 feet quayside container crane, etc.

## 5. Other Businesses

In 2011, the value of new contracts of other businesses entered into by the Group reached RMB6,027 million, representing a year-on-year decrease of 10.4%. As at 31 December 2011, the backlog for the Group's other businesses was RMB2,180 million, representing a year-on-year decrease of 9.9%.

## II. Technology Innovation

In 2011, the Group accomplished new objectives of technology innovation by adhering to its philosophy of "Improved Technology for Outstanding Operating Results".

Our innovation system has been further refined. The Company has been approved to establish the "National Engineering Research Center for the Construction of Long-span Highway Bridges" and the "National Engineering Research Center for Dredging Technology and Equipment", while the proposed name "CCCC Engineering Marine Technology Research Center" has been submitted to the State Administration for Industry and Commerce for registration, thereby the Company's leading position in the field of long-span bridge and dredging technology has been established. In addition, the Company has been granted special financial support by the Ministry of Transport for the preparation and construction of the "State Key Laboratory of Deepwater Port Engineering Structure". The Company was also granted the approval to carry out 13 scientific research projects in Western China for the Ministry of Transport and 2 major state scientific and technological achievements transformation projects.

Our integration of production, teaching and research has been continuously strengthened. In order to exert more efforts on scientific research in key areas, the Company undertook 3 ultra large technology research and development projects and 19 key scientific research and development projects after careful assessment and selection. 3 sets of national dredging technology standards and 16 sets of enterprise dredging technology standards have been approved upon examination. In addition, the Company actively organized the translation of standards and regulations for the transportation industry and completed the translation of 46 volumes of road engineering standards. *The General Rules for Design of Port and Waterway Works* and *the General Rules for Construction of Port and Waterway Works*, which were edited by the Company, have been promulgated and implemented by the Ministry of Transport.

Remarkable results have been achieved in technology innovation. The Company has attained fruitful results by riding on global, forward-looking and strategic key technologies and speeding up the innovation, research and development in key areas. The Company won various awards including 5 second prize for National Science and Technology Progress, 78 provincial and ministerial level science technology awards, 5 Zhan Tianyou Civil Engineering Awards, 2 National Quality Construction Golden Awards, 11 National Quality Construction Silvery Awards, 2 Luban Awards, , and has registered 257 national patents. Furthermore, 32 construction methods developed by the Company have been recognized as national-level construction methods.

## III. Business Outlook

### 1. Macro-environment and the trend of market competition facing the Company

In the PRC market, the overall development of the Chinese economy is at the maturing stage of industrialisation with a general slowdown in growth during the "Twelfth Five-year Plan" period, and to some extent had affected the traditional transportation infrastructure market resulting from the optimisation of regional structure, emergence of new industries, strategic adjustment of the economic pattern and transition of the development mode. Investment is one of the "three pillars" of the Chinese economic growth, and the fixed asset investment will maintain its scale and growth pace in 2012. Netting out price factor and the sluggish of growth, competition among various business segments will moderately intensify in 2012. Meanwhile, accompanied by the implementation of regional development plans by the state, overall promotion of urbanisation and further transfer of industrial layout and fixed asset investment to the Midwest, the traditional transportation infrastructure market in the Midwest will extend gradually, presenting more opportunities for the industry.

## III. Business Outlook (Continued)

### 1. Macro-environment and the trend of market competition facing the Company (Continued)

Globally, emerging markets including Asia Pacific, South Asia, Africa, Latin America and Balkan region are becoming the engines of global economic growth, where their fixed asset investment will maintain a rapid momentum of growth. During the "Twelfth Five-year Plan" period, the PRC government will also utilize its strong foreign currency reserve to further support countries in Africa, Southeast Asia, Central Asia and South Pacific region. More government framework projects are expected to be implemented and will give rise to a greater diversity of international projects. To cope with the economic slowdown, western countries step up on upgrading their transportation infrastructures, thus creating more business opportunities for the Company. As such, the Company believes that the extensive overseas market of project construction offers numerous development opportunities in 2012.

Under such macro-market background, the Company, as one of the "World Top 500 Companies" with leading comprehensive strength, takes the role of industry leader in all business segments it engages in. Hence, the Company can be seen as a global leading enterprise in terms of market competitiveness in single business and in comprehensive strength.

### 2. Opportunities and challenges

Influenced by the domestic and overseas economic environment, the Company is faced with an uncertain and complicated market prospect. Meanwhile, the in-depth development of national industrialisation, urbanisation, informatisation and internationalisation also bring along enormous potential of market demands, secure the continuous development of traditional markets as well as present an extensive prospect for new businesses. For developing countries, the demand for infrastructure construction is more urgent with improved payment ability. Compared with other competitors, the Company has a more balanced business structure and a more completed industrial chain, forming an incomparable competition advantages over other enterprises. As such, we are faced with a situation accompanied by both opportunities and challenges, with opportunities outnumbering challenges.

### 3. Development Strategy and Business Plan during the "Twelfth Five-year Plan" period

The Company's overall business development goal is to develop itself into the world's first class conglomerate with international competitiveness. In specific, it aims to become world's leading contractor of integrated services of infrastructure construction, investor of domestic and overseas infrastructure construction as well as developer and operator of comprehensive development of urban construction, and to be the world's first class enterprise with sound governance structure, flexible operation mechanism, leading technology and scientific management system which is welcomed by its employees, recognised by the market and respected by the society.

The Company's business development plan is to rapidly promote its comprehensive competitiveness based on coordinated development of business sections and give full play to its industrial chain advantage and collaborative advantage between various business segments in light of the actual development situation of its existing businesses and the features and advantages of the operations of different business segments in order to achieve a win-win cooperation and mutual promotion. Moreover, the Company will take the advantages of the stable economy and rapid economic growth of China and the new opportunities in overseas markets to achieve the Company's overall development goal in a timely manner.

## III. Business Outlook (Continued)

### 3. Development Strategy and Business Plan during the "Twelfth Five-year Plan" period (Continued)

Specific objectives of the Company include:

Firstly, the Company will refine its business structure to support its sustainable development. While strengthening its basic and key industries such as "main traffic" and "large civil engineering", the Company will reduce its dependence upon infrastructure construction, increase its investment in relevant businesses, upgrade the equipment manufacturing business, supplement and refine the integrated logistics trade businesses and research on strategic new businesses. The longitudinal adjustments include the rearrangement and integration of industrial chain, the transition of growth mode, the reduction of simple construction business, the development towards an integrated business combining planning, investment and EPC and the business fields of high-tech and high value added. The regional and integrated development will promote the industrial upgrading, improve the coordination between different business segments and achieve the maximum benefits for the Company as a whole.

Secondly, the Company will expand into overseas markets comprehensively and orderly in order to develop its stance on the international markets. The Company is committed to becoming the world's first class conglomerate with international competitiveness and has formulated a specific international development strategy based on its actual situation. The Company will increase its share in overseas markets of design and construction of roads and bridges, ports and waterways, enhance its world's leading position in port machinery manufacturing industry and aggressively explore the construction markets of dredging, large bridge and highway, and focus on the market of marine and offshore equipment industry in order to expand its market share. The Company will also actively participate in the integrated regional development and the construction of artificial islands and strive to breakthrough in professional fields such as railway, airport and tunnel projects.

Thirdly, the Company will head to the direction of coordinated development with reasonable business layout and optimal resource allocation. The future business layout will be based on comprehensive development and market oriented. Leveraging on the resources of the subsidiaries, and taking into account of the market size and features of different business segments, as well as the specialties and allocation of capacity of each subsidiary, the Company will form a business layout and an organic body with the features of "prominent comparative advantages, apparent differentiation and combination of professional division of labor and regional division", by which the Company will position and allocate resources based on the priority level of various business segments and subsidiaries, enhance the strategic collaboration and realise the maximum benefits for the Company as a whole.

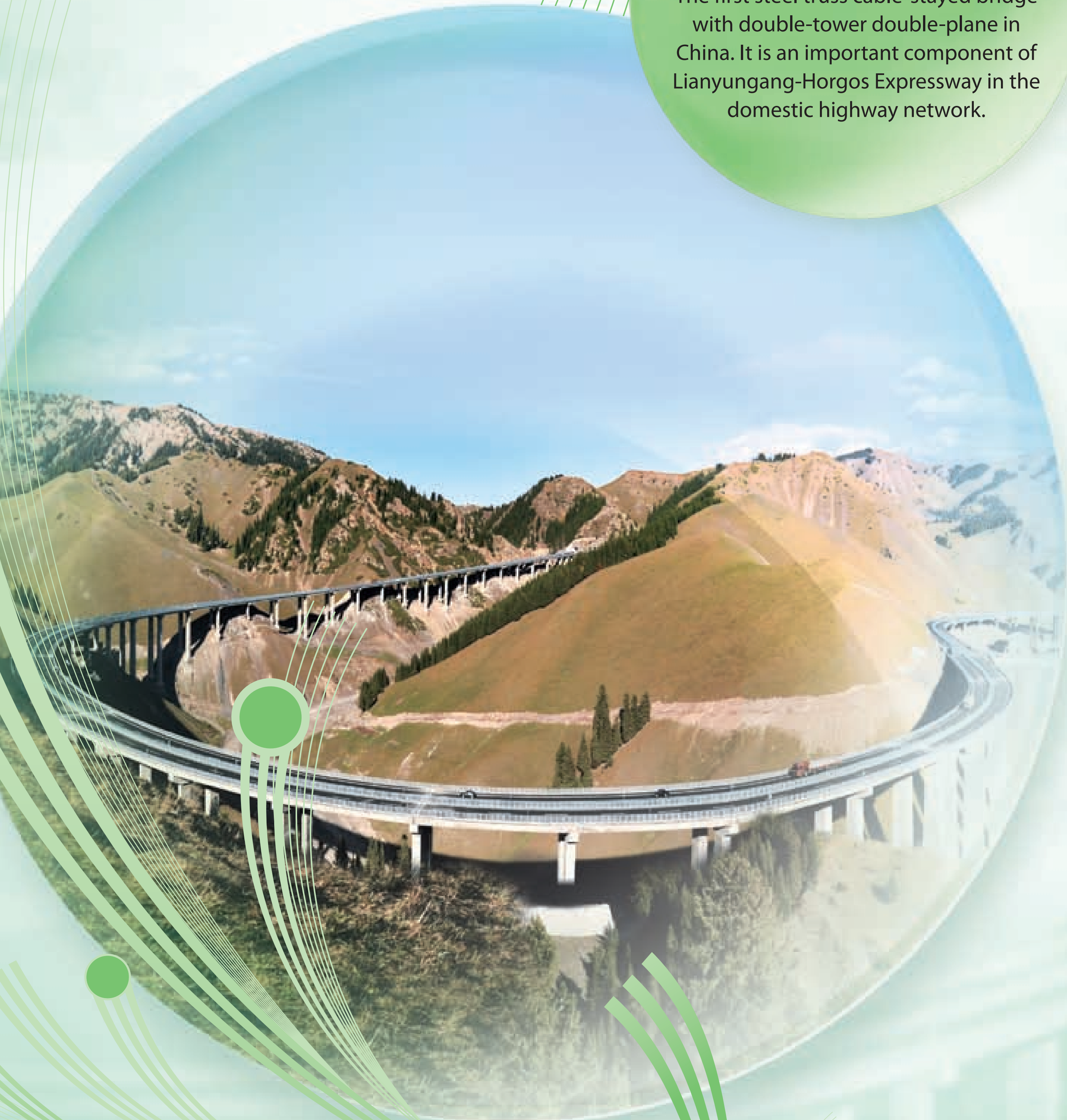
## IV. Business Plan for the New Year

The goal of the value of new contracts entered into by the Group for 2012 is RMB460,000 million and the goal which is more challenging for the Company is RMB500,000 million; the goal of sales revenue is RMB310,000 million and the goal which is more challenging for the Company is RMB330,000 million.

The economic indicators above are determined by considering the following four aspects: firstly, to realise the requirements of the plan for the "Twelfth Five-year Plan", which specifies the medium- and long-term goals and annual goals for the development of the enterprise; secondly, to consolidate and improve the rank of CCCC in "World Top 500 Companies" and continue to be rated as a Grade A enterprise by the Operating Results Assessment of SASAC; thirdly, the requirements of the growth inertia of the Company. To meet the needs of the increasingly expanding productivity of the Company, we should keep a certain scale and speed of development; fourthly, through the comprehensive judgment of the situation of the whole year as well as the future years, we actively adjust and control the pace of development, slow down the speed of development properly and keep a certain development flexibility to stabilise the development of the enterprise, thus further improve the quality and efficiency of development.

# Sayram Lake-Guozigou Bridge

The first steel truss cable-stayed bridge with double-tower double-plane in China. It is an important component of Lianyungang-Horgos Expressway in the domestic highway network.



# Management's Discussion and Analysis

The following section should be read in conjunction with the audited consolidated financial statements of the Group and accompanying notes herein.

## Overview

For the year 2011, revenue of the Group increased by 7.9% to RMB294,281 million, among which revenue from external customers attributed to the regions other than PRC amounted to RMB32,151 million (excluding revenue from sales to foreign customers in heavy machinery manufacturing business) in 2011, representing a year-on-year increase of 18.4%. The value of the Group's new contracts in 2011 was RMB457,848 million, representing a year-on-year increase of 11.2%. As at 31 December 2011, the backlog for the Group was RMB601,912 million, representing an increase of 17.5% over that as at 31 December 2010.

Gross profit in 2011 amounted to RMB27,907 million, representing an increase of RMB4,660 million, or 20.0%, from RMB23,247 million in 2010. Gross profit from infrastructure construction business, infrastructure design business, dredging business and heavy machinery business increased by 22.5%, 15.1%, 12.2% and 121.4%, respectively, from 2010; while the gross profit from other businesses decreased by 4.4% from 2010. Gross profit margin for infrastructure construction business, infrastructure design business, dredging business, heavy machinery manufacturing business and other businesses in 2011 were 8.0%, 24.3%, 14.1%, 5.2% and 9.7%, respectively, as compared with 7.0%, 28.1%, 14.4%, 2.8% and 9.3% in 2010.

Mainly as a result of the growth in gross profit, operating profit in 2011 amounted to RMB16,218 million, representing an increase of RMB2,465 million, or 17.9%, from RMB13,753 million in 2010. Operating profit from infrastructure construction business, infrastructure design business, and dredging business increased by 20.8%, 14.0% and 3.2%, respectively, from 2010; operating profit from heavy machinery business amounted to RMB110 million in 2011, while operating loss of RMB956 million was recorded in 2010; operating profit from other businesses decreased by 51.6% from 2010.

For the year 2011, profit attributable to equity holders of the Company amounted to RMB11,767 million, representing an increase of RMB2,168 million, or 22.6%, from RMB9,599 million in 2010. For the year 2011, earnings per share of the Group was RMB0.79, as compared with RMB0.65 for the year 2010.

The following is a comparison of financial results between the years ended 31 December 2011 and 2010.

## Consolidated Results of Operations

### Revenue

Revenue in 2011 increased by 7.9% to RMB294,281 million, from RMB272,734 million in 2010. The growth was mainly attributable to the increases in the revenue from the infrastructure construction business, infrastructure design business, dredging business and heavy machinery manufacturing business, amounting to RMB14,106 million, RMB3,744 million, RMB4,208 million and RMB2,945 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 6.6%, 33.2%, 15.0% and 17.1%, respectively. Meanwhile, revenue from other businesses decreased by RMB664 million, or 9.1% from 2010.

## Consolidated Results of Operations (Continued)

### Cost of Sales and Gross Profit

Cost of sales in 2011 amounted to RMB266,374 million, representing an increase of RMB16,887 million, or 6.8%, from RMB249,487 million in 2010. Increases in cost of sales from infrastructure construction business, infrastructure design business, dredging business and heavy machinery manufacturing business amounted to RMB10,755 million, RMB3,267 million, RMB3,713 million and RMB2,366 million (all before elimination of inter-segment transactions), respectively, representing an increase of 5.4%, 40.3%, 15.4% and 14.1%, respectively. Meanwhile, for the year 2011, cost of sales from other businesses decreased by RMB634 million, or 9.5% from 2010.

Cost of sales consisted mainly of cost of raw materials and consumables used, subcontracting cost, employee benefits and rental. For the year 2011, the growth rate of cost of sales was lower than that of revenue, mainly attributable to the lower increase in cost of raw materials and consumables used, as well as the decrease in rental cost, which was then partially offset by the faster increase in subcontracting cost and employee benefits. In 2011, cost of raw materials and consumables used, subcontracting cost and employee benefits increased by 3.1%, 14.9% and 21.4% from 2010, respectively, while rental cost decreased by 5.7% from 2010.

As a result, gross profit in 2011 amounted to RMB27,907 million, representing an increase of RMB4,660 million, or 20.0%, from RMB23,247 million in 2010. Gross profit margin increased to 9.5% in 2011 from 8.5% in 2010, primarily due to the increase in gross profit margin of infrastructure construction business.

### Operating Profit

Operating profit in 2011 amounted to RMB16,218 million, representing an increase of RMB2,465 million, or 17.9%, from RMB13,753 million in 2010. The increase was mainly due to the increase in gross profit.

For the year 2011, operating profit from infrastructure construction business, infrastructure design business, dredging business increased by RMB1,850 million, RMB243 million and RMB116 million (all before elimination of inter-segment transactions and unallocated costs), respectively, representing a growth rate of 20.8%, 14.0% and 3.2%, respectively; operating result from heavy machinery manufacturing business increased by RMB1,066 million (before elimination of inter-segment transactions and unallocated costs), from the operating loss in 2010; operating profit from other businesses decreased by RMB177 million, or 51.6% (before elimination of inter-segment transactions and unallocated costs) from 2010.

Operating profit margin increased to 5.5% in 2011 from 5.0% in 2010.

### Finance Income

Finance income in 2011 amounted to RMB1,993 million, representing an increase of RMB1,285 million from RMB708 million in 2010, mainly due to gain on debt restructuring of Iraq loans and increased interest income from bank deposits.

## Consolidated Results of Operations (Continued)

### Finance Costs, net

Net finance costs in 2011 amounted to RMB3,355 million, representing an increase of RMB859 million, or 34.4%, from RMB2,496 million in 2010. This increase of finance cost was primarily attributable to the increase in the volume of borrowings, as well as the increase in market interest rate.

### Share of Profit of Jointly Controlled Entities

Share of profit from jointly controlled entities in 2011 amounted to RMB75 million, as compared with RMB38 million in 2010.

### Share of Profit of Associates

Share of the profit of associates in 2011 amounted to RMB98 million, as compared with RMB78 million in 2010.

### Profit before Income Tax

As a result of the foregoing factors, profit before income tax in 2011 amounted to RMB15,029 million, representing an increase of RMB2,948 million, or 24.4%, from RMB12,081 million in 2010.

### Income Tax Expense

Income tax expense in 2011 amounted to RMB3,046 million, representing an increase of RMB603 million, or 24.7%, from RMB2,443 million in 2010. Effective tax rate for the Group in 2011 increased slightly to 20.3% from 20.2% in 2010.

### Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests in 2011 amounted to RMB216 million, representing an increase of RMB177 million, or 453.8%, from RMB39 million in 2010, mainly attributable to the change from loss to profit of ZPMC, which is a non-wholly-held subsidiary of the Company.

### Profit Attributable to Equity Holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company in 2011 amounted to RMB11,767 million, representing an increase of RMB2,168 million, or 22.6%, from RMB9,599 million in 2010.

Profit margin with respect to profit attributable to equity holders of the Company was 4.0% in 2011, as compared with 3.5% in 2010.

## Discussion of Segment Operations

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for the years ended 31 December 2011 and 2010.

| | Revenue | | Gross Profit | | Gross Profit Margin | | Operating Profit/(loss) [1] | | Operating Profit Margin | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Year ended 31 December | | Year ended 31 December | | Year ended 31 December | | Year ended 31 December | | Year ended 31 December | |
| **Business** | **2011 (RMB million)** | 2010 (RMB million) | **2011 (RMB million)** | 2010 (RMB million) | **2011 (%)** | 2010 (%) | **2011 (RMB million)** | 2010 (RMB million) | **2011 (%)** | 2010 (%) |
| Infrastructure Construction | **227,068** | 212,962 | **18,215** | 14,864 | **8.0** | 7.0 | **10,762** | 8,912 | **4.7** | 4.2 |
| % of total | **75.4** | 76.9 | **64.8** | 64.0 | **–** | – | **64.4** | 65.4 | **–** | – |
| Infrastructure Design | **15,008** | 11,264 | **3,641** | 3,164 | **24.3** | 28.1 | **1,984** | 1,741 | **13.2** | 15.5 |
| % of total | **5.0** | 4.1 | **13.0** | 13.6 | **–** | – | **11.9** | 12.8 | **–** | – |
| Dredging | **32,321** | 28,113 | **4,548** | 4,053 | **14.1** | 14.4 | **3,700** | 3,584 | **11.4** | 12.7 |
| % of total | **10.7** | 10.2 | **16.2** | 17.4 | **–** | – | **22.1** | 26.3 | **–** | – |
| Heavy Machinery Manufacturing | **20,166** | 17,221 | **1,056** | 477 | **5.2** | 2.8 | **110** | (956) | **0.5** | (5.6) |
| % of total | **6.7** | 6.2 | **3.8** | 2.1 | **–** | – | **0.7** | (7.0) | **–** | – |
| Other businesses | **6,665** | 7,329 | **648** | 678 | **9.7** | 9.3 | **166** | 343 | **2.5** | 4.7 |
| % of total | **2.2** | 2.6 | **2.2** | 2.9 | **–** | – | **0.9** | 2.5 | **–** | – |
| **Subtotal** | **301,228** | 276,889 | **28,108** | 23,236 | **–** | – | **16,722** | 13,624 | **–** | – |
| Intersegment elimination and unallocated (costs)/profit | **(6,947)** | (4,155) | **(201)** | 11 | **–** | – | **(504)** | 129 | **–** | – |
| **Total** | **294,281** | 272,734 | **27,907** | 23,247 | **9.5** | 8.5 | **16,218** | 13,753 | **5.5** | 5.0 |

*(1) Total operating profit/(loss) represents the total of segment profit less unallocated costs or add unallocated profit.*

## Discussion of Segment Operations (Continued)

### Infrastructure Construction Business

The financial information for the infrastructure construction business presented in this section is before elimination of inter-segment transactions and unallocated costs.

The following table sets out the principal profit and loss information for the infrastructure construction business for the years ended 31 December 2011 and 2010.

| | Years ended 31 December | |
|---|---|---|
| | **2011 (RMB million)** | 2010 *(RMB million)* |
| Revenue | **227,068** | 212,962 |
| Cost of sales | **(208,853)** | (198,098) |
| Gross profit | **18,215** | 14,864 |
| Selling and marketing expenses | **(68)** | (52) |
| Administrative expenses | **(8,079)** | (6,466) |
| Other income, net | **694** | 566 |
| Segment result | **10,762** | 8,912 |
| Depreciation and amortisation | **3,624** | 3,068 |

**Revenue.** Revenue from the infrastructure construction business in 2011 was RMB227,068 million, representing an increase of RMB14,106 million, or 6.6%, as compared with RMB212,962 million in 2010, primarily attributable to the increase in the aggregate value of projects undertaken by the Group, driven by the increased demand for the Group's services as a result of the growth in infrastructure expenditure by the Group's domestic and overseas customers. The value of new contracts entered into for the infrastructure construction business in 2011 was RMB364,671 million, representing an increase of RMB30,562 million, or 9.1%, as compared with RMB334,109 million in 2010. No single project accounted for more than 5% of the Group's total revenue in 2011 or 2010.

**Cost of sales and gross profit.** Cost of sales for the infrastructure construction business in 2011 was RMB208,853 million, representing an increase of RMB10,755 million, or 5.4%, as compared with RMB198,098 million in 2010. Cost of sales as a percentage of revenue decreased to 92.0% in 2011 from 93.0% in 2010.

Gross profit from the infrastructure construction business in 2011 grew by RMB3,351 million, or 22.5%, to RMB18,215 million from RMB14,864 million in 2010. Gross profit margin increased to 8.0% in 2011 from 7.0% in 2010, mainly attributable to the enhanced project management of the Group, as well as better structure of infrastructure construction business, in which projects with higher gross profit margin, such as overseas projects, BOT & BT projects and port construction projects, are getting higher proportions.

## Discussion of Segment Operations (Continued)

### Infrastructure Construction Business (Continued)

**Selling and marketing expenses.** Selling and marketing expenses for the infrastructure construction business in 2011 were RMB68 million, representing an increase of RMB16 million as compared with RMB52 million in 2010.

**Administrative expenses.** Administrative expenses for the infrastructure construction business in 2011 were RMB8,079 million, representing an increase of RMB1,613 million, or 24.9%, as compared with RMB6,466 million in 2010, mainly attributable to increase in expenses on research and development, as well as increase in per capita cost of administrative staff. Administrative expenses as a percentage of revenue increased to 3.6% in 2011 from 3.0% in 2010.

**Other income, net.** Other net income for the infrastructure construction business was RMB694 million in 2011, as compared with RMB566 million in 2010.

**Segment result.** As a result of the above, segment result for the infrastructure construction business in 2011 was RMB10,762 million, representing an increase of RMB1,850 million, or 20.8%, as compared with RMB8,912 million in 2010. Segment result margin increased to 4.7% in 2011 from 4.2% in 2010.

### Infrastructure Design Business

The financial information for the infrastructure design business presented in this section is before elimination of inter-segment transactions and unallocated costs.

The following table sets out the principal profit and loss information for infrastructure design business for the years ended 31 December 2011 and 2010.

| | **Years ended 31 December** | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Revenue | **15,008** | 11,264 |
| Cost of sales | **(11,367)** | (8,100) |
| Gross profit | **3,641** | 3,164 |
| Selling and marketing expenses | **(139)** | (107) |
| Administrative expenses | **(1,567)** | (1,346) |
| Other income, net | **49** | 30 |
| Segment result | **1,984** | 1,741 |
| Depreciation and amortisation | **185** | 170 |

**Revenue.** Revenue from the infrastructure design business in 2011 was RMB15,008 million, representing an increase of RMB3,744 million, or 33.2%, as compared with RMB11,264 million in 2010. This growth was primarily attributable to the increase in the aggregate value of design contracts, including comprehensive contracts, which was in turn driven by growing infrastructure expenditure by the Group's domestic and overseas customers as well as higher demand for the Group's specialised design skills and experience in complex projects. The value of new contracts entered into for the infrastructure design business in 2011 was RMB22,943 million, representing an increase of RMB8,113 million, or 54.7%, as compared with RMB14,830 million in 2010.

## Discussion of Segment Operations (Continued)

### Infrastructure Design Business (Continued)

**Cost of sales and gross profit.** Cost of sales for the infrastructure design business in 2011 was RMB11,367 million, representing an increase of RMB3,267 million, or 40.3%, as compared with RMB8,100 million in 2010. Cost of sales as a percentage of revenue increased to 75.7% in 2011 from 71.9% in 2010.

Gross profit from the infrastructure design business in 2011 was RMB3,641 million, representing an increase of RMB477 million, or 15.1%, as compared with RMB3,164 million in 2010. Gross profit margin decreased to 24.3% in 2011 from 28.1% in 2010, primarily due to the increased proportion of revenue generated from comprehensive contracts, which have lower gross profit margin.

**Selling and marketing expenses.** Selling and marketing expenses for the infrastructure design business in 2011 were RMB139 million, representing an increase of RMB32 million as compared with RMB107 million in 2010.

**Administrative expenses.** Administrative expenses for the infrastructure design business in 2011 were RMB1,567 million, representing an increase of RMB221 million, or 16.4%, as compared with RMB1,346 million in 2010. Administrative expenses as a percentage of revenue decreased to 10.4% in 2011 from 11.9% in 2010.

**Other income, net.** Other net income for the infrastructure design business in 2011 was RMB49 million, as compared with RMB30 million in 2010.

**Segment result.** As a result of the above, segment result for the infrastructure design business in 2011 was RMB1,984 million, representing an increase of RMB243 million, or 14.0%, as compared with RMB1,741 million in 2010. Segment result margin decreased to 13.2% in 2011 from 15.5% in 2010.

### Dredging Business

The financial information for the dredging business presented in this section is before elimination of inter-segment transactions and unallocated costs.

The following table sets out the principal profit and loss information for the dredging business for the years ended 31 December 2011 and 2010.

| | **Years ended 31 December** | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Revenue | **32,321** | 28,113 |
| Cost of sales | **(27,773)** | (24,060) |
| Gross profit | **4,548** | 4,053 |
| Selling and marketing expenses | **(22)** | (37) |
| Administrative expenses | **(1,260)** | (1,047) |
| Other income, net | **434** | 615 |
| Segment result | **3,700** | 3,584 |
| Depreciation and amortisation | **1,246** | 1,108 |

## Discussion of Segment Operations (Continued)

### Dredging Business (Continued)

**Revenue.** Revenue from the dredging business in 2011 was RMB32,321 million, representing an increase of RMB4,208 million, or 15.0%, as compared with RMB28,113 million in 2010. The revenue growth was primarily attributable to increased port development activities and coastal line reclamation activities in the PRC, which led to increased demand for the Group's dredging services. The value of new contracts entered into for the dredging business in 2011 was RMB37,539 million, representing an increase of RMB3,117 million, or 9.1%, as compared with RMB34,422 million in 2010.

**Cost of sales and gross profit.** Cost of sales for the dredging business in 2011 was RMB27,773 million, representing an increase of RMB3,713 million, or 15.4%, as compared with RMB24,060 million in 2010. Cost of sales as a percentage of revenue for the dredging business in 2011 was 85.9%, as compared with 85.6% in 2010.

Gross profit from the dredging business in 2011 was RMB4,548 million, representing an increase of RMB495 million or 12.2%, as compared with RMB4,053 million in 2010. Gross profit margin for the dredging business decreased slightly to 14.1% in 2011 from 14.4% in 2010, primarily attributable to the increased cost of certain projects.

**Selling and marketing expenses.** Selling and marketing expenses for the dredging business in 2011 were RMB22 million, representing a decrease of RMB15 million from RMB37 million in 2010.

**Administrative expenses.** Administrative expenses for the dredging business in 2011 were RMB1,260 million, representing an increase of RMB213 million, or 20.3%, as compared with RMB1,047 million in 2010. Administrative expenses as a percentage of revenue slightly increased to 3.9% in 2011 from 3.7% in 2010.

**Other income, net.** Other net income for the dredging business in 2011 was RMB434 million, representing a decrease of RMB181 million from RMB615 million in 2010, primarily attributable to the fact that in 2010, certain subsidiaries disposed some available-for-sale financial assets at gain.

**Segment result.** As a result of the above, segment result for the dredging business in 2011 was RMB3,700 million, representing an increase of RMB116 million, or 3.2%, as compared with RMB3,584 million in 2010. Segment result margin decreased to 11.4% in 2011 from 12.7% in 2010.

## Discussion of Segment Operations (Continued)

### Heavy Machinery Manufacturing Business

The financial information for the heavy machinery manufacturing business presented in this section is before elimination of inter-segment transactions and unallocated costs.

The following table sets out the principal profit and loss information for the heavy machinery manufacturing business for the years ended 31 December 2011 and 2010.

| | Years ended 31 December | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Revenue | **20,166** | 17,221 |
| Cost of sales | **(19,110)** | (16,744) |
| Gross profit | **1,056** | 477 |
| Selling and marketing expenses | **(113)** | (107) |
| Administrative expenses | **(1,397)** | (1,100) |
| Other income/(expenses), net | **564** | (226) |
| Segment result | **110** | (956) |
| Depreciation and amortisation | **1,375** | 1,342 |

**Revenue.** Revenue from the heavy machinery manufacturing business in 2011 was RMB20,166 million, representing an increase of RMB2,945 million, or 17.1%, as compared with RMB17,221 million in 2010. This increase was primarily attributable to the growing demand for offshore heavy machinery products and vessels, as well as the gradual recovery in global port machinery market. The value of new contracts entered into for the heavy machinery manufacturing business in 2011 was RMB26,668 million, representing an increase of RMB5,015 million, or 23.2%, as compared with RMB21,653 million in 2010.

**Cost of sales and gross profit.** Cost of sales for the heavy machinery manufacturing business in 2011 was RMB19,110 million, representing an increase of RMB2,366 million, or 14.1%, as compared with RMB16,744 million in 2010. Cost of sales as a percentage of revenue decreased to 94.8% in 2011 from 97.2% in 2010.

Gross profit from the heavy machinery manufacturing business in 2011 was RMB1,056 million, representing an increase of RMB579 million, or 121.4%, as compared with RMB477 million in 2010. Gross profit margin increased to 5.2% in 2011 from 2.8% in 2010. The increased gross profit margin was mainly attributable to the increased production volume, which led to the reduction in unit production costs, as well as that F&G's business had higher gross profit margin.

## Discussion of Segment Operations (Continued)

### Heavy Machinery Manufacturing Business (Continued)

**Selling and marketing expenses.** Selling and marketing expenses for the heavy machinery manufacturing business in 2011 were RMB113 million, representing a increase of RMB6 million from RMB107 million in 2010.

**Administrative expenses.** Administrative expenses for the heavy machinery manufacturing business in 2011 were RMB1,397 million, representing an increase of RMB297 million, or 27.0%, as compared with RMB1,100 million in 2010. Administrative expenses as a percentage of revenue for the heavy machinery manufacturing business was 6.9% in 2011, as compared with 6.4% in 2010, mainly due to increased expenses on research and development.

**Other income/(expenses), net.** Other net income for the heavy machinery manufacturing business in 2011 was RMB564 million, as compared with other net expense of RMB226 million in 2010, mainly due to gain from the disposal of equipments and properties.

**Segment result.** As a result of the above, segment result for the heavy machinery manufacturing business in 2011 was RMB110 million profit, as compared with operating loss of RMB956 million in 2010.

### Other Businesses

The financial information for the other businesses presented in this section is before elimination of inter-segment transactions and unallocated costs.

The following table sets out the revenue, cost of sales and gross profit information for the other businesses for the years ended 31 December 2011 and 2010.

| | **Years ended 31 December** | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Revenue | **6,665** | 7,329 |
| Cost of sales | **(6,017)** | (6,651) |
| Gross profit | **648** | 678 |

**Revenue.** Revenue from the other businesses in 2011 was RMB6,665 million, representing a decrease of RMB664 million, or 9.1%, as compared with RMB7,329 million in 2010, primarily attributable to lower revenue generated from freight forwarding services in our logistics business.

**Cost of sales and gross profit.** Cost of sales for the other businesses in 2011 was RMB6,017 million, representing a decrease of RMB634 million, or 9.5%, as compared with RMB6,651 million in 2010, also primarily attributable to the decrease in freight forwarding services in our logistics business. Cost of sales as a percentage of revenue slightly decreased from 90.7% in 2010 to 90.3% in 2011.

Gross profit from the other businesses in 2011 was RMB648 million, representing a decrease of RMB30 million, or 4.4%, as compared with RMB678 million in 2010. Gross profit margin increased to 9.7% in 2011 from 9.3% in 2010.

## Liquidity and Capital Resources

The Group's business requires a significant amount of working capital to finance the purchase of raw materials and to finance the engineering, construction and other work on projects before payment is received from clients. The Group historically met its working capital and other capital requirements principally from cash provided by operations, while financing the remaining of the Group's requirements primarily through borrowings. As at 31 December 2011, the Group had unutilised credit facilities in the amount of RMB193,259 million. The Group's access to financial markets since its public listing has provided additional financing flexibility. In March 2012, the Company successfully completed A-share initial public offering in Chinese domestic capital market and got listed in Shanghai Stock Exchange, which provides another financing platform for the Group.

### Cash Flow Data

The following table presents selected cash flow data from the Group's consolidated cash flow statements for the years ended 31 December 2011 and 2010.

| | **Years ended 31 December** | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Net cash generated from operating activities | **1,719** | 15,508 |
| Net cash used in investing activities | **(14,386)** | (15,376) |
| Net cash generated from financing activities | **19,143** | 4,989 |
| Net increase in cash and cash equivalents | **6,476** | 5,121 |
| Cash and cash equivalents at beginning of year | **38,826** | 33,817 |
| Exchange losses on cash and cash equivalents | **(181)** | (112) |
| Cash and cash equivalents at end of year | **45,121** | 38,826 |

***Cash flow from operating activities***

During the year 2011, net cash generated from operating activities was RMB1,719 million as compared with RMB15,508 million in 2010, which is primarily attributable to changes in working capital, in particular, due to larger increase in contract work-in-progress. Contract work-in-progress increased by RMB10,581 million during 2011, as compared with the amount of increase of RMB147 million during 2010. Also, trade and other payables and trade and other receivables increased by RMB15,030 million and RMB19,662 million during 2011, as compared with the amount of increase of RMB27,094 million and RMB23,954 million during 2010.

