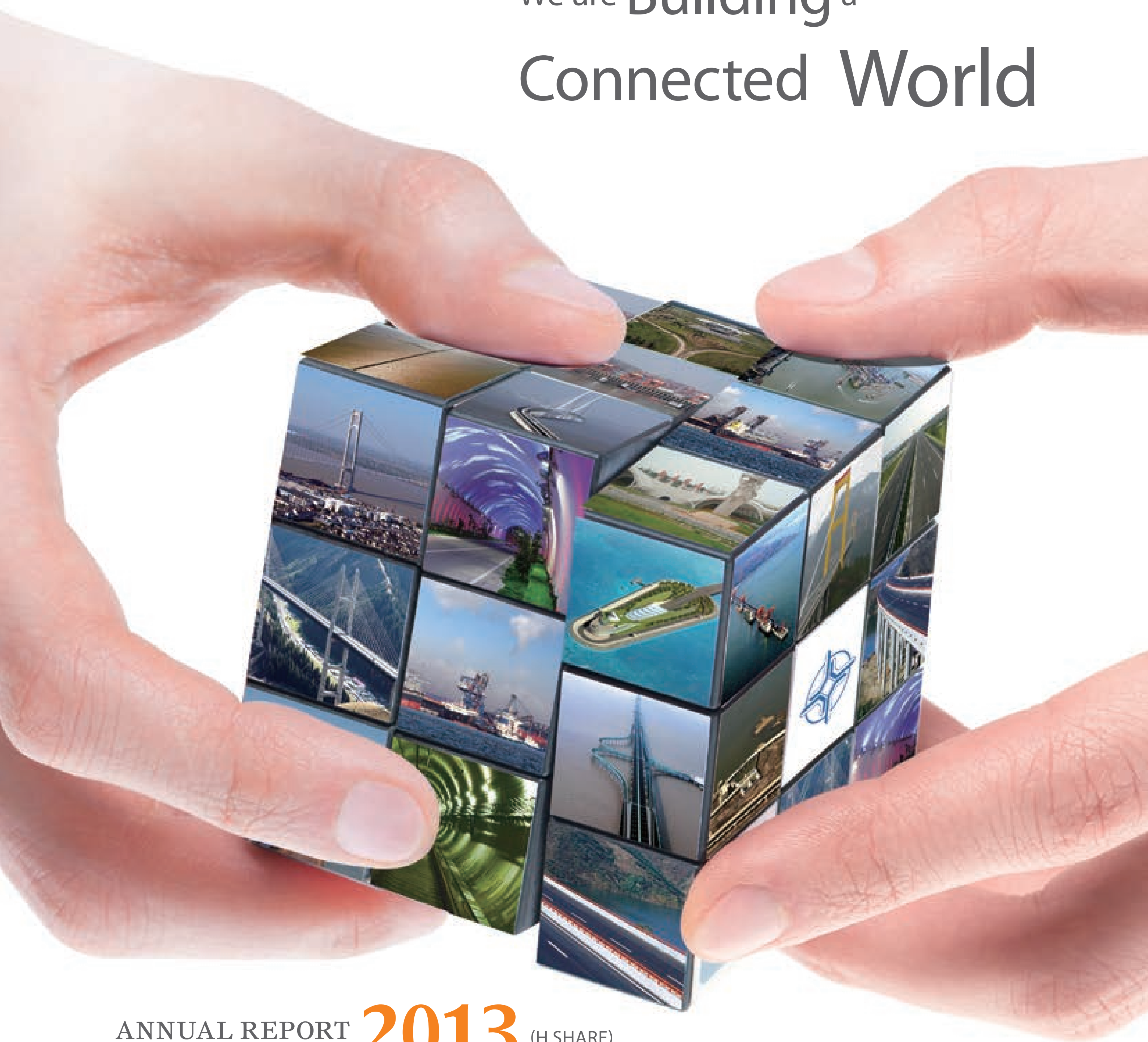
中國交通建設股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

H Share Stock Code :1800

We are Building a Connected World



ANNUAL REPORT 2013 (H SHARE)

Contents

Corporate Profile

The Company was incorporated on 8 October 2006 and was initiated and founded by CCCG (a state-owned enterprise under the SASAC). Its H shares were listed on the Main Board of the Hong Kong Stock Exchange with stock code of 1800.HK on 15 December 2006. It is the first ultra large state-owned transportation infrastructure group entering the overseas capital market. The Company's A shares were listed on the Shanghai Stock Exchange with stock code of 601800.SS on 9 March 2012, representing a leap-and-bound advance taken by the Company in the course of its development. CCCC was named one of the "Global 500" companies for six consecutive years (2008-2013) by Fortune Magazine. As the integrated strength of the Company grew further, its ranking moved up accordingly from 426 in 2008 to 213 in 2013, making CCCC ranked above average on the list.

As a leading transportation infrastructure group in the PRC, the Group is the industry leader in each of its four core businesses, namely infrastructure construction, infrastructure design, dredging and heavy machinery manufacturing. Leveraging on its extensive operating experience, expertise and know-how accumulated from projects undertaken across a wide range of sectors over the past six decades, the Company is capable of providing integrated solutions throughout each stage of infrastructure projects for its customers. It is the largest port design and construction company in China, a leading company in road and bridge construction and design, a leading railway construction company, the largest dredging company (in terms of total capacity of suction hopper dredgers and cutter suction dredgers) in the world. The Company is also the world's largest container crane manufacturer and the largest international contractor and designer in China. The Company currently has 35 principal wholly-owned or controlled subsidiaries. The Company operates it businesses throughout China, including Hong Kong and Macau Special Administrative Regions, and has established its global presence in over 120 countries and regions.

Through participation in state-level engineering construction projects, the Group has set many records recognised as the "first", the "best" and the "most" in the history of port and bridge construction not only in the PRC but also the rest of Asia and around the world. Sutong Yangtze River Bridge, Shanghai Yangshan Deepwater Port and Yangtze River Mouth Deepwater Navigation Channel regulation project reflected the state-of-the-art standard not only in China, but also globally. The Company entered the railway market since the market opened and participated in the design and construction of over 70 national key railway projects successively, including Harbin-Dalian PDL, Beijing-Shanghai PDL, Lanzhou-Chongqing Railway, etc. Currently, the railway business of the Company encompasses multiple aspects such as infrastructure, bridge, tunnel, track laying and bridge erection, electrical service, surveillance and design, supervision, equipment manufacturing, etc.

The Group has actively participated in and competed for projects under external assistance and other international contracting projects. It has been included in the Engineering News Records' ("ENR") list of the world's top 225 international contractors consecutively since 1992 and remains ranking the first among the Chinese enterprises in ENR for seven consecutive years in terms of revenue from overseas projects. Together with CHEC, CRBC and ZPMC, CCCC now enjoys a high reputation around the world.

CCCC places great emphasis on scientific research and development which would improve the Company's competency in operation. Following the direction of "making innovations and leapfrog advances in key areas supporting development and thus creating a better future" and leveraging on the tertiary interaction between the management level, execution level and application level, the Company established and perfected a three-level system in technological innovation which has a sound structure and high operation efficiency. A cluster of R&D facilities, with "26 centres, 16 laboratories and 15 institutes" (eight national level science and research centres, 18 provincial level science and research centres, eight provincial and ministerial level key laboratories, eight key laboratories of the Group, 15 scientific research institutes specialising in technological R&D) at its core, holds a leading position in the relevant scientific R&D fronts. The Company attaches great importance to cultivating talents and has spent great effort in nurturing teams of talents and cadres continuously. The Company retains the members of the Chinese Academy of Engineering, National Reconnaissance Masters and other national senior engineers and experts. The Group also holds eight Post-Doctoral research centres.

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

The Company is committed to developing the transportation infrastructure business in the PRC and abroad as well as providing its customers with high quality services and products by consistently pursuing its corporate mission of "Trustworthy Service to Clients, High Quality Returns to Shareholders and Consistent Out-Performance" to pursue an even brighter future.

Performance Highlights

RMB million (except per share data)	For the year ended 31 December 2013	2012	Change (%)
Revenue	**331,798**	295,321	12.4
Gross Profit	**33,938**	32,598	4.1
Operating Profit	**19,575**	19,225	1.8
Profit attributable to owners of the Company	**12,568**	12,277	2.4
Earnings per share (Note)	**0.78**	0.77	–

RMB million	As at 31 December 2013	2012	Change (%)
Total assets	**517,445**	434,277	19.2
Total liabilities	**412,604**	338,164	22.0
Total equity	**104,841**	96,113	9.1
Capital and reserves attributable to owners of the Company	**94,861**	86,659	9.5

	For the year ended 31 December			
RMB million	**2013**	**% of total**	2012	Change (%)
New Contracts	**543,261**	**100.0**	514,920	5.5
Infrastructure Construction Business	**450,551**	**83.0**	423,055	6.5
– Port Construction	**42,456**	**7.8**	62,051	-31.6
– Road and Bridge Construction	**153,545**	**28.3**	98,932	55.2
– Railway Construction	**15,570**	**2.9**	9,753	59.6
– Investment Business	**58,535**	**10.8**	125,021	-53.2
– Overseas Projects	**104,240**	**19.2**	75,417	38.2
– Other Projects	**76,205**	**14.0**	51,881	46.9
Infrastructure Design Business	**25,191**	**4.6**	23,570	6.9
Dredging Business	**39,336**	**7.2**	38,648	1.8
Heavy Machinery Manufacturing Business	**27,850**	**5.1**	24,615	13.1
Other Businesses	**333**	**0.1**	5,032	-93.4

	As at 31 December			
RMB million	**2013**	**% of total**	2012	Change (%)
Backlog	**738,055**	**100.0**	700,525	5.4
Infrastructure Construction Business	**653,706**	**88.6**	619,800	5.5
Infrastructure Design Business	**35,545**	**4.8**	34,000	4.5
Dredging Business	**29,760**	**4.0**	28,880	3.0
Heavy Machinery Manufacturing Business	**19,026**	**2.6**	16,255	17.0
Other Businesses	**18**	**0.0**	1,590	-98.9

Chairman's Statement

Dear Shareholders,

In 2013, facing complicated and dynamic domestic and international economic environment, the Company entered into a crucial period and breakthrough stage of reform, innovation and business transformation. Leveraging on the development of core businesses, the Company endeavoured to promote its strategic deployment of "experts in five areas" on all fronts, accelerated the development of an adaptive organisation, and strengthened its risk resistance capabilities, while the operating results remained stable.

In 2013, revenue of the Group was RMB331,798 million, representing a year-on-year increase of 12.4%. Profit attributable to owners of the Company was RMB12,568 million, representing a year-on-year increase of 2.4%. Basic earnings per share was RMB0.78. The value of new contracts was RMB543,261 million, representing a year-on-year increase of 5.5%. As at 31 December 2013, the backlog of the Group amounted to RMB738,055 million, representing a year-on-year increase of 5.4%.

In 2013, the Company ranked 213th among Fortune Global 500, the 10th in ENR's top international contractors list, and the 12th among the world's largest design enterprises, topping other Chinese enterprises for several consecutive years. The Company has been rated as a Grade A enterprise in the Operating Results Assessment of State-owned Enterprises conducted by the SASAC for the eighth consecutive year. In total, the Company has won 109 scientific and technological awards at or above provincial and ministerial levels, one First Class Award of the State Scientific and Technological Progress Award, 17 National Quality Project Awards, four Luban Awards, seven Zhan Tianyou Awards, and three awards for Major Civil Engineering Project of the Last 100 Years presented by International Federation of Consulting Engineers (FIDIC).

