**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)*

**(Stock Code: 1800)**

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

## FINANCIAL HIGHLIGHTS

Revenue of the Group in 2012 amounted to RMB295,321 million, representing an increase of RMB1,040 million, or 0.4%, from RMB294,281 million in 2011.

Gross profit in 2012 amounted to RMB32,598 million, representing an increase of RMB4,690 million, or 16.8%, from RMB27,908 million in 2011.

Operating Profit in 2012 amounted to RMB19,189 million, representing an increase of RMB2,976 million, or 18.4%, from RMB16,213 million in 2011.

Profit attributable to owners of the Company in 2012 amounted to RMB12,248 million, representing an increase of RMB487 million, or 4.1%, from RMB11,761 million in 2011.

Earnings per share for the year 2012 amounted to RMB0.77, as compared with RMB0.79 in 2011.

The value of new contracts in 2012 amounted to RMB514,920 million, representing an increase of 12.5% from RMB457,848 million in 2011.

As at 31 December 2012, the backlog for the Group was RMB700,525 million, as compared with RMB601,912 million as at 31 December 2011.

The Board has proposed a final dividend of RMB0.1847 per share (tax inclusive) for the year ended 31 December 2012, subject to shareholder's approval.

*Note:* On 9 March 2012, the Company issued A shares, which are listed for trading on the Shanghai Stock Exchange. Subsequent to the completion of the issuance of A shares, the total share capital of the Company has changed from 14,825,000,000 shares to 16,174,735,425 shares.

The Board of Directors (the ***Board***) of China Communications Construction Company Limited (the ***Company***) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the ***Group***) prepared in accordance with International Financial Reporting Standards (***IFRS***) for the year ended 31 December 2012.

## CONSOLIDATED INCOME STATEMENT

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB million*** | *RMB million* |
| | | (Restated) |
| | | *(Note 1)* |
| **Revenue** | **295,321** | 294,281 |
| Cost of sales | **(262,723)** | (266,373) |
| **Gross profit** | **32,598** | 27,908 |
| Other income | **1,753** | 1,883 |
| Other gains, net | **439** | 637 |
| Selling and marketing expenses | **(611)** | (625) |
| Administrative expenses | **(14,069)** | (12,943) |
| Other expenses | **(921)** | (647) |
| **Operating profit** | **19,189** | 16,213 |
| Finance income | **1,627** | 1,993 |
| Finance costs, net | **(5,411)** | (3,355) |
| Share of profit of jointly controlled entities | **49** | 75 |
| Share of profit of associates | **61** | 98 |
| **Profit before income tax** | **15,515** | 15,024 |
| Income tax expense | **(3,783)** | (3,047) |
| **Profit for the year** | **11,732** | 11,977 |
| **Attributable to:** | | |
| – Owners of the Company | **12,248** | 11,761 |
| – Non-controlling interests | **(516)** | 216 |
| | **11,732** | 11,977 |
| **Earnings per share for profit attributable to owners of the Company** (expressed in RMB per share) | | |
| – Basic | **0.77** | 0.79 |
| – Diluted | **0.77** | 0.79 |
| **Dividends** | **2,988** | 2,902 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB million*** | *RMB million* |
| | | (Restated) |
| | | *(Note 1)* |
| **Profit for the year** | **11,732** | 11,977 |
| **Other comprehensive income/(expenses)** | | |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | | |
| – Gains/(losses) arising during the year | **1,408** | (2,201) |
| – Release of investment revaluation reserve upon disposal of available-for-sale financial assets | **–** | (27) |
| Changes in equity of jointly controlled entity | **1** | – |
| Currency translation differences | **77** | (67) |
| **Other comprehensive income/(expenses) for the year, net of tax** | **1,486** | (2,295) |
| **Total comprehensive income for the year** | **13,218** | 9,682 |
| **Total comprehensive income/(expenses) attributable to:** | | |
| – Owners of the Company | **13,725** | 9,535 |
| – Non-controlling interests | **(507)** | 147 |
| | **13,218** | 9,682 |

## CONSOLIDATED BALANCE SHEET

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB million*** | *RMB million* |
| | | (Restated) |
| | | *(Note 1)* |
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **56,811** | 55,163 |
| Lease prepayments | **7,961** | 8,138 |
| Investment properties | **988** | 451 |
| Intangible assets | **36,519** | 23,902 |
| Investments in jointly controlled entities | **1,052** | 948 |
| Investments in associates | **3,811** | 3,145 |
| Deferred income tax assets | **2,338** | 2,038 |
| Available-for-sale financial assets | **14,464** | 12,846 |
| Trade and other receivables | **38,685** | 28,940 |
| | **162,629** | 135,571 |
| **Current assets** | | |
| Inventories | **26,675** | 22,603 |
| Trade and other receivables | **111,869** | 100,283 |
| Amounts due from customers for contract work | **57,983** | 54,261 |
| Other financial assets at fair value through profit or loss | **37** | 49 |
| Available-for-sale financial assets | **1,500** | – |
| Derivative financial instruments | **49** | 62 |
| Restricted bank deposits | **5,581** | 922 |
| Cash and cash equivalents | **67,492** | 45,234 |
| | **271,186** | 223,414 |
| **Total assets** | **433,815** | 358,985 |

## CONSOLIDATED BALANCE SHEET (continued)

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB million*** | *RMB million* |
| | | (Restated) |
| | | *(Note 1)* |
| **EQUITY** | | |
| **Capital and reserves attributable to owners of the Company** | | |
| Share capital | **16,175** | 14,825 |
| Share premium | **19,656** | 13,853 |
| Other reserves | **47,930** | 38,651 |
| Proposed final dividend | **2,988** | 2,902 |
| | **86,749** | 70,231 |
| Non-controlling interests | **9,454** | 10,789 |
| **Total equity** | **96,203** | 81,020 |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Borrowings | **75,058** | 51,756 |
| Deferred income | **1,021** | 642 |
| Deferred income tax liabilities | **3,100** | 2,348 |
| Retirement benefit obligations | **1,956** | 2,034 |
| Trade and other payables | **2,672** | 2,097 |
| | **83,807** | 58,877 |
| **Current liabilities** | | |
| Trade and other payables | **165,591** | 146,896 |
| Amounts due to customers for contract work | **15,253** | 14,741 |
| Current income tax liabilities | **3,223** | 2,634 |
| Borrowings | **69,187** | 54,289 |
| Derivative financial instruments | **28** | 58 |
| Retirement benefit obligations | **189** | 330 |
| Provisions for other liabilities and charges | **334** | 140 |
| | **253,805** | 219,088 |
| **Total liabilities** | **337,612** | 277,965 |
| **Total equity and liabilities** | **433,815** | 358,985 |
| **Net current assets** | **17,381** | 4,326 |
| **Total assets less current liabilities** | **180,010** | 139,897 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital *RMB million* | Share premium *RMB million* | Other reserves *RMB million* | Retained earnings *RMB million* | Total *RMB million* | Non – controlling interests *RMB million* | Total equity *RMB million* |
| Balance at 1 January 2011, as previously reported | 14,825 | 13,853 | 12,522 | 21,790 | 62,990 | 10,931 | 73,921 |
| Adjustments for adoption of merger accounting *(Note 1)* | – | – | 31 | – | 31 | – | 31 |
| Balance at 1 January 2011, as restated | 14,825 | 13,853 | 12,553 | 21,790 | 63,021 | 10,931 | 73,952 |
| **Comprehensive income** | | | | | | | |
| Profit for the year, as restated | – | – | – | 11,761 | 11,761 | 216 | 11,977 |
| **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, net of tax | – | – | (2,226) | – | (2,226) | (69) | (2,295) |
| **Total comprehensive (expenses)/income, as restated** | – | – | (2,226) | 11,761 | 9,535 | 147 | 9,682 |
| 2010 final dividend | – | – | – | (2,372) | (2,372) | – | (2,372) |
| Dividends paid to non-controlling interests | – | – | – | – | – | (185) | (185) |
| Capital contribution from non-controlling interests | – | – | – | – | – | 169 | 169 |
| Cash contribution from CCCG | – | – | 46 | – | 46 | – | 46 |
| Acquisition of a subsidiary | – | – | 4 | (4) | – | – | – |
| Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries | – | – | 3 | (2) | 1 | (273) | (272) |
| Transfer to statutory surplus reserve | – | – | 426 | (426) | – | – | – |
| Transfer to safety reserve | – | – | 184 | (184) | – | – | – |
| **Balance at 31 December 2011, as restated** | 14,825 | 13,853 | 10,990 | 30,563 | 70,231 | 10,789 | 81,020 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital *RMB million* | Share premium *RMB million* | Other reserves *RMB million* | Retained earnings *RMB million* | Total *RMB million* | Non – controlling interests *RMB million* | Total equity *RMB million* |
| Balance at 1 January 2012, as restated | 14,825 | 13,853 | 10,990 | 30,563 | 70,231 | 10,789 | 81,020 |
| **Comprehensive income** | | | | | | | |
| Profit/(loss) for the year | – | – | – | 12,248 | 12,248 | (516) | 11,732 |
| **Other comprehensive income** | | | | | | | |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | – | – | 1,404 | – | 1,404 | 4 | 1,408 |
| Changes in equity of jointly controlled entity | – | – | 1 | – | 1 | – | 1 |
| Currency translation differences | – | – | 72 | – | 72 | 5 | 77 |
| Total other comprehensive income, net of tax | – | – | 1,477 | – | 1,477 | 9 | 1,486 |
| **Total comprehensive income/(expenses)** | – | – | 1,477 | 12,248 | 13,725 | (507) | 13,218 |
| 2011 final dividend | – | – | – | (2,902) | (2,902) | – | (2,902) |
| Dividends paid to non-controlling interests | – | – | – | – | – | (125) | (125) |
| Capital contribution from non-controlling interests | – | – | – | – | – | 144 | 144 |
| Cash contribution from CCCG | – | – | 18 | – | 18 | – | 18 |
| Issuance of A shares | | | | | | | |
| – Issuance of shares for cash | 926 | 3,938 | – | – | 4,864 | – | 4,864 |
| – In exchange for shares in a subsidiary held by its non-controlling shareholders | 424 | 1,865 | (1,462) | – | 827 | (827) | – |
| Acquisition of CCMEC | – | – | (16) | – | (16) | – | (16) |
| Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries | – | – | 2 | – | 2 | (20) | (18) |
| Transfer to statutory surplus reserve | – | – | 223 | (223) | – | – | – |
| Transfer to safety reserve | – | – | 383 | (383) | – | – | – |
| **Balance at 31 December 2012** | 16,175 | 19,656 | 11,615 | 39,303 | 86,749 | 9,454 | 96,203 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB million*** | *RMB million* |
| | | (Restated) |
| | | *(Note 1)* |
| **Cash flows from operating activities** | | |
| Cash generated from operations | **16,558** | 4,373 |
| Income tax paid | **(3,219)** | (2,606) |
| Net cash generated from operating activities | **13,339** | 1,767 |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment ("PPE") | **(7,131)** | (7,119) |
| Increase in lease prepayments | **(233)** | (957) |
| Purchases of intangible assets | **(11,922)** | (8,034) |
| Purchases of investment properties | **(327)** | – |
| Proceeds from disposal of PPE | **596** | 563 |
| Proceeds from disposal of lease prepayments | **18** | 259 |
| Proceeds from disposal of intangible assets | **–** | 415 |
| Proceeds from disposal of investment properties | **–** | 7 |
| Additional investments in jointly controlled entities | **(52)** | (229) |
| Additional investments in associates | **(682)** | (353) |
| Acquisition of a subsidiary | **(16)** | (23) |
| Purchases of available-for-sale financial assets | **(8,015)** | (119) |
| Purchases of other financial assets at fair value through profit or loss | **–** | (30) |
| Proceeds from disposal of jointly controlled entities | **3** | 147 |
| Proceeds from disposal of associates | **72** | 142 |
| Proceeds from disposal of equity interests in subsidiaries | **–** | 208 |
| Proceeds from disposal of available-for-sale financial assets | **7,026** | 221 |
| Proceeds from disposal of other financial assets at fair value through profit or loss | **12** | 35 |
| Interest received | **726** | 504 |
| Dividends received | **421** | 326 |
| Net cash used in investing activities | **(19,504)** | (14,037) |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | **119,735** | 74,633 |
| Repayments of borrowings | **(83,414)** | (49,128) |
| Proceeds from issuance of A shares | **4,864** | – |
| Interest paid | **(6,432)** | (4,016) |
| Changes in restricted bank deposits | **(2,938)** | – |
| Dividends paid to the Company's shareholders | **(2,902)** | (2,372) |
| Dividends paid to non-controlling interests of subsidiaries | **(135)** | (139) |
| Capital contribution from non-controlling interests | **144** | 96 |
| Cash contribution from CCCG | **18** | 46 |
| Additional investments in subsidiaries | **(18)** | (278) |
| Net cash generated from financing activities | **28,922** | 18,842 |
| **Net increase in cash and cash equivalents** | **22,757** | 6,572 |
| Cash and cash equivalents at beginning of year | **45,234** | 38,843 |
| Exchange gains/(losses) on cash and cash equivalents | **1** | (181) |
| **Cash and cash equivalents at end of year** | **67,992** | 45,234 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