## Liquidity and Capital Resources (Continued)

### Cash Flow Data (Continued)

***Cash flow from investing activities***

Net cash used in investing activities in 2011 was RMB14,386 million as compared with RMB15,376 million in 2010. The decrease of RMB990 million, or 6.4%, was primarily attributable to the decrease in purchases of property, plant and equipment, which was then offset by the increase in purchases of intangible assets.

In 2011, the Group's purchases of property, plant and equipment, amounted to RMB7,117 million, representing a decrease of RMB1,285 million from RMB8,402 million in 2010, mainly due to the decrease in purchases of property, plant and equipment in heavy machinery manufacturing business. Purchases of intangible assets in 2011 amounted to RMB8,034 million, representing an increase of RMB3,095 million from 2010, mainly due to the increase of investment in BOT projects.

***Cash flow from financing activities***

Net cash generated from financing activities in 2011 was RMB19,143 million, representing an increase of RMB14,154 million from RMB4,989 million in 2010, primarily attributable to the impact of the increase in proceeds from borrowings of RMB19,090 million, which was then partially offset by the increase in repayment of borrowings of RMB3,175 million.

### Capital Expenditure

The Group's capital expenditure principally comprises expenditure from investment in BOT projects, purchases of machinery, equipments and vessels, and the building of plants. The following table set forth the Group's capital expenditure by business for the years ended 31 December 2011 and 2010.

| | **Years ended 31 December** | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Infrastructure Construction Business | **13,967** | 11,682 |
| — BOT projects | **8,879** | 5,132 |
| Infrastructure Design Business | **293** | 250 |
| Dredging Business | **2,832** | 3,052 |
| Heavy Machinery Manufacturing Business | **896** | 2,216 |
| Other | **31** | 49 |
| Total | **18,019** | 17,249 |

Capital expenditure in 2011 was RMB18,019 million, as compared with RMB17,249 million in 2010. The increase of RMB770 million or 4.5% was primarily attributable to the increase of capital expenditure in infrastructure construction business.

## Liquidity and Capital Resources (Continued)

### Working Capital

***Trade and bills receivables and trade and bills payables***

The following table sets forth the turnover of the Group's average trade and bills receivables and average trade and bills payables for the years ended 31 December 2011 and 2010.

| | Years ended 31 December | |
|---|---|---|
| | **2011 (Number of days)** | 2010 (Number of days) |
| Turnover of average trade and bills receivables[1] | **61** | 57 |
| Turnover of average trade and bills payables[2] | **119** | 101 |

*(1) Average trade and bills receivables equals trade and bills receivables net of provisions at the beginning of the year plus trade and bills receivables net of provisions at the end of the year divided by 2. Turnover of average trade and bills receivables (in days) equals average trade and bills receivables divided by revenue and multiplied by 365.*

*(2) Average trade and bills payables equals trade and bills payables at the beginning of the year plus trade and bills payables at the end of the year divided by 2. Turnover of average trade and bills payables (in days) equals average trade and bills payables divided by cost of sales and multiplied by 365.*

The following table sets forth an ageing analysis of trade and bills receivables as at 31 December 2011 and 2010.

| | As at 31 December | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Within 6 months | **42,297** | 39,840 |
| 6 months to 1 year | **5,126** | 5,122 |
| 1 year to 2 years | **3,959** | 2,374 |
| 2 years to 3 years | **912** | 1,051 |
| Over 3 years | **1,050** | 919 |
| Total | **53,344** | 49,306 |

The Group's credit terms with its customers for the year ended 31 December 2011 remained the same as that for the year ended 31 December 2010. Management closely monitors the recovery of the Group's overdue trade and bills receivables on a regular basis, and, when appropriate, provides for impairment of these trade and bills receivables. As at 31 December 2011, the Group had a provision for impairment of RMB2,440 million, as compared with RMB2,117 million as at 31 December 2010.

## Liquidity and Capital Resources (Continued)

### Working Capital (Continued)

***Trade and bills receivables and trade and bills payables*** (Continued)

The following table sets forth an ageing analysis of trade and bills payables as at 31 December 2011 and 2010.

| | As at 31 December | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Within 1 year | **89,257** | 74,455 |
| 1 year to 2 years | **5,118** | 3,159 |
| 2 years to 3 years | **880** | 710 |
| Over 3 years | **430** | 246 |
| Total | **95,685** | 78,570 |

The Group's credit terms with its suppliers for the year ended 31 December 2011 remained the same as that for the year ended 31 December 2010. Payments to suppliers and subcontractors may be delayed as a result of delays in settlement from the Group's customers. Nevertheless, there have been no material disputes arising from the non-timely payment of outstanding balances under the Group's supplier contracts or contracts with subcontractors.

### Retentions

The following table sets forth the fair value of the retentions as at 31 December 2011 and 2010.

| | As at 31 December | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Current | **10,412** | 7,344 |
| Non-current | **15,755** | 12,006 |
| Total | **26,167** | 19,350 |

## Indebtedness

### Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2011 and 2010.

| | As at 31 December | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Within 1 year | **54,289** | 42,760 |
| Between 1 year and 2 years | **9,386** | 6,561 |
| Between 2 years and 5 years | **19,273** | 12,308 |
| Wholly repayable within 5 years | **82,948** | 61,629 |
| Over 5 years | **23,097** | 19,700 |
| Total borrowings | **106,045** | 81,329 |

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Hong Kong dollars, Japanese Yen and Euro. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 31 December 2011 and 2010.

| | As at 31 December | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Renminbi | **87,417** | 64,061 |
| U.S. dollar | **15,749** | 15,706 |
| Euro | **1,145** | 153 |
| Japanese yen | **865** | 541 |
| Hong Kong dollar | **785** | 864 |
| Others | **84** | 4 |
| Total borrowings | **106,045** | 81,329 |

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt. The Group's gearing ratio, calculated as net debt divided by total capital, as at 31 December 2011 was 42.9%, as compared with 36.5% as at 31 December 2010.

## Indebtedness (Continued)

### Contingent Liabilities

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business:

| | As at 31 December | |
|---|---|---|
| | **2011 (RMB million)** | 2010 (RMB million) |
| Pending lawsuits[(1)] | **617** | 510 |
| Outstanding loan guarantees[(2)] | **268** | 598 |
| Total | **885** | 1,108 |

*(1) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for above pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuit in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.*

*(2) The Group has acted as the guarantor for various external borrowings made by certain jointly controlled entities of the Group and certain third party entities. As at 31 December 2011, the decrease in outstanding loan guarantees was mainly due to the fact that the Group was previously acted as the guarantor for a jointly controlled entity who had the outstanding loan of RMB330 million. The additional equity interest of the jointly controlled entity was acquired by the Group so it became a subsidiary of the Group in 2011.*

## Market Risks

The Group is exposed to various types of market risks, including changes in interest rate risks and foreign exchange risks in the normal course of business.

### Marco-economy Risk

The Group's businesses are closely related to the development of macro-economy, especially for infrastructure design, infrastructure construction and heavy machinery manufacturing business, of which the industry development is subject to the effects of macroeconomic factors including investment scale of social fixed assets and the process of urbanization.

In recent years, the national economy has kept a rapid growth and the global economy has gradually come out of the shadow of financial crisis and is in the process of recovering. However, the possibility of periodic fluctuations of macro-economy cannot be eliminated. If the global macro-economy is in the down cycle or the national economic growth speed significantly slows down, there will be a gliding risk in the operation performance of the Group.

## Market Risks (Continued)

### Market Risk

The Group conducts its business in over 80 countries and regions, with major overseas business in Africa, Middle East, South America and Southeast Asia. Due to various factors, the political and economic conditions in Africa and Middle East are usually subject to uncertainty. If the political and economic conditions of such countries and regions change adversely, or there are frictions or disputes in the diplomatic and economic relations among the PRC government and governments of such relevant countries and regions, the overseas business of the Group in such countries and regions would be exposed to certain risks.

### Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly due to the Group's borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2011, approximately RMB66,101 million (as at 31 December 2010: RMB44,519 million) of the Group's borrowings were at variable rates.

### Foreign exchange risk

The Group's functional currency of majority of the entities within the Group is Renminbi with most of the Group's transactions settled in Renminbi. The Group uses, however, foreign currencies to settle the Group's invoices from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. In addition, the Group generates revenue from certain construction contracts denominated in foreign currencies and a significant proportion of the Group's bank borrowings are denominated in foreign currencies, particularly the U.S. dollar, Euro, Hong Kong dollar and Japanese Yen. Renminbi is not freely convertible into other foreign currencies and conversion of the Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against U.S. dollar. As at 31 December 2011, Renminbi had appreciated by approximately 30% against U.S. dollar since July 2005. The PRC government may in the future make further adjustments to the exchange rate system. When Renminbi appreciates, the value of foreign currency denominated assets will decline against Renminbi.

Fluctuations in foreign exchange currency rates could adversely affect the Group by decreasing any revenues from the Group's sales on contracts which are denominated in foreign currencies and increasing the Group's borrowings which are denominated in foreign currencies.

During the years ended 31 December 2011 and 2010, certain subsidiaries within the Group used foreign currency forward contracts for transactions with domestic and overseas banks, to hedge the Group's exposure to foreign currency risk on individual transactions primarily vis-a-vis U.S. dollar, Euro, Japanese Yen, and Korean Won.

# *Xianning Tongcheng-Jieshang Expressway in Hubei*

A convenient channel connecting Beijing-Hong Kong-Macau Expressway and Hangzhou-Ruili Expressway. The investment is estimated to approximately RMB1,194 million with three-year construction and 30-year concession period.

# Report of the Board of Directors

The Board of Directors (the "Board") of the Company is pleased to present its report together with the audited consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2011.

## Principal Business

We are a leading transportation infrastructure group in the PRC and are principally engaged in the infrastructure construction, infrastructure design, dredging and heavy machinery manufacturing businesses.

## Results

Results of the Group for the year ended 31 December 2011 and the financial position of the Company and the Group as at 31 December 2011 are set out in the audited consolidated financial statements in this annual report.

## Dividends

On 26 March 2012, the Board recommended a final dividend of RMB0.1794 (including tax) per share (amounting to approximately RMB2,902 million in total) for the year ended 31 December 2011. The recommended final dividends are subject to shareholders' approval at the annual general meeting to be held on 6 June 2012. As approved on the extraordinary general meeting of the Company and the foreign shareholders' class meeting, both held on 25 March 2011, the recommended final dividends distribution will be made based on the Company's entire issued share capital of 16,174,735,425 shares after A Share offering. The final dividends are expected to be paid to shareholders whose names appear on the register of members of the Company on 17 June 2012. The register of members will be closed from 12 June 2012 to 17 June 2012 (both days inclusive), during which period no transfers will be registered.

Dividends will be denominated and declared in Renminbi and will be paid to holders of H Shares in Hong Kong dollars. The relevant exchange rate is determined at RMB0.80925 equivalent to HK$1.00 as the middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on the date when such dividends were declared.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and in line with the market practice regarding dividend distribution for A Shares, the Company will publish a separate announcement in respect of its final dividends distribution for A Shares after the Company's annul general meeting for 2011, which, among others, will set out the record date and ex-rights date of dividend distribution for A Shares.

## Dividends (Continued)

Pursuant to relevant laws and regulations including the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and the Regulations for the implementation of the Law of the People's Republic of China on Individual Income Tax (中華人民共和國個人所得稅法實施條例》), and the letter dated 28 June 2011 from the State Administration of Taxation to the Inland Revenue Department of Hong Kong, as a withholding agent, the Company is required to withhold and pay the individual income tax at the tax rate of 10% in general on behalf of the Individual H Shareholders. For Individual H Shareholders who are citizens from countries under agreements to be entitled to tax rates lower than 10%, the Company can process applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to relevant regulations, and upon approval by the tax authorities, over withheld tax amounts will be refunded. For Individual H Shareholders receiving dividends who are citizens from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the Company will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and no application procedures will be necessary. For Individual H Shareholders receiving dividends who are citizens from countries without taxation agreements with the PRC or are under other situations, the Company will withhold the individual income tax at a tax rate of 20% when distributing dividends.

For the non-resident enterprise shareholders of the Company, pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and the Regulations for the implementation of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), the Company shall continue to withhold and pay 10% enterprise income tax when the Company distributes the 2011 final dividend to non-resident enterprise shareholders whose names appear on the Company's H share register of members in accordance with its previous practice.

The Company will withhold for payment of the income tax strictly in accordance with the relevant laws or requirements of the relevant government departments and strictly based on what has been registered on the Company's register of members for H shares on 17 June 2012. Investors and potential investors in the H shares of the Company are recommended to consult their professional tax advisors if they are in any doubt as to the implications of the above mechanism of withholding, and the Company does not accept responsibility for any effect the above mechanism of withholding may have on any person.

## Share Capital

The share capital of the Company in issue as fully paid or credited as fully paid as at 31 December 2011 was RMB14,825,000,000 divided into 14,825,000,000 shares with a nominal value of RMB1.00 each. As at 31 December 2011, the share capital structure of the Company was as follows:

| | As at 31 December 2011 | |
|---|---|---|
| Class of shares | Number of shares | Percentage of total issued share capital |
| Domestic shares | 10,397,500,000 | 70.13% |
| H shares | 4,427,500,000 | 29.87% |

The share capital of the Company remains unchanged during the year of 2011. On 30 January 2012, China Securities Regulatory Commission issued the approval document (Zheng Jian Xu Ke [2012] No. 125) and approved the Company's initial public offering of ordinary shares (A shares). New shares issued by the Company that were not subject to trading restrictions were listed for trading on Shanghai Stock Exchange on 9 March 2012. The following table shows the structure of the share capital of the Company immediately before and after the A share offering:

## Share Capital (Continued)

| | | Shareholding structure | | | |
|---|---|---|---|---|---|
| | | Immediately before the A share issue | | Immediately after the A share issue | |
| No. | Item | Number of share | Percentage | Number of share | Percentage |
| 1 | Domestic Share | | | | |
| | (a) CCCG | 10,397,500,000 | 70.13% | – | – |
| 2 | A Share | | | | |
| | (a) CCCG | – | – | 10,304,907,407 | 63.72% |
| | (b) other A Share Shareholders | – | – | 1,442,328,018 | 8.91% |
| 3 | H Share | 4,427,500,000 | 29.87% | 4,427,500,000 | 27.37% |
| | **Total** | **14,825,000,000** | **100.00%** | **16,174,735,425** | **100.00%** |

## Use of Proceeds from the Company's Initial Public Offering

The net proceeds from the Company's issue of H shares at the time of its listing on the Stock Exchange in December 2006 amounted to approximately RMB17,878 million. All the proceeds have been used as at 31 December 2011 in accordance with the proposed plans as set out in the Company's listing prospectus.

The net proceed from the Company's issue of A shares at the time of its listing on the Shanghai Stock Exchange in March 2012 amounted to approximately RMB4,864 million.

## Public Float

As at the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and as agreed with the Stock Exchange.

## Directors, Supervisors and Senior Management of the Company

The following table sets out certain information concerning the Directors and senior management of the Company as at the date of this annual report.

On 13 May 2011, Ms. Wendy Kam resigned as one of the Joint Company Secretaries of the Company because Mr. Liu Wensheng has met the requirements of company secretary under Rule 8.17(3) and 19A.16 of the Listing Rules. The Company had made an announcement in respect of this on 13 May 2011. The Company would like to take this opportunity to thank Ms. Wendy Kam for her contribution to the Company during her service period.

## Directors, Supervisors and Senior Management of the Company (Continued)

| Name | Age | Position in the Company | Date of Appointment |
|---|---|---|---|
| ZHOU Jichang | 61 | Executive Director and Chairman of the Board | 29 December 2009 |
| LIU Qitao | 54 | Executive Director and President | 1 December 2010 appointed as President, 24 January 2011 appointed as Executive Director |
| FU Junyuan | 50 | Executive Director and Chief Financial Officer | 29 December 2009 |
| ZHANG Changfu | 66 | Non-executive Director | 29 December 2009 |
| LU Hongjun | 62 | Independent Non-executive Director | 29 December 2009 |
| YUAN Yaohui | 66 | Independent Non-executive Director | 29 December 2009 |
| ZOU Qiao | 65 | Independent Non-executive Director | 29 December 2009 |
| LIU Zhangmin | 62 | Independent Non-executive Director | 29 December 2009 |
| LEUNG Chong Shun | 46 | Independent Non-executive Director | 24 January 2011 |
| CHEN Yun | 48 | Vice President | 29 December 2009 |
| CHEN Yusheng | 56 | Vice President | 29 December 2009 |
| HOU Jinlong | 59 | Vice President | 29 December 2009 |
| CHEN Fenjian | 49 | Vice President | 29 December 2009 |
| ZHU Bixin | 46 | Vice President | 29 December 2009 |
| YANG Liqiang | 55 | Vice President | 29 December 2009 |
| LIU Wensheng | 51 | Secretary of the Board, Company Secretary and Chief Economist | 29 December 2009 |

The following table sets out certain information concerning the supervisors of the Company as at the date of this annual report:

| Name | Age | Position in the Company | Date of Appointment |
|---|---|---|---|
| LIU Xiangdong | 53 | Chairman of the Supervisory Committee | 18 June 2010 |
| XU Sanhao | 57 | Supervisor | 18 June 2010 |
| WANG Yongbin | 46 | Supervisor (representative of the employees) | 18 June 2010 |

The biographical details of the Directors, senior management and supervisors of the Company are set out in the "Profile of Directors, Supervisors and Senior Management" in this annual report.

## Independence of the Independent Non-executive Directors

The Company has confirmed its receipt of a confirmation from each of the Independent Non-executive Directors of the Company of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors to be independent.

## Board Committees

Committees under the Board include the audit committee, remuneration and appraisal committee, strategy committee and nomination committee. The composition of each committee is set out in the "Report on Corporate Governance Practices" in this annual report.

## Material Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2011, the interests or short positions of every person (other than Directors, Supervisors and chief executive of the Company) who have an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed by the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (the "SFO") are as follows:

| Name of shareholder | Number of shares held | Type of shares | Percentage of the respective type of shares (%) | Percentage of the total number of shares in issue (%) | Capacity in which the shares are held |
|---|---|---|---|---|---|
| China Communications Construction Group (Limited) | 10,397,500,000 | Domestic Shares | 100 | 70.13 | Beneficial Owner |
| Merrill Lynch (Asia Pacific) Limited | 525,000,000 | H Shares | 11.86 | 3.54 | Corporate Interest |
| | 528,912,000 (short position) | H Shares | 11.95 | 3.57 | Corporate Interest |
| Merrill Lynch Far East Limited | 525,000,000 | H Shares | 11.86 | 3.54 | Corporate Interest |
| | 528,912,000 (short position) | H Shares | 11.95 | 3.57 | Corporate Interest |
| Merrill Lynch International Holdings Inc. | 525,000,000 | H Shares | 11.86 | 3.54 | Corporate Interest |
| | 528,912,000 (short position) | H Shares | 11.95 | 3.57 | Corporate Interest |
| Merrill Lynch International Incorporated | 525,000,000 | H Shares | 11.86 | 3.54 | Corporate Interest |
| | 528,912,000 (short position) | H Shares | 11.95 | 3.57 | Corporate Interest |
| JPMorgan Chase & Co. | 224,618,426 | H Shares | 5.07 | 1.52 | Beneficial Owner/ Investment Manager/ Custodian corporation/ approved lending agent |
| | 24,337,849 (Short Position) | H Shares | 0.55 | 0.16 | Beneficial Owner |
| | 147,888,704 (Lending Pool) | H Shares | 3.34 | 1.00 | Custodian corporation/ approved lending agent |

Save as stated above, as at 31 December 2011, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

## Material Interests and Short Positions in Shares and Underlying Shares of the Company (Continued)

As at 31 December 2011, there were 20,561 H Shareholders as shown on the register of members of the Company. As at 8 March 2012, there were 241,552 A Shareholders. Particulars of the top 10 shareholders of the Company as at the opening business of 9 March 2012 were as follows:

| | Name of shareholder | Nature of shares held | Percentage | Number | number of share subject to trading restriction | number of shares pledged or frozen |
|---|---|---|---|---|---|---|
| 1 | CCCG | State-owned shares | 63.72 | 10,304,907,407 | 10,304,907,407 | – |
| 2 | HKSCC NOMINEES LIMITED note 1 | Foreign legal entities | 26.93 | 4,356,591,454 | unknown | unknown |
| 3 | National Council for Social Security Fund | State-owned shares | 0.57 | 92,592,593 | 92,592,593 | – |
| 4 | China Shipping Investment Co., Ltd. | others | 0.57 | 92,592,000 | 92,592,000 | – |
| 5 | Sany Heavy Industry Co., Ltd. | others | 0.34 | 55,555,000 | 55,555,000 | – |
| 6 | Shanghai Port & Shipping Equity Investment Co., Ltd. | others | 0.23 | 37,037,000 | 37,037,000 | – |
| 7 | CITIC Securities Co., Ltd. | others | 0.21 | 34,106,863 | 34,096,641 | – |
| 8 | BOC International (China) Limited | others | 0.21 | 34,096,642 | 34,096,642 | – |
| 9 | Guotai Junan Securities Co., Ltd. | others | 0.21 | 34,096,642 | 34,096,642 | – |
| 10 | China Construction Bank – E Fund akin Stable-Return-Bond Security Investment Fund | others | 0.16 | 25,400,000 | – | – |

*Note 1:* HKSCC NOMINEES LIMITED are holding H Shares of the Company on behalf of various shareholders of the Company.

## Directors and Supervisors Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2011, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares of equity derivatives or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 31 December 2011, the Company had not granted its Directors or Supervisors, chief executive or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for shares or debentures.

## Competing Business

None of the Directors of the Company, directly or indirectly, has any interest which constitutes or may constitute a competing business of the Company.

## Directors' Financial, Business and Family Relations

There are no relationships among the Directors of the Company, including financial, business, family or other material relationships.

## Directors and Supervisors Interests in Contracts

Except for Mr. Liu Qitao and Mr. Leung Chong Shun, all of the Directors and Supervisors has entered into a service contract with the Company for a term of three years and may be re-elected upon expiry of the term. The term of Mr. Liu Qitao and Mr. Leung Chong Shun's offices commenced upon the approval of the appointment by the shareholders on 24 January 2011 and shall end on the expiry of the term of the second session of the Board of Directors and they may be re-elected upon expiry of the term.

None of the Directors or Supervisors has any existing or proposed service contract with any member of the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

Apart from the service contracts with the Company or its subsidiaries (if applicable), in the year ended 31 December 2011, none of the Directors or Supervisors of the Company was materially interested, whether directly or indirectly, in any contract of significance to which the Company, its subsidiary or holding company or a subsidiary of the Company's holding company is a party.

## Emoluments of Directors, Supervisors and Senior Management

Please refer to Note 40 of the audited consolidated financial statements for details of the emoluments of the Directors, Supervisors and Senior Management of the Company in 2011.

The emoluments payable to the Directors, Supervisors and Senior Management are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and prevailing market rate.

## Purchase, Sale and Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the reporting period.

## Summary of Financial Information for the Last Five Years

The tables below set out a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2011.

### Consolidated Income Statement

| | **2011 RMB million** | 2010 RMB million | 2009 RMB million | 2008 RMB million | 2007 RMB million |
|---|---|---|---|---|---|
| Revenue | **294,281** | 272,734 | 226,920 | 178,889 | 150,601 |
| Gross profit | **27,907** | 23,247 | 21,705 | 17,858 | 15,568 |
| Profit before income tax | **15,029** | 12,081 | 10,314 | 9,831 | 9,623 |
| Profit for the year | **11,983** | 9,638 | 8,004 | 7,876 | 7,574 |
| **Attributable to:** | | | | | |
| – equity holders of the Company | **11,767** | 9,599 | 7,200 | 6,075 | 6,032 |
| – non-controlling interests | **216** | 39 | 804 | 1,801 | 1,542 |
| **Earnings per share for profit attributable to the equity holders of the Company** (expressed in RMB) | | | | | |
| – basic | **0.79** | 0.65 | 0.49 | 0.41 | 0.41 |
| – diluted | **0.79** | 0.65 | 0.49 | 0.41 | 0.41 |
| **Dividends** | **2,902** | 2,372 | 1,720 | 1,453 | 1,305 |

### Consolidated Balance Sheet

| | As at 31 December (RMB million) | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| Total assets | **358,780** | 310,633 | 264,058 | 218,098 | 167,397 |
| Total liabilities | **277,835** | 236,712 | 197,829 | 165,929 | 113,435 |
| Capital and reserves attributable to equity holders of the Company | **70,206** | 62,990 | 54,614 | 41,171 | 45,145 |
| Non-controlling interests | **10,739** | 10,931 | 11,615 | 10,998 | 8,817 |

*Notes:*

(a) The financial figures for the year 2010 and 2011 were extracted from the 2011 Consolidated Financial Statements.

(b) The financial figures for the year 2007 to 2009 were extracted from the 2010 annual report. No retrospective adjustment for adoption of IFRS 1 (Amendment) were made on the financial figures for the year 2007 to 2009.

## Bank Loans and Other Borrowings

Please refer to Note 24 of the audited consolidated financial statements for details of bank loans and other borrowings of the Group.

## Fixed Assets

Please refer to Note 6 of the audited consolidated financial statements for movements in the property, plant and equipment of the Group for the year ended 31 December 2011.

## Capitalised Interest

Please refer to Note 34 of the audited consolidated financial statements for details of the capitalised interest of the Group for the year ended 31 December 2011.

## Reserves

Please refer to Note 22 of the audited consolidated financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2011.

## Distributable Reserves

Distributable reserves of the Company as at 31 December 2011 amounted to approximately RMB3,936 million.

## Donations

For the year ended 31 December 2011, the Group made charitable and other donations in a total amount of approximately RMB10 million.

## Subsidiaries, Jointly Controlled Entities and Associates

Please refer to Notes 11, 12 and 45 of the audited consolidated financial statements for details of the Company's subsidiaries and the Group's interests in jointly controlled entities and associates as at 31 December 2011.

## Change in Equity

Please refer to Notes 20 and 22 of the audited consolidated financial statement for details of changes in equity.

## Retirement Benefits

Please refer to Note 26 of the audited consolidated financial statements for details of retirement benefits.

## Pre-emptive Rights

There are no provisions for pre-emptive rights in the Company's Articles of Association which require the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

## Major Customers and Suppliers

The diversified business structure of the Company had provided an extensive base of suppliers and customers with low concentration. There is no reliance of the Company on a single supplier or customer. As at 31 December 2011, the sales of the Group to the five largest customers amounted to RMB18,416 million, representing less than 30% of the Group's revenue; the aggregate purchase from the five largest suppliers by the Group amounted to RMB3,772 million, representing less than 30% of the Group's aggregate purchase for the year.

## Connected Transactions

During the year ended 31 December 2011, the Group did not enter into any connected transactions or continuing connected transactions which require the compliance with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A 'Connected Transactions' of the Hong Kong Listing Rules.

## Employees

As at 31 December 2011, the Group had 90,674 employees that had signed labor contracts with the Group. The Group was responsible for the expenses of 38,276 retired employees. The breakdown of employees as at 31 December 2011 was as follows:

### (a) categorised by major

| Major | Number | Percentage |
|---|---|---|
| Management | 27,715 | 30.57% |
| Specialist | 37,235 | 41.06% |
| Technician | 16,035 | 17.68% |
| Others | 9,689 | 10.69% |
| Total | 90,674 | 100.0% |

### (b) categorised by degree held

| Degree | Number | Percentage |
|---|---|---|
| Master and above | 4,606 | 5.08% |
| Bachelor | 40,027 | 44.14% |
| Junior college degree | 18,844 | 20.78% |
| Associate degree | 8,033 | 8.86% |
| Junior high school degree and other | 19,164 | 21.14% |
| Total | 90,674 | 100.0% |

## Employees (Continued)

In accordance with applicable regulations, the Group makes contributions to the employees' pension plan, medical insurance plan, unemployment insurance plan, maternity insurance plan and personal injury insurance plan. The amount of contributions is based on the specified percentages of employees' aggregate salaries as provided for by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides voluntary benefits to current employees and retired employees. Current employees of the Group are also entitled to performance-based annual bonuses.

## Compliance with Code on Corporate Governance Practices

Please see the section headed "Report on Corporate Governance Practices" set out in this annual report for details of our compliance with the Code on Corporate Governance Practices.

## A Share Issue

Pursuant to resolutions passed on the extraordinary general meeting of the Company and the foreign shareholders' class meeting, both held on 25 March 2011 and formal written approval granted by China Securities Regulatory Commission on 30 January 2012, the Company issued 1,349,735,425 ordinary shares in RMB ("A Shares") in it's A share initial public offering. As approved by Shanghai Stock Exchange, the Company's A Shares were listed and commenced trading on Shanghai Stock Exchange on 9 March 2012. The final offer price is RMB5.4 per A share and the stock code of the Company's A shares is 601800. The Company raised a total of approximately RMB4,864 million net proceeds through A-Share issuance after deducting relevant issue expenses. Please see the announcements published by the Company on the Hong Kong Stock Exchange for details of the A Share Issue.

## Material Legal Proceedings

As at 31 December 2011, as far as the Directors are aware, except as disclosed in Note 42 of the audited consolidated financial statements, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

## Auditors

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were appointed as the international and domestic auditors of the Company for the year ended 31 December 2011, respectively. PricewaterhouseCoopers has audited the accompanying financial statements, which have been prepared in accordance with International Financial Reporting Standards. The Company has retained PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company since the date of its listing of H shares on the Stock Exchange.

By order of the Board
**Zhou Jichang**
*Chairman*

Beijing, the PRC
26 March 2012

# The island and tunnel project of Hong Kong-Zhuhai-Macau Bridge

It is the mega cross-sea project involving integrated construction of bridge, island and tunnel. The photo below shows the offshore construction of the artificial island construction.

# Report of the Supervisory Committee

## 1. Work Performed by the Supervisory Committee

The second meeting of the second session of the Supervisory Committee was held on 23 February 2011 to consider the 2010 Report of the Supervisory Committee of the Company.

## 2. Independent Opinions of the Supervisory Committee on the Legal Compliance of the Operations of the Company

During the reporting period, through the supervision on the Directors and senior management of the Company, the Supervisory Committee was of the opinion that the Board operated in strict compliance with the Company Law, Securities Law, the Articles of Association and other relevant laws, regulations and requirements. Significant operational decisions made by the Company were reasonable and the procedures were legitimate and valid. To further regulate the operations, the Company established and refined its internal management system and internal control system. Directors and senior management of the Company had duly performed their duties with dedication, diligence and innovation in strict compliance with the laws and regulations of the state, the Articles of Association, resolutions of the shareholders' meeting and resolutions of the Board. The Supervisory Committee was not aware of any act of the Directors or senior management of the Company which was in violation of any laws, regulations and the Articles of Association or was detrimental to the interests of the Company and its shareholders.

## 3. Independent Opinions of the Supervisory Committee on the Review of the Financial Positions of the Company

Members of the Supervisory Committee examined and supervised the financial positions of the Company through the debriefing report of the responsible person of the financial department of the Company, review on the financial statements, regular reports of the Company, auditor's report issued by the external auditor and on-site investigation of material investments and financing projects resolved by the Board. The Supervisory Committee was of the opinion that the financial system of the Company was comprehensive and the expenses made were reasonable. The standard unqualified auditor's reports were issued by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company on the financial statements prepared in accordance with International Financial Reporting Standards and China Accounting Standards for Business Enterprises, respectively. The Supervisory Committee was of the opinion that the financial statements gave an objective, true and fair view of the financial positions and operating results of the Company for the year 2011 in accordance with relevant accounting standards.

## 4. Independent Opinions of the Supervisory Committee on Material Acquisition and Disposal of Assets of the Company

During the reporting period, the Supervisory Committee duly supervised the material acquisition, disposal of assets, merger and consolidation made by the Company and was of the opinion that the above activities had been conducted at fair prices in accordance with legal procedures. The Supervisory Committee was not aware of any circumstances that were detrimental to the interests of the shareholders or resulted in a dissipation of assets of the Company.

## 5. Independent Opinions of the Supervisory Committee on Related-Party/ Connected Transactions of the Company

During the reporting period, the Supervisory Committee duly supervised the related-party connected transactions of the Company and was of the opinion that all the related-party connected transactions made by the Company were in compliance with the rules and regulations under the Company Law, Securities Law, Rules of Shanghai Stock Exchange for the Listing of Stocks, and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; as well as the provisions under the Articles of Association and Rules for the Management of Connected Transactions of China Communications Construction Company Limited. All related-party connected transactions of the Company were conducted at fair market prices after thorough discussion and cautious decision-making by the Board and the management under the principle of making compensation for equal value. No acts were found to be in violation of open and fair principles and no acts were detrimental to the interests of the Company and the minority shareholders.

## 6. Review of the Supervisory Committee on the Self-assessment Report on Internal Control

During the reporting period, the Supervisory Committee of the Company reviewed the Self-assessment Report on Internal Control and considered that the Company had complied with the Company Law and relevant requirements of the China Securities Regulatory Commission and Shanghai Stock Exchange, upheld the basic principles of internal control, established and perfected the internal control system that covered every part of the Company's operations with reference to its actual conditions and ensured the orderly function of the Company's production and operation. Also, the Company has established a complete internal control structure that ensures the effective supervision and implementation of the Company's internal control system. In 2011, the Company's key internal control activities were regulated, conducted in compliance with the law and were valid without any instance of breaching the relevant requirements of the national securities regulatory authorities and the Company's internal control system. To summarise, the Supervisory Committee of the Company considered that the 2011 Self-assessment Report on Internal Control reflected the actual establishment, improvement and operation of the Company's internal control system in a comprehensive, objective and truthful manner and thus no dissenting opinion was given.

By order of the Supervisory Committee
**Liu Xiangdong**
*Chairman of the Supervisory Committee*

Beijing, the PRC
26 March 2012

# Tianjin Nangang Industrial Zone

The key functional area of Tianjin Binhai New Area with a total planned reclamation area of 220 square kilometers.

# Report on Corporate Governance Practices

## Overview

As a both H shares and A shares listed company, the Company operates in strict compliance with the requirements of the applicable laws, administrative regulations and regulatory documents, including the Company Law, the Securities Law and the relevant rules and regulations of the Hong Kong Stock Exchange in relation to corporate information disclosure, the management and services of investors' relations. In addition, the Company amended the Articles of Association and the related internal governance rules according to the requirements of the laws and regulations of the Code of Corporate Governance for Listed Companies, Rules for Shareholders' General Meetings of Listed Companies, the Guidelines for the Articles of Association of Listed Companies (as Amended in 2006) and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (as Amended in 2008). As a result, the Company has set up a corporate governance system that complies with the regulatory requirements for domestic listed companies and has further enhanced its corporate governance standard. During the reporting period, the Company had effectively implemented the corporate governance rules, including the Articles of Association, the Rules of Procedures for General Meetings, the Rules of Procedures for Board Meetings, the Working Manual of Independent Directors, the Rules of Procedures for the Supervisory Committee Meetings and the Working Rules of the President. The general meetings, Board meetings and Supervisory Committee meetings are convened independently and efficiently with their respective duties and obligations fully fulfilled.

## Compliance with the Code on Corporate Governance Practices

The Company is committed to upholding the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. The Board understands good corporate governance is crucial to enhancing investors' confidence in the Company as well as sustaining continued business growth of the Company. The Company complied with all provisions of the Code in 2011.

## The Board of Directors

### (1) Composition of the Board of Directors

As at 31 December 2011, the Board consists of nine Directors, including three Executive Directors, one Non-executive Director and five Independent Non-executive Directors; and members of the Board were as follows:

Chairman of the Board: Zhou Jichang

President: Liu Qitao

Executive Director: Zhou Jichang, Liu Qitao, Fu Junyuan

Non-executive Directors: Zhang Changfu

Independent Non-executive Directors: Lu Hongjun, Yuan Yaohui, Zou Qiao, Liu Zhangmin and Leung Chong Shun

The Company has appointed a sufficient number of Independent Non-executive Directors in compliance with Rule 3.10A of the Listing Rules which requires independent non-executive directors shall represent at least one-third of the board of a listed company.