Chairman's Statement

In the year 2013, the Company strengthened the top-level design and expressly put forward the strategic positioning and goal of becoming "experts in five areas". As a world-renowned engineering contractor, the Company maintained its leadership in the industry especially in the "high-end, new, special and difficult" construction fields. Aiming at becoming an urban complex developer and operator, the Company successfully implemented a series of super large-scale projects, while business development bore preliminary results. With a view to being a distinctive real estate developer, the Company adopted the development model of integrated, connected development of primary and secondary land and further advanced multiple projects by focusing on the bundling of transportation infrastructure construction and real estate development. As an integrated infrastructure investor, the Company's investment business has stepped out of the incubation period and entered into the scale development and efficiency improvement period; by combining long-term and short-term projects, the Company's investment portfolio has become more reasonable. Moreover, with regard to its status as a general contractor of offshore heavy equipment and port machinery manufacturing and system integration, the Company has consolidated its market position in the port machinery sector while the development and marketing of marine oil platforms, pipe-laying vessels, large steel structures and other new products achieved new results.

In 2013, the Company accelerated the development of the adaptive organisation and adjusted its organisational structure in line with market demands. After the restructuring, the Company currently has six business divisions and seven regional headquarters, forming a business development responsibility system driven by "three engines", namely, business divisions, regional headquarters, and subsidiaries. Functional departments, business divisions and regional headquarters constitute a coordinated and orderly "trinity" management responsibility system. The restructuring will procure the Company to optimise management effectively, reduce costs and improve efficiency, and enhance competitive edges in the coming period, and is hence conducive to the Company's further market expansion.

Looking forward, the year 2014 for the Company will be a period full of strategic opportunities, a period for shifting business growth, a critical period for transformation and upgrading, and a period of painful reformation and adjustment.

Firstly, China's urbanisation construction and marine economic development will become the strong engines fueling China's economic development. Meanwhile, the continuous recovery of international economy will support an active overseas engineering contracting market. Such favourable conditions will provide support for the Company's traditional businesses as well as create opportunities in new markets. Hence, the year of 2014 will be a period full of strategic opportunities for the Company.

Secondly, the concept of Chinese governments at various levels to stimulate development by traditionally relying on infrastructure investment will be changed after the Third Plenary Session of 18th Communist Party of China Central Committee. The transportation infrastructure construction will take on a trend of slowed growth in the coming period. Accordingly, the Company's traditional businesses will face a period of shifting development models.

Thirdly, changes in market conditions and competitive mechanisms require enterprises to transform from low-level and low-cost rapid expansion to intensive development with a focus on quality and efficiency. To enhance competitiveness, an enterprise should accelerate the development of projects with higher starting point, larger capital scale, and more demanding technical standards. Therefore, the Company is at the doorstep of a critical period for transforming and upgrading.

Finally, to become "experts in five areas" is the strategic upgrading of the Company on the basis of innovations. While optimising allocation of resources, enhancing the capacities of the headquarter, and tapping internal synergies, the Company will inevitably deal with issues and contradictions such as change of management concepts, adjustments of benefits and structures, etc., therefore the Company will face a period of painful reformation and adjustment.

In this regard, we need to focus on the following aspects in 2014:

Firstly, with a focus on the strategic positioning of "experts in five areas", the Company will further refine the top-level design, clarify its path to achieve such a strategic position, take the pressure of development as enablers for reform and innovation, and realise the full transition from a "contractor" to an "operator".

Chairman's Statement

Secondly, the Company will put more efforts in vitalising the Company by promoting financial, technical and cultural innovations on all rounds, building the new management accounting system, establishing and improving value management systems, and ensuring the implementation of various strategic decisions to realise new developments for the Company.

Thirdly, the Company will further improve the competitive edges of its main businesses, tap the advantages of traditional businesses such as the full industrial integration of design, construction, and equipment manufacturing, and closely follow up with large infrastructure projects with large investment scale, high technology, and high operational profitability. The Company will actively enter into municipal transportation, underground space, municipal pipeline and other municipal services, as well as follow up with key railway projects and grasp the abundant opportunities in trail transit market. Further, we will consolidate and expand the operating results of various investment projects, explore overseas markets on the basis of "one body with two wings", and vigorously tap the offshore heavy equipment manufacturing market, deep and high sea transport construction market and marine resource development markets by leveraging on the Company's advantages in heavy machinery manufacturing, port and channel construction, and dredging business; extend main businesses and seek business growth in key markets with great potentials.

Fourthly, the Company will analyse its problems objectively and march forward amid difficulties; accelerate business restructuring and endeavour to improve our earnings level; strive to control the respective proportion of accounts receivable and inventory in revenues at a reasonable level; formulate risk control measures and contingency plans, and eliminate significant potential business risks in a timely manner; strengthen project management, and pay special attention to "secondary" operations of contract changes and claims management; optimise the subcontract management IT system, strengthen centralised procurement, equipment management and other tasks, and constantly improve management efficiency, profitability and efficacy.

Dear Shareholders, 2014 is a crucial year to achieve goals set forth in the "Twelfth Five-Year Plan" for the Company. Facing both opportunities and challenges, our management of all levels and all staff of the Company will, guided by reforms and driven by innovations, have firm confidence in the Company's strategies, systems, culture, development and management, tackle various difficulties, and carry out various work with a down-to-earth attitude, so as to draw the new blueprint of the Company as "experts in five areas" with excellent performance. May we have the continuous support from all our shareholders and all the people and friends who have paid long-term attention to us!

Liu Qitao
Chairman

Beijing, the PRC
25 March 2014

Business Overview

300,000t-class ore terminal of Dongjiakou Port in Qingdao, the largest ore terminal in the world.

Business Overview

In 2013, amidst complex domestic and international situations, China surmounted numerous difficulties in economic and social development, with good momentum of steady growth. The domestic infrastructure construction and investment sought stable improvement, and various infrastructure construction made new progresses. During the year, the Company comprehensively deepened its reform and promoted the strategic deployment of becoming "experts in five areas" with a focus on core businesses. In addition, the Company also accelerated business restructuring, achieving a stable operating results.

In 2013, revenue of the Group was RMB331,798 million, representing a year-on-year increase of 12.4%. The profit attributable to owners of the Company was RMB12,568 million, representing a year-on-year increase of 2.4%. The value of new contracts amounted to RMB543,261 million, representing a year-on-year increase of 5.5%. As at 31 December 2013, the backlog of the Group was RMB738,055 million, representing a year-on-year increase of 5.4%.

In 2013, revenue of the Group's businesses derived from overseas markets, including revenue realised from export trade of domestically manufactured industrial products, amounted to approximately RMB56,619 million (equivalent to approximately USD9,137 million), representing approximately 17.1% of the Group's revenue. The value of new contracts from overseas markets amounted to RMB126,909 million (equivalent to approximately USD20,112 million), representing approximately 23.4% of the Group's new contracts value.

I. BUSINESS REVIEW AND MARKET STRATEGIES

In 2013, China continued to implement proactive fiscal policies and prudent monetary policies. As a result, the economic indicators experienced from unsatisfactory to better performance. The growth rate of fixed asset investment was broadly in line with that of the previous year, while the growth rate of planned investment in newly started projects during this year accelerated as compared with the previous year. The scale of fixed asset investment in transportation infrastructure increased, while the scale of coastal waterworks construction investment decreased slightly as compared with the previous year. The scale of construction and investment in railways and highways bounced increased slightly. Besides, the development of urbanisation fueled sectors like municipal infrastructure and rail transit projects.

In 2013, the impact of the financial crisis and European debt crisis continued to ferment, while the global economy was still in the process of slow recovery. As infrastructure investment of appropriate scales can drive economic recovery and employment, this created a strong market support for the Company's expansion of overseas businesses.

In response to market changes, the Company, under the strategic guidance of becoming "experts in five areas", maintained the industry leadership in all kinds of large-scale engineering contracting markets with a focus on core businesses, thereby further expanded its influence in the overseas engineering contracting market. Leveraging on business opportunities as a result of urbanisation construction, the Company has achieved preliminary results in the market development of urban complex projects. Meanwhile, the Company made tangible progress in distinctive real estate projects by capitalising on the strength of its entire industrial chain, and enhanced its brand edge as an integrated infrastructure investor by further consolidating its years of BOT/BT project investment fruits. Moreover, the Company continued to be a leading player in terms of port machinery and offshore heavy equipment series products, and steadily developed oil rigs, large steel structure and other critical projects, with market exploration producing milestone results.

1. Infrastructure Construction Business

In 2013, revenue from infrastructure construction projects completed by the Group was RMB264,146 million, representing a year-on-year increase of 15.1%. The value of new infrastructure construction contracts entered into by the Group amounted to RMB450,551 million, representing a year-on-year increase of 6.5%. The value of new infrastructure construction contracts in terms of port construction, road and bridge projects, railway construction, investment business, overseas infrastructure construction, municipal and other projects amounted to RMB42,456 million, RMB153,545 million, RMB15,570 million, RMB58,535 million, RMB104,240 million and RMB76,205 million, respectively, representing 9%, 34%, 4%, 13%, 23% and 17% of the total value of new infrastructure construction contracts. As at 31 December 2013, the backlog was RMB653,706 million, representing a year-on-year increase of 5.5%.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business (Continued)

(1) Port Construction

In 2013, the value of new contracts of the Group for Mainland China port infrastructure projects reached RMB42,456 million, representing a year-on-year decrease of 31.6%, and accounting for 9% of the infrastructure construction business.

In 2013, the investment willingness in China's large coastal port construction experienced significant decline, first time ever since the inception of the international financial crisis. The decline rate was narrowed from month to month, and the total investment scale of the year was basically in line with that of the previous year. The main reasons for market adjustment are: 1) accompanying the slow recovery of global economy and the weak growth in export trade of China, the production capacity accumulated in the long-term continuous investments cannot be released in short term, thereby dampening the investment demands of port operating enterprises; and 2) upon several years of continued expansion, industrial enterprises as represented by energy and resource enterprises now have less marginal investment demands.

In 2014, the investment in coastal port construction may remain stable with a slight decline. However, given the large-scale, comprehensive, deep water, professional, collaborative, and ecological orientations set for the development of China's port industry, the investment scale will remain stable or fall slightly. In addition, China will accelerate the process of moving from inland and offshore to open sea development and will continue to explore and expand coal, electricity, gas, oil, and other coastal energy projects. As a result, the nuclear and wind power markets are expected to be promising, and emerging markets as a result of marine economic development bear huge market potentials.

Based on the above analysis and judgment, the Company will focus on business transformation and upgrading, and prioritise large-scale port upgrading and reconstruction as well as port relocation projects while consolidating its shares in traditional markets. In addition, the Company will lean toward the exploration of emerging markets in connection with marine economic development and well synergize with other businesses, to break through the bottleneck of growth.

(2) Road and Bridge Construction

In 2013, the value of new contracts of the Group for Mainland China road and bridge projects reached RMB153,545 million, representing a year-on-year increase of 55.2%, and accounting for 34% of the infrastructure construction business.

In 2013, investment demand in the road construction market in China continued to rebound. Although the growth rate declined quarter by quarter, the annual total investment scale showed a certain level of increase. In respect of project types, the national expressway networking and interconnection project was vigorously promoted, while the reconstruction of "dead-end highways" and "bottleneck sections" was further accelerated. Meanwhile, the main lines construction and reconstruction of national and provincial roads were carried out at a faster pace with an increased amount of investment. In respect of geographical regions, fixed asset investment further leaned toward deep areas of Middle and Western China, accompanied by further increased construction costs and complexities.

In 2013, the *National Highway Network Plan (2013-2030)* was approved by the State Council. According to the plan, the scale of national expressway network constructions will increase by 33,000 kilometers and the additional investments in highway constructions will reach over RMB4.7 trillion by 2030. Diversified investment and financing policies will be continuingly adopted for constructions of national expressways, including encouraging private capital and other social capital to participate in constructions with appropriate subsidies from the central and local governments. Constructions of general national roads will be mainly financed by fiscal funds from the government, with accelerated construction and reconstruction speed.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business (Continued)

(2) Road and Bridge Construction (Continued)

Accordingly, a relatively high scale of investments will still be maintained in the road and bridge market in the near future. However, as elements and external conditions that have long underpinned project construction would have been changed, it will be hard for investment growth rate to maintain the development pace in previous years. As a result, competition in the engineering contracting market will be continuingly intensified.