In December 2010, the Company and Road & Bridge International Co., Ltd. ("CRBC International"), a former A share listed company and a subsidiary of the Company, entered into an agreement (the "Merger Agreement") in relation to a proposed merger of CRBC International with the Company.

In March 2012, the Company completed an A share listing on the Shanghai Stock Exchange. In this connection, the Company issued 925,925,925 A shares and raised net proceeds of approximately RMB4,864 million. In the mean time, with reference to the Merger Agreement, the Company issued 423,809,500 A Shares in exchange for all the CRBC International shares held by the CRBC International non-controlling shareholders.

Upon the completion of this A share issuance and listing, the then existing 10,397,500,000 domestic shares have become A shares and tradeable on the Shanghai Stock Exchange on the same conditions in all respects as those of the previous A shares of CRBC International. 92,592,593 A shares (10% of the number of new A shares issued by public offering) were transferred to the National Social Security Fund.

In October 2012, the Group had completed the acquisition of the 100% equity interests in China Communications Materials & Equipment Company Limited ("CCMEC") from CCCG with a consideration of approximately RMB16 million. The transaction was regarded as a business combination under common control in a manner similar to pooling-of-interests and was accounted for with reference to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements for the year ended 31 December 2011 and the financial position as at 31 December 2011 as disclosed in these consolidated financial statements have been restated as a result of adoption of merger accounting for the above business combinations under common control.

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 2013.

## 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.

***(a) Amended standards adopted by the Group***

The amendments to standards which are mandatory for the financial year beginning 1 January 2012 are as follows:

| | |
|---|---|
| IAS 12 (Amendment) | "Income taxes" |
| IFRS 1 (Amendment) | "Severe hyperinflation and removal of fixed dates for first-time adopters" |
| IFRS 7 (Amendment) | "Disclosures – Transfers of financial assets" |

The adoption of the above amendments did not have any material impact to the Group's consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (Continued)

***(b) New and revised standards, amendments to standards and interpretations not yet effective for the year ended 31 December 2012 and have not been early adopted by the Group***

| | **Effective for accounting periods beginning on or after** |
|---|---|
| IAS 1 (Amendment), "Financial statement presentation – Other comprehensive income" | 1 July 2012 |
| IFRS 1 (Amendment), "First time adoption – Government loans" | 1 January 2013 |
| IFRS 7 (Amendment), "Financial instruments: Disclosures – Assets and liabilities offsetting" | 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 |
| Amendment to IFRS 10, 11 and 12, "Transition guidance" | 1 January 2013 |
| IFRS 13, "Fair value measurement" | 1 January 2013 |
| IAS 19 (Amendment), "Employee benefits" | 1 January 2013 |
| IAS 27 (Revised 2011), "Separate financial statements" | 1 January 2013 |
| IAS 28 (Revised 2011), "Associates and joint ventures" | 1 January 2013 |
| IFRIC – Int 20 "Stripping costs in the production phase of a surface mine" | 1 January 2013 |
| IAS 32 (Amendment), "Financial instruments: Presentation – Assets and liabilities offsetting" | 1 January 2014 |
| IFRS 9, "Financial instruments" | 1 January 2015 |
| Amendment to IFRS 7 and 9, "Manufactory effective date and transition disclosures" | 1 January 2015 |

The above standards, amendments or interpretation will be adopted by the Group in the years listed. Based on the current assessment, the Group anticipates that the application of the above revised standards, amendments and interpretation will have no material impact on the results and the financial position of the Group, except for the following set out below:

- IAS 19 (Amendment), "Employee benefits", eliminates the corridor approach and calculates 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; 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 characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and will apply the new standard when it becomes effective.

## 3. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Sales between segments are carried out on terms with reference to the selling price used for sales made to third parties. The revenue from external parties reported to the President Office is measured in a manner consistent with that in the consolidated income statement.

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

Segment assets consist primarily of property, plant and equipment, lease prepayments, 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, lease prepayments, investment properties and intangible assets.

## 3. SEGMENT INFORMATION (continued)

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

| | For the year ended 31 December 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Construction** *RMB million* | **Design** *RMB million* | **Dredging** *RMB million* | **Heavy machinery** *RMB million* | **Others** *RMB million* | **Elimination** *RMB million* | **Total** *RMB million* |
| Total gross segment revenue | 229,401 | 16,468 | 32,027 | 19,317 | 6,462 | (8,354) | 295,321 |
| Inter-segment revenue | (2,243) | (1,265) | (3,946) | (737) | (163) | 8,354 | – |
| **Revenue** | 227,158 | 15,203 | 28,081 | 18,580 | 6,299 | – | 295,321 |
| Segment result | 13,451 | 2,344 | 3,502 | (125) | 127 | 30 | 19,329 |
| Unallocated costs | | | | | | | (140) |
| Operating profit | | | | | | | 19,189 |
| Finance income | | | | | | | 1,627 |
| Finance costs, net | | | | | | | (5,411) |
| Share of profit of jointly controlled entities | | | | | | | 49 |
| Share of profit of associates | | | | | | | 61 |
| **Profit before income tax** | | | | | | | 15,515 |
| Income tax expense | | | | | | | (3,783) |
| **Profit for the year** | | | | | | | 11,732 |
| **Other segment items** | | | | | | | |
| Depreciation | 3,621 | 179 | 1,487 | 1,220 | 54 | – | 6,561 |
| Amortisation | 313 | 29 | 18 | 60 | 6 | – | 426 |
| Write-down of inventories | 5 | – | – | 145 | – | – | 150 |
| Provision for foreseeable losses on construction contracts | 302 | – | 8 | 188 | – | – | 498 |
| Provision for impairment of trade and other receivables | 376 | 114 | 126 | 65 | 8 | – | 689 |

## 3. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2011 and other segment items included in the consolidated financial statements, as restated, are as follows:

| | For the year ended 31 December 2011 (Restated) | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Construction** *RMB million* | **Design** *RMB million* | **Dredging** *RMB million* | **Heavy machinery** *RMB million* | **Others** *RMB million* | **Elimination** *RMB million* | **Total** *RMB million* |
| Total gross segment revenue | 227,068 | 15,008 | 32,321 | 20,166 | 6,685 | (6,967) | 294,281 |
| Inter-segment revenue | (2,371) | (913) | (1,537) | (2,138) | (8) | 6,967 | – |
| **Revenue** | 224,697 | 14,095 | 30,784 | 18,028 | 6,677 | – | 294,281 |
| Segment result | 10,762 | 1,984 | 3,700 | 110 | 161 | (201) | 16,516 |
| Unallocated costs | | | | | | | (303) |
| Operating profit | | | | | | | 16,213 |
| 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** | | | | | | | 15,024 |
| Income tax expense | | | | | | | (3,047) |
| **Profit for the year** | | | | | | | 11,977 |
| **Other segment items** | | | | | | | |
| Depreciation | 3,386 | 161 | 1,223 | 1,272 | 61 | – | 6,103 |
| 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/(reversal of) impairment of trade and other receivables | 187 | 75 | 54 | 111 | (7) | – | 420 |