The Company has received the confirmation on independence from each of the Independent Non-executive Directors for the year of 2011 and the Company considered each Independent Non-executive Director independent.

Pursuant to the Articles of Association of the Company, the term of office of Directors (including Independent Non-executive Directors) is three years, which is renewable upon re-election and re-appointment and each Independent Non-executive Director shall not serve that position for more than six years continuously in order to ensure his independence.

## The Board of Directors (Continued)

### (2) Board Meetings

In 2011, the Company held 7 board meetings. The table below sets out the details of Board meeting attendance of each Director in 2011:

| Director | Number of Board Meetings Attended | Attendance Rate | Remarks |
|---|---|---|---|
| Zhou Jichang | 7 | 100% | – |
| Liu Qitao | 4 | 57% | Absence from the 12th, 13th and 17th meetings of the second session of the Board for business trip and Zhou Jichang, a Director, having been appointed as his proxy to attend and vote at the meetings on his behalf. |
| Fu Junyuan | 7 | 100% | – |
| Zhang Changfu | 7 | 100% | – |
| Lu Hongjun | 6 | 86% | Absence from the 13th meeting of the second session of the Board for business trip and Yuan Yaohui, a Director, having been appointed as his proxy to attend and vote at the meeting on his behalf. |
| Yuan Yaohui | 6 | 86% | Absence from the 11th meeting of the second session of the Board for business trip and Lu Hongjun, a Director, having been appointed as his proxy to attend and vote at the meeting on his behalf. |
| Zou Qiao | 6 | 86% | Absence from the 14th meeting of the second session of the Board for business trip and Yuan Yaohui, a Director, having been appointed as his proxy to attend and vote at the meeting on his behalf. |
| Liu Zhangmin | 7 | 100% | – |
| Leung Chong Shun | 5 | 71% | Absence from the 12th and 16th meetings of the second session of the Board for business trip and Lu Hongjun and Yuan Yaohui, the Directors, having been appointed as his proxy to attend and vote at the meetings on his behalf, respectively. |

### (3) Responsibilities and Operations of the Board

The principal responsibilities of the Board are, among other things, making decisions on business strategies, business plans, material investment plans, formulating annual financial budget, proposing profit distribution plan, appointing and dismissing the President of the Company and implementing shareholders' resolutions. There are currently four committees established under the Board, being the Strategy Committee, the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee. Each committee has its operation rules and reports to the Board regularly.

## The Board of Directors (Continued)

### (3) Responsibilities and Operations of the Board (Continued)

The roles of the Chairman of the Board and chief executive officer of the Company are performed by separate persons and the division of power between the Board and senior management strictly complies with the Company's Articles of Association and relevant regulations. The Chairman of the Board is responsible for ensuring that the Directors perform their duties properly and ensuring discussions on material matters on a timely basis. Pursuant to the Company's Articles of Association, the President is responsible to the Board and is delegated the authority to, among other things, oversee the operation and management of the Company, implement the decisions of the Board, carry out investment plans and establish an internal management system.

### (4) Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by its Directors and Supervisors. After making specific enquiries to all Directors and Supervisors of the Company, the Company confirms that the Directors and Supervisors complied with the standards set out in the Model Code for the year ended 31 December 2011.

### (5) Committees under the Board

#### *(a) Strategy Committee*

The main duties of the Strategy Committee include, among other things, to review proposals and to make recommendations to the Board regarding the Company's strategic development plans, annual budgets, capital allocation plans, significant mergers and acquisitions and significant financing plans. The Committee currently consists of Zhou Jichang, Liu Qitao, Fu Junyuan, Lu Hongjun and Leung Chong Shun, and is chaired by Zhou Jichang.

The Strategy Committee held 2 meetings in 2011 to determine the plan of initial public offering of A shares and the merge with CRBC International, as well as to provide recommendations and advise on on significant matters of the Company such as the mid-long term development plan of the Company. All members of the Strategy Committee had attended the meetings.

#### *(b) Audit Committee*

The main duties of the Audit Committee include, among other things,

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to monitor the integrity of financial statements of the Company and the Company's annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein; and
- to oversee the Company's financial reporting system and internal control procedures, including but not limited to, review of financial controls, internal control and risk management systems, consideration of action on any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response thereto, and review of the Company's financial and accounting policies and practices.

## The Board of Directors (Continued)

### (5) Committees under the Board (Continued)

#### *(b) Audit Committee* (Continued)

The Audit Committee currently consists of Liu Zhangmin, Lu Hongjun and Zou Qiao, and is chaired by Liu Zhangmin. All of the members of the Audit Committee are Independent Non-executive Directors.

The Audit Committee held 3 meetings in 2011 to discuss and communicate with Company's accountants in relation to the progress of the audit work for the year of 2010, to review the interim and annual results, to review and discuss the organisation structure and effectiveness of the internal controls system of the Company and to discuss the audit plan and major steps for the year of 2011. All members of the Audit Committee had attended the meetings.

#### *(c) Remuneration and Appraisal Committee*

The main duties of the Remuneration and Appraisal Committee include, among other things:

- to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to have the delegated responsibility to determine the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment) and make recommendations relating to the remuneration of Independent Non-executive Directors to the Board; and
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration and Appraisal Committee currently consists of Yuan Yaohui, Zhang Changfu and Liu Zhangmin, and is chaired by Yuan Yaohui. Two out of three members of the Remuneration and Appraisal Committee are Independent Non-executive Directors.

The Remuneration and Appraisal Committee held 2 meetings in 2011 to review and discuss the Measures for Assessment and Administration of the Remuneration of Senior Management of the Company, 2010 annual remuneration plan for management holding deputy positions in the Company and other relevant matters. Except that Zhang Changfu was absent from the first meeting, all members of the Remuneration and Appraisal Committee had attended the meetings.

#### *(d) Nomination Committee*

The main duties of the Nomination Committee include, among other things, to review the recruiting standard and procedure in respect of nomination of Directors and President and to review the credentials of Director or President candidates and make recommendations to the Board.

The nomination of Directors were conducted under certain criteria such as personal integrity, work experience relating to the Company's core business, performance track record, professional background, familiarity with corporate governance requirements for listed companies, etc.

The Nomination Committee currently consists of Zhou Jichang, Liu Qitao, Fu Junyuan, Zhang Changfu, Yuan Yaohui, Zou Qiao and Leung Chong Shun, and is chaired by Zhou Jichang.

The Nomination Committee held one meeting in 2011 to review the Board structure, which had completed all the works during the reporting period.

## Supervisory Committee

The Supervisory Committee is responsible for supervising the Board, its individual members and senior management to safeguard against any potential abuse of authority by the Board, its individual members and senior management so as to protect the interests of the Company and its shareholders as a whole. The Supervisory Committee of the Company consists of three members, Liu Xiangdong, Xu Sanhao and Wang Yongbin (representative of the employees). The term of office for supervisors is three years which is renewable upon re-election.

The Supervisory Committee held 1 meeting in 2011 to consider and approve the 2010 report of the Supervisory Committee. All members of the Supervisory Committee had attended the meetings.

## Auditors' Remuneration

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were appointed as the international and domestic auditors of the Company, respectively. PricewaterhouseCoopers Zhong Tian CPAs Limited Company was also appointed as the auditor of ZPMC, a subsidiary of the Company. Breakdown of the remuneration to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company for audit services provided and other non-audit service assignments for the year ended 31 December 2011 are as follows:

| | RMB'000 |
|---|---|
| Audit services | 33,000 |
| Non-audit services: | |
| – Risk management related service | 5,167 |
| – Tax consulting service | 350 |
| Total | 38,517 |

The Board recommended to re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the international and domestic auditors of the Company for the year of 2012, which is subject to shareholders' approval at the forthcoming Annual General Meeting.

## Internal Control, Internal Control Self-Appraisal Report and Corporate Social Responsibility Report

The Board takes ultimate responsibility for the internal controls of the Company, and reviews the effectiveness of the system through the Audit Committee. The Audit Committee has reviewed the effectiveness of the system of internal control of the Company, which covers, among other things, financial, operational and compliance controls and risk management functions.

The Company attaches great importance to internal control and its corporate social responsibility. The 2011 Internal Control Self-Appraisal Report of China Communications Construction Company Limited and the 2011 Corporate Social Responsibility Report of China Communications Construction Company Limited have been published on the website of the Hong Kong Stock Exchange by way of overseas regulatory announcements as well as on the Company's website.

## Accountability of the Directors in relation to Financial Statements

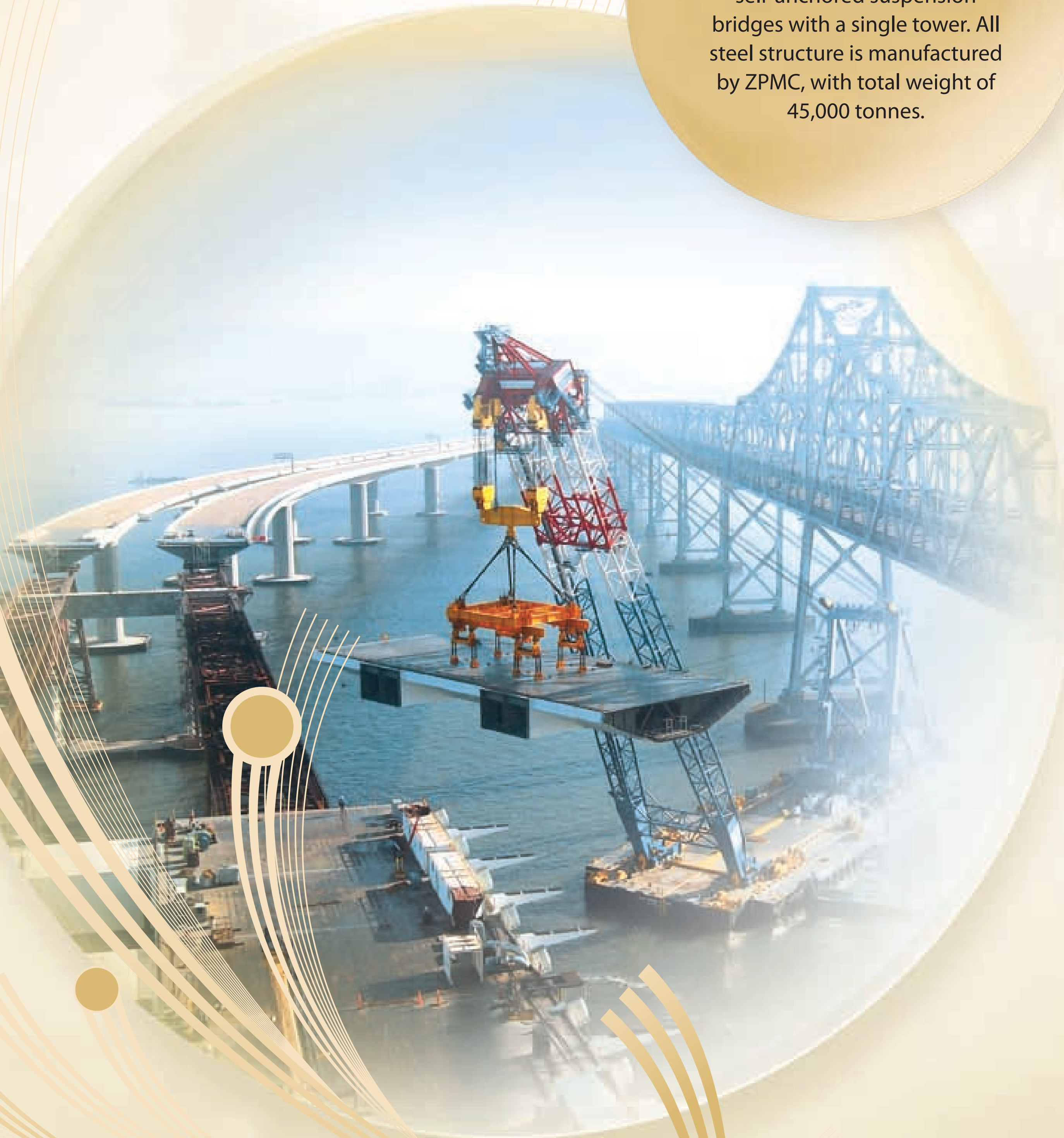
The Directors are responsible for overseeing the preparation of the financial statements for each fiscal period. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Company and of the results and cash flow for that fiscal year.

## Investor Relations

Please see the chapter headed "Investor Relations" for detailed information.

# *New Bay Bridge in US*

The most difficult and complex self-anchored suspension bridges with a single tower. All steel structure is manufactured by ZPMC, with total weight of 45,000 tonnes.



# Profile of Directors, Supervisors and Senior Management

## Board of Directors

The Company's second session of the Board consists of nine Directors, including five Independent Non-executive Directors; and members of the Board are as follows:

| Name | Position | Nominator | Term of office |
|---|---|---|---|
| Zhou Jichang | Executive Director and Chairman | Nomination Committee | December 2009 - December 2012 |
| Liu Qitao | Executive Director and President | Nomination Committee | January 2011 – December 2012 |
| Fu Junyuan | Executive Director and Chief Financial Officer | Nomination Committee | December 2009 – December 2012 |
| Zhang Changfu | Non-executive Director | Nomination Committee | December 2009 – December 2012 |
| Lu Hongjun | Independent non-executive Director | Nomination Committee | December 2009 – December 2012 |
| Yuan Yaohui | Independent non-executive Director | Nomination Committee | December 2009 – December 2012 |
| Zou Qiao | Independent non-executive Director | Nomination Committee | December 2009 – December 2012 |
| Liu Zhangmin | Independent non-executive Director | Nomination Committee | December 2009 – December 2012 |
| Leung Chong Shun | Independent non-executive Director | Nomination Committee | January 2011 – December 2012 |

Profiles of the Directors are as follow:

**Mr. Zhou Jichang**, born in 1950, Chinese nationality with no overseas permanent residence, is an Executive Director and the Chairman of the Board of the Company. Mr. Zhou also serves as the chairman of the board and general manager of CCCG, and the chairman of the board of ZPMC. He joined the Company in January 1977 with in-depth knowledge of the industries in which the Company operates and extensive operational and managerial experience. Mr. Zhou held positions as the deputy president of the First Highway Survey & Design Institute of the former China Road and Bridge Corporation, general manager and chairman of the board of China Road and Bridge Construction Company (the predecessor of CRBC Group), the general manager of CRBC Group. Mr. Zhou has been serving as the chairman of the board of CCCG since December 2005 and as the general manager of CCCG since August 2006. He has been serving as an Executive Director and the Chairman of the Company since September 2006, and was re-elected in December 2009. Mr. Zhou graduated from Tongji University with a major in bridge, road and tunnel construction. Mr. Zhou is a Senior Engineer.

**Mr. Liu Qitao**, born in 1957, Chinese nationality with no overseas permanent residence, is an Executive Director and the President of the Company. Mr. Liu also serves as the Director of CCCG. He has extensive managerial and operational experience. Mr. Liu held positions as deputy head of Sinohydro Bureau 13, assistant to general manager and deputy general manager with China National Water Resources and Hydropower Engineering Corporation and acted as general manager of its department of overseas operations, deputy general manager at Sinohydro Corporation and the chairman of the board of Sinohydro International Engineering Co., Ltd., director and general manager of Sinohydro Group Ltd. Mr. Liu has been serving as the President of the Company since December 2010 and as an Executive Director of the Company since January 2011. Mr. Liu graduated from Dalian Institute of Technology (now known as Dalian University of Technology) with a bachelor's degree in water conservancy and hydropower engineering construction. Mr. Liu is a professor equivalent senior engineer and is entitled to the special government allowance awarded by the State Council.

## Board of Directors (Continued)

**Mr. Fu Junyuan**, born in 1961, Chinese nationality with no overseas permanent residence, is an Executive Director and the Chief Financial Officer of the Company. Mr. Fu also serves as a non-executive director of China Merchants Bank Co., Ltd., director and vice president of Jiang Tai Insurance Brokers Limited. Mr. Fu has extensive operational and financial management experience, and worked for over ten years at the financial bureau and auditing bureau of the Ministry of Transportation. He held positions as chief accountant of CHEC Group, chief accountant and non-executive director of CCCG. He has been serving as an Executive Director and the Chief Financial Officer of the Company since September 2006, and was re-elected in December 2009. Mr. Fu holds a doctor's degree in business administration from Beijing Jiaotong University. Mr. Fu is a Senior Accountant.

**Mr. Zhang Changfu**, born in 1945, Chinese nationality with no overseas permanent residence, is a Non-executive Director of the Company. Mr. Zhang also serves as the vice chairman of China Iron and Steel Association and has been appointed as an external director of China Metallurgical Group Corporation. He has extensive experience in corporate administration. Mr. Zhang worked at No. 19 Metallurgical Construction Corporation for various positions. He also held positions as the head of the Administration Office and Service Bureau of State Bureau of Metallurgical Industry, the deputy head and the head of Service Administration Bureau of State Economic and Trade Commission, and the head of Service Administration Bureau under the SASAC. Mr. Zhang has been serving as a Non-executive Director of the Company since June 2008, and was re-elected in December 2009. Mr. Zhang graduated from Beijing Iron and Steel Institute (now known as University of Science and Technology Beijing) and obtained a bachelor's degree in engineering. Mr. Zhang is a Senior Economist.

**Mr. Lu Hongjun**, born in 1949, Chinese nationality. He holds an honorary doctor's degree from, and serves as a professor of, Madonna University of U.S. He is an Independent Non-executive Director of the Company. Mr. Lu also serves as an external director of Jin Jiang International Holdings Co., Ltd. He is the founder and the principal of Shanghai Institute of International Finance, and was an independent director of Shanghai Dragon Corporation and of Shanghai New Huang Pu Real Estate Co. Ltd. Mr. Lu set up China's Human Resource Assessment Program in the 1980's and had conducted extensive research on assessment centre and corporate leadership development. Mr. Lu has been serving as an Independent Non-executive Director of the Company since September 2006, and was re-elected in December 2009.

**Mr. Yuan Yaohui**, born in 1945, Chinese nationality with no overseas permanent residence, is an Independent Non-executive Director of the Company. Mr. Yuan also serves as a director of Shenzhen Airport Co., Ltd. and a director of Shenzhen Yantian Port Group Co.,Ltd. He has extensive experience in both public policy making and corporate administration. Mr. Yuan held positions as the head of the Economic and Trade Commission of Jiangxi Province, the deputy president of Air China International Corporation (now known as Air China Limited), the deputy general manager and the general manager of Changhe Aircraft Industries Group, and the head of the policy and regulation department of the General Administration of Civil Aviation of China. Mr. Yuan has been serving as an Independent Non-executive Director of the Company since September 2006, and was re-elected in December 2009. Mr. Yuan graduated from the Beijing Institute of Technology with a bachelor's degree in wireless engineering. Mr. Yuan is a professor equivalent Senior Engineer and is entitled to the special government allowance awarded by the State Council.

## Board of Directors (Continued)

**Mr. Zou Qiao**, born in 1946, Chinese nationality with no overseas permanent residence, is an Independent Non-executive Director of the Company. Mr. Zou also serves as external director of Sinosteel Co., Ltd. He has extensive experience in corporate administration. Mr. Zou worked at No. 16 Metallurgy Corporation of the Ministry of Metallurgy for various positions. Mr. Zou held positions as the deputy head of the infrastructure bureau and the head of the investment and operation department of China National Nonferrous Metals Industry Corporation, the head of Industry Administration Division of State Nonferrous Metal Industry Bureau, the deputy general manager of China Nonferrous Metals Construction Group Co., Ltd., the deputy general manager of China Nonferrous Metal Mining and Construction (Group) Co., Ltd., and the deputy general manager of China Nonferrous Metal Mining (Group) Co., Ltd. Mr. Zou has been serving as an Independent Non-executive Director of the Company since June 2008, and was re-elected in December 2009. Mr Zou graduated from Xi'an Metallurgy and Construction Institute (now known as Xi'an University of Architecture and Technology) with a bachelor's degree in industrial and civil construction. Mr. Zou is a professor equivalent Senior Engineer.

**Mr. Liu Zhangmin**, born in 1949, Chinese nationality with no overseas permanent residence, is an Independent Non-executive Director of the Company. Mr. Liu also serves as an independent non-executive director of China First Heavy Industries Co., Ltd., independent non-executive director of China Yangtze Power Co., Ltd. He has extensive experience in corporate administration and financial management. Mr. Liu worked for Second Automotive Works in various positions including deputy manager of Standard Component Factory, deputy director of supply department, deputy director and director of finance department of Second Automotive Works. He worked at Dongfeng Motor Corporation for a variety of positions, including head of finance department, assistant to general manager, deputy general manager and chief accountant. He also served as executive director, president and vice chairman of Dongfeng Motor Group Co., Ltd. Mr. Liu has been serving as an Independent Non-executive Director of the Company since December 2009. Mr. Liu graduated from Beijing Mechanical Industry Management College with a major in financial accounting of industrial enterprises. Mr. Liu is a senior accountant.

**Mr. Leung Chong Shun**, born in 1965, Chinese nationality, permanent resident of Hong Kong Special Administrative Region, is an Independent Non-executive Director of the Company. Mr. Leung also serves as an independent non-executive director of China National Materials Co., Ltd., Lijun International Pharmaceutical (Holding) Co., Ltd. and China Metal Recycling (Holdings) Limited, respectively. Mr. Leung has been admitted as a solicitor since 1991 and has extensive experience in legal practice of corporate finance, mergers and acquisitions and initial public offerings (IPO). He served as chief representative in Beijing Office of Woo Kwan Lee & Lo and participated in various IPOs and acquisition projects for H share and red-chip companies of the PRC. Mr. Leung has been serving as an Independent Non-executive Director of the Company since January 2011. Mr. Leung graduated from the University of Hong Kong and obtained a bachelor's degree in Law with honors. He is qualified as a solicitor in Hong Kong and England.

## Supervisory Committee

The Company's second session of the Supervisory Committee consists of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. The members of the Supervisory Committee are as follows:

| Name | Position | Nominator | Term of office |
|---|---|---|---|
| Liu Xiangdong | Chairman of the Supervisory Committee | CCCG | June 2010 – June 2013 |
| Xu Sanhao | Supervisor | CCCG | June 2010 – June 2013 |
| Wang Yongbin | Supervisor, head of the auditing department | Employees representatives meeting | June 2010 – June 2013 |

## Supervisory Committee (Continued)

Profiles of the Supervisors are as follow:

**Mr. Liu Xiangdong**, born in 1958, Chinese nationality with no overseas permanent residence, is a Supervisor of the Company. Mr. Liu held a number of positions at the former State Economy and Trade Commission and the former Ministry of Domestic Trade of the PRC, and served as an inspector of the Enterprises Reform Bureau of SASAC. Mr. Liu has been serving as a Supervisor and the Chairman of the Supervisory Committee since September 2006, and was re-elected in June 2010. Mr. Liu holds a master's degree in science from Hunan University.

**Mr. Xu Sanhao**, born in 1954, Chinese nationality with no overseas permanent residence, is a Supervisor of the Company. Mr. Xu was deputy general manager of CRBC Group. He has been serving as a Supervisor of the Company since September 2006, and was re-elected in June 2010. Mr. Xu graduated from Jilin Industry University with a major in automotive application. Mr. Xu is a Senior Engineer.

**Mr. Wang Yongbin**, born in 1965, Chinese nationality with no overseas permanent residence, is a Supervisor and the head of the auditing department of the Company. Mr. Wang also serves as supervisor of Zhenhua Logistics Group, CCCC Investment Co., Ltd., Zhen Hua (Shenzhen) Engineering Co., Ltd., and Shanghai Zhenshalongfu Machinery Co., Ltd. Mr. Wang has been serving as a Supervisor of the Company since September 2006, and was re-elected in June 2010. Mr. Wang graduated from Changsha Communications University with a bachelor's degree in project finance and accounting. Mr. Wang is a Senior Accountant.

## Senior Management

The Company's senior management consists of nine members as follows:

| Name | Position | Term of office |
|---|---|---|
| Liu Qitao | Executive Director and President | December 2010 - December 2012 |
| Fu Junyuan | Executive Director and Chief Financial Officer | September 2006 - December 2012 |
| Chen Yun | Vice President | September 2006 - December 2012 |
| Chen Yusheng | Vice President | September 2006 - December 2012 |
| Hou Jinlong | Vice President | September 2006 - December 2012 |
| Chen Fenjian | Vice President | September 2006 - December 2012 |
| Zhu Bixin | Vice President | September 2006 - December 2012 |
| Yang Liqiang | Vice President | September 2006 - December 2012 |
| Liu Wensheng | Secretary of the Board, Company Secretary and Chief Economist | September 2006 - December 2012 |

Profiles of the senior management of the Company are as follow (profiles of Liu Qitao and Fu Junyuan, who also serve as the Directors of the Company, are stated above):

**Mr. Chen Yun**, born in 1963, Chinese nationality with no overseas permanent residence, is a Vice President of the Company. He also serves as the chairman of the board of Azingo Limited. Mr. Chen joined the Company in September 1998 and has extensive operational experience. He held positions as the general manager of assets management division of CHEC Group, deputy general manager of CHEC Group, and vice president of CCCG. He has been serving as a Vice President of the Company since September 2006. Mr. Chen graduated from East China Institute of Water Conservancy (now known as Hohai Universtiy) with a bachelor's degree in harbour and channel engineering. He also holds a master's degree in business administration from Tsinghua University. Mr. Chen is a Senior Engineer.

## Senior Management (Continued)

**Mr. Chen Yusheng**, born in 1955, Chinese nationality with no overseas permanent residence, is a Vice President of the Company. Mr. Chen also serves as chairman of the board of Beijing United Development Co., Ltd. He joined the Company in June 1999 and has extensive operational experience. Mr. Chen held positions as assistant president and deputy general manager of CRBC Group, and the vice president of CCCG. He has been serving as a Vice President of the Company since September 2006. Mr. Chen graduated from Central Communist Party School with a major in politics and law. Mr. Chen is a Senior Economist.

**Mr. Hou Jinlong**, born in 1952, Chinese nationality with no overseas permanent residence, is a Vice President of the Company. Mr. Hou is also a member of the Expert Commission of the Ministry of Transport and a member of the Technical Expert Commission of the Ministry of Housing and Urban-Rural Development. He joined the Company in September 1970 and has extensive operational experience. Mr. Hou held positions as chief engineer of the Second Highway Engineering Bureau of CRBC Group, general manager of the First Highway Engineering Bureau of CRBC Group, vice president of CCCG. He has been serving as a Vice President of the Company since September 2006. Mr. Hou graduated from Chongqing Construction Engineering College with a major in bridge and tunnel. He also holds a master's degree in road and railway engineering from Southeast University of China. Mr. Hou is a professor equivalent Senior Engineer and is entitled to the special governmental allowance awarded by the State Council.

**Mr. Chen Fenjian**, born in 1962, Chinese nationality with no overseas permanent residence, is a Vice President of the Company. Mr. Chen also serves as chairman of the board of CCCC Investment Co., Ltd., and chairman of the board of Chuwa Bussan Co., Ltd. He joined the Company in August 1983 and has extensive operational experience. Mr. Chen held positions as the deputy head and head of Fourth Navigational Engineering Bureau of CHEC Group, and vice president of CCCG. He has been serving as a Vice President of the Company since September 2006. Mr. Chen graduated from Changsha Communications University with a bachelor's degree in harbour and channel engineering. He also holds a master's degree in business administration from Guanghua School of Management of Peking University. Mr. Chen is a professor equivalent Senior Engineer.

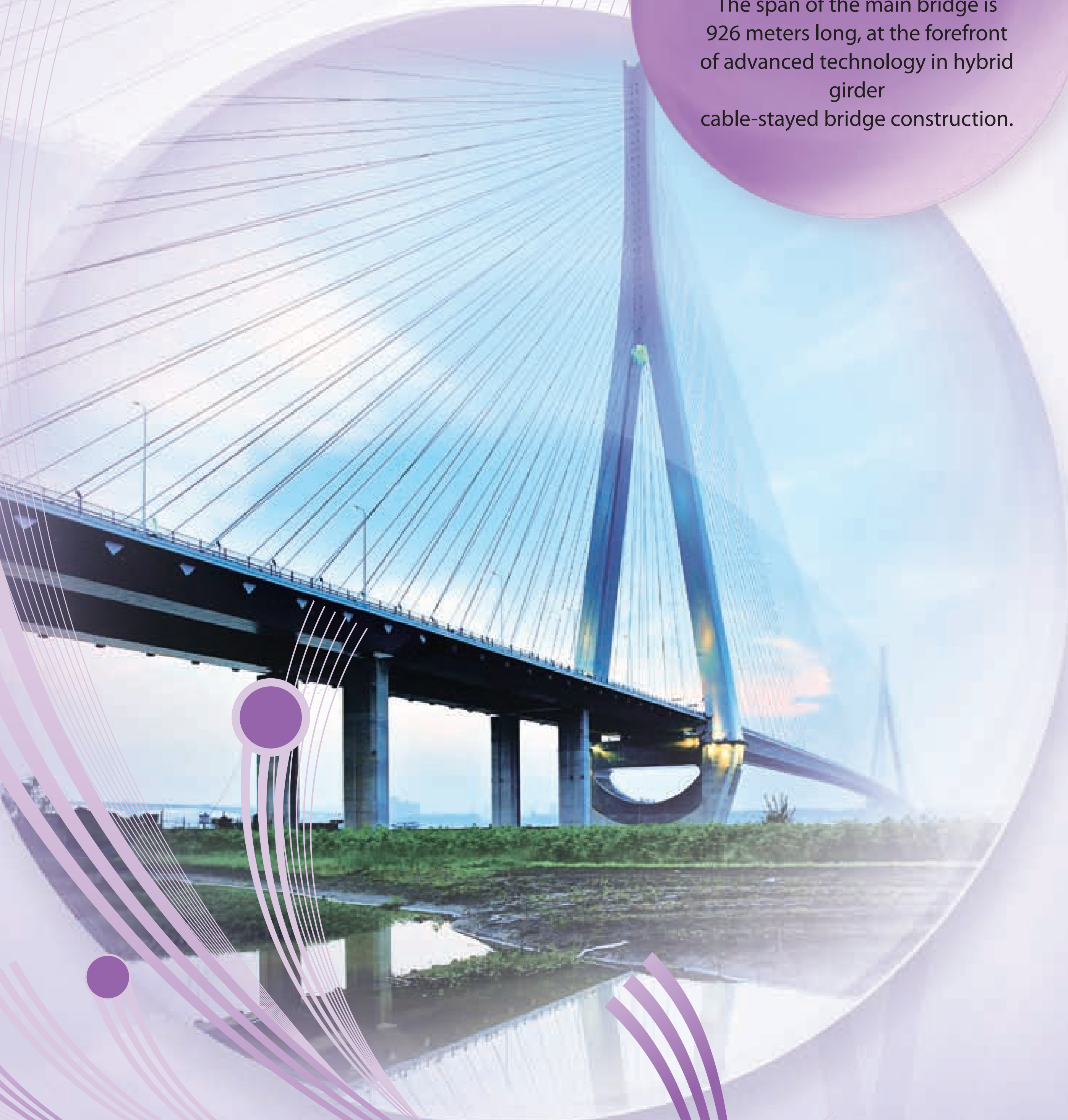
**Mr. Zhu Bixin,** born in 1965, Chinese nationality with no overseas permanent residence, is a Vice President of the Company. Mr. Zhu also serves as the chairman of the board of CCCC Real Estate Co. Ltd. He joined the Company in April 1995 and held positions as the head of trade union of CRBC Group and vice president of CCCG. Mr. Zhu has been serving as a Vice President of the Company since September 2006. He graduated from Chongqing Jiaotong College (now known as Chongqing Jiaotong University) with a bachelor's degree in transportation management. Mr. Zhu also holds a master's degree in business administration from Peking University, and a doctor's degree in science and engineering from University of Science and Technology of China. Mr. Zhu is a Senior Economist.

**Mr. Yang Liqiang**, born in 1956, Chinese nationality with no overseas permanent residence, is a Vice President and head of trade union of the Company. Mr. Yang also serves as chairman of the board of Zhenhua Logistics Group. He worked with the Ministry of Communications for over ten years, then held positions as the head of trade union of CHEC Group and head of the trade union of CCCG. Mr. Yang has been serving as a Vice President and head of trade union of the Company since September 2006. Mr. Yang holds a master's degree in economics from China University of Geosciences.

**Mr. Liu Wensheng,** born in 1960, Chinese nationality with no overseas permanent residence, is the Secretary of the Board, the Company Secretary and the Chief Economist of the Company. Mr. Liu also serves as a director of ZPMC and the chairman of the board of F&G. He has extensive operational experience and held positions as the deputy general manager of CHEC Tianjin Dredging Bureau, deputy chief economist of CHEC Group and general manager of its corporate planning department, and chief economist of CCCG. Mr. Liu has been serving as the Secretary of the Board, the Company Secretary and the Chief Economist of the Company since September 2006. Mr. Liu graduated from Dalian Maritime College (now known as Dalian Maritime University) with a bachelor's degree in engineering. He is a Senior Engineer.

# *E-Dong Yangtze River Bridge*

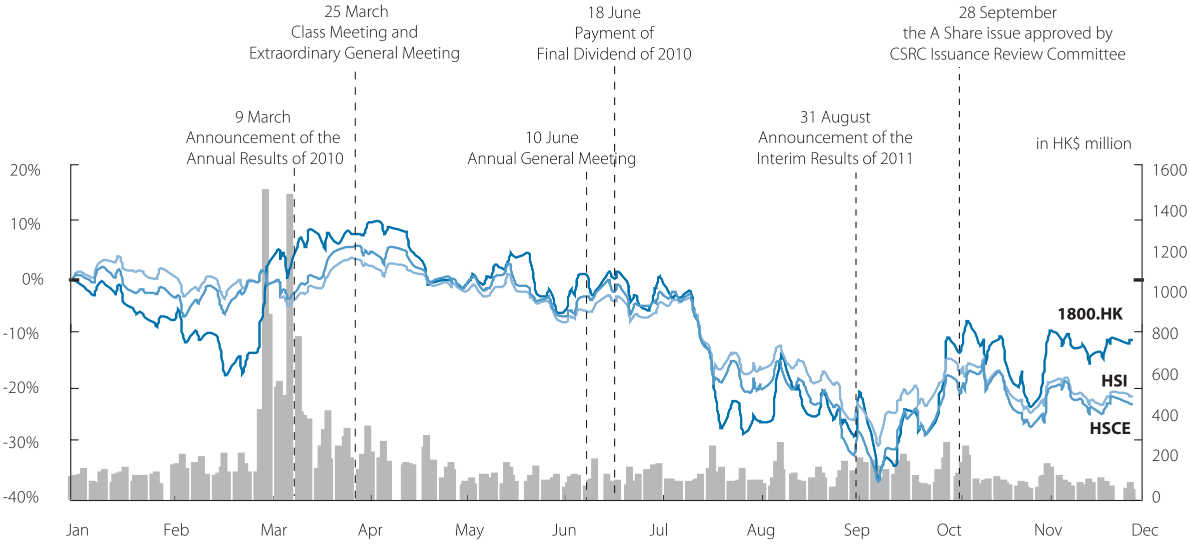
The span of the main bridge is 926 meters long, at the forefront of advanced technology in hybrid girder
cable-stayed bridge construction.



# Investor Relations

## Capital Market Review

In 2011, although the Company's stock price had fluctuated and declined amid market volatilities, it had still outperformed the market. The closing price of the Company's H shares on 30 December 2011 was HK$6.07, representing a decrease of 10.7% as compared to the opening price on 3 January 2011.




## Efficient and Interactive Investor Communications

The Company maintained communications with investors in a candid and practical manner with an initiative and open stance and established a comprehensive investor relation system. In 2011, the Company arranged face-to-face meetings or conference-calls with a total of nearly 300 institutional investors through 121 one-to-one meetings and 15 group investor conferences. While seeking to flexibly accommodate timing and topics requested by visitors, the Company arranged executives to meet large research groups and responded to enquiries of visitors in an earnest and honest manner. The Company also proactively cooperated with analysts and financial media for their research reports and interviews. Meanwhile, the Company established IR hotline and IR mailbox through which hundreds of calls and mails were handled during the year, providing investors an efficient access to updates of the Company.