(3) Railway Construction

In 2013, the value of new contracts of the Group for Mainland China railway construction projects reached RMB15,570 million, accounting for 4% of the infrastructure construction business.

In 2013, as the reform in the separation of enterprise from administration in China's railway sector was carried out, and the reform to investment and financing systems was further deepened, schedule of construction in progress and capital settlement were increasingly normalised. In July, the State Council decided to increase railway investment during the "Twelfth Five-Year Plan" from the original planned RMB2.8 trillion to RMB3.3 trillion, while regional economic integration provided broad space for the construction of inter-city and intra-city railways.

In 2014, the Company will adjust market development strategies, refresh management concepts and development ideas, integrate resources, and select projects for participation in due course, to actively maintain the Company's influence in the railway construction.

(4) Investment Business (BOT/BT and preliminary land development projects)

In 2013, the value of new contracts of the Group for Mainland China investment business amounted to RMB58,535 million, representing a year-on-year decrease of 53.2%, and accounting for 13% of the infrastructure construction business. Categorised by project type, the value of new contracts in terms of BOT projects, BT projects and preliminary land development projects amounted to RMB23,413 million, RMB24,540 million and RMB10,582 million, respectively, representing 40%, 42% and 18% of the total value of new contracts, respectively. For the corresponding period of 2012, the value of new contracts for BOT projects, BT projects and preliminary land development projects represented 48%, 16% and 36% of the total value of new investment contracts, respectively.

As at 31 December 2013, according to statistics, the total contracted investment volume of the Group's BOT projects was estimated to be RMB148,395 million, and cumulatively RMB64,173 million having been completed with RMB39,440 million assets have been put into operation. The total contract value of BT projects entered into by the Group amounted to RMB92,239 million and with an investment amount of RMB51,293 million have been completed. Wherein, projects with an investment amount of RMB24,567 million have entered into the payback period, cumulatively recovering funds at RMB18,572 million. The total contracted investment of the Group's primary land development projects was estimated at RMB97,873 million, with RMB19,858 million having been completed, while the sales amount of RMB2,823 million has been realised.

Stepping into the year of 2013, the Company's investment business was evolved from the cultivation period to scale development and efficiency improvement period. The Company continued to enter expressway, municipal infrastructure and other traditional markets through the BOT/BT model, to tap the leading role of investments. The Group also integrated the resource capabilities of various industries, while its investment philosophy and risk control abilities increasingly maturated. Meanwhile, the Company continued to explore and practice better investment and financing modes, steadily expanded the development of urban complexes and the linked development of primary and secondary land development projects, and further amplified the synergy effects of the entire industrial chain. Upon years of accumulation, the Company has realised organic combination of long-term, mid-term and short-term projects, with increasingly reasonable project type portfolio and geographical layout.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business (Continued)

(5) Overseas Projects

In 2013, the value of the new contracts for overseas projects of the infrastructure construction business entered into by the Group amounted to RMB104,240 million (equivalent to approximately USD16,520 million), representing a year-on-year increase of 38.2% and accounting for 23% of the infrastructure construction business.

Categorised by project type, the value of new infrastructure construction contracts for port construction, road and bridge, railway, municipal and others accounted for 18%, 26%, 39% and 17% of the value of new contracts for overseas projects, respectively.

Categorised by project location, the value of new infrastructure construction contracts for Africa, Middle East, America, Southeast Asia, Hong Kong/Macau/Taiwan, Europe, Central Asia and other regions accounted for 65%, 12%, 6%, 5%, 3%, 2%, 1% and 6% of the value of new contracts for overseas projects, respectively.

In 2013, centering on the core objective of "taking the lead in the establishment of a world class enterprise with international competitiveness", the Company constantly strengthened overseas strategic control, resource allocation as well as high-end marketing and comprehensive coordination capabilities. The Company solidly implemented the "one body with two wings" strategy so that overseas business divisions, platform companies, professional companies and overseas branches can well perform their respective duties. With the overall promotion of overseas expansion strategies, the Company's operating results have met expectations.

In 2013, while securing new projects open for tender in conventional markets like Asia and Africa, the Company tapped into five new market regions, including Chile, Grenada, Costa Rica, Senegal, and Maldives. Together with major breakthroughs in the Panama market where the Company had been inputting efforts for years, the Company has continuously expanded its influence in mid- to high-end markets such as Latin America and Middle East, and further consolidated its market position in Eastern Europe, thereby perfecting its global marketing network.

In 2013, the Company strengthened management over overseas business divisions, with remarkable results: 1) it amended the measures for overseas business management as well as over 40 supporting systems, formulated the performance appraisal methods for overseas businesses, and compiled the international operations plans, so the institutional system for overseas business development was improved; 2) it monitored under construction projects in priority, and coordinated relevant departments to provide technical and management support to critical projects; 3) it effectively promoted project IT management, with commercial operations and business management practices improving constantly; 4) it accelerated the construction of the management accounting system, optimised tax preparation program, and enhanced centralised control over foreign exchange funds; and 5) it developed "one hundred, one thousand, and ten thousand" international talent cultivation programs and made more efforts to the introduction and cultivation of high-end international talent urgently required by overseas businesses during their course of development.

(6) Municipal and Other Projects

In 2013, the value of new contracts for municipal and other projects in Mainland China entered into by the Group reached RMB76,205 million, representing a year-on-year increase of 46.9%, and accounting for 17% of the infrastructure construction business.

The 18th National Congress of Communist Party of China put forward the new urbanisation strategy. The implementation of urban modernisation and the development of city cluster are destined to increase investment in construction of infrastructures like municipal roads, underground pipeline networks, rail transit, etc, while urbanisation of rural areas will certainly stimulate investment in urban and rural supporting construction and bring about a large number of municipal and modern logistic projects. The progress in ecological city will promote many environmental projects including sewage recycling and treatment.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business (Continued)

(6) Municipal and Other Projects (Continued)

In 2014, the Company will seize market opportunities to seek business increments while securing its market share. The Company will strive to make breakthroughs in representative projects of the industry, and tap into and develop new market segments with fast development and huge potentials, in a bid to develop municipal and other projects market as beneficial supplement to the large-scale engineering contracting market.

2. Infrastructure Design Business

In 2013, revenue from the infrastructure design business of the Group was RMB19,394 million, representing a year-on-year increase of 17.8%. The value of new infrastructure design contracts entered into by the Group reached RMB25,191 million, representing a year-on-year increase of 6.9%. As at 31 December 2013, the backlog was RMB35,545 million, representing a year-on-year increase of 4.5%.

Categorised by project type, the values of new contracts for survey and design, project supervision, EPC engineering and other projects accounted for 42%, 4%, 45% and 9% of the total value of new infrastructure design contracts, respectively, as compared to 37%, 2%, 43% and 18% respectively recorded in the corresponding period of 2012.

In 2013, the increment of survey and design business in shipping market was insufficient, the number of large projects decreased and the comprehensive ports shifted towards specialised terminal and regional ports in second-tier and third-tier cities. Road market was relatively active, primarily attributable to gradual release of several projects approved under the "a steady growth" policy of China during 2012. The Company vigorously made adjustment to its business structure. While the increment of survey and design business in conventional market was insufficient, the Company explored markets like municipal, railway and rail transit, overseas, etc., further promoted and strengthened EPC engineering and gave scope to the leading function of design business in the industrial chain, resulting in the continuous sharp rising trend of our design business.

3. Dredging Business

In 2013, revenue from the dredging business of the Group was RMB32,789 million, representing a year-on-year increase of 2.4%. The value of new dredging contracts entered into by the Group reached RMB39,336 million, representing a year-on-year increase of 1.8%. As at 31 December 2013, the backlog was RMB29,760 million, representing a year-on-year increase of 3.0%.

In 2013, according to vessel purchase plan, there were no large vessels constructed with special purpose to serve in the Group's dredger fleets. As at 31 December 2013, the Group's dredging capacity amounted to approximately 720 million cubic meters under standard operating conditions.

In 2013, new projects in the coastal port dredging and channel regulation market increased in some regions and decreased in some other, while investment demand may decline further. Reclamation demand in China was fickle, but the urbanisation construction in coastal cities injected new vitality into the development of the industry. However, competition for low-end projects with monotonous engineering contents will intensify. The construction of inland waterways such as Yangtze River, Xi River, Beijing-Hangzhou Grand Canal and other high-end waterways was accelerated, which will still be market investment hotspots for some time in the future. Environmental dredging projects have long been stuck in scientific researches and technical reserves, and the market is still in the incubation period with limited capacity in the short run. Meanwhile, opportunities in overseas dredging markets increased, and market demand is expected to continue to expand.

In 2014, the Company will strive to maintain stable market shares in China's coastal dredging market, pay attention to the construction of high-end inland waterways, strengthen the synergy of dredging business with investment business, control subcontracting costs, and improve overall profitability. Meanwhile, under the guidance of overseas expansion strategies, the Company will input more equipment and resources into overseas markets, strengthen its influence in overseas dredging markets by capitalising on sophisticated overseas marketing platforms, and further stabilise regional markets.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

4. Heavy Machinery Manufacturing Business

In 2013, revenue from the heavy machinery manufacturing business of the Group was RMB24,171 million, representing a year-on-year increase of 25.1%. The value of new heavy machinery manufacturing contracts entered into by the Group reached RMB27,850 million, representing a year-on-year increase of 13.1%. As at 31 December 2013, the backlog was RMB19,026 million, representing a year-on-year increase of 17.0%.

In 2013, the Company took an initiative approach in the exploration of high-end and high added-value ocean heavy machinery market, such as launching the in-depth cooperation between ZPMC and F&G. Main structural components of "Zhen Hai I", a 300 feet jack-up drilling platform designed and built by ZPMC, were successfully installed, while "Zhen Hai II" initiated the erection embarking. The Company also made substantive progress in the exploration of new products and markets, and achieved serialised and standardised manufacturing and sales for pipelay vessels featuring mature technologies and market reserves. Projects like the wind power installation platform in China, the largest U.S. steel floating dock project, and the world's largest port gate steel structure project were advanced steadily. Meanwhile, facing unclear recovery of the traditional port machinery market and hence increased difficulties in market expansion, ZPMC tightly held on to the development trends of port automation, large-scale of vessels and environmental protection, and continuously carried out technological innovations, to cement an absolute leading position for its port machinery products in the world.

For the period to come, the Company will focus on equipment related to marine economic development and heavy machinery products, and become an offshore heavy equipment supplier with system integration and full-services via drivers of innovation, transformation and development. The Company will scientifically propel the construction of oil rig platforms and other offshore heavy equipment, to improve its brand reputation and influence. It will actively promote the development of the six-generation deepwater drilling ship and, by deploying this innovative business, strive to enlist among domestic leading players in the deepwater heavy machinery sector. Further, the Company will fully tap the powerful design and R&D capacities of F&G, and build an entire offshore heavy equipment industrial chain ranging from design, R&D, investment/financing and manufacturing to transportation, matching facilities and service integration.