## 3. SEGMENT INFORMATION (continued)

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

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

| | As at 31 December 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Construction** *RMB million* | **Design** *RMB million* | **Dredging** *RMB million* | **Heavy machinery** *RMB million* | **Others** *RMB million* | **Elimination** *RMB million* | **Total** *RMB million* |
| Segment assets | 267,342 | 12,672 | 56,101 | 47,593 | 4,169 | (7,248) | 380,629 |
| Investments in jointly controlled entities | | | | | | | 1,052 |
| Investments in associates | | | | | | | 3,811 |
| Unallocated assets | | | | | | | 48,323 |
| **Total assets** | | | | | | | 433,815 |
| Segment liabilities | 152,383 | 8,160 | 22,318 | 8,778 | 2,174 | (7,278) | 186,535 |
| Unallocated liabilities | | | | | | | 151,077 |
| **Total liabilities** | | | | | | | 337,612 |
| Capital expenditure | 18,461 | 349 | 2,896 | 511 | 69 | – | 22,286 |

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

| | **Assets** *RMB million* | **Liabilities** *RMB million* |
|---|---|---|
| Segment assets/liabilities | 380,629 | 186,535 |
| Investments in jointly controlled entities | 1,052 | – |
| Investments in associates | 3,811 | – |
| Unallocated: | | |
| Deferred income tax assets/liabilities | 2,338 | 3,100 |
| Current income tax liabilities | – | 3,223 |
| Current borrowings | – | 69,187 |
| Non-current borrowings | – | 75,058 |
| Available-for-sale financial assets | 15,964 | – |
| Other financial assets at fair value through profit or loss | 37 | – |
| Derivative financial instruments | 49 | 28 |
| Cash and other corporate assets/corporate liabilities | 29,935 | 481 |
| **Total** | 433,815 | 337,612 |

## 3. SEGMENT INFORMATION (continued)

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

| | As at 31 December 2011 (Restated) | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Construction** *RMB million* | **Design** *RMB million* | **Dredging** *RMB million* | **Heavy machinery** *RMB million* | **Others** *RMB million* | **Elimination** *RMB million* | **Total** *RMB million* |
| Segment assets | 222,339 | 13,471 | 41,744 | 46,219 | 3,808 | (5,787) | 321,794 |
| Investments in jointly controlled entities | | | | | | | 948 |
| Investments in associates | | | | | | | 3,145 |
| Unallocated assets | | | | | | | 33,098 |
| **Total assets** | | | | | | | 358,985 |
| Segment liabilities | 138,610 | 5,819 | 19,429 | 6,775 | 1,554 | (5,609) | 166,578 |
| Unallocated liabilities | | | | | | | 111,387 |
| **Total liabilities** | | | | | | | 277,965 |
| Capital expenditure | 13,967 | 293 | 2,832 | 896 | 33 | – | 18,021 |

Segment assets and liabilities at 31 December 2011, as restated, are reconciled to entity assets and liabilities as follows:

| | **Assets** *RMB million* | **Liabilities** *RMB million* |
|---|---|---|
| Segment assets/liabilities | 321,794 | 166,578 |
| Investments in jointly controlled entities | 948 | – |
| Investments in associates | 3,145 | – |
| Unallocated: | | |
| Deferred income tax assets/liabilities | 2,038 | 2,348 |
| 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/corporate liabilities | 18,103 | 302 |
| **Total** | 358,985 | 277,965 |

## 3. SEGMENT INFORMATION (continued)

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

| | **2012** | 2011 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| | | (Restated) |
| PRC (excluding Hong Kong and Macau) | **256,371** | 262,130 |
| Other regions | **38,950** | 32,151 |
| | **295,321** | 294,281 |

Other regions primarily include countries in Africa, Middle East and South East Asia. There are no material non-current assets attributed to other regions.

## 4. EXPENSES BY NATURE

| | **2012** | 2011 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| | | (Restated) |
| Raw materials and consumables used | **98,728** | 101,047 |
| Subcontracting costs | **83,079** | 83,234 |
| Employee benefits expenses | **27,441** | 24,345 |
| Rentals | **13,663** | 18,327 |
| Business tax and other transaction taxes | **7,753** | 8,254 |
| Fuel | **6,053** | 6,551 |
| Depreciation of property, plant and equipment and investment properties | **6,561** | 6,103 |
| Transportation costs | **4,709** | 4,864 |
| Cost of goods sold | **3,360** | 3,411 |
| Research and development costs | **2,332** | 2,314 |
| Travel | **2,408** | 2,210 |
| Repair and maintenance expenses | **1,758** | 1,685 |
| Utilities | **1,201** | 1,142 |
| Insurance | **238** | 502 |
| Provision for impairment of trade and other receivables | **689** | 420 |
| Provision for foreseeable losses on construction contracts | **498** | 293 |
| Amortisation of intangible assets | **261** | 211 |
| Amortisation of lease prepayments | **165** | 182 |
| Write-down of inventories | **150** | 18 |
| Auditors' remuneration | **40** | 38 |
| Other expenses | **16,316** | 14,790 |
| **Total cost of sales, selling and marketing expenses and administrative expenses** | **277,403** | 279,941 |

## 5. OTHER INCOME

| | **2012** | 2011 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| | | (Restated) |
| Rental income | **287** | 306 |
| Income from sale of materials | **206** | 152 |
| Dividend income on available-for-sale financial assets | | |
| – Listed equity securities | **349** | 270 |
| – Unlisted equity investments | **56** | 33 |
| Government grants | **251** | 246 |
| Others | **604** | 876 |
| | **1,753** | 1,883 |

## 6. OTHER GAINS, NET

| | **2012** | 2011 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Gains on disposal of property, plant and equipment | **167** | 336 |
| Gains on disposal of lease prepayments | **7** | 170 |
| Gains on disposal of intangible assets | **–** | 52 |
| (Losses)/gains on disposal of other financial assets at fair value through profit or loss | **(7)** | 4 |
| Fair value gains/(losses) from other financial assets at fair value through profit or loss | **7** | (17) |
| Net gains on derivative financial instruments: | | |
| – Foreign exchange forward contracts | **71** | 90 |
| Gains on disposal of available-for-sale financial assets | **123** | 46 |
| Net foreign exchange gains/(losses) | **66** | (409) |
| Net gains on disposal of subsidiaries, jointly controlled entities and associates | **5** | 365 |
| | **439** | 637 |

## 7. FINANCE COSTS, NET

| | **2012** | 2011 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Interest expense incurred | **6,884** | 4,494 |
| Less: Capitalised interest expense | **(2,013)** | (1,379) |
| Net interest expense | **4,871** | 3,115 |
| Representing: | | |
| – Bank borrowings | **3,288** | 1,905 |
| – Other borrowings | **143** | 48 |
| – Corporate bonds | **746** | 519 |
| – Medium term notes | **312** | 407 |
| – Debentures | **110** | 138 |
| – Non-public debt instrument | **145** | 1 |
| – Finance lease liabilities | **127** | 97 |
| | **4,871** | 3,115 |
| Net foreign exchange gains on borrowings | **(35)** | (872) |
| Others | **575** | 1,112 |
| | **5,411** | 3,355 |

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB2,013 million (2011: RMB1,379 million) were capitalised in 2012, of which approximately RMB719 million (2011: RMB679 million) was charged to contract work-in-progress, approximately RMB956 million (2011: RMB368 million) was included in cost of concession assets, approximately RMB328million (2011: RMB332 million) was included in cost of construction-in-progress, and approximately RMB10 million (2011: nil) was included in property, plant and equipment as at 31 December 2012. A generally capitalisation rate of 4.98% (2011: 5.27%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets.

## 8. TAXATION

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% (2011: 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 12.5% to 15% (2011: 12% to 24%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

Taxation of other companies of the Group has been calculated on the estimated assessable profit for the year at the appropriate rates of taxation prevailing in the countries in which these companies operate.

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

| | **2012** | 2011 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| | | (Restated) |
| Current income tax | | |
| – PRC enterprise income tax | **3,315** | 2,976 |
| – Others | **493** | 172 |
| | **3,808** | 3,148 |
| Deferred income tax | **(25)** | (101) |
| **Income tax expense** | **3,783** | 3,047 |

## 9. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | **2012** | 2011 |
|---|---|---|
| | | (Restated) |
| Profit attributable to owners of the Company (RMB million) | **12,248** | 11,761 |
| Weighted average number of ordinary shares in issue (million) | **15,950** | 14,825 |
| Basic earnings per share (RMB per share) | **0.77** | 0.79 |

### (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 2012 and 2011.

### 10. DIVIDENDS

| | **2012** | 2011 |
|---|---|---|
| | ***RMB million*** | *RMB million* |
| Proposed final dividend of RMB0.1847 per ordinary share (2011: RMB0.1794) | **2,988** | 2,902 |

The dividends paid in 2012 and 2011 were approximately RMB2,902 million (RMB0.1794 per ordinary share) and RMB2,372 million (RMB0.16 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2012 of RMB0.1847 per ordinary share, amounting to a total dividend of approximately RMB2,988 million, is to be approved at the annual general meeting on 28 June 2013. These financial statements do not reflect this dividend payable.

## BUSINESS OVERVIEW

In 2012, China's economy rebounded from the bottom. The pace of transportation infrastructure investment in China was slow at the beginning but picked up later, evidenced by the gradually increasing number of new projects opening for tendering per quarter. The scale of infrastructure investment and the number of new projects opening for tendering both peaked during the fourth quarter. The Company took different initiatives to speed up the development of its investment business while steadily developing its core businesses. Meanwhile, benefited from the implementation of the overseas expansion strategy in recent years, the production and operations of the Company maintained a healthy and stable growth with new records made in performance indicators.

In 2012, revenue of the Group was RMB295,321 million, representing a year-on-year increase of 0.4%; the total profit before income tax was RMB15,515 million, representing a year-on-year increase of 3.3%. The value of new contracts amounted to RMB514,920 million, representing a year-on-year increase of 12.5%. As at 31 December 2012, the backlog was RMB700,525 million, representing a year-on-year increase of 16.4%.