In 2011, results briefings were timely convened upon public announcements of annual and interim results, at which the Company presented its operating results and strategic goals to the finance media, institutional analysts and fund managers, and achieved effective communication and understanding among the participants. In March and August respectively, upon completion of the results briefings, the Company conducted two global non-deal roadshows to further consolidate the achievements of our results presentations. These roadshows were led by the senior management including Chairman, President, Executive Director and CFO as well as the Company Secretary, in visits to over 100 investors across various regions such as Hong Kong, Singapore, the UK and the US, to present the Company's operating performance in detail, to answer investors' queries and to introduce the Company's upcoming opportunities and strategic goals. Listening to the capital market needs, we prepared the Summary of Results Roadshows promptly to sort out key concerns of investors and their suggestions on corporate management, offering multifaceted inputs to our decision makers as a bridge between capital market and daily management of the Company.

In 2011, the Company participated in 8 investor conferences organised by international investment institutions, conducted more than 40 one-to-one meetings and group conferences, and interviewed over 70 investors.

## Efficient and Interactive Investor Communications (Continued)

### List of the Company's major investor relations activities in 2011

| Timing | Activity | Organiser |
|---|---|---|
| January | DB Access China Conference | Deutsche Bank |
| | Asian Financial Forum | Hong Kong Trade Development Council |
| March | 2010 Annual Results Announcement | |
| | • Analysts Briefing | |
| | • Press Conference | CCCC |
| | Non-deal roadshow | CCCC |
| May | 16th CLSA China Forum | CLSA |
| | 2nd China Industrial Summit | Morgan Stanley |
| June | China Investment Forum | JP Morgan |
| | CS China Forum | Credit Suisse Securities |
| August | 2011 Interim Results Announcement | |
| | • Analysts Briefing | |
| | • Press Conference | CCCC |
| | Non-deal roadshow | CCCC |
| November | 2011 Beijing Investment Summit | Bank of America – Merrill Lynch |
| December | CITIC 2012 Investment Strategy Conference | CITIC Securities |

To provide investors a more direct access to the project implementation and management, the Company staged a site visit to the Island and Tunnel project of Hong Kong-Zhuhai-Macau Bridge in Zhuhai in November 2011. More than 90 domestic and overseas institutional researchers and investors participated in the visit to construction site by boat. During the event, the senior management introduced production and operations, results and development prospect of the Company and answered guests' enquiries through interactive dialogues, allowing deeper and clearer understanding of the Company's operations and increasing their confidence in the sustainability of the Company.

## Timely and Accurate Information Disclosure

Responsively and timely releasing relevant information of the Company is a key to efficient communications with investors. In addition to publishing interim and annual results for investors, the Company publicised its major business progress and activities through newsletters, announcements and our website as required. During the reporting period, the Company took initiatives to address the common investors' concerns about its issuance of A Shares, clarifying inaccurate information and rumours through timely announcements. As the concerns of investors and market were effective addressed, the adverse impact on capital market was minimised which secured the investors' confidence in the Company.

Through the activities above, we strengthened communications between the management and the capital market, and enhanced the transparency of business and management of the Company. In 2011, the Company was named the best listed company of the sector in Asia by Institutional Investor, an American magazine. It is a recognition from investors of our unremitting efforts in investor relations management in the past year, which further reinforced the sound image of the Company on capital market.

## Continuous Improvement of Investor Relations

In 2012, the Company will continue to highly value investor relations and to take investor relation management as a sustainable development strategy. We are committed to maximising shareholders' return through a good multi-channel and multi-level investor communication that features equality, sincerity and mutual respect.

# Independent Auditor's Report

羅兵咸永道

**To the shareholders of China Communications Construction Company Limited**
*(incorporated in People's Republic of China with limited liability)*

We have audited the consolidated financial statements of China communications Construction Company Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 69 to 188, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

羅兵咸永道

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 26 March 2012

# Consolidated Balance Sheet

*As at 31 December 2011*

| | Note | As at 31 December 2011 RMB million | 2010 (Restated) RMB million | As at 1 January 2010 (Restated) RMB million |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | *6* | **55,148** | 52,973 | 48,152 |
| Lease prepayments | *7* | **8,108** | 7,380 | 6,552 |
| Investment properties | *8* | **435** | 387 | 350 |
| Intangible assets | *9* | **23,902** | 15,906 | 10,075 |
| Investments in jointly controlled entities | *11* | **948** | 857 | 758 |
| Investments in associates | *12* | **3,145** | 2,830 | 2,654 |
| Available-for-sale financial assets | *14* | **12,846** | 15,452 | 17,700 |
| Deferred income tax assets | *25* | **2,024** | 1,602 | 1,216 |
| Trade and other receivables | *15* | **28,940** | 22,176 | 15,142 |
| | | **135,496** | 119,563 | 102,599 |
| **Current assets** | | | | |
| Inventories | *16* | **22,603** | 21,528 | 18,920 |
| Trade and other receivables | *15* | **100,266** | 86,424 | 69,158 |
| Amounts due from customers for contract work | *17* | **54,261** | 43,458 | 41,843 |
| Derivative financial instruments | *18* | **62** | 48 | 36 |
| Other financial assets at fair value through profit or loss | | **49** | 67 | 80 |
| Restricted cash | *19(a)* | **922** | 719 | 698 |
| Cash and cash equivalents | *19(b)* | **45,121** | 38,826 | 33,817 |
| | | **223,284** | 191,070 | 164,552 |
| **Total assets** | | **358,780** | 310,633 | 267,151 |

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

## Consolidated Balance Sheet (Continued)

*As at 31 December 2011*

| | Note | As at 31 December 2011 RMB million | 2010 (Restated) RMB million | As at 1 January 2010 (Restated) RMB million |
|---|---|---|---|---|
| **EQUITY** | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | |
| Share capital | 20 | **14,825** | 14,825 | 14,825 |
| Share premium | 20(a) | **13,853** | 13,853 | 13,853 |
| Other reserves | 22 | **38,626** | 31,940 | 27,319 |
| Proposed final dividend | 39 | **2,902** | 2,372 | 1,720 |
| | | **70,206** | 62,990 | 57,717 |
| **Non-controlling interests** | | **10,739** | 10,931 | 11,607 |
| **Total equity** | | **80,945** | 73,921 | 69,324 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 24 | **51,756** | 38,569 | 34,694 |
| Deferred income | | **642** | 554 | 405 |
| Deferred income tax liabilities | 25 | **2,343** | 2,360 | 3,418 |
| Early retirement and supplemental benefit obligations | 26 | **2,028** | 2,184 | 2,460 |
| Trade and other payables | 23 | **2,097** | 1,929 | 1,166 |
| | | **58,866** | 45,596 | 42,143 |
| **Current liabilities** | | | | |
| Trade and other payables | 23 | **146,777** | 131,625 | 105,017 |
| Amounts due to customers for contract work | 17 | **14,741** | 14,204 | 12,567 |
| Current income tax liabilities | | **2,634** | 2,091 | 1,678 |
| Borrowings | 24 | **54,289** | 42,760 | 36,043 |
| Derivative financial instruments | 18 | **58** | 71 | 77 |
| Early retirement and supplemental benefit obligations | 26 | **330** | 214 | 197 |
| Provisions | 27 | **140** | 151 | 105 |
| | | **218,969** | 191,116 | 155,684 |
| **Total liabilities** | | **277,835** | 236,712 | 197,827 |
| **Total equity and liabilities** | | **358,780** | 310,633 | 267,151 |
| **Net current assets/(liabilities)** | | **4,315** | (46) | 8,868 |
| **Total assets less current liabilities** | | **139,811** | 119,517 | 111,467 |

**Zhou Jichang**
*Director*

**Fu Junyuan**
*Director*

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

# Balance Sheet

*As at 31 December 2011*

| | Note | As at 31 December 2011 RMB million | 2010 RMB million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *6* | **54** | 56 |
| Lease prepayments | *7* | **211** | 216 |
| Intangible assets | *9* | **18** | 23 |
| Investments in subsidiaries | *10* | **61,359** | 58,110 |
| Investments in jointly controlled entities | *11* | **62** | 62 |
| Investments in associates | *12* | **2,004** | 2,004 |
| Available-for-sale financial assets | *14* | **6,463** | 8,362 |
| Deferred income tax assets | *25* | **102** | 146 |
| Trade and other receivables | *15* | **2,646** | 2,383 |
| | | **72,919** | 71,362 |
| **Current assets** | | | |
| Inventories | *16* | **1** | 2 |
| Trade and other receivables | *15* | **8,900** | 9,108 |
| Loans to subsidiaries | *10* | **11,135** | 10,127 |
| Amounts due from subsidiaries | *10* | **7,190** | 6,999 |
| Amounts due from customers for contract work | *17* | **4,475** | 5,253 |
| Restricted cash | *19(a)* | **3** | 3 |
| Cash and cash equivalents | *19(b)* | **18,200** | 15,298 |
| | | **49,904** | 46,790 |
| **Total assets** | | **122,823** | 118,152 |

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

## Balance Sheet (Continued)

*As at 31 December 2011*

| | Note | As at 31 December 2011 RMB million | 2010 RMB million |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | *20* | **14,825** | 14,825 |
| Share premium | *20(a)* | **13,853** | 13,853 |
| Other reserves | *22* | **27,477** | 27,537 |
| Proposed final dividend | *39* | **2,902** | 2,372 |
| | | **59,057** | 58,587 |
| **Total equity** | | **59,057** | 58,587 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *24* | **10,440** | 10,399 |
| Deferred income tax liabilities | *25* | **1,394** | 1,857 |
| Early retirement and supplemental benefit obligations | *26* | **42** | 42 |
| Trade and other payables | *23* | **133** | 116 |
| | | **12,009** | 12,414 |
| **Current liabilities** | | | |
| Trade and other payables | *23* | **14,157** | 14,391 |
| Amounts due to subsidiaries | *10* | **23,900** | 21,204 |
| Amounts due to customers for contract work | *17* | **565** | 409 |
| Current income tax liabilities | | **17** | 15 |
| Borrowings | *24* | **13,088** | 11,062 |
| Derivative financial instruments | *18* | **25** | 23 |
| Early retirement and supplemental benefit obligations | *26* | **5** | 7 |
| Provisions | *27* | **–** | 40 |
| | | **51,757** | 47,151 |
| **Total liabilities** | | **63,766** | 59,565 |
| **Total equity and liabilities** | | **122,823** | 118,152 |
| **Net current liabilities** | | **(1,853)** | (361) |
| **Total assets less current liabilities** | | **71,066** | 71,001 |

**Zhou Jichang**
*Director*

**Fu Junyuan**
*Director*

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

# Consolidated Income Statement

*For the year ended 31 December 2011*

| | Note | 2011<br>RMB million | 2010<br>(Restated)<br>RMB million |
|---|---|---|---|
| Revenue | *5* | **294,281** | 272,734 |
| Cost of sales | *31* | **(266,374)** | (249,487) |
| **Gross profit** | | **27,907** | 23,247 |
| Other income | *28* | **1,877** | 1,824 |
| Other gains, net | *29* | **637** | 466 |
| Selling and marketing expenses | *31* | **(624)** | (570) |
| Administrative expenses | *31* | **(12,933)** | (10,199) |
| Other expenses | *30* | **(646)** | (1,015) |
| **Operating profit** | | **16,218** | 13,753 |
| Finance income | *33* | **1,993** | 708 |
| Finance costs, net | *34* | **(3,355)** | (2,496) |
| Share of profit of jointly controlled entities | | **75** | 38 |
| Share of profit of associates | | **98** | 78 |
| **Profit before income tax** | | **15,029** | 12,081 |
| Income tax expense | *35* | **(3,046)** | (2,443) |
| **Profit for the year** | | **11,983** | 9,638 |
| **Attributable to:** | | | |
| – equity holders of the Company | | **11,767** | 9,599 |
| – non-controlling interests | | **216** | 39 |
| | | **11,983** | 9,638 |
| **Earnings per share for profit attributable to the equity holders of the Company** (expressed in RMB) | | | |
| – basic | *38* | **0.79** | 0.65 |
| – diluted | *38* | **0.79** | 0.65 |

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

| | Note | 2011<br>RMB million | 2010<br>RMB million |
|---|---|---|---|
| **Dividends** | *39* | **2,902** | 2,372 |

# Consolidated Statement of Comprehensive Income

*For the year ended 31 December 2011*

| | 2011<br>RMB million | 2010<br>(Restated)<br>RMB million |
|---|---|---|
| **Profit for the year** | **11,983** | 9,638 |
| **Other comprehensive expenses** | | |
| Fair value losses on available-for-sale financial assets, net of deferred tax | | |
| – Losses arising during the year | **(2,201)** | (2,219) |
| – Release of investment revaluation reserve upon disposal of available-for-sale financial assets | **(27)** | (287) |
| Currency translation differences | **(67)** | (39) |
| **Other comprehensive expenses for the year, net of tax** | **(2,295)** | (2,545) |
| **Total comprehensive income for the year** | **9,688** | 7,093 |
| **Total comprehensive income attributable to:** | | |
| – equity holders of the Company | **9,541** | 6,985 |
| – non-controlling interests | **147** | 108 |
| | **9,688** | 7,093 |

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

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2011*

| | | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | *Note* | Share Capital RMB million | Share Premium RMB million | Other Reserves RMB million | Retained Earnings RMB million | Total RMB million | Non-controlling Interests RMB million | Total Equity RMB million |
| Balance at 1 January 2010, as previously reported | 22 | 14,825 | 13,853 | 9,371 | 16,565 | 54,614 | 11,615 | 66,229 |
| Adjustments for adoption of IFRS 1 (Amendment) | | – | – | 5,303 | (2,200) | 3,103 | (8) | 3,095 |
| **Balance at 1 January 2010, as restated** | | 14,825 | 13,853 | 14,674 | 14,365 | 57,717 | 11,607 | 69,324 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | – | – | – | 9,599 | 9,599 | 39 | 9,638 |
| **Other comprehensive (expenses)/income** | | | | | | | | |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | | – | – | (2,301) | – | (2,301) | 82 | (2,219) |
| Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax | | – | – | (286) | – | (286) | (1) | (287) |
| Currency translation differences | | – | – | (27) | – | (27) | (12) | (39) |
| **Total other comprehensive (expenses)/income** | | – | – | (2,614) | – | (2,614) | 69 | (2,545) |
| **Total comprehensive (expenses)/income** | | – | – | (2,614) | 9,599 | 6,985 | 108 | 7,093 |
| 2009 final dividend | | – | – | – | (1,720) | (1,720) | – | (1,720) |
| Dividends paid to non-controlling interests | | – | – | – | – | – | (125) | (125) |
| Contribution from non-controlling interests | | – | – | – | – | – | 111 | 111 |
| Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries | | – | – | 9 | (1) | 8 | (770) | (762) |
| Transfer to statutory surplus reserve | 22 | – | – | 269 | (269) | – | – | – |
| Appropriations | 22 | – | – | 184 | (184) | – | – | – |
| **Balance at 31 December 2010** | | 14,825 | 13,853 | 12,522 | 21,790 | 62,990 | 10,931 | 73,921 |

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

## Consolidated Statement of Changes in Equity (Continued)

*For the year ended 31 December 2011*

| | Note | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share Capital RMB million | Share Premium RMB million | Other Reserves RMB million | Retained Earnings RMB million | Total RMB million | Non-controlling Interests RMB million | Total Equity RMB million |
| Balance at 1 January 2011, as previously reported | | 14,825 | 13,853 | 7,209 | 24,255 | 60,142 | 10,938 | 71,080 |
| Adjustments for adoption of IFRS 1 (Amendment) | | – | – | 5,313 | (2,465) | 2,848 | (7) | 2,841 |
| **Balance at 1 January 2011, as restated** | 22 | 14,825 | 13,853 | 12,522 | 21,790 | 62,990 | 10,931 | 73,921 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | – | – | – | 11,767 | 11,767 | 216 | 11,983 |
| **Other comprehensive expenses** | | | | | | | | |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | | – | – | (2,161) | – | (2,161) | (40) | (2,201) |
| Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax | | – | – | (27) | – | (27) | – | (27) |
| Currency translation differences | | – | – | (38) | – | (38) | (29) | (67) |
| **Total other comprehensive expenses** | | – | – | (2,226) | – | (2,226) | (69) | (2,295) |
| **Total comprehensive (expenses)/income** | | – | – | (2,226) | 11,767 | 9,541 | 147 | 9,688 |
| 2010 final dividend | | – | – | – | (2,372) | (2,372) | – | (2,372) |
| Dividends paid to non-controlling interests | | – | – | – | – | – | (185) | (185) |
| Contribution from non-controlling interests | | – | – | – | – | – | 119 | 119 |
| Cash contribution from CCCG | | – | – | 46 | – | 46 | – | 46 |
| Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries | | – | – | 3 | (2) | 1 | (273) | (272) |
| Transfer to statutory surplus reserve | 22 | – | – | 426 | (426) | – | – | – |
| Appropriations | 22 | – | – | 184 | (184) | – | – | – |
| **Balance at 31 December 2011** | | 14,825 | 13,853 | 10,955 | 30,573 | 70,206 | 10,739 | 80,945 |

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

# Consolidated Cash Flow Statement

*For the year ended 31 December 2011*

| | Note | 2011 RMB million | 2010 RMB million |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | *41(a)* | **4,323** | 17,797 |
| Income tax paid | | **(2,604)** | (2,289) |
| Net cash generated from operating activities | | **1,719** | 15,508 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment ("PPE") | | **(7,117)** | (8,402) |
| Increase in lease prepayments | | **(957)** | (1,062) |
| Purchase of intangible assets | | **(8,034)** | (4,939) |
| Purchases of investment properties | | **–** | (1) |
| Proceeds from disposal of PPE | *41(b)* | **563** | 822 |
| Proceeds from disposal of lease prepayments | | **259** | 132 |
| Proceeds from disposal of intangible assets | | **415** | 1 |
| Proceeds from disposal of investment properties | | **7** | 7 |
| Additional investments in jointly controlled entities | | **(229)** | (72) |
| Additional investments in associates | | **(353)** | (42) |
| Additional investments in subsidiaries | | **(351)** | (771) |
| Acquisition of a subsidiary | | **(23)** | (678) |
| Purchases of available-for-sale financial assets | | **(119)** | (1,668) |
| Purchase of other financial assets at fair value through profit or loss | | **(30)** | (64) |
| Proceeds from disposal of jointly controlled entities | | **147** | 5 |
| Proceeds from disposal of associates | | **142** | 113 |
| Proceeds from disposal of equity interest in subsidiaries | | **208** | – |
| Proceeds from disposal of available-for-sale financial assets | | **221** | 548 |
| Proceeds from disposal of other financial assets at fair value through profit or loss | | **35** | 72 |
| Interest received | | **504** | 294 |
| Dividends received | | **326** | 329 |
| Net cash used in investing activities | | **(14,386)** | (15,376) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **74,633** | 55,543 |
| Repayments of borrowings | | **(49,128)** | (45,953) |
| Interest paid | *41(c)* | **(4,016)** | (2,867) |
| Contribution from non-controlling interests | | **119** | 111 |
| Dividends paid to the Company's shareholders | | **(2,372)** | (1,720) |
| Dividends paid to non-controlling interests of subsidiaries | | **(139)** | (125) |
| Cash contribution from CCCG | | **46** | – |
| Net cash generated from financing activities | | **19,143** | 4,989 |
| **Net increase in cash and cash equivalents** | | **6,476** | 5,121 |
| Cash and cash equivalents at beginning of the year | *19(b)* | **38,826** | 33,817 |
| Exchange losses on cash and cash equivalents | | **(181)** | (112) |
| **Cash and cash equivalents at end of the year** | *19(b)* | **45,121** | 38,826 |

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

# Notes to the Consolidated Financial Statements

*(All amounts in RMB unless otherwise stated)*

## 1. General Information

China Communications Construction Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 8 October 2006 as a joint stock company with limited liability under the Company Law of the PRC, as part of the group reorganisation of China Communications Construction Group Ltd. ("CCCG") in preparation for a listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Company completed its global initial public offering in December 2006. The address of its registered office is 85 De Sheng Men Wai Street, Xicheng District, Beijing, the PRC.

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2012.

## 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

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

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

# 2. Summary of Significant Accounting Policies (Continued)

## 2.1 Basis of preparation (Continued)

### (a) Amendments to standards mandatory for the financial year beginning 1 January 2011 and relevant to the Group

The following amendments are mandatory for the financial year beginning 1 January 2011:

| | Effective for accounting periods beginning on or after |
|---|---|
| IFRS 3 (Revised), "Business combinations" | 1 July 2010 |
| IFRS 1 (Amendment), "First time adoption of international financial reporting standards" – "Revaluation basis as deemed cost" | 1 January 2011 |
| IFRS 7 (Amendment), "Financial instruments: Disclosures" | 1 January 2011 |
| IAS 1 (Amendment), "Presentation of financial statements" | 1 January 2011 |
| IAS 24 (Revised), "Related party disclosures" | 1 January 2011 |
| IAS 27 (Amendment), "Consolidated and separate financial statements" | 1 January 2011 |
| IAS 34 (Amendment), "Interim financial reporting" | 1 January 2011 |

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

- IFRS 1 (Amendment), "First time adoption of international financial reporting standards" – "Revaluation basis as deemed cost". IFRS 1 (Amendment) allows first-time adopters to use an event-driven fair value as deemed cost for assets and liabilities, even if the event occurs after the date of transition to IFRS, but before the first set of IFRS financial statements are issued. When such re-measurement occurs after the date of transition to IFRS, but during the period covered by its first set of IFRS financial statements, any subsequent adjustment to that event-driven fair value is recognised in equity.

  Upon the incorporation of the Company on 8 October 2006, the assets and liabilities transferred to the Company have been stated at historical carrying amounts of the predecessor company. As the IFRS 1 (Amendment) provides a limited time frame for reporting entities that have previously applied IFRS 1 to retrospectively apply this amendment, the Group has opted to apply this amendment in the year ended 31 December 2011, and therefore the assets and liabilities of the Group have been restated at revalued amounts (being the cost of the assets transferred to the Company during the group reorganisation) as deemed cost since the transition to IFRS.

*(All amounts in RMB unless otherwise stated)*

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

### 2.1 Basis of preparation (Continued)

#### (a) Amendments to standards mandatory for the financial year beginning 1 January 2011 and relevant to the Group (Continued)

The adjustments for adoption of IFRS 1 (Amendment) are as follows:

Consolidated balance sheet:

| | As at 31 December 2011 | | |
|---|---|---|---|
| | Balances before adjustments RMB million | Adjustments for adoption of IFRS 1 (Amendment) RMB million | Balances after adjustments RMB million |
| Property, plant and equipment | 54,716 | 432 | 55,148 |
| Lease prepayments | 5,391 | 2,717 | 8,108 |
| Investment properties | 420 | 15 | 435 |
| Investments in associates | 3,141 | 4 | 3,145 |
| Available-for-sale financial assets | 12,796 | 50 | 12,846 |
| Deferred income tax assets | 2,588 | (564) | 2,024 |
| Inventories | 22,584 | 19 | 22,603 |
| Other assets | 254,471 | – | 254,471 |
| **Total assets** | 356,107 | 2,673 | 358,780 |
| Capital and reserves attributable to equity holders of the Company | 67,524 | 2,682 | 70,206 |
| Non-controlling interests | 10,746 | (7) | 10,739 |
| **Total equity** | 78,270 | 2,675 | 80,945 |
| Deferred income tax liabilities | 2,345 | (2) | 2,343 |
| Other liabilities | 275,492 | – | 275,492 |
| **Total liabilities** | 277,837 | (2) | 277,835 |

# 2. Summary of Significant Accounting Policies (Continued)

## 2.1 Basis of preparation (Continued)

### (a) Amendments to standards mandatory for the financial year beginning 1 January 2011 and relevant to the Group (Continued)

Consolidated balance sheet: (Continued)

| | As at 31 December 2010 | | |
|---|---|---|---|
| | Balances as previously reported RMB million | Adjustments for adoption of IFRS 1 (Amendment) RMB million | Balances as restated RMB million |
| Property, plant and equipment | 52,438 | 535 | 52,973 |
| Lease prepayments | 4,583 | 2,797 | 7,380 |
| Investment properties | 370 | 17 | 387 |
| Investments in associates | 2,826 | 4 | 2,830 |
| Available-for-sale financial assets | 15,402 | 50 | 15,452 |
| Deferred income tax assets | 2,221 | (619) | 1,602 |
| Inventories | 21,473 | 55 | 21,528 |
| Other assets | 208,481 | – | 208,481 |
| **Total assets** | 307,794 | 2,839 | 310,633 |
| Capital and reserves attributable to equity holders of the Company | 60,142 | 2,848 | 62,990 |
| Non-controlling interests | 10,938 | (7) | 10,931 |
| **Total equity** | 71,080 | 2,841 | 73,921 |
| Deferred income tax liabilities | 2,362 | (2) | 2,360 |
| Other liabilities | 234,352 | – | 234,352 |
| **Total liabilities** | 236,714 | (2) | 236,712 |

# 2. Summary of Significant Accounting Policies (Continued)

## 2.1 Basis of preparation (Continued)

### (a) Amendments to standards mandatory for the financial year beginning 1 January 2011 and relevant to the Group (Continued)

Consolidated balance sheet: (Continued)

| | As at 1 January 2010 | | |
|---|---|---|---|
| | Balances as previously reported RMB million | Adjustments for adoption of IFRS 1 (Amendment) RMB million | Balances as restated RMB million |
| Property, plant and equipment | 47,351 | 801 | 48,152 |
| Lease prepayments | 3,689 | 2,863 | 6,552 |
| Investment properties | 332 | 18 | 350 |
| Investments in associates | 2,650 | 4 | 2,654 |
| Available-for-sale financial assets | 17,650 | 50 | 17,700 |
| Deferred income tax assets | 1,944 | (728) | 1,216 |
| Inventories | 18,835 | 85 | 18,920 |
| Other assets | 171,607 | – | 171,607 |
| **Total assets** | 264,058 | 3,093 | 267,151 |
| Capital and reserves attributable to equity holders of the Company | 54,614 | 3,103 | 57,717 |
| Non-controlling interests | 11,615 | (8) | 11,607 |
| **Total equity** | 66,229 | 3,095 | 69,324 |
| Deferred income tax liabilities | 3,420 | (2) | 3,418 |
| Other liabilities | 194,409 | – | 194,409 |
| **Total liabilities** | 197,829 | (2) | 197,827 |

# 2. Summary of Significant Accounting Policies (Continued)

## 2.1 Basis of preparation (Continued)

### (a) Amendments to standards mandatory for the financial year beginning 1 January 2011 and relevant to the Group (Continued)

Consolidated income statement:

| | The year ended 31 December 2011 | | |
|---|---|---|---|
| | Amounts before adjustments RMB million | Adjustments for adoption of IFRS 1 (Amendment) RMB million | Amounts after adjustments RMB million |
| Cost of sales | (266,233) | (141) | (266,374) |
| Administrative expenses | (12,853) | (80) | (12,933) |
| Profit before income tax | 15,250 | (221) | 15,029 |
| Income tax expense | (3,101) | 55 | (3,046) |
| Profit for the year | 12,149 | (166) | 11,983 |
| Profit attributable to equity holders of the Company | 11,933 | (166) | 11,767 |
| Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB) | | | |
| – basic | 0.80 | (0.01) | 0.79 |
| – diluted | 0.80 | (0.01) | 0.79 |

| | The year ended 31 December 2010 | | |
|---|---|---|---|
| | Amounts as previously reported RMB million | Adjustments for adoption of IFRS 1 (Amendment) RMB million | Amounts as restated RMB million |
| Cost of sales | (249,261) | (226) | (249,487) |
| Other gains, net | 527 | (61) | 466 |
| Administrative expenses | (10,115) | (84) | (10,199) |
| Other expenses | (1,014) | (1) | (1,015) |
| Profit before income tax | 12,453 | (372) | 12,081 |
| Income tax expense | (2,552) | 109 | (2,443) |
| Profit for the year | 9,901 | (263) | 9,638 |
| Profit attributable to equity holders of the Company | 9,863 | (264) | 9,599 |
| Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB) | | | |
| – basic | 0.67 | (0.02) | 0.65 |
| – diluted | 0.67 | (0.02) | 0.65 |

- IAS 24 (Revised), "Related party disclosures". The Group early adopted this amendment in previous years and therefore simplified the disclosures for related party transactions and balances with government-related entities. The Group continued the practice in 2011 (refer to details in Note 44).

# 2. Summary of Significant Accounting Policies (Continued)

## 2.1 Basis of preparation (Continued)

### (b) Amendments and interpretations mandatory for the financial year beginning 1 January 2011 but not relevant to the Group

- IAS 32 (Amendment), "Financial instruments: Presentation"-"Classification of right issues"
- IFRS 1 (Amendment), "Limited exemption from comparative IFRS 7 disclosures for first-time adopters"
- IFRIC 19, "Extinguishing financial liabilities with equity instruments"
- IFRIC 14 (Amendment), "Payments of a minimum funding requirement"
- IFRS 1 (Amendment), "First time adoption of international financial reporting standards"-" Accounting policy changes in the year of adoption"
- IFRS 1 (Amendment), "First time adoption of international financial reporting standards" –" Use of deemed cost for operation subject to rate regulation"
- IFRIC 13 (Amendment), "Customer loyalty programmes"

### (c) Standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group

| | Effective for accounting periods beginning on or after |
|---|---|
| IFRS 7 (Amendment), "Disclosures – Transfers of financial assets" | 1 July 2011 |
| IAS 1 (Amendment), "Financial statement presentation"-"other comprehensive income" | 1 July 2012 |
| IFRS 7 (Amendment), "Financial instruments: Disclosures – Offsetting financial assets and financial liabilities" | 1 January 2013 |
| IFRS 10, "Consolidated financial statements" | 1 January 2013 |
| IFRS 11, "Joint arrangements" | 1 January 2013 |
| IFRS 12, "Disclosures of interests in other entities" | 1 January 2013 |
| IFRS 13, "Fair value measurement" | 1 January 2013 |
| IAS 19 (Amendment), "Employee benefits" | 1 January 2013 |
| IAS 27 (Revised), "Separate financial statements" | 1 January 2013 |
| IAS 28 (Revised), "Associates and joint ventures" | 1 January 2013 |
| IFRS 9, "Financial instruments" | 1 January 2015 |

# 2. Summary of Significant Accounting Policies (Continued)

## 2.1 Basis of preparation (Continued)

### (c) Standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group (Continued)

The Group will apply the above standards and amendments from 1 January 2012 or later period. The estimated effects of adopting these new and revised standards are as follows.

- IFRS 7 (Amendment), "Disclosures – Transfers of financial assets", promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity' s financial position, particularly those involving securitisation of financial assets. The Group will prospectively apply the amendment from 1 July 2011;

- IAS 1 (Amendment), "Financial statement presentation"-"other comprehensive income". The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income. The Group will retrospectively apply IAS 1 (Amendment) from 1 July 2012 and it is not expected to have material impact;

- IFRS 7 (Amendment), "Financial instruments: Disclosures – Offsetting financial assets and financial liabilities". The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group will retrospectively apply the amendment from 1 January 2013 and it is not expected to have material impact;

- IFRS 10, "Consolidated financial statements". The objective of the standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. The standard defines the principle of control, and establishes controls as the basis for consolidation. The standard sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The Group will retrospectively apply the standard from 1 January 2013 and it is not expected to have material impact;

- IFRS 11, "Joint arrangements", is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is currently accounted for the joint ventures under the equity method of accounting. The Group will retrospectively apply the standard from1 January 2013 and it is not expected to have any impact;

# 2. Summary of Significant Accounting Policies (Continued)

## 2.1 Basis of preparation (Continued)

### (c) Standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group (Continued)

- IFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will apply the standard from 1 January 2013;

- IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group will prospectively apply the standard from 1 January 2013 and is yet to assess IFRS 13's full impact;

- IAS 19 (Amendment), "Employee benefits", eliminates the corridor approach and calculate finance costs on a net funding basis. The Group will retrospectively apply the standard from 1 January 2013 and is yet to assess IAS 19 (Amendment)'s full impact;

- IAS 27 (Revised), "Separate financial statements", includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Group will retrospectively apply the amendment from 1 January 2013 and it is not expected to have material impact;

- IAS 28 (Revised), "Associates and joint ventures", includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Group is currently accounted for the joint ventures and associates under the equity method of accounting. The Group will retrospectively apply the amendment from 1 January 2013 and it is not expected to have any impact; and

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the part of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characterics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is assessing the expected impact in detail and will adopt the new standard when it becomes effective.

# 2. Summary of Significant Accounting Policies (Continued)

## 2.1 Basis of preparation (Continued)

### (d) Amendments to existing standards and interpretations that are not yet effective for the financial year beginning 1 January 2011 and not relevant to the Group

- IFRS 1 (Amendment), "Severe hyperinflation and removal of fixed dates for first-time adopters" (effective from 1 July 2011)

- IAS 12 (Amendment), "Deferred tax: Recovery of underlying assets" (effective from 1 January 2012)

- IFRIC – Int 20 "Stripping costs in the production phase of a surface mine" (effective from 1 January 2013)

## 2.2 Consolidation

### (a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

# 2. Summary of Significant Accounting Policies (Continued)

## 2.2 Consolidation (Continued)

### (a) Subsidiaries (Continued)

Goodwill (Note 2.8(d)) is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

Inter-company transactions, balances and income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are accounted for at cost less provision for impairment losses (Note 2.9). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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

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

### (c) Disposal of subsidiaries

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

### (d) Jointly controlled entities

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investment in a jointly controlled entity is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and is adjusted thereafter to recognise the Group's share of the post-acquisition results and distributions received of the jointly controlled entity, and other necessary alternations in the Group's proportionate interest in jointly controlled entity arising from changes in equity of jointly controlled entity that have not been included in the consolidated income statement.

# 2. Summary of Significant Accounting Policies (Continued)

## 2.2 Consolidation (Continued)

### (d) Jointly controlled entities (Continued)

The Group's share of post-acquisition results after taxation of jointly controlled entities is included in the consolidated income statement.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.9). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

### (e) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment (Note 2.9) as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses (Note 2.9). The results of associates are accounted for by the Company on the basis of dividends received and receivable.

# 2. Summary of Significant Accounting Policies (Continued)

## 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the President Office, which is chaired by the Chief Executive Officer and consists of senior management of the Company who make strategic decisions.

## 2.4 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the consolidated income statement, and other changes on the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the investment revaluation reserve in other comprehensive income.

### (c) Group companies

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

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

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

# 2. Summary of Significant Accounting Policies (Continued)

## 2.4 Foreign currency translation (Continued)

### (c) Group companies (Continued)

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (Note 2.9), if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

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

| | |
|---|---|
| – Leasehold land classified as finance lease | 50 years |
| – Buildings | 20-30 years |
| – Machinery | 5-10 years |
| – Vessels | 10-25 years |
| – Motor vehicles | 5 years |
| – Other equipments | 2-5 years |

Construction-in-progress represents buildings, vessels and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of machinery and vessels. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and available for use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

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

### 2.5 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

### 2.6 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses (Note 2.9), if any.

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of the asset over its estimated useful life of 30 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

### 2.7 Lease prepayments

Lease prepayments represent upfront prepayments made for the land use rights and leasehold land classified as operating lease and are expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment (Note 2.9), the impairment is expensed in the consolidated income statement.

### 2.8 Intangible assets

#### (a) Trademark, patent and proprietary technologies

Separately acquired trademark, patent and proprietary technologies are shown at historical cost. Trademark, patent and proprietary technologies acquired in a business combination are recognised at fair value at the acquisition date. Trademark, patent and proprietary technologies have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 to 17 years from the date they are available for use.

#### (b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 1 to 10 years.

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

### 2.8 Intangible assets (Continued)

#### (c) Concession assets

The Group is engaged in certain service concession arrangements in which the Group carries out the construction work (e.g. toll highways, bridges and ports) for the granting authority and receives in exchange a right to operate the asset concerned in accordance with pre-established conditions set by the granting authority. In accordance with the IFRIC Interpretation 12 Service Concession Arrangement (IFRIC 12), the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangibles if the operator receives a right (a license) to charge users of the public service or as financial assets if paid by the granting authority. The Group classifies the non-current assets linked to the long-term investment in these concession arrangements as "concession assets" within intangible assets on the balance sheet if the intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements is completed, the concession assets are amortised over the term of the concession using traffic flow method or straight-line method under the intangible asset model.

#### (d) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### 2.9 Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life, for example, goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

# 2. Summary of Significant Accounting Policies (Continued)

## 2.9 Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets (Continued)

Impairment testing of the investments in subsidiaries, jointly controlled entities or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## 2.10 Financial assets

### 2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables (Note 2.14), restricted cash and cash and cash equivalents (Note 2.15) in the balance sheet.