Some major contracts entered into by the Group in 2013 are as follows:

(1) Infrastructure Construction Business

No.	Port Construction Contract Name	Contract Value (RMB million)
1	South breakwater and South bank cofferdam project in Hulushan Bay, Changxing Island, Dalian	1,690
2	Shulanghu ore transit terminal project in Zhoushan Port, Ningbo	1,649
3	Berth 207# and 208# construction project of Taipingwan, Dalian	1,162
4	Fishing vessel shelter anchorage project in Meishan waterway in Beilun, Ningbo	789
5	Wharf project of Dagukou Port Area Heavy equipment base in Tianjin	722

No.	Road and Bridge Construction Contract Name	Contract Value (RMB million)
1	Lot HD01 of Dunhua-Fusong section of Dunhua-Tonghua Highway in Jilin	10,131
2	Lot 4 of Yicheng-Baokang section of Macheng-Zhuxi Highway in Hubei	4,100
3	Tianfu New Area Freight transport corridor project in Chengdu	3,405
4	Lot 1, 2, 5 and 8 of Wuzhou-Liuzhou Highway project in Guangxi	3,279
5	Lot mwtj-1 of Macheng-Wuxue Highway in Hubei	2,151

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

(1) Infrastructure Construction Business (Continued)

Railway Construction

No.	Contract Name	Contract Value (RMB million)
1	Lot 4 of the station project of Leshan-Guiyang section of Chengdu-Guiyang Railway	2,903
2	Lot 2 of the station project of Lianyungang-Yancheng Railway	2,595
3	Lot JQJXZQ-5 of Jiangxi section of Jiujiang-Jingdezhen-Quzhou Railway	2,416
4	Lot 2 of the station works of capacity expansion project of Miyi-Panzhihua section of Chengdu-Kunming Railway	1,873
5	Lot 1 of the station works of capacity expansion project of Yongren-Guangtong section of Chengdu-Kunming Railway	1,533

Investment Business (BOT/BT and preliminary land development projects)

No.	Contract Name	Contract Value (RMB million)
1	BOT project of Jiangkou-Weng'an Highway in Guizhou	14,061
2	BOT project of Guiyang-Qianxi Highway in Guizhou	8,419
3	Land development project in Sanya, Hainan	6,742
4	BT project of Gaochun-Nanjing New Channel in Jiangsu	5,919
5	Hengqin headquarters project in Zhuhai	3,000

Overseas Projects

No.	Contract Name	Contract value (USD million)
1	Mombasa-Nairobi Railway civil engineering project in Kenya	2,657
2	The East Corridor project of Qatar	611
3	Jeddah Flood control project in Saudi Arabia	506
4	Phase II of AA Highway project in Ethiopia	504
5	Reconstruction project of Limon Port No. 32 road-No. 4 road in Republic of Costa Rica	466

(2) Infrastructure Design Business

No.	Contract Name	Contract Value (RMB million)
1	EPC project of Phase I of Quanwan port coal terminal of Huizhou Port in Guangdong	1,978
2	Crude oil terminal and supporting facilities projects of Weizhou Island in Beihai	529
3	EPC project of the Eastern Jiujiang universal wharf	388
4	EPC project of Section 2 of Berth 4# and 5# in Kemen operation zone of Luoyuan Bay of Fuzhou Port in Fujian	331
5	EPC project of breakwater construction of Yangshan Daao Well Sheltered Port in Shengsi, Zhejiang	263

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

(3) Dredging Business

No.	Contract Name	Contract Value (RMB million)
1	Lot 1 and 2 of Phase II of reclamation and soft foundation treatment project of Jiangnan reclamation zone in Wenzhou	2,702
2	Lot 1 of navigation channel regulation of Taipingwan Harbour Area in Dalian	2,050
3	Section 2 of Reclamation project in east of east port basin of Tianjin Nangang Industrial Zone	1,277
4	Lot 3 of Phase I of 200,000t-class navigation channel regulation in the integrated area and bulk area of Huanghua Port in Heibei	1,164
5	Lot 2 of Phase II of Nanhai Pearl Artificial Island in Haikou, Hainan	1,010

(4) Heavy Machinery Manufacturing Business

No.	Contract Name	Contract value (RMB million)
1	One 5,000t offshore derrick pipelay barge	1,581
2	One 300 foot drilling flatform named "Zhen Hai 1"	1,044
3	One 3,000t derrick pipelay barge	1,032
4	Quayside container cranes and gantryside container cranes for Doha New Port	987
5	Quayside container cranes and gantryside container cranes for Guangzhou Port	897

II. BUSINESS OUTLOOK

Domestically, fundamental factors underpinning economic growth in China still tend to be good in the long run, while new industrialisation, informatisation, urbanisation, and agricultural modernisation will bring huge market demands. In addition, investment in transportation infrastructure construction still boasts good conditions and basis, injecting momentum to the Company's development. Meanwhile, we also realised that the long-held concept of governments at all levels for fueling economic development by only relying on infrastructure investment will be reversed, so more investments will be inputted into the optimisation of infrastructure network structure, improvement of the overall synergised effects of various infrastructures, and various types of infrastructure projects urgently needed in China's "Grand Western Development" program. Changes in the market environment and investment concepts will procure the Company to further accelerate business restructuring and transformation of business models.

Internationally, the world economy will continue the recovery trend. The infrastructure construction demands in Asia Pacific, Africa and Latin America to improve people's livelihood are still strong, while national infrastructure upgrading and transformation projects will gradually increase in Western countries. The commercial brand created by the Company over years of operations combined with its advantages in financing channels will help the Company grab more opportunities to enter into these markets. Under the support of the Chinese government, inter-country or inter-region interconnection will be implemented at an accelerated pace, offering more market opportunities for the Company. Facing relatively positive and upbeat market situations, the Company will, while well implementing under construction projects, prudently proceed with overseas investment projects, improve market competitiveness, control various operational risks, and strive to enhance both scale and profitability.

III. BUSINESS PLAN FOR THE NEW YEAR

In 2013, according to statistics, value of new contracts entered into by the Group amounted to RMB543,261 million, accomplishing 103.4% of our basic goal. Audited revenue amounted to RMB331,798 million, accomplishing 96.5% of our basic goal.

The goal of the value of new contracts to be entered into by the Group for 2014 is RMB600,000 million, and the goal of sales revenue is RMB380,000 million.

IV. TECHNOLOGY INNOVATION

Pursuant to the Company's development strategy and work requirements, the Company will strengthen the support and guidance roles of technological R&D, technological innovations and technological management on various businesses, and further enhance its core competitiveness.

In 2013, the Company won a total of 109 scientific and technological awards at or above provincial and ministerial levels, 17 National Quality Project Awards, one First Class Award of the State Scientific and Technological Progress Award, four Luban Awards, seven Zhan Tianyou Awards, three awards for major civil engineering project of the last 100 years presented by International Federation of Consulting Engineers (FIDIC), and 512 national patents. Wherein, one of the Company's key technology R&D programs named "Key Technology and Application of Offshore Deepwater Port Construction" was awarded the First Class Award of the State Scientific and Technological Progress Award. Moreover, the Company progressively advanced its key projects: the total length of the immersed tube tunnel of Hong Kong-Zhuhai-Macao Bridge project exceeded 1,000 meters; the shield tunneling at Nanjing Weisan Road proceeded despite difficulties; the rig platform developed and manufactured independently by the Company successfully scored sales; Dongjiakou terminal at Qingdao port, the world's largest ore loading cock, was put into operation; Penang Bridge II, the longest cross-sea bridge in Southeast Asia, was cut through, while the U.S. New Bay Bridge that has the world's highest seismic level was opened to traffic. All these have further elevated the brand value of CCCC.

Management's Discussion and Analysis

Haolipu-Tongliao Highway in Inner Mongolia, a component of Xinmin-Lubei connecting line of Changchun-Shenzhen Section of National Highway Net.

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 2013, revenue of the Group increased by 12.4% to RMB331,798 million, among which revenue from external customers attributed to the regions other than PRC amounted to RMB56,619 million in 2013, representing a year-on-year increase of 12.9%. The value of the Group's new contracts in 2013 was RMB543,261 million, representing a year-on-year increase of 5.5%. As at 31 December 2013, the backlog for the Group was RMB738,055 million, representing an increase of 5.4% over that as at 31 December 2012.

Gross profit in 2013 amounted to RMB33,938 million, representing an increase of RMB1,340 million, or 4.1%, from RMB32,598 million in 2012. Gross profit from infrastructure construction business, infrastructure design business and heavy machinery manufacturing business increased by 3.5%, 9.2% and 65.2%, respectively, from 2012; while the gross profit from dredging business and other businesses decreased by 0.7% and 64.5%, respectively from 2012. Gross profit margin for infrastructure construction business, infrastructure design business, dredging business, heavy machinery manufacturing business and other businesses in 2013 were 8.7%, 23.9%, 13.8%, 6.6% and 5.6%, respectively, as compared with 9.7%, 25.7%, 14.2%, 5.0% and 9.0% in 2012.

Mainly as a result of the growth in gross profit, operating profit in 2013 amounted to RMB19,575 million, representing an increase of RMB350 million, or 1.8%, from RMB19,225 million in 2012. Operating profit from infrastructure design business, dredging business and other businesses increased by 8.8%, 3.1% and 40.8%, respectively, from 2012; operating profit from infrastructure construction business kept stable from 2012; meanwhile, heavy machinery manufacturing business recorded operating profit of RMB73 million in 2013, as compared with operating loss of RMB125 million in 2012.

For the year 2013, profit attributable to owners of the Company amounted to RMB12,568 million, representing an increase of RMB291 million, or 2.4%, from RMB12,277 million in 2012. For the year 2013, earnings per share of the Group was RMB0.78, as compared with RMB0.77 for the year 2012.

The following is a comparison of financial results between the years ended 31 December 2013 and 2012.

CONSOLIDATED RESULTS OF OPERATIONS

Revenue

Revenue in 2013 increased by 12.4% to RMB331,798 million, from RMB295,321 million in 2012. The growth was mainly attributable to the increases in the revenue from the infrastructure construction business, infrastructure design business, dredging business and heavy machine business, amounting to RMB34,745 million, RMB2,926 million, RMB762 million and RMB4,854 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 15.1%, 17.8%, 2.4% and 25.1%, respectively. Meanwhile, revenue from other businesses decreased by RMB2,756 million, or 42.6%, from 2012. In January 2013, the Group disposed part of its equity interests in Zhenhua Logistics, a former subsidiary once included in other businesses. As a result, Zhenhua Logistics was no longer consolidated in the Group's consolidated financial statements thereafter, which led to the significant decrease in revenue of other businesses.

Cost of Sales and Gross Profit

Cost of sales in 2013 amounted to RMB297,860 million, representing an increase of RMB35,137 million, or 13.4%, from RMB262,723 million in 2012. Increases in cost of sales from infrastructure construction business, infrastructure design business, dredging business, and heavy machinery manufacturing business amounted to RMB33,971 million, RMB2,538 million, RMB794 million and RMB4,221 million (all before elimination of inter-segment transactions), respectively, representing an increase of 16.4%, 20.8%, 2.9% and 23.0%, respectively. Meanwhile, for the year 2013, cost of sales from other business decreased by RMB2,380 million, or 40.5% from 2012.

Cost of sales consisted mainly of cost of raw materials and consumables used, subcontracting costs, employee benefit expenses and rentals. For the year 2013, cost of raw materials and consumables used, subcontracting costs, employee benefit expenses and rentals increased by 10.1%, 19.6%, 11.6% and 4.5%.

CONSOLIDATED RESULTS OF OPERATIONS (Continued)

Cost of Sales and Gross Profit (Continued)

For the year 2013, the revenue and the cost of sales both increased. As a result, gross profit in 2013 amounted to RMB33,938 million, representing an increase of RMB1,340 million, or 4.1%, from RMB32,598 million in 2012. Gross profit margin decreased to 10.2% in 2013 from 11.0% in 2012, primarily due to the decrease in gross profit margin of infrastructure construction business.

Operating Profit

Operating profit in 2013 amounted to RMB19,575 million, representing an increase of RMB350 million, or 1.8%, from RMB19,225 million in 2012. The increase was mainly due to the increase in gross profit.