## 1 Infrastructure Construction Business

In 2012, the revenue from infrastructure construction projects completed by the Group was RMB229,401 million, representing a year-on-year growth of 1.0%. The value of new infrastructure construction contracts entered into by the Group amounted to RMB423,055 million, representing a year-on-year increase of 16.0%. The value of new infrastructure construction contracts in terms of port construction, road and bridge projects, railway construction, investment business of BOT/BT projects, overseas infrastructure construction, and other projects amounted to RMB62,051 million, RMB98,932 million, RMB9,753 million, RMB125,021 million, RMB75,417 million and RMB51,881 million, respectively, representing 14.7%, 23.4%, 2.3%, 29.6%, 17.8% and 12.2% of the total value of new infrastructure construction contracts. As at 31 December 2012, the backlog was RMB619,800 million, representing a year-on-year increase of 21.1%.

### *(1). Port Construction*

In 2012, new contracts of the Group for Mainland China port infrastructure projects reached RMB62,051 million, representing a year-on-year increase of 4.5%, and accounting for 14.7% of the infrastructure construction business.

As the Twelfth Five-Year Plan commenced, China's water transportation construction market was in a stage of steady and slow development. Port constructions in conventional areas, e.g. Yangtze River Delta and Pearl River Delta regions, picked up moderately, development plans of "five points and one line" in Liaoning and coastal economic areas of Hebei and Shandong were upgraded to national strategic development plans, and the scale of port constructions in Bohai Rim continued to be large. The landscape of water transportation construction market further diversified: though the container port constructions at core hubs were carried out at a slow pace, the port developments in second-tier and third-tier cities remained active and the demands for specialised terminal constructions, particularly energy centers, heavy machinery centers, heavy chemical industry centers, remained strong. Currently, the upgrading of the shipping industry to national strategic development plans will further facilitate the transition of China from a major shipping country to a powerful shipping country, while the water transportation construction market will remain active to a certain extent within a certain period of time.

In 2012, the Group won the following new projects: the EPC project of Phase IV of Huanghua Port (Coal Terminal) in Heibei, the west Breakwater and cofferdam construction for Hulushan Bay of Changxing Island in Dalian, hydraulic structure works of Phase 3 in Nansha zone of Guangzhou Port, Ore Terminal project of Phase III in Heibei Caofeidian and the terminal project at Dongjiakouzui, Qingdao, etc.

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

In 2012, the amount of new contracts of the Group for Mainland China road and bridge projects reached RMB98,932 million, representing a year-on-year decrease of 21.6%, and accounting for 23.4% of the infrastructure construction business.

In the first half of 2012, affected by the adjustment to the macro-economic policy and the tightening monetary policies, the number of new tendering projects declined significantly in the expressway construction market. Meanwhile, the construction of provincial expressways and urban connecting lines was relatively active. However, difficulties in obtaining construction fund have slowed down the construction progress of the projects. In the second half, thanks to the promotion of the governments at all levels, the investment in expressway construction recovered. Despite a gradual increase in the number of new projects opening for tendering subsequent to the third quarter, the scale of new projects opening for tendering for the year still shrinked as compared with 2011.

In 2012, the Group won the following new projects: Section SS-2 of S215 Sanchakou-Shache Expressway in Xinjiang, section 1 and 4 of civil engineering of Phase I for Xiangyang Section of Baokang-Yichang Expressway in Hubei, the western expressway and interchange project in Changchun, Rapid Reconstruction Project of East Jianghai Avenue in Nantong and civil engineering project of Wangdong Yangtze River Bridge in Anhui, etc.

### *(3). Railway Construction*

In 2012, new contracts of the Group for Mainland China railway construction projects reached RMB9,753 million, accounting for 2.3% of the infrastructure construction business.

In 2012, the Ministry of Railways of the PRC adjusted the railway infrastructure investment planning upward for four times in response to the needs for economic development in the PRC. Railway investment rebounded from the bottom in June and picked up the pace month by month during the second half, totaling RMB518,500 million for the whole year. The number of new railway construction projects opening for tendering significantly increased in the fourth quarter. With good preparation, the Company obtained new orders again. As the reform to separate the Ministry of Railways' functions as the administrator and operator of China's railway system proceeds, the market force will play a bigger role in railway construction, thereby providing the Company with more opportunities to take part in railway construction.

In 2012, the Group won the following new projects: Section 2 of Station works of Xi'an-Jiangyou section (in Shannxi) of newly-constructed Xicheng Railway, Section 3 and 4 of Station works of Chongqing-Wanzhou Railway, Section 3 of Station works of Chengdu-Chuanzhusi section of Chenglan Railway and Dazhun-Shuohuang Railway, etc.

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

In 2012, new contracts of the Group for Mainland China investment business amounted to RMB125,021 million, representing a year-on-year increase of 87.2%, and accounting for 29.6% of the infrastructure construction business.

As at 31 December 2012, among the BOT projects of the Group, assets with an originally value of RMB14,076 million have been put into operation, assets with an original value of RMB22,277 million are in progress and projects with a contractual value of RMB83,385 million are about to enter the construction period.

In 2012, owing to the downturn of the conventional markets, demands for infrastructure construction adopting the construction mode of BOT/BT investment and financing projects from local governments increased significantly. By making timely adjustments to its marketing strategies, strengthening its liaison with local governments and capitalising on the strength of its entire industrial chain, the Company entered into a batch of BOT and BT projects with higher expected gains. Meanwhile, the Company successfully entered into the integrated development project in Zhuhai Hengqin New Area through mixed efforts. The project will be carried out by phased investment, phased sales and rolling development, which will further enrich the project operation modes of the investment business of the Company.

As the scale of investment business grew rapidly, the Company also strengthened its control on project risks. In order to develop the investment business in a prudent manner and ensure that risks are under control, the Company, strictly adhering to the principle of "The Five Don'ts", insisted on not undertaking investment projects which fall outside its core businesses, for which loans are not secured, guarantees are not provided or rates of investment return are below relevant standards or which exceed its capability. At the same time, the Research Report on the Development Direction of the Investment Business of CCCC, which was compiled based on the current development of the investment business of the Company, and the Report on the Control over the Overall Investment Scale in 2012, which analysed the assets and liabilities of the Company, determined the development scale that was reasonably affordable by the investment business of the Company and further clarified its future development direction.

In 2012, the Group won the following new projects: integrated development project in Zhuhai Hengqin New Area, the BOT project of Daozhen-Weng'an expressway in Guizhou, the BOT project of Guiyang-Weng'an expressway in Guizhou, the BOT project of Yanhe-Dejiang Expressway in Guizhou and the BT project of newly built port construction in Haikou, etc.

### *(5). Overseas Projects*

In 2012, new contracts for overseas projects of the infrastructure construction business entered into by the Group amounted to USD11,678 million (equivalent to approximately RMB75,417 million), representing a year-on-year decrease of 6.7%, and accounting for 17.8% of its infrastructure construction business.

In 2012, the Company set up the Overseas Business Department to shape an overseas business development platform of “one body with two wings” for CCCC. The Overseas Business Department will advance the existing foundation and proactively provide guidance on achieving a more even and effective allocation of resources within the Group with a view to driving the overseas business to a maximum to realise a better and quicker development. Besides, an overseas investment platform, CCCC International Holding Limited, was established after years of preparation. CCCC International Holding Limited successfully entered into the Jamaican North-South Highway, which is the its first attempt on investing in an infrastructure project overseas.

As the Company’s profitability of projects under construction grew in line with the rapid growth of the scale of overseas infrastructure construction, the proportion of profit contribution is expected to further increase. Meanwhile, during the course of “going global”, the Company had continuously improved management and further enhanced its capability of risk prevention and contingency planning so as to lay a solid foundation for the implementation and promotion of the overseas expansion strategy.

In 2012, new projects won by the Group mainly included Hong Kong connection line project of Hong Kong-Zhuhai-Macau Bridge, the EPC project of railway in Ethiopia, Mombasa-Nairobi Standard Gauge Railway Project, the EPC project of Nigerian Lekki Port and Yaounde-Douala Highway construction project in Cameroon, etc.

### *(6). Other Projects*

In 2012, new contracts for other projects in Mainland China entered into by the Group reached RMB51,881 million, representing a year-on-year increase of 65.0%, and accounting for 12.2% of its infrastructure construction business.

In 2012, the Company achieved a remarkable performance in projects such as municipal projects, urban rail transit, housing construction and hydropower engineering projects, and achieved a strong increase in the value of new contracts, which provided a favourable supplement to its core businesses.

**2 Infrastructure Design Business**

In 2012, the value of new infrastructure design contracts entered into by the Group reached RMB23,570 million, representing a year-on-year increase of 2.7%. As at 31 December 2012, the backlog was RMB34,000 million, representing a year-on-year increase of 6.4%.

Categorised by project type, the values of new contracts for survey and design, project supervision, EPC engineering and other projects amounted to RMB8,642 million, RMB547 million, RMB10,188 million and RMB4,193 million respectively, representing 36.7%, 2.3%, 43.2% and 17.8% of the total value of new infrastructure design contracts, respectively, as compared to 41.3%, 5.0%, 50.9% and 2.7% respectively recorded in the corresponding period of 2011.

In the first half of 2012, the number of new projects opening for tendering declined due to the macro-economic control policies of China. The market got warmer during the second half as the government speeded up in project approval. In response to the market condition this year, the Company continuously renovated its operation mechanism and took greater effort to explore overseas markets. By exerting the overall strengths of the Group, the Company solidified the market position of its infrastructure design business. The value of new contracts was basically comparable to that of the corresponding period of the previous year.

In 2012, new projects won by the Group mainly included the EPC project of reconstruction of Oil Refinery Terminal in Hainan, the survey and design contract for Section SJ1 of Shenzhen Section of Shenzhen Outer ring road, preliminary design contract for four Lhasa Expressway in Sichuan, survey and preliminary design contract of refining-chemical integration terminal in Guangdong and the design contract of Phase III of Huanghua Port in Heibei, etc.

**3 Dredging Business**

In 2012, the value of new dredging contracts entered into by the Group reached RMB38,648 million, representing a year-on-year increase of 3.0%. As at 31 December 2012, the backlog was RMB28,880 million, representing a year-on-year increase of 3.3%.

In 2012, six special-purpose large vessels started to serve in the Group's dredger fleets, providing an additional capacity of approximately 50 million cubic meters under standard operating conditions. As at 31 December 2012, the Group's dredging capacity amounted to approximately 720 million cubic meters under standard operating conditions.