(c) Held-to-maturity financial assets

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

(d) Available-for-sale financial assets

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

# 2. Summary of Significant Accounting Policies (Continued)

## 2.10 Financial assets (Continued)

### 2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in consolidated income statement, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

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

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. However, if the range of reasonable fair value estimate is significant and the probabilities of various estimates cannot be reasonably assessed, such financial assets are carried out at cost less accumulated impairment losses.

# 2. Summary of Significant Accounting Policies (Continued)

## 2.11 Impairment of financial assets

### (a) Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

# 2. Summary of Significant Accounting Policies (Continued)

## 2.11 Impairment of financial assets (Continued)

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

## 2.12 Derivative financial instruments

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

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

## 2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

## 2.14 Trade and other receivables

Trade receivables are amounts due from customers for services performed or products sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## 2.15 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

# 2. Summary of Significant Accounting Policies (Continued)

## 2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for its intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in consolidated income statement in the period in which they are incurred.

## 2.19 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries or jurisdictions where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.20 Employee benefits

#### (a) Pension obligations

The full-time employees of the Group in the PRC, excluding Hong Kong and Macau ("Mainland China"), are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

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

The Group also provided supplementary pension subsidies to retired employees in Mainland China who retired prior to 1 January 2006. Such supplementary pension subsidies are considered to be defined benefit pension plans. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

# 2. Summary of Significant Accounting Policies (Continued)

## 2.20 Employee benefits (Continued)

### (a) Pension obligations (Continued)

The net cumulative unrecognised actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions exceeding 10% of the present value of the defined benefit obligation are credited or charged to consolidated income statement immediately.

Past service costs are recognised immediately as expense unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Employees who retire after 1 January 2006 are no longer entitled to such supplementary pension subsidies.

### (b) Other post-employment obligations

Some Group companies in Mainland China provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The net cumulative unrecognised actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions exceeding 10% of the present value of the defined benefit obligation are credited or charged to income statement immediately. These obligations are valued annually by independent qualified actuaries.

### (c) Termination benefits

Employee termination and early retirement benefits are recognised in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### (d) Housing funds

All full-time employees of the Group in Mainland China are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

### (e) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

# 2. Summary of Significant Accounting Policies (Continued)

## 2.20 Employee benefits (Continued)

### (f) Share-based payments

The Group entered into cash-settled share-based payment transactions with certain directors, senior management officers and other employees, under which the entity receives services from employees as consideration for share appreciation rights ("SAR") granted by the Company.

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the consolidated income statement. See Note 21 for details of fair value measurement of the liability.

The grant by the Company of SAR to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

## 2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

# 2. Summary of Significant Accounting Policies (Continued)

## 2.23 Contract work

Contract costs are recognised when incurred.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognised in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Contract work-in-progress is valued at the cost price of the work done, plus a part of the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions. Provisions are recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost price. The cost price includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, other direct costs, rental charges and maintenance costs for the equipment used. The progress of a project is determined on the basis mentioned in preceding paragraph. Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project by project basis.

The Group presents as an asset the "amounts due from customers for contract work" for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade and other receivables".

The Group presents as a liability the "amounts due to customers for contract work" for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

## 2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

### 2.24 Revenue recognition (Continued)

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (a) Revenue from construction, design, dredging and heavy machinery contracts

Revenue from individual construction, design, dredging and heavy machinery contracts is recognised under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be reliably determined and, depending on the nature of the contract, is measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Expected losses are fully provided on contracts when identified.

#### (b) Services rendered

Revenue for services rendered including surveying, transportations and logistics services is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

#### (c) Sales of products

Sales of products are recognised when a group's entity has delivered the products to the customer, and the customer has accepted the products and collectibility of the related receivables is reasonably assured.

#### (d) Rental income

Rental income under operating leases of vessels and buildings is recognised on a straight-line basis over the lease term.

#### (e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

#### (f) Dividend income

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

# 2. Summary of Significant Accounting Policies (Continued)

## 2.25 Leases

### 2.25.1 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) As a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) As a lessor

Assets leased out under operating leases are included in property, plant and equipment and investment properties. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment and investment properties. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

### 2.25.2 Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over its expected useful life on a basis consistent with similar owned asset. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the expected useful life of the asset and the lease term.

## 2.26 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products and processes) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

# 2. Summary of Significant Accounting Policies (Continued)

## 2.26 Research and development (Continued)

Capitalised development cost is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation of capitalised development cost is calculated using the straight-line method over its expected useful life from the date they are available for use.

Development assets are tested for impairment annually in accordance with IAS 36.

## 2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

# 3. Financial Risk Management

## 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

### (a) Market risk

(i) Foreign exchange risk

The functional currency of majority of the entities within the Group is RMB. Most of the Group's transactions are based and settled in RMB. Foreign currencies are used to settle the Group's revenue from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers, and certain expenses.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

Details of the Group's trade and other receivables, cash and bank balances, trade and other payables and borrowings as at 31 December 2011, denominated in foreign currencies, mainly United States Dollars ("US$"), Euro ("EUR"), Japanese Yen ("JPY") and Hong Kong Dollars ("HK$"), are disclosed in Notes 15, 19, 23 and 24, respectively.

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses its exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments when management considers necessary. During the year ended 31 December 2011, certain subsidiaries of the Group used forward foreign exchange contracts transacted with domestic and overseas banks, to hedge the exposure to foreign currency risk on individual transactions primarily vis-à-vis US$, EUR, JPY and Korea Won.

# 3. Financial Risk Management (Continued)

## 3.1 Financial risk factors (Continued)

### (a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2011, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB662 million higher/lower (2010: 5%, RMB177 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. The change in profit is more significant in 2011 than 2010 primarily because of the increased amount of US$ denominated borrowings.

As at 31 December 2011, if RMB had strengthened/weakened by 10% against EUR with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB21 million higher/lower (2010: 10%, RMB106 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. The change in profit is less significant in 2011 than 2010 primarily because of the decreased amount of EUR denominated cash and cash equivalents and trade and other receivables.

As at 31 December 2011, if RMB had strengthened/weakened by 5% against JPY with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been approximately RMB14 million higher/lower (2010: 10%, RMB37 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents and borrowings. Profit is less sensitive to movements in RMB/JPY exchange rates in 2011 than 2010 primarily because of the decreased amount of JPY denominated borrowings.

As at 31 December 2011, if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, equity attributable to the equity holders of the Company would have been approximately RMB10 million lower/higher (2010: RMB18 million lower/higher), arising mainly from foreign exchange losses/gains on translation of HK$ denominated equity securities classified as available-for-sale. Equity is less sensitive to movements in RMB/HK$ exchange rate in 2011 than 2010 because of the decreased amount of HK$ denominated equity securities classified as available-for-sale.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no other significant interest-bearing assets except for bank deposits.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2011, approximately RMB66,101 million (2010: RMB44,519 million) of the Group's borrowings were at variable rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 24.

# 3. Financial Risk Management (Continued)

## 3.1 Financial risk factors (Continued)

### (a) Market risk (Continued)

(ii) Interest rate risk (Continued)

If interest rates on borrowings had been 0.25 percentage-point higher/lower with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been RMB96 million lower/higher (2010: 0.25 percentage-point higher/lower, RMB49 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk because the Group's equity securities investments are classified as available-for-sale financial assets or other financial assets at fair value through profit or loss which are required to be stated at their fair values (see fair value estimation below).

The Group's sensitivity to equity price risk on the available-for-sale financial assets or other financial assets at fair value through profit or loss at each balance sheet date while all other variables were held constant is as follows:

| | **2011** | 2010 |
|---|---|---|
| Change in equity price | **10%** | 10% |

| | **2011 RMB million** | 2010 RMB million |
|---|---|---|
| Increase in profit attributable to equity holders of the Company for the year as a result of increase in equity price | **5** | 7 |
| Increase in equity attributable to equity holders of the Company for the year as a result of increase in equity price | **1,114** | 1,378 |

### (b) Credit risk

The carrying amounts of cash and bank balances, trade and other receivables except for prepayments, investments, and the nominal value of the guarantees provided on liabilities as disclosed in Note 42 represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group holds substantially all of bank deposits in major financial institutions located in the PRC and certain overseas banks with good credit ratings. Management believes these financial institutions are of high credit quality and there is no significant credit risk of losses on such assets. The Group has policies that limit the amount of credit exposure to any financial institutions.

# 3. Financial Risk Management (Continued)

## 3.1 Financial risk factors (Continued)

### (b) Credit risk (Continued)

The Group's major customers are PRC Government agencies at the national, provincial and local levels, and other state-owned enterprises, which accounted for significant amount of the Group's total operating revenue during the year. The Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluation of its customers. With regard to overseas companies of inadequate creditworthiness, the Group usually demands letters of guarantee or letters of credit. No single customer accounted for more than 10% of the Group's total revenue during the year (2010: None).

Moreover, impairments are recognised for the credit risk that is inherent in trade receivables from the domestic and overseas businesses. The maximum exposure to loss of trade receivables is equal to their total carrying amounts. The carrying amounts of trade receivables, showing separately those receivables that are past due or impaired, are disclosed in Note 15.

Transactions involving derivative financial instruments that hedge foreign exchange and interest rate exposures are with counterparties that have high credit ratings, and the Group does not use derivative financial instruments for purposes other than risk management. The maximum exposure to credit risk at the reporting date is equal to the carrying amount of those derivatives classified as financial assets. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

### (c) Liquidity risk

Liquidity risk encompasses the risk that the Group cannot meet its financial obligations in full.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available. The amounts of undrawn borrowing facilities are disclosed in Note 24.

Due to capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and banks and other borrowings.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 24. Generally there is no specific credit period granted by the supplier but the related trade payables are normally expected to be settled within 30 to 90 days after receipt of goods or services.

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

*(All amounts in RMB unless otherwise stated)*

# 3. Financial Risk Management (Continued)

## 3.1 Financial risk factors (Continued)

### (c) Liquidity risk (Continued)

**Group**

| | Less than 1 year RMB million | Between 1 and 2 years RMB million | Between 2 and 5 years RMB million | Over 5 years RMB million |
|---|---|---|---|---|
| **As at 31 December 2011** | | | | |
| Borrowings (excluding finance lease liabilities) | **56,589** | **11,669** | **24,690** | **31,991** |
| Finance lease liabilities | **898** | **729** | **555** | **4** |
| Derivative financial instruments – held for trading | **8** | **8** | **36** | **8** |
| Trade and other payables (excluding statutory and non-financial liabilities) | **107,554** | **2,274** | **–** | **–** |
| Financial guarantee contracts | **50** | **–** | **–** | **218** |
| | **165,099** | **14,680** | **25,281** | **32,221** |
| **As at 31 December 2010** | | | | |
| Borrowings (excluding finance lease liabilities) | 43,588 | 7,351 | 15,118 | 24,752 |
| Finance lease liabilities | 705 | 666 | 862 | 71 |
| Derivative financial instruments – held for trading | 11 | 6 | 16 | 6 |
| Trade and other payables (excluding statutory and non-financial liabilities) | 87,464 | 2,127 | – | – |
| Financial guarantee contracts | 298 | – | – | 340 |
| | 132,066 | 10,150 | 15,996 | 25,169 |

# 3. Financial Risk Management (Continued)

## 3.1 Financial risk factors (Continued)

### (c) Liquidity risk (Continued)

**Company**

| | **Less than 1 year** RMB million | **Between 1 and 2 years** RMB million | **Between 2 and 5 years** RMB million | **Over 5 years** RMB million |
|---|---|---|---|---|
| **As at 31 December 2011** | | | | |
| Borrowings | **13,593** | **672** | **3,650** | **9,113** |
| Derivative financial instruments – held for trading | **–** | **2** | **21** | **4** |
| Trade and other payables (excluding statutory and non-financial liabilities) | **8,106** | **74** | **–** | **–** |
| Financial guarantee contracts | **13,583** | **3,379** | **3,476** | **6,748** |
| | **35,282** | **4,127** | **7,147** | **15,865** |
| **As at 31 December 2010** | | | | |
| Borrowings | 11,441 | 651 | 3,834 | 9,540 |
| Derivative financial instruments – held for trading | 4 | 4 | 11 | 3 |
| Trade and other payables (excluding statutory and non-financial liabilities) | 6,200 | 67 | – | – |
| Financial guarantee contracts | 386 | 7,209 | 2,637 | 6,510 |
| | 18,031 | 7,931 | 6,482 | 16,053 |

The Group and the Company entered into the guarantee contracts for bank borrowings made by certain subsidiaries, jointly controlled entities and certain third party entities. Financial guarantees represent the maximum amounts of guarantees allocated to the earliest periods in which the respective guarantees could be called. The Directors of the Company are of the opinion that those guarantees are not likely to be crystallised in the foreseeable future.

Net settled derivatives comprise forward foreign exchange contracts used by the Group to hedge the exposure to foreign currency risk.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The spot rate as at balance sheet date is used for the cash outflow and inflow calculations in relation to the amounts settled with foreign currencies. The amounts disclosed in the table are the contractual undiscounted cash flows.

*(All amounts in RMB unless otherwise stated)*

# 3. Financial Risk Management (Continued)

## 3.1 Financial risk factors (Continued)

### (c) Liquidity risk (Continued)

**Group**

| | Less than 1 year RMB million | Between 1 and 2 years RMB million | Between 2 and 5 years RMB million |
|---|---|---|---|
| **As at 31 December 2011** | | | |
| Forward foreign exchange contracts – held for trading | | | |
| Outflow | **(4,310)** | **–** | **–** |
| Inflow | **4,391** | **–** | **–** |
| **As at 31 December 2010** | | | |
| Forward foreign exchange contracts – held for trading | | | |
| Outflow | (4,181) | (96) | – |
| Inflow | 4,173 | 96 | – |

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

### (d) Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

*(All amounts in RMB unless otherwise stated)*

# 3. Financial Risk Management (Continued)

## 3.1 Financial risk factors (Continued)

### (d) Capital risk management (Continued)

| | **2011** <br> **RMB million** | 2010 <br> (Restated) <br> RMB million |
|---|---|---|
| Total borrowings *(Note 24)* | **106,045** | 81,329 |
| Less: Cash and cash equivalents *(Note 19(b))* | **(45,121)** | (38,826) |
| Net debt | **60,924** | 42,503 |
| Total equity | **80,945** | 73,921 |
| Total capital | **141,869** | 116,424 |
| Gearing ratio | **43%** | 37% |

The gearing ratio as at 31 December 2011 has an increase of 6% compared with that in 2010 primarily attributable to the increase in bank borrowings to meet the financing needs of projects, mainly concession asset projects.

### (e) Business environment in emerging economies

The Group has business operations in a number of overseas countries, including countries in Africa, Middle East and South Asia. Some of these countries are exposed to or may expose to political and social turbulence which may lead to unexpected or accelerated changes in political, social and economic environments, and these changes may result in adverse effect on the Group's operations and assets in these countries. Any political or social turbulence or unexpected or accelerated changes in political, social and economic environments may lead to delays or suspension of construction projects and consequently outstanding construction related cost and receivables may not be fully recoverable. The bank deposits in financial institutions of some of these countries are not freely convertible into other foreign currencies and the remittance of such bank deposits out of those countries is controlled. The Group has contingency plans to minimise the financial impact for unexpected turbulent situations, including safeguard of assets. The Group also has policies in place to limit the amounts to be settled in local currencies of these countries and to maintain minimum level of bank deposits in financial institutions of these countries. As at 31 December 2011, the balance of contract work-in-progress relating to on-going construction projects and bank deposits in certain countries in Africa and Middle East represent less than 2.0% and 1.0% (31 December 2010: less than 2.0% and 0.3%), respectively, of the respective balances on the consolidated balance sheet. Management continuously monitors the development and changes in political, social and economic environments of these countries. Whenever there is any indication of impairment exists, management will perform impairment assessment of the outstanding assets. Based on current assessment, management does not expect any material losses of outstanding assets in these countries. Future environment may differ from management's current assessment.

*(All amounts in RMB unless otherwise stated)*

# 3. Financial Risk Management (Continued)

## 3.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different level has been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | **49** | **–** | **–** | **49** |
| Derivative financial instruments –held for trading | **–** | **62** | **–** | **62** |
| Available-for-sale financial assets – Equity securities | **11,033** | **109** | **–** | **11,142** |
| **Total assets** | **11,082** | **171** | **–** | **11,253** |
| **Liabilities** | | | | |
| Derivative financial instruments –held for trading | **–** | **(58)** | **–** | **(58)** |
| **Total liabilities** | **–** | **(58)** | **–** | **(58)** |

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | 67 | – | – | 67 |
| Derivative financial instruments –held for trading | – | 48 | – | 48 |
| Available-for-sale financial assets – Equity securities | 12,800 | 983 | – | 13,783 |
| **Total assets** | 12,867 | 1,031 | – | 13,898 |
| **Liabilities** | | | | |
| Derivative financial instruments –held for trading | – | (71) | – | (71) |
| **Total liabilities** | – | (71) | – | (71) |

## 3. Financial Risk Management (Continued)

### 3.2 Fair value estimation (Continued)

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

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## 4. Critical Accounting Estimates, Assumptions and Judgments

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

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

### 4.1 Income taxes and deferred tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination are made.

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

## 4.1 Income taxes and deferred tax (Continued)

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the periods in which such estimate is changed.

## 4.2 Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. However, if the range of reasonable fair value estimate is so significant that management are of the opinion that their fair value cannot be measured reliably, such financial instruments are carried out at cost less accumulated impairment losses.

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

## 4.3 Construction contracts

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

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

## 4.4 Pension benefits

The present value of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The assumptions are disclosed in Note 26.

Key assumptions used in determining the net cost for pensions include discount rate, which is based on current market conditions.

If the discount rate used to increase/decrease by 10% from management's estimates with all other variables held constant, the carrying amount of pension obligations as at balance sheet date would have been RMB43 million (2010: RMB82 million) lower or RMB45 million (2010: RMB87 million) higher.

## 4.5 Impairment assessment on concession assets

The Group operates certain concession assets and their impairment is reviewed whenever events or changes in circumstances indicate that the carrying amounts of the concession assets may not be recoverable in accordance with the accounting policy stated in Note 2.9.

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

### 4.5 Impairment assessment on concession assets (Continued)

The recoverable amounts of the concession assets have been determined based on value-in-use method. The value-in-use calculations require the use of estimates on the projections of cash flows from the traffic volume and other income, deducting the necessary maintenance and operating costs incurred for the concession assets, and discount rates.

Based on management's best estimates, there was no impairment loss for concession assets recognised during the year.

## 5. Segment Information

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

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

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

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

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

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

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

The President Office assesses the performance of the operating segments based on operating profit excluding unallocated income or costs. Other information provided to the President Office is measured in a manner consistent with that in the financial statements.

Inter-segment sales were conducted at prices generally no less than cost and with terms mutually agreed amongst those business segments.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets consist primarily of property, plant and equipment, lease prepayments, intangible assets, inventories, receivables, amounts due from customers for contract work, cash and cash equivalents. They exclude deferred taxation, investments and derivative financial instruments.

Segment liabilities comprise primarily payables and amounts due to customers for contract work. They exclude items such as taxation and borrowings.

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

*(All amounts in RMB unless otherwise stated)*

## 5. Segment Information (Continued)

The segment information for the year ended 31 December 2011 is as follows:

| | Construction RMB million | Design RMB million | Dredging RMB million | Heavy machinery RMB million | Others RMB million | Elimination RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|
| Total gross segment revenue | 227,068 | 15,008 | 32,321 | 20,166 | 6,665 | (6,947) | 294,281 |
| Inter-segment revenue | (2,351) | (913) | (1,537) | (2,138) | (8) | 6,947 | – |
| **Revenue** | 224,717 | 14,095 | 30,784 | 18,028 | 6,657 | – | 294,281 |
| Segment result | 10,762 | 1,984 | 3,700 | 110 | 166 | (201) | 16,521 |
| Unallocated costs | | | | | | | (303) |
| Operating profit | | | | | | | 16,218 |
| Finance income | | | | | | | 1,993 |
| Finance costs, net | | | | | | | (3,355) |
| Share of profit of jointly controlled entities | | | | | | | 75 |
| Share of profit of associates | | | | | | | 98 |
| **Profit before income tax** | | | | | | | 15,029 |
| Income tax expense | | | | | | | (3,046) |
| **Profit for the year** | | | | | | | 11,983 |

Other segment items included in the consolidated income statement are as follows:

| | Construction RMB million | Design RMB million | Dredging RMB million | Heavy machinery RMB million | Others RMB million | Elimination RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|
| **Other segment items** | | | | | | | |
| Depreciation | 3,386 | 161 | 1,223 | 1,272 | 57 | – | 6,099 |
| Amortisation | 238 | 24 | 23 | 103 | 5 | – | 393 |
| Write-down of inventories | – | – | – | 18 | – | – | 18 |
| Provision for/(reversal of) foreseeable losses on construction contracts | 209 | – | (61) | 145 | – | – | 293 |
| Provision for impairment of trade and other receivables | 187 | 75 | 54 | 111 | – | – | 427 |

*(All amounts in RMB unless otherwise stated)*

## 5. Segment Information (Continued)

The segment information provided for the year ended 31 December 2010, as restated, is as follows:

| | Construction RMB million | Design RMB million | Dredging RMB million | Heavy machinery RMB million | Others RMB million | Elimination RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|
| Total gross segment revenue | 212,962 | 11,264 | 28,113 | 17,221 | 7,329 | (4,155) | 272,734 |
| Inter-segment revenue | (883) | (199) | (2,558) | (76) | (439) | 4,155 | – |
| **Revenue** | 212,079 | 11,065 | 25,555 | 17,145 | 6,890 | – | 272,734 |
| Segment result | 8,912 | 1,741 | 3,584 | (956) | 343 | – | 13,624 |
| Unallocated income | | | | | | | 129 |
| Operating profit | | | | | | | 13,753 |
| Finance income | | | | | | | 708 |
| Finance costs, net | | | | | | | (2,496) |
| Share of profit of jointly controlled entities | | | | | | | 38 |
| Share of profit of associates | | | | | | | 78 |
| **Profit before income tax** | | | | | | | 12,081 |
| Income tax expense | | | | | | | (2,443) |
| **Profit for the year** | | | | | | | 9,638 |

Other segment items included in the consolidated income statement, as restated, are as follows:

| | Construction RMB million | Design RMB million | Dredging RMB million | Heavy machinery RMB million | Others RMB million | Elimination RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|
| **Other segment items** | | | | | | | |
| Depreciation | 2,931 | 146 | 1,091 | 1,264 | 55 | – | 5,487 |
| Amortisation | 137 | 24 | 17 | 78 | 5 | – | 261 |
| (Reversal of write-down)/ write-down of inventories | (1) | – | – | 77 | – | – | 76 |
| Provision for foreseeable losses on construction contracts | 220 | – | 218 | 106 | – | – | 544 |
| (Reversal of)/provision for impairment of trade and other receivables | (485) | 62 | (18) | 39 | (2) | – | (404) |

*(All amounts in RMB unless otherwise stated)*

## 5. Segment Information (Continued)

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

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

| | Construction RMB million | Design RMB million | Dredging RMB million | Heavy machinery RMB million | Others RMB million | Elimination RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|
| Segment assets | **222,339** | **13,471** | **41,744** | **46,219** | **3,590** | **(5,760)** | **321,603** |
| Investments in jointly controlled entities | | | | | | | **948** |
| Investments in associates | | | | | | | **3,145** |
| Unallocated assets | | | | | | | **33,084** |
| **Total assets** | | | | | | | 358,780 |
| Segment liabilities | **138,610** | **5,819** | **19,429** | **6,775** | **1,402** | **(5,582)** | **166,453** |
| Unallocated liabilities | | | | | | | **111,382** |
| **Total liabilities** | | | | | | | **277,835** |
| Capital expenditure | **13,967** | **293** | **2,832** | **896** | **31** | **–** | **18,019** |

Segment assets and liabilities at 31 December 2011 are reconciled to group assets and liabilities as follows:

| | Assets RMB million | Liabilities RMB million |
|---|---|---|
| Segment assets/liabilities | **321,603** | **166,453** |
| Investments in jointly controlled entities | **948** | **–** |
| Investments in associates | **3,145** | **–** |
| Unallocated: | | |
| Deferred income tax assets/liabilities | **2,024** | **2,343** |
| Current income tax liabilities | **–** | **2,634** |
| Current borrowings | **–** | **54,289** |
| Non-current borrowings | **–** | **51,756** |
| Available-for-sale financial assets | **12,846** | **–** |
| Other financial assets at fair value through profit or loss | **49** | **–** |
| Derivative financial instruments | **62** | **58** |
| Cash and other corporate assets/liabilities | **18,103** | **302** |
| **Total** | **358,780** | **277,835** |

*(All amounts in RMB unless otherwise stated)*

## 5. Segment Information (Continued)

The segment assets and liabilities at 31 December 2010, as restated, and capital expenditure for the year then ended are as follows:

| | Construction RMB million | Design RMB million | Dredging RMB million | Heavy machinery RMB million | Others RMB million | Elimination RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|
| Segment assets | 182,516 | 10,137 | 35,188 | 46,760 | 3,588 | (3,839) | 274,350 |
| Investments in jointly controlled entities | | | | | | | 857 |
| Investments in associates | | | | | | | 2,830 |
| Unallocated assets | | | | | | | 32,596 |
| **Total assets** | | | | | | | 310,633 |
| Segment liabilities | 124,582 | 3,946 | 16,772 | 7,420 | 1,647 | (3,839) | 150,528 |
| Unallocated liabilities | | | | | | | 86,184 |
| **Total liabilities** | | | | | | | 236,712 |
| Capital expenditure | 11,682 | 250 | 3,052 | 2,216 | 49 | – | 17,249 |

Segment assets and liabilities at 31 December 2010, as restated, are reconciled to group assets and liabilities as follows:

| | Assets RMB million | Liabilities RMB million |
|---|---|---|
| Segment assets/liabilities | 274,350 | 150,528 |
| Investments in jointly controlled entities | 857 | – |
| Investments in associates | 2,830 | – |
| Unallocated: | | |
| Deferred income tax assets/liabilities | 1,602 | 2,360 |
| Current income tax liabilities | – | 2,091 |
| Current borrowings | – | 42,760 |
| Non-current borrowings | – | 38,569 |
| Available-for-sale financial assets | 15,452 | – |
| Other financial assets at fair value through profit or loss | 67 | – |
| Derivative financial instruments | 48 | 71 |
| Cash and other corporate assets/liabilities | 15,427 | 333 |
| **Total** | 310,633 | 236,712 |

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

| | **2011 RMB million** | 2010 RMB million |
|---|---|---|
| PRC (excluding Hong Kong and Macau) | **262,130** | 245,583 |
| Other regions | **32,151** | 27,151 |
| | **294,281** | 272,734 |

## 5. Segment Information (Continued)

Other regions primarily include countries in Africa, Middle East and South East Asia, such as Angola, Equatorial Guinea, Saudi Arabia, Sri Lanka, and Hong Kong.

There is no material non-current assets attributed to other regions.

## 6. Property, Plant and Equipment

### Group

| | Land and buildings RMB million | Machinery RMB million | Vessels and vehicles RMB million | Other equipment RMB million | Construction-in-progress RMB million | Total RMB million |
|---|---|---|---|---|---|---|
| **At 1 January 2010** | | | | | | |
| Cost, as previously reported | 11,208 | 13,284 | 28,521 | 3,694 | 9,914 | 66,621 |
| Adjustments for adoption of IFRS 1 (Amendment) | 1,038 | (45) | 3,736 | (149) | – | 4,580 |
| Cost, as restated | 12,246 | 13,239 | 32,257 | 3,545 | 9,914 | 71,201 |
| Accumulated depreciation, as previously reported | (2,217) | (4,907) | (10,058) | (2,088) | – | (19,270) |
| Adjustments for adoption of IFRS 1 (Amendment) | (538) | 52 | (3,458) | 165 | – | (3,779) |
| Accumulated depreciation, as restated | (2,755) | (4,855) | (13,516) | (1,923) | – | (23,049) |
| Net book amount, as restated | 9,491 | 8,384 | 18,741 | 1,622 | 9,914 | 48,152 |
| **Year ended 31 December 2010** | | | | | | |
| Opening net book amount, as previously reported | 8,991 | 8,377 | 18,463 | 1,606 | 9,914 | 47,351 |
| Adjustments for adoption of IFRS 1 (Amendment) | 500 | 7 | 278 | 16 | – | 801 |
| Opening net book amount, as restated | 9,491 | 8,384 | 18,741 | 1,622 | 9,914 | 48,152 |
| Additions | 378 | 1,904 | 2,500 | 1,848 | 4,352 | 10,982 |
| Disposals *(Note 41(b))* | (41) | (319) | (250) | (48) | – | (658) |
| Acquisition of a subsidiary | 2 | – | – | – | – | 2 |
| Transfer | 1,295 | 195 | 2,798 | 98 | (4,386) | – |
| Transfer to investment properties *(Note 8)* | (34) | – | – | – | – | (34) |
| Depreciation *(Note 31)* | (518) | (1,495) | (2,300) | (1,158) | – | (5,471) |
| Closing net book amount | 10,573 | 8,669 | 21,489 | 2,362 | 9,880 | 52,973 |
| **At 31 December 2010** | | | | | | |
| Cost | 13,740 | 14,535 | 36,468 | 5,167 | 9,880 | 79,790 |
| Accumulated depreciation | (3,167) | (5,866) | (14,979) | (2,805) | – | (26,817) |
| Net book amount, as restated | 10,573 | 8,669 | 21,489 | 2,362 | 9,880 | 52,973 |

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

### Group (Continued)

| | Land and buildings RMB million | Machinery RMB million | Vessels and vehicles RMB million | Other equipment RMB million | Construction-in-progress RMB million | Total RMB million |
|---|---|---|---|---|---|---|
| **At 1 January 2011** | | | | | | |
| Cost, as previously reported | 12,704 | 14,563 | 32,857 | 5,290 | 9,879 | 75,293 |
| Adjustments for adoption of IFRS 1 (Amendment) | 1,036 | (28) | 3,611 | (123) | 1 | 4,497 |
| Cost, as restated | 13,740 | 14,535 | 36,468 | 5,167 | 9,880 | 79,790 |
| Accumulated depreciation, as previously reported | (2,546) | (5,887) | (11,483) | (2,939) | – | (22,855) |
| Adjustments for adoption of IFRS 1 (Amendment) | (621) | 21 | (3,496) | 134 | – | (3,962) |
| Accumulated depreciation, as restated | (3,167) | (5,866) | (14,979) | (2,805) | – | (26,817) |
| Net book amount, as restated | 10,573 | 8,669 | 21,489 | 2,362 | 9,880 | 52,973 |
| **Year ended 31 December 2011** | | | | | | |
| Opening net book amount, as previously reported | 10,158 | 8,676 | 21,374 | 2,351 | 9,879 | 52,438 |
| Adjustments for adoption of IFRS 1 (Amendment) | 415 | (7) | 115 | 11 | 1 | 535 |
| Opening net book amount, as restated | 10,573 | 8,669 | 21,489 | 2,362 | 9,880 | 52,973 |
| Additions | 72 | 1,554 | 1,178 | 1,456 | 4,742 | 9,002 |
| Disposals *(Note 41(b))* | (248) | (197) | (170) | (58) | – | (673) |
| Transfer | 1,014 | 581 | 2,980 | 387 | (4,962) | – |
| Transfer to investment properties *(Note 8)* | (40) | – | – | – | (35) | (75) |
| Depreciation *(Note 31)* | (538) | (1,547) | (2,435) | (1,559) | – | (6,079) |
| Closing net book amount | 10,833 | 9,060 | 23,042 | 2,588 | 9,625 | 55,148 |
| **At 31 December 2011** | | | | | | |
| Cost | 14,326 | 16,009 | 39,970 | 6,490 | 9,625 | 86,420 |
| Accumulated depreciation | (3,493) | (6,949) | (16,928) | (3,902) | – | (31,272) |
| Net book amount | 10,833 | 9,060 | 23,042 | 2,588 | 9,625 | 55,148 |

# 6. Property, Plant and Equipment (Continued)

## Company

| | Land and buildings RMB million | Machinery RMB million | Vessels and vehicles RMB million | Other equipment RMB million | Construction-in-progress RMB million | Total RMB million |
|---|---|---|---|---|---|---|
| **At 1 January 2010** | | | | | | |
| Cost | 11 | 33 | 46 | 101 | 1 | 192 |
| Accumulated depreciation | (4) | (33) | (25) | (81) | – | (143) |
| Net book amount | 7 | – | 21 | 20 | 1 | 49 |
| **Year ended 31 December 2010** | | | | | | |
| Opening net book amount | 7 | – | 21 | 20 | 1 | 49 |
| Additions | 13 | – | 9 | 3 | – | 25 |
| Disposals | – | – | (3) | – | – | (3) |
| Depreciation | (1) | – | (7) | (7) | – | (15) |
| Closing net book amount | 19 | – | 20 | 16 | 1 | 56 |
| **At 31 December 2010** | | | | | | |
| Cost | 23 | 32 | 51 | 100 | 1 | 207 |
| Accumulated depreciation | (4) | (32) | (31) | (84) | – | (151) |
| Net book amount | 19 | – | 20 | 16 | 1 | 56 |
| **Year ended 31 December 2011** | | | | | | |
| Opening net book amount | **19** | **–** | **20** | **16** | **1** | **56** |
| Additions | **–** | **–** | **2** | **12** | **–** | **14** |
| Depreciation | **(1)** | **–** | **(7)** | **(8)** | **–** | **(16)** |
| Closing net book amount | **18** | **–** | **15** | **20** | **1** | **54** |
| **At 31 December 2011** | | | | | | |
| Cost | **22** | **31** | **51** | **108** | **1** | **213** |
| Accumulated depreciation | **(4)** | **(31)** | **(36)** | **(88)** | **–** | **(159)** |
| Net book amount | **18** | **–** | **15** | **20** | **1** | **54** |

(a) Depreciation of the Group's property, plant and equipment of RMB5,421 million (2010: RMB4,860 million) has been charged in cost of sales, RMB491 million (2010: RMB473 million) in administrative expenses and RMB167 million (2010: RMB138 million) in selling and marketing expenses.

(b) Bank borrowings are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB1,561 million (2010: RMB1,700 million) (Note 24).

(c) As at 31 December 2011, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties with an aggregate book carrying amount of approximately RMB2,056 million (2010: RMB3,373 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

*(All amounts in RMB unless otherwise stated)*

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

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

| | **2011 RMB million** | 2010 RMB million |
|---|---|---|
| Cost – Capitalised finance leases | **3,388** | 2,907 |
| Accumulated depreciation | **(619)** | (329) |
| Net book amount | **2,769** | 2,578 |

The Group leases various vessels and machinery under non-cancellable finance lease agreements and has the option to purchase these assets at minimal prices upon the expiry of the agreements.