For the year 2013, operating profit from infrastructure design business, dredging business and other businesses increased by RMB209 million, RMB109 million and RMB49 million (all before elimination of inter-segment transactions and unallocated cost), representing a growth rate of 8.8%, 3.1% and 40.8%, respectively, from 2012; heavy machinery manufacturing business recorded operating profit of RMB73 million in 2013, as compared with operating loss of RMB125 million (before elimination of inter-segment transactions and unallocated cost) in 2012; operating profit from infrastructure construction business decreased slightly by RMB1 million (before elimination of inter-segment transactions and unallocated cost), from 2012.

Operating profit margin decreased to 5.9% in 2013 from 6.5% in 2012.

Finance Income

Finance income in 2013 amounted to RMB2,428 million, representing an increase of RMB801 million, or 49.2%, from RMB1,627 million in 2012, mainly due to the increased finance income from BT projects, as well as the increased deposits.

Finance Costs, net

Net finance costs in 2013 amounted to RMB6,373 million, representing an increase of RMB962 million, or 17.8%, from RMB5,411 million in 2012. This increase of finance cost was primarily attributable to the increase in the volume of borrowings.

Share of Profit of Joint Ventures

Share of profit of joint ventures in 2013 amounted to RMB65 million, as compared with RMB49 million in 2012.

Share of Profit of Associates

Share of profit of associates in 2013 amounted to RMB157 million, as compared with RMB61 million in 2012.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax in 2013 amounted to RMB15,852 million, representing an increase of RMB301 million, or 1.9%, from RMB15,551 million in 2012.

Income Tax Expense

Income tax expense in 2013 amounted to RMB3,580 million, representing a decrease of RMB210 million, or 5.5%, from RMB3,790 million in 2012. Effective tax rate for the Group in 2013 decreased to 22.6% from 24.4% in 2012, mainly because that more subsidiaries enjoyed preferential tax rate in 2013.

Loss Attributable to Non-Controlling Interests

Loss attributable to non-controlling interests in 2013 amounted to RMB296 million, as compared with loss attributable to non-controlling interests of RMB516 million in 2012.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company in 2013 amounted to RMB12,568 million, representing an increase of RMB291 million, or 2.4%, from RMB12,277 million in 2012.

Profit margin with respect to profit attributable to owners of the Company was 3.8% in 2013, as compared with 4.2% in 2012.

Management's Discussion and Analysis

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 2013 and 2012.

	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	**2013 (RMB million)**	2012 (RMB million)	**2013 (RMB million)**	2012 (RMB million)	**2013 (%)**	2012 (%)	**2013 (RMB million)**	2012 (RMB million) (Restated)	**2013 (%)**	2012 (%) (Restated)
Infrastructure Construction	**264,146**	229,401	**22,931**	22,157	**8.7**	9.7	**13,464**	13,465	**5.1**	5.9
% of total	**76.8**	75.6	**67.7**	68.2	**–**	–	**67.7**	69.6	**–**	–
Infrastructure Design	**19,394**	16,468	**4,627**	4,239	**23.9**	25.7	**2,573**	2,364	**13.3**	14.4
% of total	**5.6**	5.4	**13.7**	13.0	**–**	–	**12.9**	12.2	**–**	–
Dredging	**32,789**	32,027	**4,516**	4,548	**13.8**	14.2	**3,620**	3,511	**11.0**	11.0
% of total	**9.5**	10.5	**13.3**	14.0	**–**	–	**18.2**	18.2	**–**	–
Heavy Machinery Manufacturing	**24,171**	19,317	**1,604**	971	**6.6**	5.0	**73**	(125)	**0.3**	(0.6)
% of total	**7.0**	6.4	**4.7**	3.0	**–**	–	**0.4**	(0.6)	**–**	–
Other businesses	**3,706**	6,462	**207**	583	**5.6**	9.0	**169**	120	**4.6**	1.9
% of total	**1.1**	2.1	**0.6**	1.8	**–**	–	**0.8**	0.6	**–**	–
Subtotal	**344,206**	303,675	**33,885**	32,498	**–**	–	**19,899**	19,335	**–**	–
Intersegment elimination and unallocated profit/(costs)	**(12,408)**	(8,354)	**53**	100	**–**	–	**(324)**	(110)	**–**	–
Total	**331,798**	295,321	**33,938**	32,598	**10.2**	11.0	**19,575**	19,225	**5.9**	6.5

(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 2013 and 2012.

	Years ended 31 December	
	2013 (RMB million)	2012 (RMB million) (Restated)
Revenue	**264,146**	229,401
Cost of sales	**(241,215)**	(207,244)
Gross profit	**22,931**	22,157
Selling and marketing expenses	**(113)**	(75)
Administrative expenses	**(9,987)**	(8,947)
Other income, net	**633**	330
Segment result	**13,464**	13,465
Depreciation and amortisation	**4,867**	3,934

DISCUSSION OF SEGMENT OPERATIONS (Continued)

Infrastructure Construction Business (Continued)

Revenue. Revenue from the infrastructure construction business in 2013 was RMB264,146 million, representing an increase of RMB34,745 million, or 15.1%, as compared with RMB229,401 million in 2012. This growth was primarily attributable to the increase of revenue from road and bridge construction projects, as well as investment projects. The value of new contracts entered into for the infrastructure construction business in 2013 was RMB450,551 million, representing an increase of RMB27,496 million, or 6.5%, as compared with RMB423,055 million in 2012. No single project accounted for more than 5% of the Group's total revenue in 2013 or 2012.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2013 was RMB241,215 million, representing an increase of RMB33,971 million, or 16.4%, as compared with RMB207,244 million in 2012. Cost of sales as a percentage of revenue increased to 91.3% in 2013 from 90.3% in 2012.

Gross profit from the infrastructure construction business in 2013 grew by RMB774 million, or 3.5%, to RMB22,931 million from RMB22,157 million in 2012. Gross profit margin decreased to 8.7% in 2013 from 9.7% in 2012, mainly attributable to the railway construction business, in which the gross profit margin further decreased during 2013.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2013 were RMB113 million, representing an increase of RMB38 million as compared with RMB75 million in 2012.

Administrative expenses. Administrative expenses for the infrastructure construction business in 2013 were RMB9,987 million, representing an increase of RMB1,040 million, or 11.6%, as compared with RMB8,947 million in 2012, mainly attributable to the increase in cost of research & development, cost of administrative staff, as well as increase in provision for impairment of trade and other receivables. Administrative expenses as a percentage of revenue decreased to 3.8% in 2013 from 3.9% in 2012.

Other income, net. Other net income for the infrastructure construction business was RMB633 million in 2013, as compared with RMB330 million in 2012, mainly attributable to the increase in dividend income on available-for-sale financial assets.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2013 was RMB13,464 million, representing a slight decrease of RMB1 million, as compared with RMB13,465 million in 2012. Segment result margin decreased to 5.1% in 2013 from 5.9% in 2012.

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 2013 and 2012.

	Years ended 31 December	
	2013	2012
	(RMB million)	(RMB million) (Restated)
Revenue	**19,394**	16,468
Cost of sales	**(14,767)**	(12,229)
Gross profit	**4,627**	4,239
Selling and marketing expenses	**(175)**	(157)
Administrative expenses	**(1,925)**	(1,743)
Other income, net	**46**	25
Segment result	**2,573**	2,364
Depreciation and amortisation	**217**	208

DISCUSSION OF SEGMENT OPERATIONS (Continued)

Infrastructure Design Business (Continued)

Revenue. Revenue from the infrastructure design business in 2013 was RMB19,394 million, representing an increase of RMB2,926 million, or 17.8%, as compared with RMB16,468 million in 2012. This growth was primarily attributable to the increase in the aggregate value of 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 2013 was RMB25,191 million, representing an increase of RMB1,621 million, or 6.9%, as compared with RMB23,570 million in 2012.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2013 was RMB14,767 million, representing an increase of RMB2,538 million, or 20.8%, as compared with RMB12,229 million in 2012. Cost of sales as a percentage of revenue increased to 76.1% in 2013 from 74.3% in 2012.

Gross profit from the infrastructure design business in 2013 was RMB4,627 million, representing an increase of RMB388 million, or 9.2%, as compared with RMB4,239 million in 2012. Gross profit margin decreased to 23.9% in 2013 from 25.7% in 2012. The decrease was mainly attributable to the increased proportion of revenue generated from comprehensive contracts, which have lower gross profit margin.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2013 were RMB175 million, representing an increase of RMB18 million as compared with RMB157 million in 2012.

Administrative expenses. Administrative expenses for the infrastructure design business in 2013 were RMB1,925 million, representing an increase of RMB182 million, or 10.4%, as compared with RMB1,743 million in 2012. Administrative expenses as a percentage of revenue decreased to 9.9% in 2013 from 10.6% in 2012.

Other income, net. Other net income for the infrastructure design business in 2013 was RMB46 million, as compared with RMB25 million in 2012.

Segment result. As a result of the above, segment result for the infrastructure design business in 2013 was RMB2,573 million, representing an increase of RMB209 million, or 8.8%, as compared with RMB2,364 million in 2012. Segment result margin decreased to 13.3% in 2013 from 14.4% in 2012.

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 2013 and 2012.

	Years ended 31 December	
	2013	2012
	(RMB million)	(RMB million) (Restated)
Revenue	**32,789**	32,027
Cost of sales	**(28,273)**	(27,479)
Gross profit	**4,516**	4,548
Selling and marketing expenses	**(29)**	(26)
Administrative expenses	**(1,545)**	(1,320)
Other income, net	**678**	309
Segment result	**3,620**	3,511
Depreciation and amortisation	**1,665**	1,505

Management's Discussion and Analysis

DISCUSSION OF SEGMENT OPERATIONS (Continued)

Dredging Business (Continued)

Revenue. Revenue from the dredging business in 2013 was RMB32,789 million, representing an increase of RMB762 million, or 2.4%, as compared with RMB32,027 million in 2012. The value of new contracts entered into for the dredging business in 2013 was RMB39,336 million, representing an increase of RMB688 million, or 1.8%, as compared with RMB38,648 million in 2012.

Cost of sales and gross profit. Cost of sales for the dredging business in 2013 was RMB28,273 million, representing an increase of RMB794 million, or 2.9%, as compared with RMB27,479 million in 2012. Cost of sales as a percentage of revenue for the dredging business in 2013 was 86.2%, as compared with 85.8% in 2012.

Gross profit from the dredging business in 2013 was RMB4,516 million, as compared with RMB4,548 million in 2012. Gross profit margin for the dredging business decreased to 13.8% in 2013, as compared with 14.2% in 2012, mainly attributable to the losses acknowledged by several projects.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2013 were RMB29 million, representing an increase of RMB3 million from RMB26 million in 2012.

Administrative expenses. Administrative expenses for the dredging business in 2013 were RMB1,545 million, representing an increase of RMB225 million, or 17.0%, as compared with RMB1,320 million in 2012, mainly attributable to the increase in cost of research & development, 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 4.7% in 2013 from 4.1% in 2012.

Other income, net. Other net income for the dredging business in 2013 was RMB678 million, representing an increase of RMB369 million from RMB309 million in 2012, mainly attributable to the increase in dividend income on available-for-sale financial assets.

Segment result. As a result of the above, segment result for the dredging business in 2013 was RMB3,620 million, representing an increase of RMB109 million, or 3.1%, as compared with RMB3,511 million in 2012. Segment result margin kept stable at 11.0% in 2013, as compared with 2012.

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 2013 and 2012.

	Years ended 31 December	
	2013	2012
	(RMB million)	(RMB million)
Revenue	**24,171**	19,317
Cost of sales	**(22,567)**	(18,346)
Gross profit	**1,604**	971
Selling and marketing expenses	**(128)**	(96)
Administrative expenses	**(1,809)**	(1,312)
Other income, net	**406**	312
Segment result	**73**	(125)
Depreciation and amortisation	**1,231**	1,280

DISCUSSION OF SEGMENT OPERATIONS (Continued)

Heavy Machinery Manufacturing Business (Continued)

Revenue. Revenue from the heavy machinery manufacturing business in 2013 was RMB24,171 million, representing an increase of RMB4,854 million, or 25.1%, as compared with RMB19,317 million in 2012. This increase was primarily due to the development of new business and new products in 2013. The value of new contracts entered into for the heavy machinery manufacturing business in 2013 was RMB27,850 million, representing an increase of RMB3,235 million, or 13.1%, as compared with RMB24,615 million in 2012.