In 2012, under the influences of several factors, the reclamation market in China entered a temporary pausing cushion period, which was evidenced by a decline in market demand in certain months and a lack of capital for certain projects. In the second half, the number of new orders gradually increased as the market condition quickly recovered and important infrastructure projects along Yangtze River estuary and Nanjing Channel were put on agenda.

According to the Official Reply concerning Ocean Functional Zoning for 2010-2020 published by the State Council in 2012 for 11 provinces and municipals in the coastal area, a total indicative area of more than 240,000 hectares will be reclaimed in districts including Liaoning, Hebei, Tianjin and Shandong. The continuous growth of the market for reclamation, coast and breakwater construction will attract more players to enter the market. Hence, the dredging business will face opportunities as well as challenges.

In 2012, new projects won by the Group mainly included the Phase I of 12.5m deep-water channel construction of Yangtze River below Nanjing, reclamation project of in Nangang industrial zone in Tianjin, reclamation project of Nanhui Dongtan in Shanghai, reclamation and soft foundation treatment project of the promoter region of east new area in Taizhou and Phase III of reclamation and soft foundation treatment project of Nansha Port in Guangzhou, etc.

**4 Heavy Machinery Manufacturing Business**

In 2012, the value of new heavy machinery manufacturing contracts entered into by the Group reached RMB24,615 million, representing a year-on-year decrease of 7.7%. As at 31 December 2012, the backlog was RMB16,255 million, representing a year-on-year decrease of 41.6%.

Despite the basically stable performance of the global port machinery market in 2012, it was still difficult to reach the peak order volume recorded prior to the outbreak of the financial crisis. The prospect of the offshore heavy machinery market remains promising with enormous development potential and market prospects. However, given the large capital investment in offshore heavy machinery projects, customers were relatively cautious in procurement and it took longer for customers to place new orders.

In 2012, new projects won by the Group mainly included 8 quayside container cranes and 38 automatic rail-mounted gantry cranes for US, 12 quayside container cranes and 40 rubber-tyred gantry cranes for Sri Lanka, 9 quayside container cranes and 25 automatic rail-mounted gantry cranes for Dubai, United Arab Emirates, 6 quayside container cranes and 32 automatic rail-mounted gantry cranes for US and 14 quayside container cranes for Rotterdam, Netherlands, etc.

**5 Technology Innovation**

The innovation capability of the Company continued to grow. With the support of the National Development and Reform Commission and the Ministry of Transport of the PRC, the construction of two engineering centers progressed smoothly according to the Official Reply of the National Development and Reform Commission concerning the Preparation and Construction of the Highway Bridges National Engineering Research Centre and the Dredging Technology and Equipment National Engineering Research Centre. Meanwhile, progress has been made for the preparation and construction of the "State Key Laboratory of Deepwater Port Engineering Structure", which has maintained the Company's leading technological position in the industry. In addition, the Company further explored new ways to enhance its innovation capability by promoting the collaboration of enterprises and schools in scientific research.

By fully capitalising on its strength in technical innovation, the Company encouraged the integration of production, teaching and research in actively pursuing the research and development of technologies. In 2012, the projects of the "Research and Development of a 12,000t Offshore Crane" and the "Automated Container Port Loading and Unloading System" were classified as ultra large technology research and development projects as they were forward-looking and strategically important in the industry, while 20 global, strategic and forward-looking projects, including the projects of the "Fatigue Life Evaluation and Study on Durability Enhancement and Restoration Technologies of In-service Concrete Bridges under a Non-marine Environment", the "Study on Key Technologies of the Construction of the Jacket Foundation of Offshore Wind Farms" and the "Study on Key Technologies of the Immersed Tube Tunnel Installation and Construction for the Hong Kong-Zhuhai-Macao Bridge Project", were listed as key scientific research and development projects of the Company. These research and development projects will play an important role in the technological support of the industrial structural adjustment and major projects under construction of the Company.

Remarkable results have been achieved in technology innovation. In 2012, the Company continued its efforts in obtaining patents for its technological achievements and standardising its advanced technologies. During the year, the Company won various awards including 3 prizes for National Science and Technology Progress and 91 provincial and ministerial level science technology progress awards, and was granted 413 patents.

## BUSINESS OUTLOOK

Globally, given that the average annual growth of the transportation infrastructure market is estimated to be over 8%, the investment in transportation infrastructure will continue to be the limelight of the industry. While Asia continues to dominate the infrastructure market, emerging markets including Latin America, Africa and Middle East will also become more and more influential in the market. As an ultra large multi-disciplinary group among the "World Top 500 Companies" with over 30 years of rich experience in undertaking overseas projects, the Company has an excellent track record in cooperating in and competing for the Chinese foreign economic assistance projects and international contracting projects and its brand enjoys a high reputation around the world. Supported by the national policy and guided by the Company's "going global" overseas business expansion strategy, the Company will brave the competition from international contractors and further expand its market share and business scale to achieve better efficiency.

Domestically, the highway construction and water transportation construction markets will witness keener competition, though the total investment in these sectors will tend to stay flat. The railway construction market showed a rebound. As the reform to separate the Ministry of Railways' functions as the administrator and operator of China's railway system proceeds, the market force will play a bigger role in railway construction, thereby further improving the competition landscape of the market. Urbanisation will be the major growth engine for future economic development in the PRC. The construction of infrastructure, such as urban roads, bridges, subways, water resources and underground pipeline networks, and the proliferation of integrated urban development projects comprising commercial, residential and transportation functions will present more market opportunities for the Company to exert its strengths in the traditional business and explore emerging businesses.

## BUSINESS PLAN FOR THE NEW YEAR

The goal of the value of new contracts to be entered into by the Group for 2013 is RMB460,000 million and the stretch goal for the Company is RMB500,000 million; the goal of sales revenue is RMB310,000 million and the stretch goal for the Company is RMB330,000 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### Overview

For the year 2012, revenue of the Group increased by 0.4% to RMB295,321 million, among which revenue from external customers attributed to the regions other than PRC amounted to RMB38,950 million (excluding revenue from sales to foreign customers in heavy machinery manufacturing business) in 2012, representing a year-on-year increase of 21.1%. The value of the Group's new contracts in 2012 was RMB514,920 million, representing a year-on-year increase of 12.5%. As at 31 December 2012, the backlog for the Group was RMB700,525 million, representing an increase of 16.4% over that as at 31 December 2011.

Gross profit in 2012 amounted to RMB32,598 million, representing an increase of RMB4,690 million, or 16.8%, from RMB27,908 million in 2011. Gross profit from infrastructure construction business and infrastructure design business increased by 21.6% and 16.4%, respectively, from 2011; while the gross profit from dredging business kept stable from 2011, and the gross profit from heavy machinery manufacturing business and other businesses decreased by 8.0% and 10.2%, respectively from 2011. Gross profit margin for infrastructure construction business, infrastructure design business, dredging business, heavy machinery manufacturing business and other businesses in 2012 were 9.7%, 25.7%, 14.2%, 5.0% and 9.0%, respectively, as compared with 8.0%, 24.3%, 14.1%, 5.2% and 9.7% in 2011.

Mainly as a result of the growth in gross profit, operating profit in 2012 amounted to RMB19,189 million, representing an increase of RMB2,976 million, or 18.4%, from RMB16,213 million in 2011. Operating profit from infrastructure construction business and infrastructure design business increased by 25.0% and 18.1%, respectively, from 2011; operating profit from dredging business and other businesses decreased by 5.4% and 21.1%, respectively, from 2011; meanwhile, heavy machinery manufacturing business recorded operating loss of RMB125 million in 2012, as compared with operating profit of RMB110 million in 2011.

For the year 2012, profit attributable to owners of the Company amounted to RMB12,248 million, representing an increase of RMB487 million, or 4.1%, from RMB11,761 million in 2011. For the year 2012, earnings per share of the Group was RMB0.77, as compared with RMB0.79 for the year 2011.

The following is a comparison of financial results between the years ended 31 December 2012 and 2011.

## Consolidated Results of Operations

### *Revenue*

Revenue in 2012 increased by 0.4% to RMB295,321 million, from RMB294,281 million in 2011. The growth was mainly attributable to the increases in the revenue from the infrastructure construction business and infrastructure design business, amounting to RMB2,333 million and RMB1,460 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 1.0% and 9.7%, respectively. Meanwhile, revenue from dredging business, heavy machinery manufacturing business and other businesses decreased by RMB294 million, RMB849 million and RMB223 million, or 0.9%, 4.2% and 3.3%, respectively, from 2011.

### *Cost of Sales and Gross Profit*

Cost of sales in 2012 amounted to RMB262,723 million, representing a decrease of RMB3,650 million, or 1.4%, from RMB266,373 million in 2011. Decreases in cost of sales from infrastructure construction business, dredging business, heavy machinery manufacturing business and other businesses amounted to RMB1,609 million, RMB294 million, RMB764 million and RMB157 million (all before elimination of inter-segment transactions), respectively, representing a decrease of 0.8%, 1.1%, 4.0% and 2.6%, respectively. Meanwhile, for the year 2012, cost of sales from infrastructure design business increased by RMB862 million, or 7.6% from 2011.

Cost of sales consisted mainly of cost of raw materials and consumables used, subcontracting costs, employee benefit expenses and rentals. For the year 2012, cost of raw materials and consumables used, subcontracting costs and rentals decreased by 2.3%, 0.2% and 25.4%, respectively while employee benefit expenses increased by 12.7% from 2011.

For the year 2012, the revenue increased slightly while the cost of sales decreased. As a result, gross profit in 2012 amounted to RMB32,598 million, representing an increase of RMB4,690 million, or 16.8%, from RMB27,908 million in 2011. Gross profit margin increased to 11.0% in 2012 from 9.5% in 2011, primarily due to the increase in gross profit margin of infrastructure construction business.

### *Operating Profit*

Operating profit in 2012 amounted to RMB19,189 million, representing an increase of RMB2,976 million, or 18.4%, from RMB16,213 million in 2011. The increase was mainly due to the increase in gross profit.

For the year 2012, operating profit from infrastructure construction business and infrastructure design business increased by RMB2,689 million and RMB360 million (all before elimination of inter-segment transactions and unallocated cost), representing a growth rate of 25.0% and 18.1%, respectively, from 2011; operating profit from dredging business and other businesses decreased by RMB198 million and RMB34 million, or 5.4% and 21.1% (before elimination of inter-segment transactions and unallocated cost), from 2011; heavy machinery manufacturing business recorded operating loss of RMB125 million in 2012, as compared with operating profit of RMB110 million (before elimination of inter-segment transactions and unallocated cost) in 2011.