## 7. Lease Prepayments

| | Group RMB million |
|---|---|
| **At 1 January 2010** | |
| Cost, as previously reported | 3,999 |
| Adjustments for adoption of IFRS 1 (Amendment) | 3,162 |
| Cost, as restated | 7,161 |
| Accumulated amortisation, as previously reported | (310) |
| Adjustments for adoption of IFRS 1 (Amendment) | (299) |
| Accumulated amortisation, as restated | (609) |
| Net book amount, as restated | 6,552 |
| **Year Ended 31 December 2010** | |
| Opening net book amount, as previously reported | 3,689 |
| Adjustments for adoption of IFRS 1 (Amendment) | 2,863 |
| Opening net book amount, as restated | 6,552 |
| Additions | 1,062 |
| Disposals | (83) |
| Amortisation charge *(Note 31)* | (151) |
| Closing net book amount | 7,380 |
| **At 31 December 2010** | |
| Cost | 8,131 |
| Accumulated amortisation | (751) |
| Net book amount, as restated | 7,380 |

*(All amounts in RMB unless otherwise stated)*

## 7. Lease Prepayments (Continued)

| | Group RMB million |
|---|---|
| **At 1 January 2011** | |
| Cost, as previously reported | **4,970** |
| Adjustments for adoption of IFRS 1 (Amendment) | **3,161** |
| Cost, as restated | **8,131** |
| Accumulated amortisation, as previously reported | **(387)** |
| Adjustments for adoption of IFRS 1 (Amendment) | **(364)** |
| Accumulated amortisation, as restated | **(751)** |
| Net book amount, as restated | **7,380** |
| **Year ended 31 December 2011** | |
| Opening net book amount, as previously reported | **4,583** |
| Adjustments for adoption of IFRS 1 (Amendment) | **2,797** |
| Opening net book amount, as restated | **7,380** |
| Additions | **1,096** |
| Disposals | **(186)** |
| Amortisation charge *(Note 31)* | **(182)** |
| Closing net book amount | **8,108** |
| **At 31 December 2011** | |
| Cost | **9,004** |
| Accumulated amortisation | **(896)** |
| Net book amount | **8,108** |

*(All amounts in RMB unless otherwise stated)*

## 7. Lease Prepayments (Continued)

| | Company | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB million** | RMB million |
| **At beginning of the year** | | |
| Cost | **225** | 225 |
| Accumulated amortisation | **(9)** | (4) |
| Net book amount | **216** | 221 |
| **For the year** | | |
| Opening net book amount | **216** | 221 |
| Amortisation charge | **(5)** | (5) |
| Closing net book amount | **211** | 216 |
| **At end of the year** | | |
| Cost | **225** | 225 |
| Accumulated amortisation | **(14)** | (9) |
| Net book amount | **211** | 216 |

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

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | | (Restated) |
| | **RMB million** | RMB million |
| **Outside Hong Kong (primarily in Mainland China), held on:** | | |
| Leases of over 50 years | **805** | 692 |
| Leases of between 10 to 50 years | **7,303** | 6,688 |
| | **8,108** | 7,380 |

(a) Amortisation of the Group's lease prepayments of RMB21 million (2010: RMB21 million) has been charged in cost of sales and RMB161 million (2010: RMB130 million) in administrative expenses.

(b) As at 31 December 2011, the Group is in the process of applying for or changing registration of the title certificates for certain of its leasehold land with an aggregate carrying value of approximately RMB361 million (2010: RMB438 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these leasehold land.

*(All amounts in RMB unless otherwise stated)*

## 8. Investment Properties

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB million** | RMB million |
| **At beginning of the year** | | |
| Cost, as previously reported | **553** | 451 |
| Adjustments for adoption of IFRS 1 (Amendment) | **29** | 28 |
| Cost, as restated | **582** | 479 |
| Accumulated depreciation, as previously reported | **(183)** | (119) |
| Adjustments for adoption of IFRS 1 (Amendment) | **(12)** | (10) |
| Accumulated depreciation, as restated | **(195)** | (129) |
| Net book amount, as restated | **387** | 350 |
| **For the year** | | |
| Opening net book amount, as previously reported | **370** | 332 |
| Adjustments for adoption of IFRS 1 (Amendment) | **17** | 18 |
| Opening net book amount, as restated | **387** | 350 |
| Transfer from property, plant and equipment *(Note 6)* | **75** | 34 |
| Additions | **–** | 26 |
| Disposals | **(7)** | (7) |
| Depreciation *(Note 31)* | **(20)** | (16) |
| Closing net book amount | **435** | 387 |
| **At end of the year** | | |
| Cost, as restated | **588** | 582 |
| Accumulated depreciation, as restated | **(153)** | (195) |
| Net book amount, as restated | **435** | 387 |
| Fair value at end of the year (a) | **2,007** | 1,616 |

(a) The fair value of the Group's investment properties is based on valuations performed by Sallmanns (Far East) Ltd., a firm of independent and professionally qualified valuers. Valuations are based on discounted projected cash flow, except for some properties outside Mainland China where active market information is available, and in these cases, valuations are based on current prices in an active market.

(b) Depreciation of the Group's investment properties of RMB20 million (2010: RMB16 million) has been charged to other expenses in the consolidated income statement.

*(All amounts in RMB unless otherwise stated)*

# 9. Intangible Assets

## Group

| | Trademark, patent and proprietary technologies RMB million | Computer software RMB million | Concession assets RMB million | Goodwill RMB million | Others RMB million | Total RMB million |
|---|---|---|---|---|---|---|
| **At 1 January 2010** | | | | | | |
| Cost | 20 | 93 | 10,058 | 5 | 11 | 10,187 |
| Accumulated amortisation | (8) | (54) | (47) | – | (3) | (112) |
| Net book amount | 12 | 39 | 10,011 | 5 | 8 | 10,075 |
| **Year ended at 31 December 2010** | | | | | | |
| Opening net book amount | 12 | 39 | 10,011 | 5 | 8 | 10,075 |
| Additions | 7 | 37 | 5,132 | – | 3 | 5,179 |
| Acquisition of a subsidiary | 211 | – | – | 296 | 256 | 763 |
| Disposals | – | (1) | – | – | – | (1) |
| Amortisation charge *(Note 31)* | (13) | (15) | (65) | – | (17) | (110) |
| Closing net book amount | 217 | 60 | 15,078 | 301 | 250 | 15,906 |
| **At 31 December 2010** | | | | | | |
| Cost | 283 | 134 | 15,189 | 301 | 269 | 16,176 |
| Accumulated amortisation | (66) | (74) | (111) | – | (19) | (270) |
| Net book amount | 217 | 60 | 15,078 | 301 | 250 | 15,906 |
| **Year ended at 31 December 2011** | | | | | | |
| Opening net book amount | **217** | **60** | **15,078** | **301** | **250** | **15,906** |
| Additions | **33** | **27** | **8,879** | **5** | **4** | **8,948** |
| Disposals | **(2)** | **–** | **(712)** | **–** | **(27)** | **(741)** |
| Amortisation charge *(Note 31)* | **(31)** | **(21)** | **(133)** | **–** | **(26)** | **(211)** |
| Closing net book amount | **217** | **66** | **23,112** | **306** | **201** | **23,902** |
| **At 31 December 2011** | | | | | | |
| Cost | **318** | **141** | **23,332** | **306** | **238** | **24,335** |
| Accumulated amortisation | **(101)** | **(75)** | **(220)** | **–** | **(37)** | **(433)** |
| Net book amount | **217** | **66** | **23,112** | **306** | **201** | **23,902** |

# 9. Intangible Assets (Continued)

## Company

| | Computer software RMB million |
|---|---|
| **Year ended at 31 December 2010** | |
| Opening net book amount | 7 |
| Additions | 19 |
| Amortisation charge | (3) |
| Closing net book amount | 23 |
| **At 31 December 2010** | |
| Cost | 33 |
| Accumulated amortisation | (10) |
| Net book amount | 23 |
| **Year ended at 31 December 2011** | |
| Opening net book amount | **23** |
| Amortisation charge | **(5)** |
| Closing net book amount | **18** |
| **At 31 December 2011** | |
| Cost | **33** |
| Accumulated amortisation | **(15)** |
| Net book amount | **18** |

(a) As at 31 December 2011, concession assets, represent assets under "Build-Operate-Transfer" service concession arrangements and consist mainly toll roads in the PRC, with cost of RMB13,520 million (2010: RMB6,663 million) generating revenue, and RMB9,812 million (2010: RMB8,526 million) under construction.

(b) Amortisation of the Group's intangible assets of RMB136 million (2010: RMB65 million) has been charged in cost of sales, and RMB75 million (2010: RMB45 million) in administrative expenses.

(c) Certain bank borrowings are secured by concession assets with carrying amount of approximately RMB8,653 million (2010: RMB5,168 million) (Note 24).

(d) Goodwill is allocated to the Group's CGUs identified according to operating segment. The goodwill in Heavy Machinery Segment related primarily to the Group's acquisition of 100% equity interest in Friede Goldman Unites, Ltd. ("F&G") in August 2010. As at 31 December 2011, management of the Group was of the view that there was no impairment of goodwill.

*(All amounts in RMB unless otherwise stated)*

## 10. Investments in and Loans to Subsidiaries – Company

| | **2011 RMB million** | 2010 RMB million |
|---|---|---|
| Listed investments, at cost | **8,046** | 8,028 |
| Unlisted investments, at cost | **53,313** | 50,082 |
| | **61,359** | 58,110 |
| Quoted market value of listed investments | **9,725** | 11,605 |
| **Current assets** | | |
| Loans to subsidiaries *(Note a)* | **11,135** | 10,127 |
| Amounts due from subsidiaries *(Note b)* | **7,190** | 6,999 |
| **Current liabilities** | | |
| Amounts due to subsidiaries *(Note c)* | **23,900** | 21,204 |

(a) The loans to subsidiaries are unsecured, repayable within 1 year, and bear interest at rates ranging from 4.57% to 6.65% (2010: 1.82% to 4.78%) per annum.

(b) The amounts due from subsidiaries represent dividends receivable from subsidiaries.

(c) The amounts due to subsidiaries are unsecured, repayable within 1 year and bear interest at rates ranging from 0.5% to 3.5% (2010: zero to 2.25%) per annum.

(d) Details of the principal subsidiaries as at 31 December 2011 are shown in Note 45(a).

## 11. Investments in Jointly Controlled Entities

| | **Group** | |
|---|---|---|
| | **2011 RMB million** | 2010 RMB million |
| Share of net assets | **990** | 899 |
| Less: Provision for impairment | **(42)** | (42) |
| | **948** | 857 |

| | **Company** | |
|---|---|---|
| | **2011 RMB million** | 2010 RMB million |
| Investment cost | **104** | 104 |
| Less: Provision for impairment | **(42)** | (42) |
| | **62** | 62 |

## 11. Investments in Jointly Controlled Entities (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| **Beginning of the year** | **857** | 758 | **62** | 62 |
| Additions | **229** | 72 | **–** | – |
| Acquisition of a subsidiary | **–** | 2 | **–** | – |
| Disposals | **(198)** | (5) | **–** | – |
| Share of profit | **75** | 38 | **–** | – |
| Dividend distribution | **(15)** | (8) | **–** | – |
| **End of the year** | **948** | 857 | **62** | 62 |

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

| | **2011** | 2010 |
|---|---|---|
| | **RMB million** | RMB million |
| **Assets:** | | |
| Non-current assets | **1,287** | 1,238 |
| Current assets | **1,513** | 1,144 |
| | **2,800** | 2,382 |
| **Liabilities:** | | |
| Non-current liabilities | **(429)** | (550) |
| Current liabilities | **(1,381)** | (933) |
| | **(1,810)** | (1,483) |
| **Net assets** | **990** | 899 |

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB million** | RMB million |
| Income | **1,574** | 1,251 |
| Expenses | **(1,486)** | (1,200) |
| Profit before income tax | **88** | 51 |
| Income tax expense | **(13)** | (13) |
| Profit after tax | **75** | 38 |

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

*(All amounts in RMB unless otherwise stated)*

## 11. Investments in Jointly Controlled Entities (Continued)

(d) The Group and the Company act as the guarantors for various external borrowings made by certain jointly controlled entities as follows. There are no material contingent liabilities of the jointly controlled entities themselves.

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Outstanding loan guarantees | **218** | 548 | **9** | 9 |

## 12. Investments in Associates

| | Group | |
|---|---|---|
| | **2011** | 2010 (Restated) |
| | **RMB million** | RMB million |
| Share of net assets | | |
| Listed shares | **149** | 147 |
| Unlisted shares | **3,001** | 2,688 |
| Less: Provision for impairment | **(5)** | (5) |
| | **3,145** | 2,830 |
| Market value of listed shares | **320** | 523 |

| | Company | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB million** | RMB million |
| Investment cost | **2,004** | 2,004 |
| Less: Provision for impairment | **–** | – |
| | **2,004** | 2,004 |

*(All amounts in RMB unless otherwise stated)*

## 12. Investments in Associates (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RMB million** | 2010 RMB million | **2011 RMB million** | 2010 RMB million |
| **Beginning of the year, as previously reported** | **2,826** | 2,650 | **2,004** | 2,004 |
| Adjustments for adoption of IFRS 1 (Amendment) | **4** | 4 | **–** | – |
| **Beginning of the year, as restated** | **2,830** | 2,654 | **2,004** | 2,004 |
| Additions | **353** | 42 | **–** | – |
| Gain on deemed partial disposal of interest in an associate *(Note 29)* | **–** | 102 | **–** | – |
| Disposals | **(113)** | (27) | **–** | – |
| Share of profit | **98** | 78 | **–** | – |
| Dividend distribution | **(13)** | (10) | **–** | – |
| Exchange reserve | **(10)** | (9) | **–** | – |
| **End of the year** | **3,145** | 2,830 | **2,004** | 2,004 |

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

| | **2011 RMB million** | 2010 (Restated) RMB million |
|---|---|---|
| **Assets:** | | |
| Non-current assets | **6,603** | 6,792 |
| Current assets | **3,239** | 1,386 |
| | **9,842** | 8,178 |
| **Liabilities:** | | |
| Non-current liabilities | **(4,440)** | (3,883) |
| Current liabilities | **(2,252)** | (1,460) |
| | **(6,692)** | (5,343) |
| **Net assets** | **3,150** | 2,835 |

| | Year ended 31 December | |
|---|---|---|
| | **2011 RMB million** | 2010 RMB million |
| Income | **2,517** | 2,253 |
| Expenses | **(2,386)** | (2,148) |
| Profit before income tax | **131** | 105 |
| Income tax expense | **(33)** | (27) |
| Profit after tax | **98** | 78 |

*(All amounts in RMB unless otherwise stated)*

## 12. Investments in Associates (Continued)

(c) The particulars of the Group's principal associates are set out in Note 45(c).

(d) There are no material contingent liabilities relating to the Group's interests in the associates, and no material contingent liabilities of the associates themselves.

## 13. Financial Instruments by Category

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

### Group

| | Loans and receivables RMB million | Assets at fair value through profit or loss RMB million | Available for-sale financial assets RMB million | Total RMB million |
|---|---|---|---|---|
| **Assets as per consolidated balance sheet** | | | | |
| **31 December 2011** | | | | |
| Available-for-sale financial assets *(Note 14)* | **–** | **–** | **12,846** | **12,846** |
| Derivative financial instruments *(Note 18)* | **–** | **62** | **–** | **62** |
| Other financial assets at fair value through profit or loss | **–** | **49** | **–** | **49** |
| Trade and other receivables excluding prepayments *(Note 15)* | **115,561** | **–** | **–** | **115,561** |
| Cash and bank balances *(Note 19)* | **46,043** | **–** | **–** | **46,043** |
| **Total** | **161,604** | **111** | **12,846** | **174,561** |
| **31 December 2010, as restated** | | | | |
| Available-for-sale financial assets *(Note 14)* | – | – | 15,452 | 15,452 |
| Derivative financial instruments *(Note 18)* | – | 48 | – | 48 |
| Other financial assets at fair value through profit or loss | – | 67 | – | 67 |
| Trade and other receivables excluding prepayments *(Note 15)* | 94,429 | – | – | 94,429 |
| Cash and bank balances *(Note 19)* | 39,545 | – | – | 39,545 |
| **Total** | 133,974 | 115 | 15,452 | 149,541 |

## 13. Financial Instruments by Category (Continued)

### Group

| | Liabilities at fair value through profit or loss RMB million | Other financial liabilities at amortised cost RMB million | Total RMB million |
|---|---|---|---|
| **Liabilities as per consolidated balance sheet** | | | |
| **31 December 2011** | | | |
| Borrowings (excluding finance lease liabilities) *(Note 24)* | **–** | **104,074** | **104,074** |
| Finance lease liabilities *(Note 24)* | **–** | **1,971** | **1,971** |
| Derivative financial instruments *(Note 18)* | **58** | **–** | **58** |
| Trade and other payables excluding statutory and non-financial liabilities *(Note 23)* | **–** | **109,651** | **109,651** |
| **Total** | **58** | **215,696** | **215,754** |
| **31 December 2010** | | | |
| Borrowings (excluding finance lease liabilities) *(Note 24)* | – | 79,243 | 79,243 |
| Finance lease liabilities *(Note 24)* | – | 2,086 | 2,086 |
| Derivative financial instruments *(Note 18)* | 71 | – | 71 |
| Trade and other payables excluding statutory and non-financial liabilities *(Note 23)* | – | 89,393 | 89,393 |
| **Total** | 71 | 170,722 | 170,793 |

*(All amounts in RMB unless otherwise stated)*

## 13. Financial Instruments by Category (Continued)

### Company

| | Loans and receivables RMB million | Assets at fair value through profit or loss RMB million | Available for-sale financial assets RMB million | Total RMB million |
|---|---|---|---|---|
| **Assets as per balance sheet** | | | | |
| **31 December 2011** | | | | |
| Available-for-sale financial assets *(Note 14)* | **–** | **–** | **6,463** | **6,463** |
| Trade and other receivables excluding prepayments *(Note 15)* | **5,506** | **–** | **–** | **5,506** |
| Loans to subsidiaries *(Note 10)* | **11,135** | **–** | **–** | **11,135** |
| Amounts due from subsidiaries *(Note 10)* | **7,190** | **–** | **–** | **7,190** |
| Cash and bank balances *(Note 19)* | **18,203** | **–** | **–** | **18,203** |
| **Total** | **42,034** | **–** | **6,463** | **48,497** |
| **31 December 2010** | | | | |
| Available-for-sale financial assets *(Note 14)* | – | – | 8,362 | 8,362 |
| Trade and other receivables excluding prepayments *(Note 15)* | 7,575 | – | – | 7,575 |
| Loans to subsidiaries *(Note 10)* | 10,127 | – | – | 10,127 |
| Amounts due from subsidiaries *(Note 10)* | 6,999 | – | – | 6,999 |
| Cash and bank balances *(Note 19)* | 15,301 | – | – | 15,301 |
| **Total** | 40,002 | – | 8,362 | 48,364 |

*(All amounts in RMB unless otherwise stated)*

## 13. Financial Instruments by Category (Continued)

### Company

| | Liabilities at fair value through profit or loss RMB million | Other financial liabilities at amortised cost RMB million | Total RMB million |
|---|---|---|---|
| **Liabilities as per balance sheet** | | | |
| **31 December 2011** | | | |
| Borrowings *(Note 24)* | **–** | **23,528** | **23,528** |
| Amounts due to subsidiaries *(Note 10)* | **–** | **23,900** | **23,900** |
| Derivative financial instruments *(Note 18)* | **25** | **–** | **25** |
| Trade and other payables excluding statutory and non-financial liabilities *(Note 23)* | **–** | **8,172** | **8,172** |
| **Total** | **25** | **55,600** | **55,625** |
| **31 December 2010** | | | |
| Borrowings *(Note 24)* | – | 21,461 | 21,461 |
| Amounts due to subsidiaries *(Note 10)* | – | 21,204 | 21,204 |
| Derivative financial instruments *(Note 18)* | 23 | – | 23 |
| Trade and other payables excluding statutory and non-financial liabilities *(Note 23)* | – | 6,257 | 6,257 |
| **Total** | 23 | 48,922 | 48,945 |

## 14. Available-for-sale Financial Assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RMB million** | 2010 RMB million | **2011 RMB million** | 2010 RMB million |
| Beginning of the year, as previously reported | **15,402** | 17,650 | **8,362** | 10,334 |
| Adjustment for adoption of IFRS 1 (Amendment) | **50** | 50 | **–** | – |
| Beginning balance of the year, as restated | **15,452** | 17,700 | **8,362** | 10,334 |
| Fair value losses | **(2,566)** | (3,755) | **(1,889)** | (2,377) |
| Additions | **135** | 1,668 | **–** | 405 |
| Disposals | **(175)** | (161) | **(10)** | – |
| **End of the year** | **12,846** | 15,452 | **6,463** | 8,362 |

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

Available-for-sale financial assets include the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 (Restated) | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Listed equity securities, at fair value *(Note a)* | | | | |
| – Mainland China | **10,933** | 13,422 | **6,336** | 8,169 |
| – Hong Kong | **209** | 361 | **112** | 168 |
| Unlisted equity investments, at cost *(Note b)* | **1,704** | 1,669 | **15** | 25 |
| **Total** | **12,846** | 15,452 | **6,463** | 8,362 |
| Market value of listed securities | **11,163** | 13,920 | **6,448** | 8,348 |

(a) These securities primarily represent promoters' shares held by the Group listed and traded in stock markets, of which some are subject to trading restrictions at the balance sheet date. The fair value of freely traded shares was based on the closing quoted market prices, whereas the fair value of those shares subject to trading restrictions was determinded at a discount to the closing quoted market price.

(b) Management is of the opinion that the range of reasonable fair value estimate for the unlisted equity investments is significant and the probabilities of various estimates cannot be reasonably assessed. Accordingly, such financial assets are carried out at cost less accumulated impairment losses, if any.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 (Restated) | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| RMB | **12,599** | 15,052 | **6,351** | 8,194 |
| HK$ | **247** | 400 | **112** | 168 |
| | **12,846** | 15,452 | **6,463** | 8,362 |

*(All amounts in RMB unless otherwise stated)*

# 15. Trade and Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Trade and bills receivables | **53,344** | 49,306 | **2,130** | 4,309 |
| Less: Provision for impairment | **(2,440)** | (2,117) | **(20)** | (3) |
| Trade and bills receivables – net | **50,904** | 47,189 | **2,110** | 4,306 |
| Prepayments | **13,645** | 14,171 | **6,040** | 3,916 |
| Retentions | **26,167** | 19,350 | **2,736** | 2,540 |
| Deposits | **12,031** | 10,588 | **46** | 68 |
| Other receivables | **8,674** | 4,162 | **289** | 311 |
| Staff advances | **646** | 651 | **8** | 4 |
| Long-term receivables | **17,139** | 12,489 | **317** | 346 |
| | **129,206** | 108,600 | **11,546** | 11,491 |
| **Less: non-current portion** | | | | |
| – Retentions | **(15,755)** | (12,006) | **(2,348)** | (2,037) |
| – Deposits | **(916)** | (680) | **–** | – |
| – Long-term receivables | **(11,678)** | (8,914) | **(298)** | (346) |
| – Prepayments for equipment | **(591)** | (576) | **–** | – |
| | **(28,940)** | (22,176) | **(2,646)** | (2,383) |
| **Current portion** | **100,266** | 86,424 | **8,900** | 9,108 |

Refer to the Note 44 for receivables due from related parties.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Within 6 months | **42,297** | 39,840 | **1,085** | 2,152 |
| 6 months to 1 year | **5,126** | 5,122 | **985** | 2,137 |
| 1 year to 2 years | **3,959** | 2,374 | **59** | 18 |
| 2 years to 3 years | **912** | 1,051 | **–** | 1 |
| Over 3 years | **1,050** | 919 | **1** | 1 |
| | **53,344** | 49,306 | **2,130** | 4,309 |

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

## 15. Trade and Other Receivables (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Trade and bills receivables | **50,904** | 47,189 | **2,110** | 4,306 |
| Retentions | **26,098** | 18,783 | **2,718** | 2,711 |
| Deposits | **12,030** | 10,594 | **46** | 68 |
| Other receivables | **8,674** | 4,162 | **289** | 311 |
| Staff advances | **646** | 651 | **8** | 4 |
| Long-term receivables | **16,271** | 12,277 | **317** | 346 |
| | **114,623** | 93,656 | **5,488** | 7,746 |

The carrying amounts of the current trade and other receivables approximate their fair value. The fair values of non-current trade and other receivables are based on projected cash flows discounted using a rate based on current market interest rate ranging from 6.65% to 7.05% per annum as at 31 December 2011 (2010: ranging from 5.85% to 6.40%) available to the Group for similar financial instruments.

(c) Retentions receivable represented amounts due from customers upon completion of the free maintenance period of the construction work, which normally last from one to two years. Deposits represented tender and performance bonds due from customers. Long-term receivables represented amounts due from customers for "Build-Transfer" projects and certain construction works with payment periods over one year. As of 31 December 2011, these receivables totalling RMB54,687 million (2010: RMB41,959 million) were neither past due nor impaired, and RMB1,109 million (2010: RMB816 million) were partially impaired and a provision of RMB459 million (2010: RMB348 million) was made. These receivables of the Company amounting to RMB3,099 million (2010: RMB2,954 million) was neither past due nor impaired.

(d) As at 31 December 2011, trade receivables amounting to RMB5,850 million (2010: RMB731 million) were transferred to certain banks with recourse in exchange for cash. Such transactions did not qualify for derecognition and have been accounted for as secured borrowings (Note 24). In addition, as at 31 December 2011, trade receivables of RMB7,155 million (2010: RMB4,336 million) transferred to certain banks were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

(e) As at 31 December 2011, bills receivables amounting to RMB1,464 million (2010: RMB358 million), representing bank acceptance notes amounting to RMB55 million which were discounted with certain banks and RMB1,409 million which were endorsed to suppliers were derecognised. The Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition.

(f) As of 31 December 2011, trade and bills receivables of RMB2,091 million (2010: RMB3,344 million) were neither past due nor impaired. Trade and bills receivables of the Company amounting to RMB1,121 million (2010: RMB2,017 million) were neither past due nor impaired as of 31 December 2011.

## 15. Trade and Other Receivables (Continued)

(g) As of 31 December 2011, trade and bills receivables of RMB43,143 million (2010: RMB37,957 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade and bills receivables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Within 6 months | **39,921** | 34,377 | **881** | 2,166 |
| 6 months to 1 year | **1,745** | 2,642 | **2** | 107 |
| 1 year to 2 years | **1,230** | 712 | **60** | 2 |
| 2 years to 3 years | **181** | 162 | **–** | – |
| Over 3 years | **66** | 64 | **–** | – |
| | **43,143** | 37,957 | **943** | 2,275 |

(h) As of 31 December 2011, trade and bills receivables of RMB8,110 million (2010: RMB8,005 million) were impaired and provided for. The amount of the provision was RMB2,440 million as of 31 December 2011 (2010: RMB2,117 million), of which RMB211 million (2010: RMB647 million) were individually impaired with the provision of RMB125 million (2010: RMB587 million). The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The ageing analysis of these receivables (net of impairment provision) is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Within 6 months | **1,392** | 2,361 | **46** | – |
| 6 months to 1 year | **1,957** | 1,991 | **–** | – |
| 1 year to 2 years | **1,844** | 1,085 | **–** | 13 |
| 2 years to 3 years | **352** | 346 | **–** | 1 |
| Over 3 years | **125** | 105 | **–** | – |
| | **5,670** | 5,888 | **46** | 14 |

*(All amounts in RMB unless otherwise stated)*

## 15. Trade and Other Receivables (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| **At 1 January** | **2,117** | 2,640 | **3** | 437 |
| Provision for the year | **1,017** | 771 | **20** | – |
| Receivables written off during the year as uncollectible | **(7)** | (195) | **–** | (75) |
| Reversal of impairment of trade receivables due from Iraq Government | **–** | (346) | **–** | (346) |
| Released | **(687)** | (753) | **(3)** | (13) |
| **At 31 December** | **2,440** | 2,117 | **20** | 3 |

The provision and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement (Note 31). Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| RMB | **114,479** | 91,013 | **9,563** | 9,892 |
| US$ | **9,658** | 9,432 | **369** | 139 |
| United Arab Emirates Dirham | **644** | 443 | **–** | – |
| JPY | **481** | 629 | **–** | – |
| HK$ | **348** | 383 | **–** | – |
| EUR | **300** | 1,153 | **1,157** | 1,237 |
| Other currencies | **3,296** | 5,547 | **457** | 223 |
| | **129,206** | 108,600 | **11,546** | 11,491 |

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

*(All amounts in RMB unless otherwise stated)*

## 16. Inventories

| | Group | | | Company | |
|---|---|---|---|---|---|
| | **As at 31 December 2011** | 2010 (Restated) | As at 1 January 2010 (Restated) | **As at 31 December 2011** | 2010 |
| | **RMB million** | RMB million | RMB million | **RMB million** | RMB million |
| Raw materials | **14,886** | 15,454 | 14,376 | **1** | 2 |
| Work in progress | **7,273** | 5,689 | 4,201 | **–** | – |
| Finished goods | **444** | 385 | 343 | **–** | – |
| | **22,603** | 21,528 | 18,920 | **1** | 2 |

## 17. Contract Work-in-progress

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Contract cost incurred plus recognised profit less recognised losses | **854,037** | 709,207 | **72,393** | 69,420 |
| Less: Progress billings | **(814,517)** | (679,953) | **(68,483)** | (64,576) |
| Contract work-in-progress | **39,520** | 29,254 | **3,910** | 4,844 |
| Representing: | | | | |
| Amounts due from customers for contract work | **54,261** | 43,458 | **4,475** | 5,253 |
| Amounts due to customers for contract work | **(14,741)** | (14,204) | **(565)** | (409) |
| | **39,520** | 29,254 | **3,910** | 4,844 |

| | Group Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB million** | RMB million |
| Contract revenue recognised as revenue in the year | **264,966** | 244,295 |

## 18. Derivative Financial Instruments

### Group

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | Assets | Liabilities |
| | **RMB million** | **RMB million** | RMB million | RMB million |
| Forward foreign exchange contracts – held for trading | **62** | **(58)** | 48 | (71) |

*(All amounts in RMB unless otherwise stated)*

## 18. Derivative Financial Instruments (Continued)

### Company

| | 2011 Assets RMB million | 2011 Liabilities RMB million | 2010 Assets RMB million | 2010 Liabilities RMB million |
|---|---|---|---|---|
| Forward foreign exchange contracts – held for trading | **–** | **(25)** | – | (23) |

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2011 were RMB4,573 million (2010: RMB5,599 million).

The maximum exposure to credit risk at the balance sheet date is the fair value of the derivative financial assets amounting to RMB62 million (2010: RMB48 million) in the balance sheet.

## 19. Cash and Bank Balances

| | | Group 2011 RMB million | Group 2010 RMB million | Company 2011 RMB million | Company 2010 RMB million |
|---|---|---|---|---|---|
| Restricted cash | (a) | **922** | 719 | **3** | 3 |
| Cash and cash equivalents | (b) | **45,121** | 38,826 | **18,200** | 15,298 |
| | | **46,043** | 39,545 | **18,203** | 15,301 |

(a) The restricted cash was held in dedicated bank accounts under the name of group companies as collateral for the issuance of performance bonds and letters of credit to customers.

(b) Cash and cash equivalents

| | Group 2011 RMB million | Group 2010 RMB million | Company 2011 RMB million | Company 2010 RMB million |
|---|---|---|---|---|
| Cash on hand | **166** | 170 | **2** | 3 |
| Bank deposits | | | | |
| – Term deposits with initial term of over three months *(i)* | **633** | 56 | **105** | – |
| – Other bank deposits | **44,322** | 38,600 | **18,093** | 15,295 |
| Cash and cash equivalents | **45,121** | 38,826 | **18,200** | 15,298 |

*(i)* Term deposits with initial term of over there months were treated as cash and cash equivalents as Directors consider those deposits were readily convertible to known amounts of cash, subject to an insignificant risk of changes in value and kept for cash management purpose.

*(ii)* The maximum exposure to credit risk approximates the carrying amounts of the Group's cash and cash equivalents at the balance sheet date.

*(iii)* The weighted average effective interest rate on bank deposits was 2.95% per annum as at 31 December 2011 (2010: 1.59% per annum).

*(All amounts in RMB unless otherwise stated)*

## 19. Cash and Bank Balances (Continued)

(c) Cash and bank balances denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| – RMB | **35,939** | 30,106 | **16,236** | 13,608 |
| – US$ | **5,453** | 4,905 | **1,234** | 954 |
| – EUR | **804** | 876 | **490** | 516 |
| – Angolan Kwanza | **739** | 783 | **–** | – |
| – Malaysian Ringgit | **663** | 511 | **–** | – |
| – Central African CFA France BEAC | **429** | 395 | **–** | – |
| – HK$ | **296** | 401 | **172** | 175 |
| – JPY | **110** | 45 | **28** | 6 |
| – Others | **1,610** | 1,523 | **43** | 42 |
| | **46,043** | 39,545 | **18,203** | 15,301 |

(d) The Group's cash and bank balances denominated in RMB are deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC Government.

As at 31 December 2011, less than 4% (2010: less than 4%) of the cash and bank balances denominated in other foreign currencies held by the Group are deposited with banks in countries which have foreign exchange control and are not freely convertible into other currencies or remitted out of those countries.

## 20. Share Capital and Premium

| | **2011** Number of shares (thousands) | **2011** Nominal value (RMB'000) | 2010 Number of shares (thousands) | 2010 Nominal value (RMB'000) |
|---|---|---|---|---|
| Registered, issued and fully paid | | | | |
| Domestic shares of RMB1.00 each | **10,397,500** | **10,397,500** | 10,397,500 | 10,397,500 |
| H shares of RMB1.00 each | **4,427,500** | **4,427,500** | 4,427,500 | 4,427,500 |
| **At 31 December** | **14,825,000** | **14,825,000** | 14,825,000 | 14,825,000 |

(a) The Company was incorporated on 8 October 2006, with an initial registered share capital of RMB10,800 million, divided into 10,800,000,000 domestic shares with a nominal value of RMB1.00 each. These shares were issued to CCCG in consideration for the transfer of the principal operations and businesses of CCCG to the Company pursuant to the Reorganisation as referred in Note 1.

The Company's H shares were listed on the Hong Kong Stock Exchange on 15 December 2006 and 4,025,000,000 new H shares with a nominal value of RMB1.00 each were issued at HK$4.6 (equivalent to approximately RMB4.63) each. The Company raised net proceeds of approximately RMB17,878 million (equivalent to HK$17,772 million) from the issuance of 4,025,000,000 new shares, of which paid-up share capital was RMB4,025 million and share premium was approximately RMB13,853 million.

Upon the issuance of new shares by the Company, 402,500,000 domestic shares (10% of the number of new shares issued) were converted into H shares and transferred to the National Social Security Fund.

As a result, the registered share capital of the Company increased from 10,800,000,000 shares to 14,825,000,000 shares, comprising 10,397,500,000 domestic shares and 4,427,500,000 H shares, representing approximately 70.1% and 29.9% of the registered capital respectively.

The domestic shares rank pari passu, in all material respects, with the H shares. Nonetheless, the transfer of domestic shares is subject to certain restrictions imposed by the PRC law from time to time.

Subsequent to the year end, the Company completed an initial public offering of A-shares on the Shanghai Stock Exchange (Refer to the details in Note 46).

## 21. Cash-settled Share-based Payments

The Group has adopted a cash-settled shared-based payment arrangement, also known as SAR plan (the "Plan"), which was approved by the Annual General Meeting on 18 June 2010.

The Plan entitles persons who are granted such rights to receive cash payments when the Company's share price rises above the exercise price specified in the Plan in a certain predetermined period, subject to certain terms and conditions of the Plan. Upon exercise of the SAR, the grantee will receive cash payment, subject to any applicable withholding tax, equal to the product of the number of SAR exercised and the difference between the exercise price and market price of H Share at the time of exercise.

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

The eligible grantees under the Plan include certain directors, senior management officers of the Company and other personnel determined by the board of directors of Company. The total amount of the SAR granted under the Plan shall not exceed 10% of the total share capital of the Company, and the SAR granted to any eligible participants in any 12 months period shall not exceed 1% of the total issued share capital. The exercise period of all SAR commences after a vesting period and ends on a date which is not later than 5 years from the date of grant of the SAR. A person granted SAR may not exercise his or her rights in the first year after the date of grant. As of each of the last day of the second, third and fourth anniversary of the date of grant, the total number of SAR exercisable in a particular year shall not exceed one-third of the total number of SAR granted to the respective eligible participants. The expiry date of all the SAR is 7 August 2015.

Movements in the number of SAR granted by the Company during the year ended 31 December 2011 are set out as follows:

| | For the year ended 31 December 2011 Number of units of SAR | | | | | | |
|---|---|---|---|---|---|---|---|
| **Category** | **Exercise price** | **Outstanding as at 1 January 2011** | **Granted during the year** | **Exercised during the year** | **Expired during the year** | **Forfeited during the year** | **Outstanding as at 31 December 2011** |
| Directors and key management of the Company | HK$7.43 | 18,999,310 | – | – | – | (628,172) | 18,371,138 |
| Management of subsidiaries of the Company | HK$7.43 | 43,834,373 | – | – | – | (1,940,880) | 41,893,493 |
| **At 31 December** | | 62,833,683 | – | – | – | (2,569,052) | 60,264,631 |

The fair values of SAR as at 31 December 2011 as determined using the binomial valuation model ranged from RMB0.8415 per unit to RMB1.4253 per unit (31 December 2010: from RMB1.5890 per unit to RMB2.1615 per unit). The significant inputs into the model were spot price of HK$6.07 (equivalent to approximately RMB4.92 (31 December 2010: HK$6.80 (equivalent to approximately RMB5.79)) as at 31 December 2011, vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and early exercise factor. The expected volatility of 50% (31 December 2010: 50%) is estimated based on past H Shares share prices of the Company at year end.