Cost of sales and gross profit. Cost of sales for the heavy machinery manufacturing business in 2013 was RMB22,567 million, representing an increase of RMB4,221 million, or 23.0%, as compared with RMB18,346 million in 2012. Cost of sales as a percentage of revenue decreased to 93.4% in 2013 from 95.0% in 2012.

Gross profit from the heavy machinery manufacturing business in 2013 was RMB1,604 million, representing an increase of RMB633 million, or 65.2%, as compared with RMB971 million in 2012. Gross profit margin increased to 6.6% in 2013 from 5.0% in 2012, mainly attributable to certain projects with higher gross profit margin.

Selling and marketing expenses. Selling and marketing expenses for the heavy machinery manufacturing business in 2013 were RMB128 million, representing an increase of RMB32 million from RMB96 million in 2012.

Administrative expenses. Administrative expenses for the heavy machinery manufacturing business in 2013 were RMB1,809 million, representing an increase of RMB497 million, or 37.9%, as compared with RMB1,312 million in 2012, mainly attributable to the increase in provision for impairment of trade and other receivables. Administrative expenses as a percentage of revenue for the heavy machinery manufacturing business was 7.5% in 2013, as compared with 6.8% in 2012.

Other income, net. Other net income for the heavy machinery manufacturing business in 2013 was RMB406 million, representing an increase of RMB94 million from RMB312 million in 2012, mainly due to increased gains on disposal of some properties.

Segment result. As a result of the above, segment result for the heavy machinery manufacturing business in 2013 was RMB73 million profit, as compared with RMB125 million loss in 2012.

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 2013 and 2012.

	Years ended 31 December	
	2013	2012
	(RMB million)	(RMB million)
Revenue	**3,706**	6,462
Cost of sales	**(3,499)**	(5,879)
Gross profit	**207**	583

Revenue. Revenue from the other businesses in 2013 was RMB3,706 million, representing a decrease of RMB2,756 million, or 42.6%, as compared with RMB6,462 million in 2012, mainly due to the disposal of Zhenhua Logistics by the Group as aforementioned.

Cost of sales and gross profit. Cost of sales for the other businesses in 2013 was RMB3,499 million, representing a decrease of RMB2,380 million, or 40.5%, as compared with RMB5,879 million in 2012. Cost of sales as a percentage of revenue increased from 91.0% in 2012 to 94.4% in 2013.

Gross profit from the other businesses in 2013 was RMB207 million, representing a decrease of RMB376 million, or 64.5%, as compared with RMB583 million in 2012. Gross profit margin decreased to 5.6% in 2013 from 9.0% in 2012.

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 2013, the Group had unutilised credit facilities in the amount of RMB410,349 million. The Group's access to financial markets since its public offering in Hong Kong Stock Exchange and Shanghai Stock Exchange has provided additional financing flexibility.

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 2013 and 2012.

	Years ended 31 December	
	2013	2012
	(RMB million)	(RMB million)
		(Restated)
Net cash generated from operating activities	**6,972**	13,307
Net cash used in investing activities	**(28,086)**	(19,504)
Net cash generated from financing activities	**34,562**	28,962
Net increase in cash and cash equivalents	**13,448**	22,765
Cash and cash equivalents at beginning of year	**68,003**	45,237
Exchange (losses)/gains on cash and cash equivalents	**(213)**	1
Cash and cash equivalents at end of year	**81,238**	68,003

Cash flow from operating activities

During the year 2013, net cash generated from operating activities was RMB6,972 million, as compared with RMB13,307 million in 2012, which is primarily attributable to 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 receivables and trade and other payables. During the year 2013, increase in contract work-in-progress was RMB7,966 million, as compared with RMB3,070 million in 2012. In 2013, trade and other receivables increased by RMB35,286 million, while such effect was mostly offset by increase in trade and other payables of RMB31,866 million; as a comparison, in 2012, trade and other receivables increased by RMB20,771 million, while trade and other payables increased by RMB19,453 million.

Cash flow from investing activities

Net cash used in investing activities in 2013 was RMB28,086 million as compared with RMB19,504 million in 2012. The increase of RMB8,582 million, or 44.0%, was primarily attributable to the increase in purchases of intangible assets, additional investments in associates, purchases of available-for-sale financial assets, acquisition of a subsidiary and the decrease in proceeds from disposal of available-for-sale financial assets.

In 2013, the purchases of intangible assets amounted to RMB17,038 million, representing an increase of RMB5,116 million from 2012, mainly due to the increase of investment in BOT projects. Additional investments in associates amounted to RMB2,669 million in 2013, compared with RMB682 million in 2012. Acquisition of a subsidiary amounted to RMB925 million in 2013, increasing from RMB16 million in 2012. The Group's purchases of available-for-sale financial assets amounted to RMB8,976 million in 2013, while proceeds from disposal of available-for-sale financial assets amounted to RMB5,911 million, resulting in net cash of RMB3,065 million used in investment in available-for-sale financial assets.

Cash flow from financing activities

Net cash generated from financing activities in 2013 was RMB34,562 million, representing an increase of RMB5,600 million from RMB28,962 million in 2012, primarily attributable to the impact of the increase in proceeds from borrowings of RMB6,325 million.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

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 2013 and 2012.

	Years ended 31 December 2013 (RMB million)	2012 (RMB million)
Infrastructure Construction Business	**24,262**	18,461
– BOT projects	**18,307**	12,772
Infrastructure Design Business	**269**	349
Dredging Business	**804**	2,896
Heavy Machinery Manufacturing Business	**253**	511
Other	**1,280**	69
Total	**26,868**	22,286

Capital expenditure in 2013 was RMB26,868 million, as compared with RMB22,286 million in 2012. The increase of RMB4,582 million or 20.6% 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 2013 and 2012.

	Years ended 31 December 2013 (Number of days)	2012 (Number of days)
Turnover of average trade and bills receivables(1)	**60**	63
Turnover of average trade and bills payables(2)	**143**	140

(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 2013 and 2012.

	As at 31 December 2013 (RMB million)	2012 (RMB million)
Less than 6 months	**48,147**	42,110
6 months to 1 year	**5,865**	5,101
1 year to 2 years	**4,762**	4,080
2 years to 3 years	**1,603**	1,702
Over 3 years	**1,776**	1,167
Total	**62,153**	54,160

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Working Capital (Continued)

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

The Group's credit terms with its customers for the year ended 31 December 2013 remained the same as that for the year ended 31 December 2012. 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 2013, the Group had a provision for impairment of RMB3,802 million, as compared with RMB2,964 million as at 31 December 2012.

The following table sets forth an ageing analysis of trade and bills payables as at December 2013 and 2012.

	As at 31 December	
	2013	2012
	(RMB million)	(RMB million)
Within 1 year	**115,799**	98,440
1 year to 2 years	**8,002**	5,812
2 years to 3 years	**1,595**	1,370
Over 3 years	**1,019**	604
Total	**126,415**	106,226

The Group's credit terms with its suppliers for the year ended 31 December 2013 remained the same as that for the year ended 31 December 2012. 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 2013 and 2012.

	As at 31 December	
	2013	2012
	(RMB million)	(RMB million)
Current	**17,548**	16,464
Non-current	**19,193**	16,633
Total	**36,741**	33,097

INDEBTEDNESS

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2013 and 2012.

	As at 31 December	
	2013	2012
	(RMB million)	(RMB million)
Within 1 year	**87,818**	69,187
Between 1 year and 2 years	**13,587**	16,956
Between 2 years and 5 years	**35,847**	21,078
Over 5 years	**49,723**	37,024
Total borrowings	**186,975**	144,245

INDEBTEDNESS (Continued)

Borrowings (Continued)

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 2013 and 2012.

	As at 31 December	
	2013	2012
	(RMB million)	(RMB million)
Renminbi	**167,921**	125,922
U.S. dollar	**16,108**	15,260
Euro	**806**	951
Japanese Yen	**698**	839
Hong Kong dollar	**684**	766
Others	**758**	507
Total borrowings	**186,975**	144,245

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 2013 was 50.2%, as compared with 44.4% as at 31 December 2012.

Contingent Liabilities

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

	As at 31 December	
	2013	2012
	(RMB million)	(RMB million)
Pending lawsuits[(1)]	**439**	462
Outstanding loan guarantees[(2)]	**262**	247
Total	**701**	709

(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 joint ventures 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, Middle East, Latin America, Southeast Asia and Eurasia. Due to various factors, the political and economic conditions in Africa, Middle East and Southeast Asia 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 2013, approximately RMB110,030 million (as at 31 December 2012: RMB76,211 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 U.S. dollar, Euro and Japanese Yen. Renminbi is not freely convertible into other foreign currencies and conversion of Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against U.S. dollar. As at 31 December 2013, Renminbi had appreciated by approximately 30% against U.S. dollar since July 2005. The PRC government may in the future make further adjustments to the exchange rate system. When Renminbi appreciates, the value of foreign currency denominated assets will decline against Renminbi.

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

During the years ended 31 December 2013 and 2012, certain subsidiaries within the Group used foreign exchange 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.

Report of the Board of Directors

Lhasa Nagin Bridge, considered as "No. 1 bridge in Lhasa" connecting south Lhasa and north Lhasa.

Report of the Board of Directors

The Board is pleased to present its report together with the audited financial statements of the Group prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013.

PRINCIPAL BUSINESS

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

RESULTS

Results of the Group for the year ended 31 December 2013 and the financial position of the Company and the Group as at 31 December 2013 are set out in the audited financial statements in this annual report.

DIVIDENDS

On 25 March 2014, the Board recommended a final dividend of RMB0.18762 (including tax) per share (amounting to approximately RMB3,035 million in total) for the year ended 31 December 2013. The recommended final dividends are subject to shareholders' approval at the annual general meeting to be held on 18 June 2014. The recommended final dividends distribution will be made based on the Company's entire issued share capital of 16,174,735,425 shares. The final dividends are expected to be paid to shareholders whose names appear on the register of members of the Company at the opening of business on 30 June 2014. The register of members will be closed from 25 June 2014 to 30 June 2014 (both days inclusive), during which period no transfers will be registered.

Dividends will be denominated and declared in Renminbi and will be paid to holders of H Shares in Hong Kong dollars. The relevant exchange rate is determined at RMB0.79180 equivalent to HK$1.00 as the middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on the date when such dividends were declared.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and in line with the market practice regarding dividend distribution for A Shares, the Company will publish a separate announcement in respect of its final dividends distribution for A Shares after the Company's annul general meeting for 2013, which, among others, will set out the record date and ex-entitlement date of dividend distribution for A Shares.

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

For the non-resident enterprise shareholders of the Company, pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and the Regulations for the implementation of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), the Company shall continue to withhold and pay 10% enterprise income tax when the Company distributes the 2013 final dividend to non-resident enterprise shareholders whose names appear on the Company's H share register of members in accordance with its previous practice.

The Company will withhold for payment of the income tax strictly in accordance with the relevant laws or requirements of the relevant government departments and strictly based on what has been registered on the Company's register of members for H shares at the opening of business on 30 June 2014. Investors and potential investors in the H shares of the Company are recommended to consult their professional tax advisors if they are in any doubt as to the implications of the above mechanism of withholding, and the Company does not accept responsibility for any effect the above mechanism of withholding may have on any person.