Operating profit margin increased to 6.5% in 2012 from 5.5% in 2011.

***Finance Income***

Finance income in 2012 amounted to RMB1,627 million, representing a decrease of RMB366 million from RMB1,993 million in 2011, mainly because that the Group recorded RMB930 million gain on debt restructuring of Iraq loans in 2011, which was partially offset by the increased interest income in 2012.

***Finance Costs, net***

Net finance costs in 2012 amounted to RMB5,411 million, representing an increase of RMB2,056 million, or 61.3%, from RMB3,355 million in 2011. This increase of finance cost was primarily attributable to the increase in the volume of borrowings as well as the decrease in net foreign exchange gains on borrowings.

***Share of Profit of Jointly Controlled Entities***

Share of profit of jointly controlled entities in 2012 amounted to RMB49 million, as compared with RMB75 million in 2011.

***Share of Profit of Associates***

Share of profit of associates in 2012 amounted to RMB61 million, as compared with RMB98 million in 2011.

***Profit before Income Tax***

As a result of the foregoing factors, profit before income tax in 2012 amounted to RMB15,515 million, representing an increase of RMB491 million, or 3.3%, from RMB15,024 million in 2011.

***Income Tax Expense***

Income tax expense in 2012 amounted to RMB3,783 million, representing an increase of RMB736 million, or 24.2%, from RMB3,047 million in 2011. Effective tax rate for the Group in 2012 increased to 24.4% from 20.3% in 2011, mainly because that fewer subsidiaries enjoyed preferential tax rate in 2012, as well as that the impact of tax rate differences between some oversea countries and the PRC increased as a result of the growing development in oversea businesses.

*Loss/Profit Attributable to Non-Controlling Interests*

Loss attributable to non-controlling interests in 2012 amounted to RMB516 million, as compared with profit attributable to non-controlling interests of RMB216 million in 2011, mainly attributable to the loss of ZPMC in 2012, which is a non-wholly-owned subsidiary of the Company.

*Profit Attributable to Owners of the Company*

As a result of the foregoing factors, profit attributable to owners of the Company in 2012 amounted to RMB12,248 million, representing an increase of RMB487 million, or 4.1%, from RMB11,761 million in 2011.

Profit margin with respect to profit attributable to owners of the Company was 4.1% in 2012, as compared with 4.0% in 2011.

## 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 2012 and 2011.

| | 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** | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* | ***(RMB million)*** | *(RMB million)* | ***(%)*** | *(%)* | ***(RMB million)*** | *(RMB million)* | ***(%)*** | *(%)* |
| Infrastructure Construction | **229,401** | 227,068 | **22,157** | 18,215 | **9.7** | 8.0 | **13,451** | 10,762 | **5.9** | 4.7 |
| % of total | **75.6** | 75.4 | **68.2** | 64.8 | **–** | – | **69.7** | 64.4 | **–** | – |
| Infrastructure Design | **16,468** | 15,008 | **4,239** | 3,641 | **25.7** | 24.3 | **2,344** | 1,984 | **14.2** | 13.2 |
| % of total | **5.4** | 5.0 | **13.0** | 12.9 | **–** | – | **12.1** | 11.8 | **–** | – |
| Dredging | **32,027** | 32,321 | **4,548** | 4,548 | **14.2** | 14.1 | **3,502** | 3,700 | **10.9** | 11.4 |
| % of total | **10.5** | 10.7 | **14.0** | 16.2 | **–** | – | **18.1** | 22.1 | **–** | – |
| Heavy Machinery Manufacturing | **19,317** | 20,166 | **971** | 1,056 | **5.0** | 5.2 | **(125)** | 110 | **(0.6)** | 0.5 |
| % of total | **6.4** | 6.7 | **3.0** | 3.8 | **–** | – | **(0.6)** | 0.7 | **–** | – |
| Other businesses | **6,462** | 6,685 | **583** | 649 | **9.0** | 9.7 | **127** | 161 | **2.0** | 2.4 |
| % of total | **2.1** | 2.2 | **1.8** | 2.3 | **–** | – | **0.7** | 1.0 | **–** | – |
| **Subtotal** | **303,675** | 301,248 | **32,498** | 28,109 | **–** | – | **19,299** | 16,717 | **–** | – |
| Intersegment elimination and unallocated profit/(costs) | **(8,354)** | (6,967) | **100** | (201) | **–** | – | **(110)** | (504) | **–** | – |
| **Total** | **295,321** | 294,281 | **32,598** | 27,908 | **11.0** | 9.5 | **19,189** | 16,213 | **6.5** | 5.5 |

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

### *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 2012 and 2011.

| | **Years ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Revenue | **229,401** | 227,068 |
| Cost of sales | **(207,244)** | (208,853) |
| Gross profit | **22,157** | 18,215 |
| Selling and marketing expenses | **(75)** | (68) |
| Administrative expenses | **(9,018)** | (8,079) |
| Other income, net | **387** | 694 |
| Segment result | **13,451** | 10,762 |
| Depreciation and amortisation | **3,934** | 3,624 |

**Revenue.** Revenue from the infrastructure construction business in 2012 was RMB229,401 million, representing a slight increase of RMB2,333 million, or 1.0%, as compared with RMB227,068 million in 2011. The value of new contracts entered into for the infrastructure construction business in 2012 was RMB423,055 million, representing an increase of RMB58,384 million, or 16.0%, as compared with RMB364,671 million in 2011. No single project accounted for more than 5% of the Group's total revenue in 2012 or 2011.

**Cost of sales and gross profit.** Cost of sales for the infrastructure construction business in 2012 was RMB207,244 million, representing a decrease of RMB1,609 million, or 0.8%, as compared with RMB208,853 million in 2011. Cost of sales as a percentage of revenue decreased to 90.3% in 2012 from 92.0% in 2011.

Gross profit from the infrastructure construction business in 2012 grew by RMB3,942 million, or 21.6%, to RMB22,157 million from RMB18,215 million in 2011. Gross profit margin increased to 9.7% in 2012 from 8.0% in 2011, mainly attributable to the better structure of infrastructure construction business, in which projects with higher gross profit margin, such as overseas projects and BOT & BT projects are getting higher proportions, as well as the enhanced project management of the Group.

**Selling and marketing expenses.** Selling and marketing expenses for the infrastructure construction business in 2012 were RMB75 million, representing an increase of RMB7 million as compared with RMB68 million in 2011.

**Administrative expenses.** Administrative expenses for the infrastructure construction business in 2012 were RMB9,018 million, representing an increase of RMB939 million, or 11.6%, as compared with RMB8,079 million in 2011, mainly attributable to the increase in cost of administrative staff, as well as increase in provision for impairment of trade and other receivables. Administrative expenses as a percentage of revenue increased to 3.9% in 2012 from 3.6% in 2011.

**Other income, net.** Other net income for the infrastructure construction business was RMB387 million in 2012, as compared with RMB694 million in 2011.

**Segment result.** As a result of the above, segment result for the infrastructure construction business in 2012 was RMB13,451 million, representing an increase of RMB2,689 million, or 25.0%, as compared with RMB10,762 million in 2011. Segment result margin increased to 5.9% in 2012 from 4.7% in 2011.

***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 2012 and 2011.

| | **Years ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Revenue | **16,468** | 15,008 |
| Cost of sales | **(12,229)** | (11,367) |
| Gross profit | **4,239** | 3,641 |
| Selling and marketing expenses | **(157)** | (139) |
| Administrative expenses | **(1,763)** | (1,567) |
| Other income, net | **25** | 49 |
| Segment result | **2,344** | 1,984 |
| Depreciation and amortisation | **208** | 185 |

**Revenue.** Revenue from the infrastructure design business in 2012 was RMB16,468 million, representing an increase of RMB1,460 million, or 9.7%, as compared with RMB15,008 million in 2011. This growth was primarily attributable to the increase in the aggregate value of design contracts, including comprehensive contracts, which was in turn driven by 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 2012 was RMB23,570 million, representing an increase of RMB627 million, or 2.7%, as compared with RMB22,943 million in 2011.

**Cost of sales and gross profit.** Cost of sales for the infrastructure design business in 2012 was RMB12,229 million, representing an increase of RMB862 million, or 7.6%, as compared with RMB11,367 million in 2011. Cost of sales as a percentage of revenue decreased to 74.3% in 2012 from 75.7% in 2011.

Gross profit from the infrastructure design business in 2012 was RMB4,239 million, representing an increase of RMB598 million, or 16.4%, as compared with RMB3,641 million in 2011. Gross profit margin increased to 25.7% in 2012 from 24.3% in 2011.

**Selling and marketing expenses.** Selling and marketing expenses for the infrastructure design business in 2012 were RMB157 million, representing an increase of RMB18 million as compared with RMB139 million in 2011.

**Administrative expenses.** Administrative expenses for the infrastructure design business in 2012 were RMB1,763 million, representing an increase of RMB196 million, or 12.5%, as compared with RMB1,567 million in 2011. Administrative expenses as a percentage of revenue increased to 10.7% in 2012 from 10.4% in 2011.

**Other income, net.** Other net income for the infrastructure design business in 2012 was RMB25 million, as compared with RMB49 million in 2011.

**Segment result.** As a result of the above, segment result for the infrastructure design business in 2012 was RMB2,344 million, representing an increase of RMB360 million, or 18.1%, as compared with RMB1,984 million in 2011. Segment result margin increased to 14.2% in 2012 from 13.2% in 2011.

***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 2012 and 2011.

| | **Years ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Revenue | **32,027** | 32,321 |
| Cost of sales | **(27,479)** | (27,773) |
| Gross profit | **4,548** | 4,548 |
| Selling and marketing expenses | **(26)** | (22) |
| Administrative expenses | **(1,329)** | (1,260) |
| Other income, net | **309** | 434 |
| Segment result | **3,502** | 3,700 |
| Depreciation and amortisation | **1,505** | 1,246 |

**Revenue.** Revenue from the dredging business in 2012 was RMB32,027 million, representing a decrease of RMB294 million, or 0.9%, as compared with RMB32,321 million in 2011. The revenue decrease was primarily due to the slowed down coastal line reclamation activities under the tightened macro economy in the first half of 2012. The value of new contracts entered into for the dredging business in 2012 was RMB38,648 million, representing an increase of RMB1,109 million, or 3.0%, as compared with RMB37,539 million in 2011.