The amount, that was recognised in the consolidated income statement and included in staff costs for the year in relation to the above SAR transactions, was RMB21 million (2010: RMB14 million) (Notes 32).

As at 31 December 2011, the total carrying amount of the liabilities arising from SAR transactions included in other payables in the consolidated balance sheet amounted to RMB35 million (31 December 2010: RMB14 million) (Note 23) and there were no exercisable SAR (2010: nil).

As at 31 December 2011, the weighted average remaining contractual life was 3.7 years (31 December 2010: 4.7 years).

## 22. Other Reserves

### Group

| | Capital Reserve *(Note a)* RMB million | Statutory Surplus Reserve RMB million | Investment Revaluation Reserve RMB million | Safety Reserve RMB million | Exchange Reserve RMB million | Retained Earnings RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2010, as previously reported | (3,073) | 495 | 11,309 | 557 | 83 | 16,565 | 25,936 |
| Adjustments for adoption of IFRS 1 (Amendment) | 5,303 | – | – | – | – | (2,200) | 3,103 |
| **Balance at 1 January 2010, as restated** | 2,230 | 495 | 11,309 | 557 | 83 | 14,365 | 29,039 |
| Profit for the year | – | – | – | – | – | 9,599 | 9,599 |
| Currency translation differences | – | – | – | – | (27) | – | (27) |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | – | – | (2,301) | – | – | – | (2,301) |
| Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax | – | – | (286) | – | – | – | (286) |
| Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries | 13 | (4) | – | – | – | (1) | 8 |
| 2009 final dividend | – | – | – | – | – | (1,720) | (1,720) |
| Transfer to statutory surplus reserve *(Note b)* | – | 269 | – | – | – | (269) | – |
| Appropriations *(Note c)* | – | – | – | 184 | – | (184) | – |
| **At 31 December 2010** | 2,243 | 760 | 8,722 | 741 | 56 | 21,790 | 34,312 |

*(All amounts in RMB unless otherwise stated)*

## 22. Other Reserves (Continued)

### Group (Continued)

| | Capital Reserve (Note a) RMB million | Statutory Surplus Reserve RMB million | Investment Revaluation Reserve RMB million | Safety Reserve RMB million | Exchange Reserve RMB million | Retained Earnings RMB million | Total RMB million |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2011, as previously reported | (3,070) | 760 | 8,722 | 741 | 56 | 24,255 | 31,464 |
| Adjustments for adoption of IFRS 1 (Amendment) | 5,313 | – | – | – | – | (2,465) | 2,848 |
| **Balance at 1 January 2011, as restated** | 2,243 | 760 | 8,722 | 741 | 56 | 21,790 | 34,312 |
| Profit for the year | – | – | – | – | – | 11,767 | 11,767 |
| Currency translation differences | – | – | – | – | (38) | – | (38) |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | – | – | (2,161) | – | – | – | (2,161) |
| Release of investment revaluation reserve upon disposal of available-for-sale financial assets, net of deferred tax | – | – | (27) | – | – | – | (27) |
| Cash contribution from CCCG *(Note a)* | 46 | – | – | – | – | – | 46 |
| Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries | 3 | – | – | – | – | (2) | 1 |
| 2010 final dividend | – | – | – | – | – | (2,372) | (2,372) |
| Transfer to statutory surplus reserve *(Note b)* | – | 426 | – | – | – | (426) | – |
| Appropriations *(Note c)* | – | – | – | 184 | – | (184) | – |
| **At 31 December 2011** | 2,292 | 1,186 | 6,534 | 925 | 18 | 30,573 | 41,528 |

*(All amounts in RMB unless otherwise stated)*

## 22. Other Reserves (Continued)

### Company

| | Capital Reserve RMB million | Statutory Surplus Reserve RMB million | Investment Revaluation Reserve RMB million | Safety Reserve RMB million | Exchange Reserve RMB million | Retained Earnings RMB million | Total RMB Million |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2010 | 21,172 | 495 | 7,330 | 6 | (1) | 1,730 | 30,732 |
| Profit for the year | – | – | – | – | – | 2,679 | 2,679 |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | – | – | (1,783) | – | – | – | (1,783) |
| Currency translation differences | – | – | – | – | 1 | – | 1 |
| 2009 final dividend | – | – | – | – | – | (1,720) | (1,720) |
| Transfer to statutory surplus reserve *(Note b)* | – | 269 | – | – | – | (269) | – |
| **At 31 December 2010** | 21,172 | 764 | 5,547 | 6 | – | 2,420 | 29,909 |

| | **Capital Reserve RMB million** | **Statutory Surplus Reserve RMB million** | **Investment Revaluation Reserve RMB million** | **Safety Reserve RMB million** | **Exchange Reserve RMB million** | **Retained Earnings RMB million** | **Total RMB Million** |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2011 | **21,172** | **764** | **5,547** | **6** | **–** | **2,420** | **29,909** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **4,213** | **4,213** |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | **–** | **–** | **(1,417)** | **–** | **–** | **–** | **(1,417)** |
| Cash contribution from CCCG *(Note a)* | **46** | **–** | **–** | **–** | **–** | **–** | **46** |
| 2010 final dividend | **–** | **–** | **–** | **–** | **–** | **(2,372)** | **(2,372)** |
| Transfer to statutory surplus reserve *(Note b)* | **–** | **426** | **–** | **–** | **–** | **(426)** | **–** |
| **At 31 December 2011** | **21,218** | **1,190** | **4,130** | **6** | **–** | **3,835** | **30,379** |

### (a) Capital Reserve

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

Cash contribution from CCCG represents equity contributions from the parent company, CCCG, in cash. In accordance with the notice issued by Ministry of Finance, this amount is to be accounted for as capital reserve of the Company and it is not to be distributed as dividend. In future, when the Company increases its share capital, the capital reserve may be converted into shares of the Company to be held by CCCG, provided appropriate conditions are met. The conversion is however subject to obtaining prior approval from the relevant government authorities and shareholders.

## 22. Other Reserves (Continued)

### (b) Statutory Surplus Reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2011, the Board of Directors proposed appropriation 10% (2010: 10%) of the Company's profit after tax as determined under the PRC GAAP, of RMB426 million (2010: RMB269 million) to the statutory surplus reserve.

### (c) Safety Reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount to a safety reserve at the rate ranging from 1% to 2% of the total construction contract revenue recognised for the year. The reserve can be utilised for improvements of safety on the construction work, and the amounts utilised are charged to the consolidated income statement as incurred.

## 23. Trade and Other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RMB million** | 2010 RMB million | **2011 RMB million** | 2010 RMB million |
| Trade and bills payables | **95,685** | 78,570 | **7,234** | 5,960 |
| Advances from customers | **32,714** | 38,955 | **3,241** | 5,509 |
| Deposits from suppliers | **8,986** | 7,288 | **2,738** | 2,568 |
| Other taxes | **4,656** | 3,821 | **172** | 263 |
| Social securities | **845** | 756 | **22** | 10 |
| Accrued expenses | **265** | 405 | **48** | 42 |
| Accrued payroll | **341** | 185 | **6** | 2 |
| Share appreciation rights *(Note 21)* | **35** | 14 | **35** | 14 |
| Other payables | **5,347** | 3,560 | **794** | 139 |
| | **148,874** | 133,554 | **14,290** | 14,507 |
| **Less: non-current portion** | | | | |
| – Deposits from suppliers | **(2,097)** | (1,929) | **(133)** | (116) |
| **Current portion** | **146,777** | 131,625 | **14,157** | 14,391 |

Refer to Note 44 for payables due to related parties.

## 23. Trade and Other Payables (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Within 1 year | **89,257** | 74,455 | **7,081** | 5,820 |
| 1 year to 2 years | **5,118** | 3,159 | **97** | 59 |
| 2 years to 3 years | **880** | 710 | **38** | 63 |
| Over 3 years | **430** | 246 | **18** | 18 |
| | **95,685** | 78,570 | **7,234** | 5,960 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| RMB | **126,771** | 106,535 | **11,244** | 11,843 |
| US$ | **13,337** | 18,070 | **5** | 20 |
| EUR | **1,454** | 1,613 | **1,212** | 1,307 |
| Saudi Riyal | **911** | 260 | **–** | – |
| HK$ | **850** | 847 | **–** | – |
| Other currencies | **5,551** | 6,229 | **1,829** | 1,337 |
| | **148,874** | 133,554 | **14,290** | 14,507 |

At 31 December 2011, other currencies mainly consists of Ethiopian Birr, JPY, Sri Lanka Rupee and Libyan Dinar.

## 24. Borrowings

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | *Note* | **RMB million** | RMB million | **RMB million** | RMB million |
| **Non-current** | | | | | |
| Long-term bank borrowings | | | | | |
| – secured | *(a)* | **23,397** | 15,639 | **–** | – |
| – unsecured | | **8,887** | 8,950 | **346** | 477 |
| | | **32,284** | 24,589 | **346** | 477 |
| Other borrowings | | | | | |
| – secured | *(a)* | **200** | 400 | **–** | – |
| – unsecured | *(f)* | **184** | – | **164** | – |
| Corporate bonds | *(b)* | **9,930** | 9,922 | **9,930** | 9,922 |
| Medium term notes | *(c)* | **5,984** | 2,179 | **–** | – |
| Non-public debt instrument | *(e)* | **1,995** | – | **–** | – |
| Finance lease liabilities | *(m)* | **1,179** | 1,479 | **–** | – |
| Total non-current borrowings | | **51,756** | 38,569 | **10,440** | 10,399 |

## 24. Borrowings (Continued)

| | Note | Group 2011 RMB million | Group 2010 RMB million | Company 2011 RMB million | Company 2010 RMB million |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Current portion of long-term bank borrowings | | | | | |
| – secured | *(a)* | **2,429** | 2,333 | **–** | – |
| – unsecured | | **4,637** | 2,343 | **118** | 126 |
| | | **7,066** | 4,676 | **118** | 126 |
| Short-term bank borrowings | | | | | |
| – secured | *(a)* | **22,578** | 12,699 | **–** | – |
| – unsecured | | **20,203** | 15,593 | **10,187** | 1,917 |
| | | **42,781** | 28,292 | **10,187** | 1,917 |
| Other borrowings | | | | | |
| – secured | *(a)* | **100** | – | **–** | – |
| – unsecured | *(f)* | **500** | 1,241 | **11** | 1,141 |
| Corporate bonds | *(b)* | **187** | 187 | **187** | 187 |
| Medium term notes | *(c)* | **260** | 5,236 | **–** | 5,170 |
| Debentures | *(d)* | **2,585** | 2,521 | **2,585** | 2,521 |
| Non-public debt instrument | *(e)* | **18** | – | **–** | – |
| Finance lease liabilities | *(m)* | **792** | 607 | **–** | – |
| Total current borrowings | | **54,289** | 42,760 | **13,088** | 11,062 |
| **Total borrowings** | | **106,045** | 81,329 | **23,528** | 21,461 |

(a) As at 31 December 2011, these borrowings were secured by the Group's property, plant and equipment (Note 6), concession assets (Note 9), trade receivables (Note 15) and guarantees provided by certain subsidiaries of the Group and the Company (Note 42) (31 December 2010: secured by the Group's property, plant and equipment, concession assets, trade receivables, receivables to be recognised in the future according to sales and construction contracts, and guarantees provided by certain subsidiaries of the Group and the Company).

(b) As approved by China Securities Regulatory Commission document [2009] No. 761, the Company issued domestic corporate bonds with an aggregate principal amount of RMB10 billion in August 2009. The corporate bonds are guaranteed by CCCG. RMB2,100 million of such bonds was issued with a maturity of five years from issuance and bears interest at a rate of 4.7% per annum, and RMB7,900 million with a maturity of ten years and bears interest at a rate of 5.2% per annum. The Company raised totally net proceeds of RMB9,910 million from the issuance.

The corporate bonds are stated at amortised cost. Interest is payable once a year. Accrued interest is included in current borrowings.

## 24. Borrowings (Continued)

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

— two tranches of medium term notes issued in April 2008 and June 2008, respectively, at the same nominal value of RMB2,500 million, totalling RMB5,000 million, with maturities of three years from issuance. The interest rate for both tranches of medium term notes is 5.3% per annum. They have been fully paid off during the year ended 31 December 2011;

— medium term notes at a nominal value of RMB2,200 million issued in April 2009, with a maturity of five years. RMB1,800 million of such notes bears interest at a rate of 4.1% per annum, and the remaining RMB400 million bears interest at 4.0% per annum;

— medium term notes with a nominal value of RMB3,800 million issued in February 2011, with a maturity of five years from issuance, bearing interest at a rate of 5.85% per annum.

The medium term notes are stated at amortised cost. Interest is payable once a year. Accrued interest is included in current borrowings.

(d) As approved by the People's Bank of China, the Group issued two tranches of debentures in September 2010 and March 2011, respectively, at the same nominal value of RMB 2,500 million, totalling RMB5,000 million, with a maturity of one year from issuance. The first tranch of debenture has been fully paid off during the year ended 31 December 2011. The interest rates are 2.97% and 4.36% per annum, respectively. The debentures were stated at amortised cost.

(e) As approved by NAFMII, the Group issued a non-public debt instrument with an nominal value of RMB2,000 million in November 2011, with a maturity of three years from issuance, bearing interest at a rate of 6.46% per annum.

(f) Other current borrowings as at 31 December 2011 included loans of approximately RMB11 million (2010: RMB1,141 million) payable to China Orient Assets Management Corporation ("COAMC") (the "Iraq Loans"). Prior to the incorporation of the Company on 8 October 2006, these loans were borrowed by the predecessor operations of CCCG from Bank of China to finance certain construction projects in Iraq in the 1980s. Since the Gulf War in 1990, because the Iraq Government did not settle the outstanding receivables for the related construction projects, the Group has not repaid any principal or interest according to the original loan agreements. According to regulations issued by the General Office of State Council of the PRC in 1997, the Group was not demanded to pay outstanding principal, interest and penalties resulting from the non-settlement. In 2000, Bank of China transferred the Iraq Loans to COAMC.

In 2010, the China and the Iraq Governments entered into the Bilateral Agreement for the Iraq Government to settle overdue amounts owed to Chinese enterprises. In response to the Bilateral Agreement, in November 2010, the Ministry of Finance issued a guideline relating to the settlement of the Iraq Loans (the "Guideline"). In June 2011, the Debt Restructuring Agreement (the "Agreement") was entered into with COAMC in accordance with the principles as set out in the Guideline. According to the Agreement, 80% of the Iraq Loans balance (principal and accrued interest) as at 31 December 2004 was waived, and the remaining balance together with interest, amounting to RMB185 million, will be repayable semi-annually by instalments up to April 2028, bearing interest at 5.2% per annum ("New Iraq Loan"). Accordingly, the difference between the Iraq Loans extinguished and the New Iraq Loan assumed under the Agreement, amounting to RMB930 million, is recognised as "finance income" in the consolidated income statement (Note 33).

*(All amounts in RMB unless otherwise stated)*

## 24. Borrowings (Continued)

(g) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RMB million** | 2010 RMB million | **2011 RMB million** | 2010 RMB million |
| Total borrowings | | | | |
| – 6 months or less | **77,599** | 53,619 | **12,375** | 9,608 |
| – 6 -12 months | **5,307** | 12,248 | **584** | 1,141 |
| – 1 – 5 years | **14,668** | 7,036 | **2,250** | 2,317 |
| – Over 5 years | **8,471** | 8,426 | **8,319** | 8,395 |
| | **106,045** | 81,329 | **23,528** | 21,461 |

(h) The maturities of the Group's total borrowings are set out as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RMB million** | 2010 RMB million | **2011 RMB million** | 2010 RMB million |
| Total borrowings | | | | |
| – Within 1 year | **54,289** | 42,760 | **13,088** | 11,062 |
| – Between 1 and 2 years | **9,386** | 6,561 | **129** | 123 |
| – Between 2 and 5 years | **19,273** | 12,308 | **2,321** | 2,381 |
| Wholly repayable within 5 years | **82,948** | 61,629 | **15,538** | 13,566 |
| – Over 5 years | **23,097** | 19,700 | **7,990** | 7,895 |
| | **106,045** | 81,329 | **23,528** | 21,461 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RMB million** | 2010 RMB million | **2011 RMB million** | 2010 RMB million |
| Total borrowings | | | | |
| – RMB | **87,417** | 64,061 | **22,491** | 19,300 |
| – US$ | **15,749** | 15,706 | **572** | 1,558 |
| – EUR | **1,145** | 153 | **161** | 231 |
| – JPY | **865** | 541 | **304** | 372 |
| – HK$ | **785** | 864 | **–** | – |
| – Others | **84** | 4 | **–** | – |
| | **106,045** | 81,329 | **23,528** | 21,461 |

## 24. Borrowings (Continued)

(j) The weighted average effective interest rates (per annum) of borrowings, excluding corporate bonds, medium term notes, debentures, non-public debt instrument and finance lease liabilities which are all denominated in RMB, at the balance sheet date are set out as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| Bank borrowings | | | | |
| – RMB | **6.20%** | 4.95% | **5.98%** | 4.78% |
| – US$ | **3.08%** | 2.22% | **3.54%** | 1.82% |
| – EUR | **2.88%** | 3.79% | **5.63%** | 5.63% |
| – JPY | **2.19%** | 2.32% | **2.51%** | 2.51% |
| – HK$ | **2.49%** | 1.88% | **–** | – |
| – Others | **2.78%** | 2.46% | **–** | – |
| Other borrowings | | | | |
| – RMB | **6.64%** | 5.00% | **–** | – |
| – US$ | **5.20%** | 7.00% | **5.20%** | 7.00% |

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

The carrying amount and fair value of the non-current borrowings are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Carrying amount | **51,756** | 38,569 | **10,440** | 10,399 |
| Fair value | **50,068** | 34,961 | **9,476** | 9,744 |

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Floating rate | | | | |
| – Expiring within one year | **156,367** | 76,570 | **40,673** | 17,624 |
| – Expiring beyond one year | **36,892** | 63,581 | **29,333** | 22,939 |
| | **193,259** | 140,151 | **70,006** | 40,563 |

*(All amounts in RMB unless otherwise stated)*

## 24. Borrowings (Continued)

(m) Finance lease liabilities:

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

| | 2011<br>RMB million | 2010<br>RMB million |
|---|---|---|
| Gross finance lease liabilities – minimum lease payments | | |
| No later than 1 year | **898** | 705 |
| Later than 1 year and no later than 5 years | **1,284** | 1,528 |
| Later than 5 years | **4** | 71 |
| | **2,186** | 2,304 |
| Future finance charges on finance leases | **(215)** | (218) |
| **Present value of finance lease liabilities** | **1,971** | 2,086 |
| The present value of finance lease liabilities is as follows: | | |
| No later than 1 year | **792** | 607 |
| Later than 1 year and no later than 5 years | **1,177** | 1,410 |
| Later than 5 years | **2** | 69 |
| | **1,971** | 2,086 |

*(All amounts in RMB unless otherwise stated)*

## 25. Deferred Income Tax

(a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 (Restated) | **2011** | 2010 |
| | RMB million | RMB million | RMB million | RMB million |
| Deferred tax assets: | | | | |
| – Deferred tax assets to be recovered after more than 12 months | **1,710** | 1,272 | **102** | 146 |
| – Deferred tax assets to be recovered within 12 months | **314** | 330 | **–** | – |
| | **2,024** | 1,602 | **102** | 146 |
| Deferred tax liabilities: | | | | |
| – Deferred tax liabilities to be settled after more than 12 months | **(2,338)** | (2,353) | **(1,394)** | (1,857) |
| – Deferred tax liabilities to be settled within 12 months | **(5)** | (7) | **–** | – |
| | **(2,343)** | (2,360) | **(1,394)** | (1,857) |
| Deferred tax liabilities (net) | **(319)** | (758) | **(1,292)** | (1,711) |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| **Beginning of the year, as previously reported** | **(141)** | (1,476) | **(1,711)** | (2,319) |
| Adjustment for adoption of IFRS 1 (Amendment) | **(617)** | (726) | **–** | – |
| Beginning of the year, as restated | **(758)** | (2,202) | **(1,711)** | (2,319) |
| Recognised in the income statement *(Note 35(a))* | **101** | 260 | **(53)** | 14 |
| Acquisition of a subsidiary | **–** | (65) | **–** | – |
| Recognised in other comprehensive income | **338** | 1,249 | **472** | 594 |
| **End of the year** | **(319)** | (758) | **(1,292)** | (1,711) |

## 25. Deferred Income Tax (Continued)

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

**Deferred Tax Liabilities**

| | Group | | | |
|---|---|---|---|---|
| | **Available-for-sale financial assets** RMB million | **Investment in subsidiaries** RMB million | **Others** RMB million | **Total** RMB million |
| At 1 January 2010, as previously reported | (3,766) | – | (183) | (3,949) |
| Adjustment for adoption of IFRS 1 (Amendment) | 2 | – | – | 2 |
| At 1 January 2010, as restated | (3,764) | – | (183) | (3,947) |
| Charged to the income statement | – | – | (74) | (74) |
| Credited directly to other comprehensive income | 1,240 | – | – | 1,240 |
| Acquisition of a subsidiary | – | – | (65) | (65) |
| **At 31 December 2010** | (2,524) | – | (322) | (2,846) |
| At 1 January 2011, as previously reported | **(2,526)** | **–** | **(322)** | **(2,848)** |
| Adjustment for adoption of IFRS 1 (Amendment) | **2** | **–** | **–** | **2** |
| At 1 January 2011, as restated | **(2,524)** | **–** | **(322)** | **(2,846)** |
| Charged to the income statement | **–** | **(89)** | **(254)** | **(343)** |
| Credited directly to other comprehensive income | **282** | **–** | **–** | **282** |
| **At 31 December 2011** | **(2,242)** | **(89)** | **(576)** | **(2,907)** |

| | Company | | |
|---|---|---|---|
| | **Available-for-sale financial assets** RMB million | **Others** RMB million | **Total** RMB million |
| At 1 January 2010 | (2,438) | (22) | (2,460) |
| Credited to the income statement | – | 9 | 9 |
| Credited directly to other comprehensive income | 594 | – | 594 |
| **At 31 December 2010** | (1,844) | (13) | (1,857) |
| At 1 January 2011 | **(1,844)** | **(13)** | **(1,857)** |
| Charged to the income statement | **–** | **(9)** | **(9)** |
| Credited directly to other comprehensive income | **472** | **–** | **472** |
| **At 31 December 2011** | **(1,372)** | **(22)** | **(1,394)** |

## 25. Deferred Income Tax (Continued)

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

**Deferred Tax Assets:**

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Provision For impairment of assets RMB million | Depreciation and amortisation RMB million | Provision for foreseeable contract losses RMB million | Provision for employee benefits RMB million | Tax losses RMB million | Discount of long-term receivable RMB million | Others RMB million | Total RMB million |
| At 1 January 2010, as previously reported | 476 | 773 | 52 | 592 | 123 | 226 | 231 | 2,473 |
| Adjustment for adoption of IFRS 1 (Amendment) | – | (728) | – | – | – | – | – | (728) |
| At 1 January 2010, as restated | 476 | 45 | 52 | 592 | 123 | 226 | 231 | 1,745 |
| Credited/(charged) to the income statement | 30 | (3) | 74 | (101) | 182 | 130 | 22 | 334 |
| Credited to other comprehensive income | – | – | – | – | – | – | 9 | 9 |
| **At 31 December 2010** | 506 | 42 | 126 | 491 | 305 | 356 | 262 | 2,088 |
| At 1 January 2011, as previously reported | **506** | **661** | **126** | **491** | **305** | **356** | **262** | **2,707** |
| Adjustment for adoption of IFRS 1 (Amendment) | **-** | **(619)** | **-** | **-** | **-** | **-** | **-** | **(619)** |
| At 1 January 2011, as restated | **506** | **42** | **126** | **491** | **305** | **356** | **262** | **2,088** |
| Credited/(charged) to the income statement | **96** | **30** | **(34)** | **50** | **(41)** | **193** | **150** | **444** |
| Credited to other comprehensive income | **-** | **-** | **-** | **-** | **-** | **-** | **56** | **56** |
| **At 31 December 2011** | **602** | **72** | **92** | **541** | **264** | **549** | **468** | **2,588** |

| | Company | | | | |
|---|---|---|---|---|---|
| | Provision for impairment of assets RMB million | Depreciation and amortisation RMB million | Provision for employee benefits RMB million | Others RMB million | Total RMB million |
| At 1 January 2010 | 18 | 1 | 24 | 98 | 141 |
| (Charged)/credited to the income statement | (4) | (1) | (2) | 12 | 5 |
| **At 31 December 2010** | 14 | – | 22 | 110 | 146 |
| (Charged)/credited to the income statement | **(1)** | **–** | **4** | **(47)** | **(44)** |
| **At 31 December 2011** | **13** | **–** | **26** | **63** | **102** |

## 25. Deferred Income Tax (Continued)

(c) As at 31 December 2011, the Group did not recognise deferred tax assets in relation to the Group's subsidiaries amounting to RMB147 million (2010: RMB147 million) because it is probable that the temporary difference will not reverse in the foreseeable future. These amounts mainly comprised:

(i) Deemed disposal of the Group's share in net assets of Shanghai Zhenhua Heavy Industry Co., Ltd. ("ZPMC") arising from the issuance of shares by ZPMC in connection with its initial public offering on the Shanghai Stock Exchange during the year ended 31 December 1997 and the subsequent changes in its equity interest therein. During the years ended 31 December 2000 and 2004, ZPMC issued additional shares and as a result, the Group's interest in ZPMC was decreased to 50.3% as at 31 December 2005. In addition, pursuant to the share reform scheme undertaken by ZPMC, the Group's interest in ZPMC was decreased to 43.3% as at 31 December 2006. Moreover, ZPMC issued additional shares in the year ended 31 December 2007 and the Group subscribed for the shares in proportion to retain the Group's interest in ZPMC at 43.3% as at 31 December 2007. In 2008, ZPMC acquired all the equity interests in two subsidiaries, namely Shanghai Port Machinery Plant Co., Ltd. And Shanghai Jiangtian Industrial Co., Ltd., from the Company. The Group's interest in ZPMC has been increased from 43.3% to 46.1%; and

(ii) Deemed disposal of the Group's share in net assets of Road & Bridge International Co., Ltd ("CRBC International") arising from the issuance of shares by CRBC International in connection with its initial public offering on the Shanghai Stock Exchange during the year ended 31 December 2000. In addition, pursuant to the share reform scheme undertaken by CRBC International, the Group's interest in CRBC International was decreased to 64.1% as at 31 December 2006. The Group disposed of a 2.67% equity interest in CRBC International to third party non-controlling shareholders during the year ended 31 December 2007 and the Group's interest in CRBC International has been decreased to 61.4% thereafter.

(d) In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of RMB737 million (2010: RMB501 million) in respect of tax losses amounting to RMB2,949 million (2010: RMB2,003 million) as at 31 December 2011 as management believes it is more likely than not that such tax losses would not be utilised before they expire.

As at 31 December 2011, the tax losses with no deferred tax assets recognised carried forward are as follows:

| | **2011<br>RMB million** | 2010<br>RMB million |
|---|---|---|
| **Year of expiry of tax losses** | | |
| 2012 | **–** | 13 |
| 2013 | **4** | 15 |
| 2014 | **865** | 908 |
| 2015 | **1,066** | 1,067 |
| 2016 | **1,014** | – |
| | **2,949** | 2,003 |

## 25. Deferred Income Tax (Continued)

(e) As at 31 December 2011, the unrecognised deferred income tax liabilities were RMB13 million (2010: RMB35 million), relating to income tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2011 amounted to RMB88 million (2010: RMB231 million).

## 26. Early Retirement and Supplemental Benefit Obligations

The Group paid supplementary pension subsidies and medical benefits to its retired employees in Mainland China who retired prior to 1 January 2006. In addition, the Group has committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 1 January 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in Mainland China who retired on or after 1 January 2006.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| Present value of defined benefits obligations | **2,537** | 2,432 | **46** | 45 |
| Unrecognised actuarial (losses)/gains | **(179)** | (34) | **1** | 4 |
| Liability on the balance sheet | **2,358** | 2,398 | **47** | 49 |
| Less: current portion | **(330)** | (214) | **(5)** | (7) |
| | **2,028** | 2,184 | **42** | 42 |

The movement of early retirement and supplemental benefit obligations in the balance sheet is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| **At beginning of the year** | **2,398** | 2,657 | **49** | 57 |
| During the year | | | | |
| – Payment | **(280)** | (283) | **(4)** | (7) |
| – Interest cost | **120** | 110 | **2** | 4 |
| – Actuarial losses/(gains) | **144** | 23 | **–** | (5) |
| – Effect of settlement | **(24)** | (109) | **–** | – |
| **At the end of the year** | **2,358** | 2,398 | **47** | 49 |

## 26. Early Retirement and Supplemental Benefit Obligations (Continued)

The above obligations were determined based on actuarial valuation performed by an independent actuary, Towers Watson, Hong Kong, using the projected unit credit method, and the following data:

(a) Discount rates adopted (per annum):

| | **2011** | 2010 |
|---|---|---|
| | **3.50%** | 4.00% |

(b) Early-retirees' salary and supplementary benefits inflation rate: 10% (2010: 10%);

(c) Medical cost trend rate: 4%-8% (2010: 4%-8%);

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

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

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

| | **2011 RMB million** | 2010 RMB million |
|---|---|---|
| Interest cost | **120** | 110 |
| Actuarial losses | **144** | 23 |
| Effect of settlement | **(24)** | (109) |
| Total, included in staff costs *(Note 32)* | **240** | 24 |

Total charge was included in administrative expenses.

*(All amounts in RMB unless otherwise stated)*

## 27. Provisions for Other Liabilities and Charges

### Group

| | Guarantee RMB million | Pending Lawsuits RMB million | Others RMB million | Total RMB million |
|---|---|---|---|---|
| **At 1 January 2010** | 40 | 48 | 17 | 105 |
| Charged to the consolidated income statement: | | | | |
| – Additional provisions | – | 47 | 7 | 54 |
| Utilised/reversed during the year | – | (4) | (4) | (8) |
| **At 31 December 2010** | 40 | 91 | 20 | 151 |
| Charged to the consolidated income statement: | | | | |
| – Additional provisions | **–** | **34** | **4** | **38** |
| Utilised/reversed during the year | **(40)** | **(2)** | **(7)** | **(49)** |
| **At 31 December 2011** | **–** | **123** | **17** | **140** |

### Company

| | Guarantee RMB million |
|---|---|
| **At 31 December 2010** | 40 |
| Utilised/reversed during the year | (40) |
| **At 31 December 2011** | – |

## 28. Other Income

| | 2011 RMB million | 2010 RMB million |
|---|---|---|
| Rental income | **305** | 334 |
| Income from sale of materials | **152** | 349 |
| Dividend income on available-for-sale financial assets | | |
| – Listed equity securities | **270** | 253 |
| – Unlisted equity investments | **33** | 64 |
| Government grants | **246** | 169 |
| Others | **871** | 655 |
| | **1,877** | 1,824 |

*(All amounts in RMB unless otherwise stated)*

## 29. Other Gains – Net

| | **2011** **RMB million** | 2010 (Restated) RMB million |
|---|---|---|
| Gain on disposal of property, plant and equipment | **336** | 164 |
| Gain on disposal of lease prepayments | **170** | 39 |
| Gain on disposal of intangible assets | **52** | – |
| Gain on disposal of other financial assets at fair value through profit or loss | **4** | 5 |
| Fair value losses from other financial assets at fair value through profit or loss | **(17)** | (10) |
| Gains on derivative financial instruments: | | |
| – Foreign exchange forward contracts | **90** | 40 |
| Gain on disposal of available-for-sale financial assets | **46** | 387 |
| Gain on deemed partial disposal of interest in an associate *(Note 12)* | **–** | 102 |
| Net foreign exchange losses *(Note 36)* | **(409)** | (348) |
| Net gains on disposal of subsidiaries, jointly controlled entities and associates | **365** | 87 |
| | **637** | 466 |

## 30. Other Expenses

| | **2011** **RMB million** | 2010 (Restated) RMB million |
|---|---|---|
| Depreciation and other costs relating to assets under operating lease | **198** | 262 |
| Cost of sale of materials | **152** | 349 |
| Others | **296** | 404 |
| | **646** | 1,015 |

*(All amounts in RMB unless otherwise stated)*

## 31. Expenses by Nature

| | 2011<br>RMB million | 2010<br>(Restated)<br>RMB million |
|---|---|---|
| Raw materials and consumables used | **102,081** | 99,051 |
| Subcontracting costs | **83,234** | 72,468 |
| Employee benefits *(Note 32)* | **24,338** | 20,043 |
| Rentals | **18,327** | 19,438 |
| Business tax and other transaction taxes | **8,254** | 7,379 |
| Fuel | **6,551** | 5,860 |
| Depreciation of property, plant and equipment and investment properties *(Notes 6, 8)* | **6,099** | 5,487 |
| Transportation costs | **4,864** | 5,826 |
| Cost of goods sold | **2,377** | 2,086 |
| Research and development costs | **2,314** | 1,575 |
| Travel | **2,210** | 1,886 |
| Repair and maintenance expenses | **1,685** | 1,530 |
| Utilities | **1,142** | 1,130 |
| Insurance | **502** | 503 |
| Provision for/(reversal of) impairment of trade and other receivables | **427** | (404) |
| Provision for foreseeable losses on construction contracts | **293** | 544 |
| Amortisation of intangible assets *(Note 9)* | **211** | 110 |
| Amortisation of lease prepayments *(Note 7)* | **182** | 151 |
| Write-down of inventories | **18** | 76 |
| Auditors' remuneration | **38** | 38 |
| Other expenses | **14,784** | 15,479 |
| **Total cost of sales, selling and marketing expenses and administrative expenses** | **279,931** | 260,256 |

## 32. Employee Benefit Expense

| | 2011<br>RMB million | 2010<br>RMB million |
|---|---|---|
| Salaries, wages and bonuses | **16,432** | 13,734 |
| Contributions to pension plans *(Note a)* | **2,224** | 1,724 |
| Early retirement and supplemental pension benefits *(Note 26(f)) (Note b)* | **240** | 24 |
| Housing benefits *(Note c)* | **992** | 872 |
| Share appreciation rights *(Note 21)* | **21** | 14 |
| Welfare, medical and other expenses | **4,429** | 3,675 |
| | **24,338** | 20,043 |

## 32. Employee Benefit Expense (Continued)

(a) The employees of the subsidiaries in the Mainland China participate in various retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China under which the Group is required to make monthly contributions to these plans at rates ranging from 12% to 30% (2010: 12% to 30%), depending on the applicable local regulations, of the employees' basic salary for the year.

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

(b) Certain employees of the Group retired early in the past. Early retirement benefits are recognised in the consolidated income statement in the year in which the Group entered into an agreement specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. These specific terms vary among the early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplementary pension subsidies to retired employees who retired prior to 1 January 2006. The costs of providing these pension subsidies are charged to the consolidated income statement so as to spread the service cost over the average service lives of the retirees. Employees who retire after 1 January 2006 are no longer entitled to such pension subsidies.

(c) These represent contributions to the government-sponsored housing funds in Mainland China, at rates ranging from 7% to 25% of the employees' basic salary.

## 33. Finance Income

| | **2011**<br>**RMB million** | 2010<br>RMB million |
|---|---|---|
| Gain on debt restructuring of Iraq Loans *(Note 24(f))* | **930** | – |
| Interest income: | | |
| – Bank deposits | **423** | 242 |
| – Unwinding of discount of long-term receivables | **556** | 412 |
| Others | **84** | 54 |
| | **1,993** | 708 |

*(All amounts in RMB unless otherwise stated)*

## 34. Finance Costs, Net

| | **2011 RMB million** | 2010 RMB million |
|---|---|---|
| Interest expense incurred | **4,494** | 3,038 |
| Less: Capitalised interest expense | **(1,379)** | (856) |
| Net interest expense | **3,115** | 2,182 |
| Representing: | | |
| – Bank borrowings | **1,905** | 1,066 |
| – Other borrowings | **48** | 94 |
| – Corporate bonds | **519** | 518 |
| – Medium term notes | **408** | 340 |
| – Debentures | **138** | 98 |
| – Finance lease liabilities | **97** | 66 |
| | **3,115** | 2,182 |
| Net foreign exchange gains on borrowings *(Note 36)* | **(872)** | (627) |
| Others | **1,112** | 941 |
| | **3,355** | 2,496 |

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB1,379 million (2010: RMB856 million) were capitalised in 2011, of which approximately RMB679 million (2010: RMB381 million) is charged to contract work-in-progress, approximately RMB368 million (2010: RMB241 million) is included in cost of concession assets, and approximately RMB332 million (2010: RMB234 million) is included in cost of construction-in-progress as at 31 December 2011. A capitalisation rate of 5.27% (2010: 4.99%) was used, representing the costs of the borrowings used to finance the qualifying assets.