SHARE CAPITAL

The share capital of the Company remains unchanged during the year of 2013. As at 31 December 2013, the share capital structure of the Company was as follows:

		Shareholding structure	
No.	**Item**	**Number of shares**	**Percentage**
1	A shares	11,747,235,425	72.63%
2	H shares	4,427,500,000	27.37%
	Total	**16,174,735,425**	**100.00%**

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

At the second extraordinary general meeting of the Company on 30 October 2013, a resolution was passed in relation to the change in the use of proceeds raised from the A share issue, details of which were set out in the circular published on the Hong Kong Stock Exchange on 13 September 2013 and the poll results of the abovementioned extraordinary meeting was published on the Hong Kong Stock Exchange and on the Shanghai Stock Exchange on 30 October 2013, respectively.

According to the resolution, the Company (1) terminated the project to purchase dredging vessels where the Company originally planned to utilize proceeds of approximately RMB1,892 million, and the proceeds will be used as to RMB1,100 million in the development of the BOT Project of Guizhou Guiyang-Weng'an Expressway, RMB330 million in the BOT Project of Fengdu-Zhongxian Expressway of Chongqing Coastal Expressway, and approximately RMB462 million to supplement the Company's working capital permanently; (2) terminated the project to purchase engineering ships and mechanical equipment where the Company originally planned to utilize proceeds of approximately RMB1,080 million, and the proceeds are intended to be used to purchase 2 crane vessels and 8 shield machines; (3) intended to use all accrued interests on the proceeds raised to supplement the Company's working capital permanently.

As of 31 December 2013, proceeds amounted to RMB3,811 million have been utilized in accordance with the proposed plans as set out in the abovementioned circular.

PUBLIC FLOAT

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

The following table sets out certain information concerning the Directors, Supervisors and senior management of the Company as at the date of this annual report.(Note 1)

Name	Age	Position in the Company	Date of Appointment	Emoluments for the year ended 31 December 2013 (before income tax)(Note 2) (RMB'000)
LIU Qitao	56	Executive director, Chairman and President	appointed as President on 1 December 2010 appointed as executive director on 24 January 2011 elected as Chairman on 26 April 2013	**1,091**
FU Junyuan	52	Executive director and chief financial officer	29 December 2009	**969**
ZHANG Changfu	68	Non-executive Director	29 December 2009	**114**
LU Hongjun	64	Independent non-executive Director	29 December 2009	**132**
YUAN Yaohui	68	Independent non-executive Director	29 December 2009	**136**
ZOU Qiao	67	Independent non-executive Director	29 December 2009	**129**
LIU Zhangmin	64	Independent non-executive Director	29 December 2009	**156**
LEUNG Chong Shun	48	Independent non-executive Director	24 January 2011	**109**
LIU Xiangdong	55	Chairman of the Supervisory Committee	18 June 2010	**969**
XU Sanhao	59	Supervisor	18 June 2010	**969**
WANG Yongbin	48	Supervisor (representative of the employees)	18 June 2010	**752**
CHEN Yun	50	Vice president	29 December 2009	**989**
CHEN Yusheng	58	Vice president	29 December 2009	**969**
CHEN Fenjian	51	Vice president	29 December 2009	**989**
ZHU Bixin	48	Vice president	29 December 2009	**987**
YANG Liqiang	57	Vice president	29 December 2009	**969**
LIU Wensheng	53	Secretary of the Board, Company secretary and chief economist	29 December 2009	**1,014**

Note 1: On 26 April 2013, Mr. Zhou Jichang resigned as an Executive Director and Chairman of the Board, as well as from his positions as the chairman of the Strategy Committee and the Nomination Committee of the Board. On the same day, Mr. Hou Jinlong resigned as a Vice President of the Company.

On 19 March 2014, Mr. Zhang Changfu resigned as a Non-executive Director as well as from his positions as a member of the Remuneration and Appraisal Committee and the Nomination Committee of the Board.

Note 2: Please refer to Note 39 of the audited financial statements for details of the emoluments of the Directors and Supervisors of the Company in 2013. The emoluments payable to the Directors, Supervisors and senior management are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and prevailing market rate.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY (Continued)

Details of the emoluments of each senior management of the Company (excluding Directors who also hold executive positions) in 2013 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
CHEN Yun	469	37	483	989
CHEN Yusheng	470	37	462	969
CHEN Fenjian	469	37	483	989
ZHU Bixin	467	37	483	987
YANG Liqiang	471	37	461	969
LIU Wensheng	416	37	561	1,014

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

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

Committees under the Board include Strategy Committee, Audit Committee, Remuneration and Appraisal Committee as well as Nomination Committee. The composition of each committee is set out in the "Corporate Governance Report" in this annual report.

MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2013, the interests or short positions of every person (other than Directors, Supervisors and chief executive of the Company) who have an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed by the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (the "SFO") are as follows:

Name of shareholder	Number of shares held	Type of shares	Percentage of the respective type of shares *(%)*	Percentage of the total number of shares in issue *(%)*	Capacity in which the shares are held
CCCG	10,324,907,306	A Shares	87.89	63.83	Beneficial Owner
Merrill Lynch (Asia Pacific) Limited	525,000,000	H Shares	13.64	3.25	Corporate Interest
	528,912,000 (short position)	H Shares	13.74	3.27	Corporate Interest
Merrill Lynch Far East Limited	525,000,000	H Shares	13.64	3.25	Corporate Interest
	528,912,000 (short position)	H Shares	13.74	3.27	Corporate Interest
Merrill Lynch International Holdings Inc.	525,000,000	H Shares	13.64	3.25	Corporate Interest
	528,912,000 (short position)	H Shares	13.74	3.27	Corporate Interest
Merrill Lynch International Incorporated	525,000,000	H Shares	13.64	3.25	Corporate Interest
	528,912,000 (short position)	H Shares	13.74	3.27	Corporate Interest
Blackrock, Inc.	388,786,892	H Shares	8.78	2.40	Interest of controlled corporation
	556,000 (short position)	H Shares	0.01	0.00	Interest of controlled corporation
JPMorgan Chase & Co.	304,954,747	H Shares	6.89	1.89	Beneficial Owner/ Investment Manager/ Custodian corporation/ approved lending agent
	11,880,804 (Short Position)	H Shares	0.27	0.07	Beneficial Owner
	275,650,187 (Lending Pool)	H Shares	6.23	1.70	Custodian corporation/ approved lending agent

Save as stated above, as at 31 December 2013, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

As at 31 December 2013, there were 19,178 H shareholders and 59,819 A shareholders as shown on the register of members of the Company. As at 18 March 2014, there were 19,079 H shareholders and 59,997 A shareholders as shown on the register of members of the Company. Particulars of the top 10 shareholders of the Company as at 31 December 2013 were as follows:

	Name of shareholder	Nature	Percentage	Number	Number of share subject to trading restriction	Number of shares pledged or frozen
1	CCCG	State	63.83	10,324,907,306	10,304,907,407	–
2	HKSCC NOMINEES LIMITED[note]	Foreign legal entities	26.96	4,361,259,974	–	Unknown
3	National Council for Social Security Fund	State	0.57	92,592,593	92,592,593	Unknown
4	China Shipping Investment Co., Ltd.	State-owned legal entities	0.57	92,592,000	–	Unknown
5	Sany Heavy Industry Co., Ltd.	Domestic non State-owned legal entities	0.34	55,555,000	–	Unknown
6	Shanghai Port & Shipping Equity Investment Co., Ltd.	State-owned legal entities	0.23	37,037,000	–	Unknown
7	國際金融－渣打－GIC	others	0.17	27,620,946	–	Unknown
8	高華－滙豐－Goldman, Sachs & Co.	others	0.17	26,934,210	–	Unknown
9	BOC International (China) Limited	others	0.12	20,096,642	–	Unknown
10	CITIC Securities Co., Ltd.	others	0.11	17,879,941	–	Unknown

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

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares of equity derivatives or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules ("Model Code").

As at 31 December 2013, the Company had not granted its Directors, Supervisors or chief executive or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for shares or debentures.

COMPETING BUSINESS

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

FINANCIAL, BUSINESS AND FAMILY RELATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Except for Mr. LIU Qitao and Mr. LEUNG Chong Shun, each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years and may be re-elected upon expiry of the term. The term of the service contracts of Mr. LIU Qitao and Mr. LEUNG Chong Shun commenced from 24 January 2011, when their respective appointment was approved by the shareholders, until the expiry of the term of office of the second session of Board, and they may be re-elected upon expiry of their term.

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

Apart from the service contracts with the Company or its subsidiaries (if applicable), in the year ended 31 December 2013, none of the Directors or Supervisors of the Company was materially interested, whether directly or indirectly, in any contract of significance to which the Company, its subsidiary or holding company or a subsidiary of the Company's holding company is a party.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2013.

SUMMARY OF FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

The tables below set out a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2013.

Consolidated Income Statement

	2013 **RMB million**	2012 RMB million	2011 RMB million	2010 RMB million	2009 RMB million
Revenue	**331,798**	295,321	294,281	272,734	226,920
Gross profit	**33,938**	32,598	27,907	23,473	21,705
Profit before income tax	**15,852**	15,551	15,029	12,453	10,314
Profit for the year	**12,272**	11,761	11,983	9,901	8,004
Attributable to:					
– owners of the Company	**12,568**	12,277	11,767	9,863	7,200
– non-controlling interests	**(296)**	(516)	216	38	804
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)					
– basic	**0.78**	0.77	0.79	0.67	0.49
– diluted	**0.78**	0.77	0.79	0.67	0.49
Dividends	**3,035**	2,988	2,902	2,372	1,720

Note: The Company completed an issuance of 1,349,735,425 A shares on the Shanghai Stock Exchange on 9 March 2012, resulting in a change of the Company's share capital.

SUMMARY OF FINANCIAL INFORMATION FOR THE LAST FIVE YEARS (Continued)

Consolidated Balance Sheet

	As at 31 December (RMB Million)				
	2013	2012	2011	2010	2009
Total assets	**517,445**	434,277	358,780	307,794	264,058
Total liabilities	**412,604**	338,164	277,835	236,714	197,829
Capital and reserves attributable to owners of the Company	**94,861**	86,659	70,206	60,142	54,614
Non-controlling interests	**9,980**	9,454	10,739	10,938	11,615

Notes:

(a) The financial figures for the year 2012 and 2013 were extracted from the 2013 Consolidated Financial Statements.

(b) The financial figures for the year 2009 to 2011 were extracted from the 2009, 2010 and 2011 annual report, respectively. No retrospective adjustment for adoption of IAS19 (2011) and common control combination in 2013 (as detailed and defined in Note 21(e) to the consolidate financial statements) were made on the financial figures for the year 2009 to 2011.

BANK LOANS AND OTHER BORROWINGS

Please refer to Note 23 of the audited financial statements for details of bank loans and other borrowings of the Group.

FIXED ASSETS

Please refer to Note 6 of the audited financial statements for movements in the property, plant and equipment of the Group for the year ended 31 December 2013.

CAPITALISED INTEREST

Please refer to Note 33 of the audited financial statements for details of the capitalised interest expense of the Group for the year ended 31 December 2013.

RESERVES

Please refer to Note 21 of the audited financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2013.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2013 amounted to approximately RMB10,001 million.

DONATIONS

For the year ended 31 December 2013, the Group made charitable and other donations in a total amount of approximately RMB11 million.

SUBSIDIARIES

Please refer to Note 45 of the audited financial statements for details of the Company's principal subsidiaries as at 31 December 2013.

CHANGE IN EQUITY

Please refer to Notes 19 and 21 of the audited financial statement for detail of changes in equity.

RETIREMENT BENEFITS

Please refer to Note 25 of the audited financial statements for details of retirement benefits.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The diversified business structure of the Company had provided an extensive base of suppliers and customers with low concentration. There is no reliance of the Company on a single supplier or customer. As at 31 December 2013, the sales of the Group to the five largest customers amounted to RMB19,867 million, representing less than 30% of the Group's revenue; the aggregate purchase from the five largest suppliers by the Group amounted to RMB3,516 million, representing less than 30% of the Group's aggregate purchase for the year.