**Cost of sales and gross profit.** Cost of sales for the dredging business in 2012 was RMB27,479 million, representing a decrease of RMB294 million, or 1.1%, as compared with RMB27,773 million in 2011. Cost of sales as a percentage of revenue for the dredging business in 2012 was 85.8%, as compared with 85.9% in 2011.

Gross profit from the dredging business in 2012 was RMB4,548 million, as compared with RMB4,548 million in 2011. Gross profit margin for the dredging business increased slightly to 14.2% in 2012 from 14.1% in 2011.

**Selling and marketing expenses.** Selling and marketing expenses for the dredging business in 2012 were RMB26 million, representing an increase of RMB4 million from RMB22 million in 2011.

**Administrative expenses.** Administrative expenses for the dredging business in 2012 were RMB1,329 million, representing an increase of RMB69 million, or 5.5%, as compared with RMB1,260 million in 2011. Administrative expenses as a percentage of revenue slightly increased to 4.1% in 2012 from 3.9% in 2011.

**Other income, net.** Other net income for the dredging business in 2012 was RMB309 million, representing a decrease of RMB125 million from RMB434 million in 2011, primarily because that the Group recorded RMB242 million gain on disposal of a subsidiary in 2011.

**Segment result.** As a result of the above, segment result for the dredging business in 2012 was RMB3,502 million, representing a decrease of RMB198 million, or 5.4%, as compared with RMB3,700 million in 2011. Segment result margin decreased to 10.9% in 2012 from 11.4% in 2011.

*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 2012 and 2011.

| | **Years ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Revenue | **19,317** | 20,166 |
| Cost of sales | **(18,346)** | (19,110) |
| Gross profit | **971** | 1,056 |
| Selling and marketing expenses | **(96)** | (113) |
| Administrative expenses | **(1,312)** | (1,397) |
| Other income, net | **312** | 564 |
| Segment result | **(125)** | 110 |
| Depreciation and amortisation | **1,280** | 1,375 |

**Revenue.** Revenue from the heavy machinery manufacturing business in 2012 was RMB19,317 million, representing a decrease of RMB849 million, or 4.2%, as compared with RMB20,166 million in 2011. This decrease was primarily due to lower new contract value entered for heavy machinery manufacturing business in 2012. The value of new contracts entered into for the heavy machinery manufacturing business in 2012 was RMB24,615 million, representing a decrease of RMB2,053 million, or 7.7%, as compared with RMB26,668 million in 2011.

**Cost of sales and gross profit.** Cost of sales for the heavy machinery manufacturing business in 2012 was RMB18,346 million, representing a decrease of RMB764 million, or 4.0%, as compared with RMB19,110 million in 2011. Cost of sales as a percentage of revenue increased to 95.0% in 2012 from 94.8% in 2011.

Gross profit from the heavy machinery manufacturing business in 2012 was RMB971 million, representing a decrease of RMB85 million, or 8.0%, as compared with RMB1,056 million in 2011. Gross profit margin decreased to 5.0% in 2012 from 5.2% in 2011. Revenue from certain operations with high gross profit margin increased in 2012, however, the write-down of inventories of ZPMC led to a decrease in segment gross profit margin.

**Selling and marketing expenses.** Selling and marketing expenses for the heavy machinery manufacturing business in 2012 were RMB96 million, representing a decrease of RMB17 million from RMB113 million in 2011.

**Administrative expenses.** Administrative expenses for the heavy machinery manufacturing business in 2012 were RMB1,312 million, representing a decrease of RMB85 million, or 6.1%, as compared with RMB1,397 million in 2011. Administrative expenses as a percentage of revenue for the heavy machinery manufacturing business was 6.8% in 2012, as compared with 6.9% in 2011.

**Other income, net.** Other net income for the heavy machinery manufacturing business in 2012 was RMB312 million, representing a decrease of RMB252 million from RMB564 million in 2011, mainly due to decreased gains on disposal of equipments and properties.

**Segment result.** As a result of the above, segment result for the heavy machinery manufacturing business in 2012 was RMB125 million loss, as compared with RMB110 million profit in 2011.

***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 2012 and 2011.

| | **Years ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Revenue | **6,462** | 6,685 |
| Cost of sales | **(5,879)** | (6,036) |
| Gross profit | **583** | 649 |

**Revenue.** Revenue from the other businesses in 2012 was RMB6,462 million, representing a decrease of RMB223 million, or 3.3%, as compared with RMB6,685 million in 2011.

**Cost of sales and gross profit.** Cost of sales for the other businesses in 2012 was RMB5,879 million, representing a decrease of RMB157 million, or 2.6%, as compared with RMB6,036 million in 2011. Cost of sales as a percentage of revenue slightly increased from 90.3% in 2011 to 91.0% in 2012.

Gross profit from the other businesses in 2012 was RMB583 million, representing a decrease of RMB66 million, or 10.2%, as compared with RMB649 million in 2011. Gross profit margin decreased to 9.0% in 2012 from 9.7% in 2011, mainly due to the change of structure in other businesses.

## 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 remainder of the Group's requirements primarily through borrowings. As at 31 December 2012, the Group had unutilised credit facilities in the amount of RMB410,388 million. The Group's access to financial markets since its public offering in Hong Kong Stock Exchange has provided additional financing flexibility. In March 2012, the Group successfully completed A-share IPO in Chinese domestic capital market and got listed on Shanghai Stock Exchange, which provides another financing platform for the Group. The Group has also supplemented its financial resources with proceeds raised from issuing corporate bond in August 2012 and two tranches of debentures in June and July 2012.

### *Cash Flow Data*

The following table presents selected cash flow data from the Company's consolidated cash flow statements for the years ended 31 December 2012 and 2011.

| | **Years ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Net cash generated from operating activities | **13,339** | 1,767 |
| Net cash used in investing activities | **(19,504)** | (14,037) |
| Net cash generated from financing activities | **28,922** | 18,842 |
| Net increase in cash and cash equivalents | **22,757** | 6,572 |
| Cash and cash equivalents at beginning of period | **45,234** | 38,843 |
| Exchange gains/(losses) on cash and cash equivalents | **1** | (181) |
| Cash and cash equivalents at end of period | **67,992** | 45,234 |

*Cash flow from operating activities*

During the year 2012, net cash generated from operating activities was RMB13,339 million, as compared with RMB1,767 million in 2011, which is primarily attributable to increased gross profit margin and changes in working capital, in particular, due to changes in contract work-in-progress, as well as combined effect of changes in trade and other payables and trade and other receivables. During the year 2012, increase in contract work-in-progress was RMB3,070 million, as compared with RMB10,581 million in 2011. In 2012, trade and other receivables increased by RMB20,763 million, while such effect was mostly offset by increase in trade and other payables of RMB19,427 million; as a comparison, in 2011, trade and other receivables increased by RMB19,663 million, while trade and other payables increased by RMB15,082 million.

*Cash flow from investing activities*

Net cash used in investing activities in 2012 was RMB19,504 million as compared with RMB14,037 million in 2011. The increase of RMB5,467 million, or 38.9%, was primarily attributable to the increase in purchases of intangible assets and purchases of available-for-sale financial assets, which was then partially offset by the increase in proceeds from disposal of available-for-sale financial assets.

In 2012, the purchases of intangible assets amounted to RMB11,922 million, representing an increase of RMB3,888 million from 2011, mainly due to the increase of investment in BOT projects. The Group's purchases of available-for-sale financial assets amounted to RMB8,015 million in 2012, while proceeds from disposal of available-for-sale financial assets amounted to RMB7,026 million, resulting in net cash used of RMB989 million in investment in available-for-sale financial assets.

*Cash flow from financing activities*

Net cash generated from financing activities in 2012 was RMB28,922 million, representing an increase of RMB10,080 million from RMB18,842 million in 2011, primarily attributable to the impact of the increase in proceeds from borrowings of RMB45,102 million, as well as the proceeds from issuance of A shares in 2012 of RMB4,864 million, which was then partially offset by the increase in repayment of borrowings of RMB34,286 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 2012 and 2011.

| | **Years ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Infrastructure Construction Business | **18,461** | 13,967 |
| – BOT projects | **12,772** | 8,879 |
| Infrastructure Design Business | **349** | 293 |
| Dredging Business | **2,896** | 2,832 |
| Heavy Machinery Manufacturing Business | **511** | 896 |
| Other | **69** | 33 |
| Total | **22,286** | 18,021 |

Capital expenditure in 2012 was RMB22,286 million, as compared with RMB18,021 million in 2011. The increase of RMB4,265 million or 23.7% was primarily attributable to the increase of capital expenditure in BOT projects.

***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 receivable and average trade and bills payable for the years ended 31 December 2012 and 2011.

| | Years ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***(Number of days)*** | *(Number of days)* |
| Turnover of average trade and bills receivables[(1)] | **63** | 61 |
| Turnover of average trade and bills payables[(2)] | **140** | 119 |

*(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 2012 and 2011.

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Less than 6 months | **42,110** | 42,302 |
| 6 months to 1 year | **5,101** | 5,126 |
| 1 year to 2 years | **4,080** | 3,959 |
| 2 years to 3 years | **1,702** | 912 |
| Over 3 years | **1,167** | 1,066 |
| Total | **54,160** | 53,365 |

The Group's credit terms with its customers for the year ended 31 December 2012 remained the same as that for the year ended 31 December 2011. 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. 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 2012, the Group had a provision for impairment of RMB2,964 million, as compared with RMB2,456 million as at 31 December 2011.

The following table sets forth an ageing analysis of trade and bills payables as at December 2012 and 2011.

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Within 1 year | **98,440** | 89,240 |
| 1 year to 2 years | **5,812** | 5,118 |
| 2 years to 3 years | **1,370** | 880 |
| Over 3 years | **604** | 430 |
| Total | **106,226** | 95,668 |

The Group's credit terms with its suppliers for the year ended 31 December 2012 remained the same as that for the year ended 31 December 2011. 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 2012 and 2011.