## 35. Taxation

### (a) Income Tax Expense

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

Most of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (2010: 25%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for a few subsidiaries of the Company, which were exempted from tax or taxed at preferential rates of 12% to 24% (2010: 7.5% to 22%).

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

*(All amounts in RMB unless otherwise stated)*

## 35. Taxation (Continued)

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

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

| | **2011**<br>**RMB million** | 2010<br>(Restated)<br>RMB million |
|---|---|---|
| Current income tax | | |
| – PRC enterprise income tax | **2,975** | 2,582 |
| – Others | **172** | 121 |
| | **3,147** | 2,703 |
| Deferred income tax *(Note 25(a))* | **(101)** | (260) |
| Income tax expense | **3,046** | 2,443 |

The difference between the actual income tax expense in the consolidated income statement and the amounts which would result from applying enacted tax rate to profit before income tax can be reconciled as follows:

| | **2011**<br>**RMB million** | 2010<br>(Restated)<br>RMB million |
|---|---|---|
| Profit before income tax | **15,029** | 12,081 |
| Less: Share of profits of jointly controlled entities and associates | **(173)** | (116) |
| | **14,856** | 11,965 |
| Tax calculated at PRC statutory tax rate of 25% (2010: 25%) | **3,714** | 2,991 |
| Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries | **(556)** | (440) |
| Income not subject to tax | **(312)** | (343) |
| Additional tax concession on research and development costs | **(215)** | (120) |
| Expenses not deductible for tax purposes | **179** | 93 |
| Utilisation of previously unrecognised tax losses | **(17)** | (5) |
| Tax losses for which no deferred income tax asset was recognised | **253** | 267 |
| Income tax expense | **3,046** | 2,443 |

*(All amounts in RMB unless otherwise stated)*

## 35. Taxation (Continued)

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

The tax credit relating to components of other comprehensive income is as follows:

| | **2011** | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **Before tax RMB million** | **Tax credit RMB million** | **After tax RMB million** | Before tax RMB million | Tax credit RMB million | After tax RMB million |
| Fair value losses – Available-for-sale financial assets | **(2,566)** | **338** | **(2,228)** | (3,755) | 1,249 | (2,506) |
| Currency translation differences | **(67)** | **–** | **(67)** | (39) | – | (39) |
| **Other comprehensive income** | **(2,633)** | **338** | **(2,295)** | (3,794) | 1,249 | (2,545) |

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

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

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

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

## 36. Net Foreign Exchange Gains

The exchange differences credited to the consolidated income statement are included as follows:

| | **2011 RMB million** | 2010 RMB million |
|---|---|---|
| Finance costs *(Note 34)* | **872** | 627 |
| Other gains – net *(Note 29)* | **(409)** | (348) |
| | **463** | 279 |

## 37. Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB4,213 million (2010: RMB2,679 million).

## 38. Earnings per Share

### (a) Basic

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

| | **2011** | 2010 (Restated) |
|---|---|---|
| Profit attributable to equity holders of the Company (RMB million) | **11,767** | 9,599 |
| Number of ordinary shares in issue (million) | **14,825** | 14,825 |
| Basic earnings per share (RMB per share) | **0.79** | 0.65 |

### (b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2011 and 2010.

## 39. Dividends

| | **2011 RMB million** | 2010 RMB million |
|---|---|---|
| Final, proposed, of RMB0.1794 per ordinary share (2010: RMB0.16) | **2,902** | 2,372 |

2010 final dividend of RMB0.16 per ordinary share, totalling RMB2,372 million was approved by the Company's shareholders in the Extraordinary General Meeting on 25 March 2011.

At the board meeting held on 26 March 2012, the Directors recommended the payment of a final dividend of RMB0.1794 per ordinary share to all shareholders on the basis of total issued share capital of 16,174,735,425 share after A-share issuance, totalling approximately RMB2,902 million. Such dividend is to be approved by the shareholders at the Annual General Meeting to be held on 6 June 2012. This recommended dividend has not been reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

*(All amounts in RMB unless otherwise stated)*

# 40. Directors', Supervisors' and Senior Management's Emoluments

## (a) Directors' and Supervisors' Emoluments

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Directors and supervisors | | |
| – Basis salaries, housing allowances and other allowances | **3,422** | 3,243 |
| – Contributions to pension plans | **180** | 169 |
| – Discretionary bonuses | **2,167** | 1,897 |
| | **5,769** | 5,309 |

The emoluments of every director and supervisor for the year ended 31 December 2011 are set out below:

| **Name** | **Basis salaries, housing allowances and other allowances** RMB'000 | **Contributions to pension plans** RMB'000 | **Discretionary bonuses** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| Executive directors | | | | |
| Mr. Zhou Jichang | 539 | 30 | 392 | 961 |
| Mr. Liu Qitao[(2)] | 528 | 30 | 403 | 961 |
| Mr. Fu Junyuan | 462 | 30 | 372 | 864 |
| Non-executive director | | | | |
| Mr. Zhang Changfu | 111 | – | – | 111 |
| Independent non-executive directors | | | | |
| Mr. Liu Zhangmin | 139 | – | – | 139 |
| Mr. Yuan Yaohui | 130 | – | – | 130 |
| Mr. Zou Qiao | 114 | – | – | 114 |
| Mr. Lu Hongjun | 111 | – | – | 111 |
| Mr. Leung Chong Shun[(1)] | 86 | – | – | 86 |
| Supervisors | | | | |
| Mr. Liu Xiangdong | 463 | 30 | 371 | 864 |
| Mr. Xu Sanhao | 463 | 30 | 371 | 864 |
| Mr. Wang Yongbin | 276 | 30 | 258 | 564 |
| | 3,422 | 180 | 2,167 | 5,769 |

*(All amounts in RMB unless otherwise stated)*

# 40. Directors', Supervisors' and Senior Management's Emoluments

(Continued)

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

(1) Mr. Leung Chong Shun has been appointed as the independent non executive director of the Company pursuant to the resolution passed by the shareholders of the Company at the Extraordinary General Meeting held on 24 January 2011.

The emoluments of every director and supervisor for the year ended 31 December 2010 are set out below:

| Name | Basis salaries, housing Allowances and other allowances RMB'000 | Contributions to pension plans RMB'000 | Discretionary bonuses RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Executive directors | | | | |
| Mr. Zhou Jichang | 538 | 29 | 349 | 916 |
| Mr. Meng Fengchao[(2)] | 461 | 24 | 334 | 819 |
| Mr. Fu Junyuan | 461 | 29 | 332 | 822 |
| Non executive director | | | | |
| Mr. Zhang Changfu | 110 | – | – | 110 |
| Independent non executive directors | | | | |
| Mr. Liu Zhangmin | 134 | – | – | 134 |
| Mr. Yuan Yaohui | 127 | – | – | 127 |
| Mr. Lu Hongjun | 112 | – | – | 112 |
| Mr. Zou Qiao | 110 | – | – | 110 |
| Supervisors | | | | |
| Mr. Liu Xiangdong | 461 | 29 | 332 | 822 |
| Mr. Xu Sanhao | 462 | 29 | 333 | 824 |
| Mr. Wang Yongbin | 267 | 29 | 217 | 513 |
| | 3,243 | 169 | 1,897 | 5,309 |

*(All amounts in RMB unless otherwise stated)*

## 40. Directors', Supervisors' and Senior Management's Emoluments

(Continued)

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

(2) Mr. Meng Fengchao resigned in 30 November 2010. The Board has resolved to appoint Mr. Liu Qitao as the President of the Company with effect from 1 December 2010, with a term of 3 years. Mr. Liu Qitao has also been appointed as an executive director of the Company pursuant to the resolution passed by the shareholders of the Company at the Extraordinary General Meeting held on 24 January 2011.

The emoluments of the directors and supervisors of the Company fall within the following bands:

| | **2011** | 2010 |
|---|---|---|
| Directors and supervisors | | |
| – Nil to HK$1,000,000 (equivalent to approximately RMB810,700) | **7** | 10 |
| – HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB810,701 to RMB1,216,050) | **5** | 1 |

During the year, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

### (b) Key Management Compensation

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Basis salaries, housing allowances and other allowances | **5,993** | 5,978 |
| Contributions to pension plans | **389** | 371 |
| Discretionary bonuses | **4,794** | 4,247 |
| | **11,176** | 10,596 |

# 40. Directors', Supervisors' and Senior Management's Emoluments

(Continued)

## (c) Five Highest Paid Individuals

None of the Directors' emoluments as disclosed in Note 40(a) above was included in the emoluments paid to the five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the year are as follows:

| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
|---|---|---|
| Basic salaries, housing allowances, and other allowances | **2,095** | 1,730 |
| Contributions to pension plans | **527** | 540 |
| Discretionary bonuses | **4,121** | 5,129 |
| | **6,743** | 7,399 |

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

| | **2011** | 2010 |
|---|---|---|
| – HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB810,701 to RMB1,216,050) | **–** | 2 |
| – HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,216,051 to RMB1,621,400) | **5** | 2 |
| – HK$2,000,001 to HK$3,000,000 (equivalent to approximately RMB1,621,401 to RMB2,432,100) | **–** | 1 |
| | **5** | 5 |

*(All amounts in RMB unless otherwise stated)*

# 41. Cash Generated from Operations

## (a) Cash Generated from Operations

| | **2011** RMB million | 2010 (Restated) RMB million |
|---|---|---|
| Profit for the year | **11,983** | 9,638 |
| Adjustments for: | | |
| – Income tax expense | **3,046** | 2,443 |
| – Depreciation of property, plant and equipment and investment properties | **6,099** | 5,487 |
| – Amortisation of intangible assets and lease prepayments | **393** | 261 |
| – Net gain on disposal of property, plant and equipment | **(336)** | (164) |
| – Share-based payment *(Note 21)* | **21** | 14 |
| – Fair value (gains)/losses on derivative financial instruments | **(4)** | 23 |
| – Fair value losses on other financial assets at fair value through profit or loss | **17** | 10 |
| – Gain on disposal of subsidiaries | **(328)** | (1) |
| – Net gain on disposal of lease prepayments | **(170)** | (39) |
| – Net gain on disposal of intangible assets | **(52)** | – |
| – Gain on disposal of available-for-sale financial assets | **(46)** | (387) |
| – Gain on disposal of other financial assets at fair value through profit or loss | **(4)** | (5) |
| – Gain on disposal of associates | **(29)** | (86) |
| – Gain on disposal of jointly controlled entities | **(8)** | – |
| – Gain on deemed partial disposal of an associate | **–** | (102) |
| – Write-down of inventories | **18** | 76 |
| – Provision for/(reversal of) impairment of trade and other receivables | **427** | (404) |
| – Provision for foreseeable losses on construction contracts | **293** | 544 |
| – Dividend income from available-for-sale financial assets | **(303)** | (317) |
| – Gain on debt restructuring of Iraq Loans | **(930)** | – |
| – Interest income | **(1,063)** | (708) |
| – Interest expenses | **3,115** | 2,182 |
| – Share of profit of jointly controlled entities | **(75)** | (38) |
| – Share of profit of associates | **(98)** | (78) |
| – Exchange gains on borrowings | **(872)** | (627) |
| | **21,094** | 17,722 |
| Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation): | | |
| – Inventories | **(1,369)** | (2,792) |
| – Trade and other receivables | **(19,662)** | (23,954) |
| – Contract work-in-progress | **(10,581)** | (147) |
| – Restricted cash | **(203)** | (21) |
| – Early retirement and supplemental benefit obligations | **(40)** | (259) |
| – Trade and other payables | **15,030** | 27,094 |
| – Derivative financial instruments | **(23)** | (41) |
| – Provisions | **(11)** | 46 |
| – Deferred income | **88** | 149 |
| Cash generated from operations | **4,323** | 17,797 |

## 41. Cash Generated from Operations (Continued)

### (b) Proceeds from disposal of PPE

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

| | **2011**<br>**RMB million** | 2010<br>(Restated)<br>RMB million |
|---|---|---|
| Net book amount *(Note 6)* | **673** | 658 |
| Gain on disposal of property, plant and equipment | **336** | 164 |
| Less: Trade and other receivables | **(446)** | – |
| Proceeds from sale of property, plant and equipment | **563** | 822 |

### (c) Interest paid

The interest paid was recorded in the financing activities instead of the operating activity on the cash flow statement as the borrowing and the interest were both under management of treasury function. The management of the Group was of the view that the change provided reliable and more relevant information about the effects of transactions on the cash flows.

## 42. Contingencies

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011**<br>**RMB million** | 2010<br>RMB million | **2011**<br>**RMB million** | 2010<br>RMB million |
| Pending lawsuits *(Note a)* | **617** | 510 | **–** | – |
| Outstanding loan guarantees *(Note b)* | **268** | 598 | **27,186** | 16,702 |
| | **885** | 1,108 | **27,186** | 16,702 |

(a) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision as set out in Note 27 has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for above pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.

(b) The Group and the Company have acted as the guarantors for various external borrowings made by certain subsidiaries, jointly controlled entities of the Group (Note 44) and certain third party entities.

*(All amounts in RMB unless otherwise stated)*

## 43. Commitments

### (a) Capital Commitments

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** **RMB million** | 2010 RMB million | **2011** **RMB million** | 2010 RMB million |
| Property, plant and equipment | **3,187** | 17 | **3,055** | 17 |
| Intangible assets – concession assets | **800** | – | **–** | – |
| | **3,987** | 17 | **3,055** | 17 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** **RMB million** | 2010 RMB million | **2011** **RMB million** | 2010 RMB million |
| Property, plant and equipment | **3,593** | 2,655 | **–** | – |
| Intangible assets – concession assets | **45,817** | 9,517 | **1,945** | – |
| | **49,410** | 12,172 | **1,945** | – |

### (b) Operating Lease Commitments – Where the Group is the Lessee

The Group leases various offices, warehouses, residential properties, machinery and vessels under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** **RMB million** | 2010 RMB million | **2011** **RMB million** | 2010 RMB million |
| No later than 1 year | **1,047** | 926 | **65** | 67 |
| Later than 1 year and no later than 5 years | **1,509** | 1,063 | **46** | 42 |
| Later than 5 years | **203** | 237 | **–** | – |
| | **2,759** | 2,226 | **111** | 109 |

## 43. Commitments (Continued)

### (c) Lease Payments Receivable

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

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

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB million** | RMB million |
| No later than 1 year | **113** | 83 |
| Later than 1 year and no later than 5 years | **187** | 170 |
| Later than 5 years | **94** | 89 |
| | **394** | 342 |

The Company has no lease payments receivable.

## 44. Related-party Transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by CCCG, the parent company and a state-owned enterprise established in the PRC. CCCG is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "government-related entities"). In accordance with IAS 24 "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC Government are regarded as related parties of the Group. On that basis, related parties include CCCG, other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence, and key management personnel of the Company and CCCG, as well as their close family members. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of related party transactions entered into in the ordinary course of business between the Group and its related parties, including other government-related entities, during the year and balances arising from related party transactions as at 31 December 2011.

## 44. Related-party Transactions (Continued)

### (a) Related Party Transactions

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

| | 2011 RMB million | 2010 RMB million |
|---|---|---|
| **Transactions with CCCG** | | |
| Expenses | | |
| – Rental expense | **105** | 115 |
| **Transactions with fellow subsidiaries** | | |
| Expense | | |
| – Purchase of materials | **24** | 76 |
| Sales of lease prepayment | **201** | – |
| **Transactions with jointly controlled entities and associates** | | |
| Revenue | | |
| – Revenue from provision of construction services | **321** | 2,003 |
| Expenses | | |
| – Subcontracting fees | **478** | 505 |
| – Purchase of materials | **13** | 30 |
| – Services | **84** | 80 |
| – Other costs | **6** | 2 |
| Sales of machinery | **435** | 23 |
| Rental income | **6** | 15 |

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

### (b) Key Management Compensation

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Basis salaries, housing allowances and other allowances | **5,993** | 5,978 |
| Contributions to pension plans | **389** | 371 |
| Discretionary bonuses | **4,794** | 4,247 |
| | **11,176** | 10,596 |

# 44. Related-party Transactions (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RMB million** | 2010 RMB million | **2011 RMB million** | 2010 RMB million |
| **Trade and other receivables** | | | | |
| Trade receivables due from | | | | |
| – Jointly controlled entities and associates | **469** | 431 | **371** | 425 |
| – Subsidiaries | **–** | – | **15** | 31 |
| | **469** | 431 | **386** | 456 |
| Long-term receivables due from | | | | |
| – Fellow subsidiaries | **800** | – | **–** | – |
| Prepayments | | | | |
| – Subsidiaries | **–** | – | **5,447** | 3,375 |
| – Jointly controlled entities and associates | **397** | 196 | **–** | – |
| Other receivables due from | | | | |
| – Jointly controlled entities and associates | **140** | 179 | **–** | – |
| **Loans to subsidiaries** | **–** | – | **11,135** | 10,127 |
| **Amounts due from subsidiaries** | **–** | – | **7,190** | 6,999 |
| | **1,806** | 806 | **24,158** | 20,957 |

*(All amounts in RMB unless otherwise stated)*

## 44. Related-party Transactions (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RMB million** | RMB million | **RMB million** | RMB million |
| **Trade and other payables** | | | | |
| Trade and bills payable due to | | | | |
| – Subsidiaries | **–** | – | **6,569** | 2,606 |
| – Jointly controlled entities and associates | **209** | 284 | **–** | – |
| | **209** | 284 | **6,569** | 2,606 |
| Advanced from customers | | | | |
| – Jointly controlled entities and associates | **14** | – | **–** | – |
| | **14** | – | **–** | – |
| Other payables due to | | | | |
| – Subsidiaries | **–** | – | **618** | 457 |
| – Jointly controlled entities and associates | **56** | 75 | **–** | – |
| | **56** | 75 | **618** | 457 |
| **Amount due to subsidiaries** | **–** | – | **23,900** | 21,204 |
| | **279** | 359 | **31,087** | 24,267 |
| **Amounts due from customers for contract work with** | | | | |
| – Jointly controlled entities and associates | **284** | 504 | **271** | 500 |
| **Outstanding loan guarantees provided by the Group** | | | | |
| – Jointly controlled entities | **218** | 548 | **9** | 9 |
| **Outstanding bond guarantees provided by CCCG** | **10,117** | 10,109 | **10,117** | 10,109 |

## 44. Related-party Transactions (Continued)

### (d) Transactions and Year-end Balances with Other Government-Related Entities

The Group's major customers are PRC Government agencies and other government-related entities. A significant portion of revenue from provision of construction, design, dredging and other services, and sales of heavy machinery is conducted with other government-related entities. The Group also incurred some portion of subcontracting costs, rentals and purchases of materials and services from other government-related entities. These transactions are carried out on terms agreed with the counter parties in the ordinary course of business. As a result, a major portion of the Group's trade and other receivables and payables, as well as amount due from/due to customers for contract work, is with other government-related entities.

In addition, the Group has the following significant transactions and balances with other government-related entities:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RMB million** | 2010 RMB million | **2011 RMB million** | 2010 RMB million |
| **Transactions with other government-related entities** | | | | |
| – Interest income from bank deposits | **244** | 188 | **78** | 86 |
| – Interest expenses on bank borrowings | **4,154** | 1,965 | **369** | 141 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RMB million** | 2010 RMB million | **2011 RMB million** | 2010 RMB million |
| **Balances with other government-related entities** | | | | |
| – Restricted cash | **848** | 663 | **3** | 3 |
| – Cash and cash equivalents | **38,587** | 28,464 | **16,694** | 12,188 |
| | **39,435** | 29,127 | **16,697** | 12,191 |
| – Borrowings | **72,607** | 41,577 | **8,989** | 2,072 |

*(All amounts in RMB unless otherwise stated)*

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

## (a) Subsidiaries

As at 31 December 2011, the Company had direct and indirect interests in the following principal subsidiaries:

| Name | Country/Place of incorporation | Type of legal entity | Issued/paid in capital (in million) | Attributable equity interest Directly held | Attributable equity interest Indirectly held | Principal activities and place of operation |
|---|---|---|---|---|---|---|
| **Listed –** | | | | | | |
| Shanghai Zhenhua Heavy Industry Co., Ltd. | PRC | Joint stock limited company | RMB4,390 | 28.72% | 17.40% | Manufacturing of heavy machinery in PRC |
| Road & Bridge International Co., Ltd.[1] | PRC | Joint stock limited company | RMB408 | 61.06% | 0.34% | Infrastructure construction in PRC |
| **Unlisted –** | | | | | | |
| China Harbour Engineering Co., Ltd. | PRC | Limited liability company | RMB1,250 | 50% | 50% | Infrastructure construction in PRC and other regions |
| China Road & Bridge Corporation | PRC | Limited liability company | RMB1,100 | 96.37% | 3.63% | Infrastructure construction in PRC and other regions |
| CCCC First Harbour Engineering Co., Ltd. | PRC | Limited liability company | RMB2,176 | 100% | – | Infrastructure construction in PRC |
| CCCC Second Harbour Engineering Co., Ltd. | PRC | Limited liability company | RMB2,087 | 100% | – | Infrastructure construction in PRC |
| CCCC Third Harbour Engineering Co., Ltd. | PRC | Limited liability company | RMB2,859 | 100% | – | Infrastructure construction in PRC |
| CCCC Fourth Harbour Engineering Co., Ltd. | PRC | Limited liability company | RMB2,130 | 100% | – | Infrastructure construction in PRC |
| CCCC First Highway Engineering Bureau Co., Ltd. | PRC | Limited liability company | RMB1,586 | 100% | – | Infrastructure construction in PRC |

(1) Upon the completion of the Company's A share issuance and merger arrangement in March 2012, CRBC International will be deregistered and its assets, liabilities and equity interests will be transferred to a wholly owned subsidiary of the Company.

*(All amounts in RMB unless otherwise stated)*

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

## (a) Subsidiaries (Continued)

| Name | Country/Place of incorporation | Type of legal entity | Issued/paid in capital (in million) | Attributable equity interest Directly held | Attributable equity interest Indirectly held | Principal activities and place of operation |
|---|---|---|---|---|---|---|
| CCCC Second Highway Engineering Bureau Co., Ltd. | PRC | Limited liability company | RMB1,470 | 100% | – | Infrastructure construction in PRC |
| CCCC Third Highway Engineering Bureau Co., Ltd. | PRC | Limited liability company | RMB600 | 100% | – | Infrastructure construction in PRC |
| CCCC Fourth Highway Engineering Bureau Co., Ltd. | PRC | Limited liability company | RMB369 | 100% | – | Infrastructure construction in PRC |
| CCCC Tunnel Engineering Co., Ltd. | PRC | Limited liability company | RMB500 | 99.20% | 0.80% | Infrastructure construction in PRC |
| CCCC Investment Co., Ltd. | PRC | Limited liability company | RMB6,171 | 100% | – | Investment holding in PRC |
| CCCC (Shantou) East-Coast New City Investment Co., Ltd. | PRC | Limited liability company | RMB300 | 100% | – | Investment holding in PRC |
| CCCC Water Transportation Consultants Co., Ltd. | PRC | Limited liability company | RMB200 | 100% | – | Infrastructure design in PRC |
| CCCC Highway Consultants Co., Ltd. | PRC | Limited liability company | RMB257 | 100% | – | Infrastructure design in PRC |
| CCCC First Harbour Consultants Co., Ltd. | PRC | Limited liability company | RMB475 | 100% | – | Infrastructure design in PRC |
| CCCC Second Harbour Consultants Co., Ltd. | PRC | Limited liability company | RMB292 | 100% | – | Infrastructure design in PRC |
| CCCC Third Harbour Consultants Co., Ltd. | PRC | Limited liability company | RMB519 | 100% | – | Infrastructure design in PRC |
| CCCC-FHDI Engineering Co., Ltd. | PRC | Limited liability company | RMB384 | 100% | – | Infrastructure design in PRC |
| CCCC First Highway Consultants Co., Ltd. | PRC | Limited liability company | RMB343 | 100% | – | Infrastructure design in PRC |
| CCCC Second Highway Consultants Co., Ltd. | PRC | Limited liability company | RMB661 | 100% | – | Infrastructure design in PRC |

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

## (a) Subsidiaries (Continued)

| Name | Country/Place of incorporation | Type of legal entity | Issued/paid in capital (in million) | Attributable equity interest Directly held | Attributable equity interest Indirectly held | Principal activities and place of operation |
|---|---|---|---|---|---|---|
| China Highway Engineering Consulting Group Co., Ltd. | PRC | Limited liability company | RMB200 | 100% | – | Infrastructure design in PRC |
| CCCC Road and Bridge Consultants Co., Ltd. | PRC | Limited liability company | RMB100 | 100% | – | Infrastructure design in PRC |
| CCCC Tianjin Dredging Co., Ltd. | PRC | Limited liability company | RMB4,596 | 100% | – | Dredging in PRC |
| CCCC Shanghai Dredging Co., Ltd. | PRC | Limited liability company | RMB6,199 | 100% | – | Dredging in PRC |
| CCCC Guangzhou Dredging Co., Ltd. | PRC | Limited liability company | RMB4,036 | 100% | – | Dredging in PRC |
| CCCC Xi'an Road Construction Machinery Co., Ltd. | PRC | Limited liability company | RMB328 | 54.31% | 45.69% | Manufacturing of road building machinery in PRC |
| Zhenhua Logistics Group | PRC | Sino-foreign Joint venture | USD52 | 37.49% | 24.29% | Transportation and logistics in PRC |
| China Highway Vehicle & Machinery Co., Ltd. | PRC | Limited liability company | RMB149 | 100% | – | Trading of motor vehicles spare parts in PRC |
| Chuwa Bussan Co., Ltd. | Japan | Sino-foreign joint venture | JPY 60 | 75% | – | Trading of machinery in Japan |
| CCCC Shanghai Equipment Engineering Co., Ltd. | PRC | Limited liability company | RMB10 | 55% | – | Maintenance and repairing of port machinery in PRC |
| Chongqing Chaotianmen Yangtze River Bridge Co., Ltd. | PRC | Limited liability company | RMB50 | 90% | 10% | Infrastructure construction in PRC |
| AZINGO LIMITED | Hong Kong | Limited liability company | —* | 100% | – | Investment holding in PRC |
| PT China Communications Construction Indonesia | Indonesia | Limited liability company | USD2 | 100% | – | Coal and peat mining in Indonesia |

* The paid-in capital of this company is HK$1,000.

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

## (b) Jointly Controlled Entities

As at 31 December 2011, the Company had interests in the following principal jointly controlled entities (all are unlisted):

| Name | Country/Place of incorporation | Type of legal entity | Issued/paid in capital (in million) | Attributable equity interest Directly held | Attributable equity interest Indirectly held | Principal activities and place of operation |
|---|---|---|---|---|---|---|
| Beijing Capital Expressway Development Co., Ltd. | PRC | Limited liability company | RMB100 | 50% | – | Infrastructure construction and operation in PRC |
| Tianjin Northern Petrochemicals Terminal Co., Ltd | PRC | Limited liability company | RMB227 | – | 50% | Storage and transportation of oil in PRC |
| Tangshan Dredging Project Co., Ltd | PRC | Limited liability company | RMB67 | – | 45% | Dredging in PRC |
| Guangdong Dachangqing Engineering Construction Co., Ltd. * | PRC | Limited liability company | RMB200 | – | 60% | Dredging in PRC |
| Jiangsu Longyuan Zhenhua Ocean Engineering Co., Ltd. | PRC | Limited liability company | RMB300 | – | 50% | Ocean Engineering |
| Chongqing Zhongxian-Fengdu Expressway Co., Ltd. | PRC | Limited liability company | RMB390 | – | 40% | Highway Construction and operation in PRC |

* Although the Group's equity interests in the jointly controlled entity are more than 50%, the Group does not have unilateral control over the jointly controlled entity.

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

### (c) Associates

As at 31 December 2011, the Company had interests in the following principal associates:

| Name | Country/Place of incorporation | Type of legal entity | Issued/paid in capital (in million) | Attributable equity interest Directly held | Indirectly held | Principal activities and place of operation |
|---|---|---|---|---|---|---|
| **Listed –** | | | | | | |
| Xi'an Qiyuan Mechanical and Electrical Equipment Co., Ltd. * | PRC | Joint stock limited company | RMB61 | – | 18.86% | Manufacturing of mechanical and electrical equipment in PRC |
| **Unlisted –** | | | | | | |
| TaiYuan-ZhongWei-YinChuan Railway Co., Ltd. * | PRC | Limited liability company | RMB10,500 | 16.03% | – | Railway Construction and operation in PRC |
| Tianjin Ganghang Engineering Co., Ltd. | PRC | Limited liability company | RMB260 | – | 49% | Manufacturing of machinery in PRC |
| Beijing CEDC Corporation** | UK | Not applicable | –*** | – | 65.8% | Investment in PRC |
| Chongqing Wanli Wanda Expressway Co., Ltd. | PRC | Limited liability company | RMB410 | – | 40% | Expressway Construction and operation in PRC |
| Guizhou Guishen Investment Development Co., Ltd. | PRC | Limited liability company | RMB500 | – | 30% | Investment in PRC |

* Although the Group held less than 20% equity interests in these associates as disclosed above, the Group has significant influence over these associates.

** Although the Group's equity interests in the associate are more than 50%, the Group held 37.5% voting rights and only has significant influence over the associate.

*** The paid in capital of the associate was USD50,000.

## 46. Subsequent Events

(a) The Company completed an initial public offering of A-shares on the Shanghai Stock Exchange on 9 March 2012. In this connection, the Company issued 1,349,735,425 A-shares, of which 925,925,925 A-shares were issued to domestic investors by way of public offering, and 423,809,500 A-shares were issued for the purpose of implementing the merger agreement through share exchange with CRBC International's shareholders, other than the Group. CRBC International has been deregistered on the Shanghai Stock Exchange and its assets, liabilities and equity interests will be transferred to a wholly owned subsidiary of the Company. Upon the completion of this A-share issuance, the Company's share capital increased from RMB14,825,000,000 to RMB16,174,735,425, comprising 11,747,235,425 A shares and 4,427,500,000 H-Shares.

(b) At the meeting of the Board of Directors held on 26 March 2012, it was resolved that the Company is authorised to issue corporate bonds in a total principal amount of no more than RMB12,000 million, within 24 months after the approval of the China Securities Regulatory Commission. The corporate bonds will be guaranteed by CCCG. The issuance is subject to shareholders' approval at the Company's Annual General Meeting on 6 June 2012.

## 47. Holding Company

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

# Terms & Glossaries

| | |
|---|---|
| "Articles of Association" | the articles of associations of the Company, approved on 8 October 2006, and as amended thereafter |
| "BOT" | build, operate and transfer |
| "BT" | build and transfer |
| "Company" or "CCCC" | China Communications Construction Company Limited (中國交通建設股份有限公司), a joint stock limited company with limited liability incorporated under the laws of the PRC on 8 October 2006, and except where the context requires otherwise, all of its subsidiaries |
| "CCCG" | China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds 63.72% equity interest in the Company |
| "CHEC" | China Harbour Engineering Company Ltd., a wholly-owned subsidiary of the Company |
| "CHEC Group" | China Harbour Engineering Company (Group), one of the predecessors of the Company |
| "CRBC" | China Road & Bridge Corporation, a wholly-owned subsidiary of the Company |
| "CRBC International" | Road & Bridge International Co., Ltd., a wholly-owned subsidiary of the Company |
| "CRBC Group" | China Road and Bridge Corporation, one of the predecessors of the Company |
| "Twelfth Five-Year Plan" | the Twelfth Five-Year Plan for National Economic and Social Development (2011-2015) promulgated by the State Council on the Eleventh National People's Congress in 2010 |
| "F&G" | Friede Goldman United, Ltd. |
| "GDP" | gross domestic product |
| "Group" | the Company itself and all of its subsidiaries |
| "Hong Kong dollars" or "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong Stock Exchange" or "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

# Terms & Glossaries

| | |
|---|---|
| "IFRS" | International Financial Reporting Standards promulgated by the International Accounting Standard Board ("IASB"). IFRS includes International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "Ministry of Finance" | the Ministry of Finance of the PRC (中華人民共和國財政部) |
| "PRC" or "China" or "Mainland China" | the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan |
| "RMB" or "Renminbi" | the lawful currency of the PRC |
| "SASAC" | State-owned Assets Supervisor and Administration Commission of the State Council |
| "State Council" | the State Council of the PRC (中華人民共和國國務院) |
| "terminal" | an assigned area in which containers and cargo are prepared for loading onto a vessel, train, truck or plane or are stacked immediately after discharge from the vessel, train, truck or plane |
| "U.S." | United States of America |
| "U.S. dollars" or "US$" or "USD" | United States dollars, the lawful currency of the U.S. |
| "ZPMC" | Shanghai Zhenhua Heavy Industry Co., Ltd (originally named Shanghai Zhenhua Port Machinery Company Limited), a company incorporated on 14 February 1992 in the PRC and listed on the Shanghai Stock Exchange, which the Company owns, directly and indirectly, a controlling equity interest of approximately 46.1% |

*Note:* Any discrepancies between the amounts herein and the amounts set out in the tables herein are due to rounding.

# Corporate Information

## I. Corporate Information

Legal name of the Company in Chinese: 中國交通建設股份有限公司
Legal Chinese abbreviation of the Company: 中國交建
Legal name of the Company in English: China Communications Construction Company Limited
Legal English abbreviation of the Company: CCCC
Legal representative of the Company: ZHOU Jichang

## II. Contact Person and Contact Details

Secretary to the Board of the Company: LIU Wensheng
Tel: 8610-82016562
Fax: 8610-82016524
E-mail: ir@ccccltd.cn
Address: 85 De Sheng Men Wai Street, Xicheng District, Beijing, China

## III. Basic Information

Registered address of the Company:
85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Postal code: 100088

Office address of the Company:
85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Postal code: 100088

Company website: http: //www.ccccltd.cn
E-mail: webmaster@ccccltd.cn

## IV. Information Disclosure and Place Available for Inspection

Newspapers designated by the Company for disclosure of information (A Shares):
China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
The website designated by China Securities Regulatory Commission for publishing annual reports of A Shares:
www.sse.com.cn
The website designated by the Hong Kong Stock Exchange for publishing annual reports of H Shares:
www.hkexnews.hk

Place available for inspection of the Company's annual reports of A Shares:
19th Floor, 85 De Sheng Men Wai Street, Beijing
Place available for inspection of the Company's annual reports of H Shares:
19th Floor, China Harbour Building, 370-374 King's Road, North Point, Hong Kong

# Corporate Information

## V. Basic Information on Shares of the Company

Listing place of A Shares: Shanghai Stock Exchange
Listing date of A Shares: 9 March 2012
Abbreviation of A Shares: 中國交建
Stock code of A Shares: 601800

Listing place of H Shares: The Stock Exchange of Hong Kong Limited
Listing Date of H Shares: 15 December 2006
Abbreviation of H Shares: CHINA COMM CONS
Stock code of H Shares: 01800

## VI.Other Information of the Company

Registration date of the Company: 8 October 2006
First Registered address: No. 8C, An Ding Men Wai Street, Dong Cheng District, Beijing
Legal person business license registration number: 100000000040563
Tax registration number: 110105710934369
Organization code: 71093436-9

Domestic Auditors:
PricewaterhouseCoopers Zhong Tian CPAs Limited Company
11th Floor PricewaterhouseCoopers Center, Building 2,
Corporate Avenue, 202 Hu Bin Road,
Huangpu District, Shanghai, China

International Auditors:
PricewaterhouseCoopers
22nd Floor, Prince's Building, Central, Hong Kong

Hong Kong legal advisors:
Freshfields Bruckhaus Deringer
9th Floor, Two Exchange Square, Hong Kong

PRC legal advisors:
Jia Yuan Law Firm
F407, Ocean Plaza, 158 Fuxing Men Nei Avenue, Beijing, China

Authorised representatives of H Shares: FU Junyuan, LIU Wensheng

H Share registrar:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong

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中國交通建設股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

19th Floor, China Harbour Building,
370-374 King's Road,
North Point, Hong Kong

www.cccccltd.cn