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Current | **16,464** | 10,412 |
| Non-current | **16,633** | 15,686 |
| Total | **33,097** | 26,098 |

**Indebtedness**

***Borrowings***

The following table sets out the maturities of the Group's total borrowings as at 31 December 2012 and 2011.

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Within 1 year | **69,187** | 54,289 |
| Between 1 year and 2 years | **16,956** | 9,386 |
| Between 2 years and 5 years | **21,078** | 19,273 |
| Over 5 years | **37,024** | 23,097 |
| Total borrowings | **144,245** | 106,045 |

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Euro, Japanese Yen and Hong Kong dollars. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 31 December 2012 and 2011.

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Renminbi | **125,922** | 87,417 |
| U.S. dollar | **15,260** | 15,749 |
| Euro | **951** | 1,145 |
| Japanese yen | **839** | 865 |
| Hong Kong dollar | **766** | 785 |
| Others | **507** | 84 |
| Total borrowings | **144,245** | 106,045 |

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 2012 was 44.4%, as compared with 42.9% as at 31 December 2011.

### *Contingent Liabilities*

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

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***(RMB million)*** | *(RMB million)* |
| Pending lawsuits[(1)] | **463** | 617 |
| Outstanding loan guarantees[(2)] | **246** | 268 |
| Total | **709** | 885 |

*(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 resource 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.*

## 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 urbanisation.

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 Risk***

The Group conducts its business in over 120 countries and regions, with major overseas business in Africa, Southeast Asia, Eurasia, Latin America and Middle East. Due to various factors, the political and economic conditions in Africa, Eurasia 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 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 which is partially offset by cash held at variable rates. Borrowings at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2012, approximately RMB76,211 million (as at 31 December 2011: RMB66,101 million) of the Group's borrowings were at variable rates.

***Foreign exchange risk***

The Group's functional currency of a 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, Hong Kong dollar and the 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 the U.S. dollar. As at 31 December 2012, Renminbi had appreciated by approximately 30% against the 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 2012 and 2011, certain subsidiaries within the Group used foreign currency forward contracts for transactions with domestic and overseas registered banks, to hedge the Group's exposure to foreign currency risk on individual transactions primarily vis-à– vis U.S. dollar, Japanese Yen, and the Euro.

***Price risk***

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale financial assets or other financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2012.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the ***Model Code***) contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ***Hong Kong Listing Rule***). The Company has made specific inquiry with all of its Directors and Supervisors. Each of the Directors and Supervisors has confirmed his compliance with the requirements set out in the Model Code for the year ended 31 December 2012.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to high standards of corporate governance. The Board believes that the Company complied with all code provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Hong Kong Listing Rules) for the three months ended 31 March 2012. The Board believes that the Company complied with all code provisions of the Corporate Governance Code and Corporate Governance Report (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012, the New CG Code) as set out in Appendix 14 to the Hong Kong Listing Rules for the nine months ended 31 December 2012 with the exception of Code Provision A.5.1.

Code Provision A.5.1 of the New CG Code stipulates that a nomination committee should, among others, comprise a majority of independent non-executive directors. Throughout the year of 2012, the Board consisted of nine Directors, including three executive Directors, one non-executive Director and five independent non-executive Directors. Before the New CG Code became effective, the Nomination Committee consisted of three executive Directors, one non-executive Director and one independent non-executive Director.

As a commitment to retain high level of corporate governance and continuous efforts to comply with the Hong Kong Listing Rules, the Board appointed two more independent non-executive Directors to the Nomination Committee. Currently, the Nomination Committee consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. In addition, the Company will re-elect the members to the Nomination Committee as soon as practicable to ensure full compliance with the New CG Code.

## DISTRIBUTIONS AND DIVIDENDS

For the year of 2012, net distributable profit to owners of the Company was approximately RMB11,950 million which is determined based on the financial statements prepared in accordance with China Accounting Standards for Business Enterprises and IFRS, whichever is lower. The Board has proposed a final dividend of RMB0.1847 (including tax) per share (totaling approximately RMB2,988 million which represents approximately 25% of the above-mentioned net profit attributable to owners of the Company), which is subject to approval by the shareholders of the Company (the ***Shareholders***) at the forthcoming annual general meeting to be held on 28 June 2013 (the ***AGM***). The proposed dividend distribution will be distributed to all Shareholders on the basis of total issued share capital of 16,174,735,425 shares.

The proposed final dividends are subject to applicable tax. The proposed final dividends will be denominated and declared in Renminbi and will be paid to holders of A Shares in Renminbi and to holders of H Shares in Hong Kong dollars. Further information regarding the exchange rate and the applicable tax will be disclosed by the Company in a separate announcement in due course.

## ESTIMATED TOTAL AMOUNT OF DAY TO DAY RELATED PARTY TRANSACTIONS UNDER THE SHANGHAI STOCK EXCHANGE LISTING RULES

According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the Shanghai Listing Rules), the listed issuer may, prior to disclosure of its annual report for the previous year, estimate reasonably the total amount of day-to-day related party transaction (as defined under the Shanghai Listing Rules) under each category for the current full year and submit the estimated total amount to the Board or shareholders' general meeting for consideration and approval. Upon approval, day-to-day related party transactions conducted by the issuer will be exempted from certain review and disclosure requirements under the Shanghai Listing Rules.

As a Shanghai Stock Exchange listed issuer, the Company, in accordance with the Shanghai Listing Rules, estimates reasonably that the total amount of day-to-day related party transactions for the year of 2013 will not exceed RMB3,359.22 million. The Company will closely monitor the respective related party transactions. If any related party transaction constitutes a connected transaction (as defined under the Hong Kong Listing Rules), and is subject to reporting, announcement or independent shareholders' approval requirements (as applicable), the Company will, as soon as possible after the terms of the respective connected transaction have been agreed, take immediate steps to ensure compliance with the Hong Kong Listing Rules.

Pursuant to Rule 10.2.5 of the Shanghai Listing Rules, any related party transaction conducted by a listed issuer with the transaction amount exceeding RMB30 million as well as accounting for more than 5% of the absolute value of a listed issuer's latest audited net assets, shall be approved by its shareholders. As the estimated total amount of day-to-day related party transactions, after aggregation with other transaction amounts of related party transactions pursuant to the Shanghai Listing Rules, exceed RMB30 million and account for more than 5% of the absolute value of the Company's latest audited net assets, the estimated total amount of day-to-day related party transactions is subject to Shareholders' approval by way of ordinary resolution at the AGM.

## ESTIMATED CAP FOR THE INTERNAL GUARANTEES OF THE GROUP IN 2013

According to the Shanghai Listing Rules, "a listed company, with the amount of guarantees aggregated over a period of twelve consecutive months exceeding 50 percent of its latest audited net assets and with the absolute amount exceeding RMB50 million, or when providing guarantees to enterprises with asset-to-liability ratio exceeding 70%, shall submit the transaction of granting guarantees to the shareholders' general meeting for consideration and approval, as well as make a timely disclosure."

The Company estimated that the cap for the internal guarantees of the Company in 2013 will amount to RMB47,284.28 million, among which, RMB42,156.28 million will be provided by the Company to its wholly-owned subsidiaries, RMB1,100 million will be provided by the Company to its non wholly-owned subsidiaries, RMB3,020 million will be provided by the Company's wholly-owned subsidiaries to their respective subsidiaries and the remaining RMB1,008 million will be provided by the Company's wholly-owned subsidiaries to their respective jointly controlled entities. The resolution in relation to the estimated cap for the internal guarantees of the Group in 2013 will be valid from the date of passing the resolution at the AGM until the conclusion date of the next annual general meeting of the Company following the passing of the resolution. To the best knowledge and belief of the Company, none of those companies receiving guarantees is a connected person of the Company. The guarantees to be provided to the jointly controlled entities with a total amount of RMB1,008 million, after aggregation, do not constitute discloseable transactions under Chapter 14 of the Hong Kong Listing Rules.

The aforementioned resolution, which has been resolved at the twenty-eighth meeting of the second session of the Board held on 26 March 2013, is subject to approval by the Shareholders by way of an ordinary resolution at the AGM. The Board also proposed to the Shareholders to authorise the management of the Company to carry out relevant formalities when providing internal guarantees within the approved amount.

## AUDIT COMMITTEE

The members of the audit committee of the Company include Liu Zhangmin, Lu Hongjun and Zou Qiao, and is chaired by Liu Zhangmin. The audit committee has reviewed the annual results of the Company.

## AGM

The AGM will be held on 28 June 2013 in Beijing, the PRC. For further details of the AGM, please refer to the Notice of AGM, which will be despatched in due course.

## 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 2012, respectively. The financial figures in this announcement in respect of the preliminary consolidated results for the year ended 31 December 2012 have been agreed by the Company's international auditor, PricewaterhouseCoopers to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2012. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) For purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 29 May 2013 to 28 June 2013 (both days inclusive), during which time no share transfers will be registered. Instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 28 May 2013. Shareholders of the Company whose names appear on the register of members of the Company at the opening of business on 28 June 2013 are entitled to attend the AGM.

(ii) For purpose of ascertaining Shareholder's entitlement to the proposed final dividend, the register of members of the Company will be closed from 5 July 2013 to 10 July 2013 (both days inclusive), during which time no share transfers will be registered. Instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at the address as set out in sub-paragraph (i) above, no later than 4:30 p.m. on Thursday, 4 July 2013. Shareholders of the Company whose names appear on the register of members of the Company at the opening of business on 10 July 2013 are entitled to the final dividend.

## PUBLICATION OF ANNUAL REPORT

This results announcement will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and on the website of the Company (www.ccccltd.cn).

The annual report of the Company for the year ended 31 December 2012 which contains all the information required by the Hong Kong Listing Rules including audited financial statements will be despatched to Shareholders on or around 19 April 2013 and will be published on the HKEx website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and on the website of the Company (www.ccccltd.cn).

By Order of the Board
**China Communications Construction Company Limited**
**ZHOU Jichang**
*Chairman*

Beijing, the PRC
26 March 2013

*As at the date of this announcement, the Directors of the Company are ZHOU Jichang, LIU Qitao, FU Junyuan, ZHANG Changfu, LU Hongjun#, YUAN Yaohui#, ZOU Qiao#, LIU Zhangmin# and LEUNG Chong Shun#.*

\# *Independent non-executive Directors*