CONNECTED TRANSACTIONS

One-off Connected Transactions

The Company has entered into the following connected transactions in the year 2013.

Cooperative development agreements

Reference is made to the announcement of the Company dated 28 June 2013 regarding the cooperative development agreements in connection with the establishment of joint ventures for the purpose of project development.

On 28 June 2013, CRBC, CRED Group and CRED Real Estate entered into the cooperative development agreement with regard to the Lakeside New City Project, pursuant to which, CRBC, CRED Group and CRED Real Estate agreed to jointly establish a joint venture company by contributing RMB150 million, RMB150 million and RMB200 million in cash, respectively. As CRBC is a wholly-owned subsidiary of the Company, CRED Group is a wholly-owned subsidiary of CCCG and CRED Real Estate is a subsidiary of CRED Group, both are connected persons of the Company. Therefore the cooperative development agreement constitutes a connected transaction of the Company.

On 28 June 2013, CCCC Yunzejunhang Co., Ltd ("CCCC Yunzejunhang"), ZPMC, CRBC and CCCC Real Estate entered into the cooperation agreement with regard to the Yangxianhu Project, pursuant to which, CCCC Yunzejunhang, ZPMC, CRBC and CCCC Real Estate agreed to jointly establish a joint venture company by contributing RMB80 million, RMB80 million, RMB80 million and RMB160 million in cash, respectively. CCCC Yunzejunhang, ZPMC and CRBC are subsidiaries of the Company, while CCCC Real Estate is a connected person of the Company by virtue of being a wholly-owned subsidiary of CCCG. Therefore the cooperative development agreement constitutes a connected transaction of the Company.

Report of the Board of Directors

CONNECTED TRANSACTIONS (Continued)

One-off Connected Transactions (Continued)

Capital increase in project companies

Reference is made to the announcement of the Company on 13 August 2013 regarding the capital increase in project companies.

On 13 August 2013, CRBC, CCCC Tianjin Dredging Co., Ltd. ("CCCC Tianjin Dredging") and CCCC Real Estate entered into a capital increase agreement regarding Tianjin Harbor Properties Co., Limited (天津港灣置業有限公司) according to which CRBC, CCCC Tianjin Dredging and CCCC Real Estate contributed RMB60 million, RMB40 million and RMB300 million in cash, respectively. CRBC and CCCC Tianjin Dredging are wholly-owned subsidiaries of the Company, while CCCC Real Estate is a connected person of the Company. Therefore the capital increase agreement constitutes a connected transaction of the Company.

On 13 August 2013, CRBC, CCCC Tianjin Dredging and CCCC Real Estate entered into a capital increase agreement regarding CCCC Real Estate (Tianjin) Co., Limited (中交地產（天津）有限公司) according to which CRBC, CCCC Tianjin Dredging and CCCC Real Estate contributed RMB127.5 million, RMB85 million and RMB637.5 million in cash, respectively. CBRC and CCCC Tianjin Dredging are wholly-owned subsidiaries of the Company, while CCCC Real Estate is a connected person of the Company. Therefore the capital increase agreement constitutes a connected transaction of the Company.

On 13 August 2013, CCCC Second Harbor Engineering Co., Ltd. ("CCCC Second Harbor") and Huatong Real Estate entered into a capital increase agreement regarding CCCC Real Estate (Wuhan) Co., Limited (中交地產武漢開發有限公司) according to which CCCC Second Harbor and Huatong Real Estate contributed RMB247.45 million in cash and RMB257.55 million in cash claims, respectively. CCCC Second Harbor is a wholly-owned subsidiary of the Company, while Huatong Real Estate is a connected person of the Company by virtue of being a wholly-owned subsidiary of CCCC Real Estate. Therefore the capital increase agreement constitutes a connected transaction of the Company.

On 13 August 2013, CCCC Third Harbor Engineering Co., Ltd ("CCCC Third Harbor"), Zhoushan Xincheng Changcheng Real Estate Co., Ltd (舟山市新城長城房產置業有限公司, "Xincheng Changcheng"), Wuxi Hongsheng Real Estate Development Co., Ltd. (無錫市鴻馨房產關發有限公司, "Wuxi Hongsheng") and Huatong Real Estate Corporation Limited (華通置業有限公司, "Huatong Real Estate") entered into a capital increase agreement regarding CCCC Real Estate Zhoushan Co., Limited (中交地產舟山有限公司) according to which, CCCC Third Harbor, Xincheng Changcheng, Wuxi Hongsheng and Huatong Real Estate contributed, RMB30 million, RMB64 million and RMB20 million in cash and RMB86 million in cash claims, respectively. CCCC Third Harbor is a wholly-owned subsidiary of the Company, while Huatong Real Estate is a connected person of the Company. Therefore the capital increase agreement constitutes a connected transaction of the Company.

On 13 August 2013, CRED Group, CRED Real Estate and CRBC entered into a capital increase agreement regarding CREG Real Estate (Suzhou) Co., Limited (中房（蘇州）地產有限公司) according to which CRED Group, CRED Real Estate and CRBC contributed RMB135 million, RMB180 million and RMB135 million, respectively. CRBC is a wholly-owned subsidiary of the Company, while both CRED Group and CRED Real Estate are connected persons of the Company. Therefore the capital increase agreement constitutes a connected transaction of the Company.

Formation of project companies

Reference is made to the announcement of the Company dated 30 October 2013 in relation to the formation of project companies.

On 30 October 2013, CCCC Hainan Construction Investment Limited (中交海南建設投資有限公司, "CCCC Hainan Investment"), CCCC Water Transportation Consultants Co., Ltd., ("CCCC WTC") Zhong Zi Huake Communications Construction Technology Co., Ltd. (中諮華科交通建設技術有限公司, "Zhong Zi Huake"), CCCC Tianjin Dredging Co., Ltd ("CCCC Tianjin Dredging") and CCCC Shanghai Dredging entered into a cooperation agreement with CCCC Real Estate regarding the establishment of a project company, CCCC Real Estate (Hainan) Limited (中交地產（海南）有限公司), according to which CCCC Hainan Investment, CCCC WTC, Zhong Zi Huake, CCCC Tianjin Dredging and CCCC Shanghai Dredging contributed RMB116 million, RMB55.68 million, RMB55.68 million, RMB69.9 million and RMB46.4 million in cash, respectively, while CCCC Real Estate contributed RMB120.64 million in cash. CCCC Hainan Investment, CCCC WTC, Zhong Zi Huake, CCCC Tianjin Dredging and CCCC Shanghai Dredging are subsidiaries of the Company, while CCCC Real Estate is a connected person of the Company. Therefore the cooperation agreement constitutes a connected transaction of the Company.

CONNECTED TRANSACTIONS (Continued)

One-off Connected Transactions (Continued)

Formation of project companies *(Continued)*

On 30 October 2013, CCCC WTC and CCCC Electronics Limited (中交機電局有限公司, "CCCC Electronics") entered into a cooperation agreement with CCCC Real Estate regarding the establishment of a project company, CCCC (Wanxi) Investment and Development Limited (中交(皖西)投資發展有限公司), according to which CCCC WTC and CCCC Electronics contributed RMB78 million, RMB40 million in cash, respectively, while CCCC Real Estate contributed RMB82 million in cash. CCCC WTC and CCCC Electronics are subsidiaries of the Company, while CCCC Real Estate is a connected person of the Company. Therefore the cooperation agreement constitutes a connected transaction of the Company. Reference is made to the announcement of the Company dated 28 February 2014 in relation to, among other things, the change of the venture partner of this transaction from CCCC Real Estate to its wholly-owned subsidiary China Urban and Rural Construction and Development Co., Ltd. (中國城鄉建設發展有限公司, "China Urban and Rural Construction") with other terms in the related cooperative agreement unchanged. The Board approved such change at the Board meeting held on the same day.

On 30 October 2013, CRBC, CRED Group and CRED Real Estate entered into a cooperation agreement regarding the establishment of a project company, Chongqing CRED Jiahui Real Estate Development Company Limited (重慶中房嘉匯房地產開發有限公司), according to which CRBC, CRED Group and CRED Real Estate contributed RMB332 million, RMB249 million, and RMB249 million in cash, respectively. CRBC is a wholly-owned subsidiary of the Company, while both CRED Group and CRED Real Estate are connected persons of the Company. Therefore the cooperation agreement constitutes a connected transaction of the Company.

Incorporation of a project company

Reference is made to the announcement of the Company dated 6 November 2013 in relation to the incorporation of a project company.

On 22 October 2013, CRED Real Estate, CRBC, CRED Group and Shenzhen Jianyuan Investment Limited (深圳市建元投資有限公司, "Shenzhen Jianyuan") entered into a cooperative development agreement regarding the establishment of a project company, CRED Haimen Real Estate Limited (中房海門地產有限公司), according to which CRED Real Estate, CRBC, CRED Group and Shenzhen Jianyuan contributed RMB76.88 million, RMB74.4 million, RMB71.92 million and RMB24.8 million in cash, respectively. Both CRED Group and CRED Real Estate are connected persons of the Company. Therefore the cooperative development agreement constitutes a connected transaction of the Company. Due to change in business environment, the project company was dissolved on 28 January 2014, the capital contributions have been refunded to respective parties.

Incorporation of a project company and equity interest transfer agreement

Reference is made to the announcement of the Company dated 13 December 2013 in relation to the proposed incorporation of a project company and equity interest transfer agreement.

On 5 December 2013, CCCC Shanghai Dredging, CCCC Electronics, CCCC WTC and China Urban and Rural Construction, entered into a joint venture agreement regarding the establishment of a project company, CCCC (Qingdao) Urbanization Construction and Investment Limited (中交(青島)城鎮化建設投資有限公司), according to which CCCC Shanghai Dredging, CCCC Electronics, CCCC WTC contributed RMB50 million, RMB40 million and RMB30 million in cash, respectively, while China Urban and Rural Construction contributed RMB80 million in cash. CCCC Shanghai Dredging, CCCC Electronics, CCCC WTC are subsidiaries of the Company, while China Urban and Rural Construction is a connected person of the Company by virtue of being a wholly-owned subsidiary of CCCC Real Estate. Therefore the joint venture agreement constitutes a connected transaction of the Company.

On 13 December 2013, Beijing United Development Co., Ltd. ("Beijing United Development") entered into an equity interest transfer agreement with CCCC Real Estate to acquire all equity interest held by CCCC Real Estate in CCCC Real Estate Qingdao Chengyang Property Limited (中交地產青島城陽置業有限公司, "CCCC Real Estate (Chengyang)") with a consideration of RMB47.5 million. CCCC Real Estate (Chengyang) is a project company incorporated in 2011 with a registered capital of RMB50 million and was held by CCCC Real Estate and Beijing United Development as to 95% and 5%, respectively. Beijing United Development is a subsidiary of the Company, while CCCC Real Estate is a connected person of the Company. Therefore the equity interest transfer agreement constitutes a connected transaction of the Company.

CONNECTED TRANSACTIONS (Continued)

One-off Connected Transactions (Continued)

Incorporation of a project company and equity interest transfer agreement *(Continued)*

As the highest percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the abovementioned connected transactions, exceeds 0.1% but is less than 5%. Accordingly, such transactions were subject to the reporting and announcement requirements, but were exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Continuing Connected Transactions

Reference is made to the announcement of the Company dated 26 March 2013. With a view to avail itself of certain exemption provided under the Shanghai Listing Rules in relation to the exemption of day-to-day related party transactions from certain review and disclosure requirements, the Company and CCCG entered into a loan service framework agreement and a project contracting framework agreement, both of which constitute a continuing connected transaction under the Hong Kong Listing Rules.

Loan service framework agreement

On 26 March 2013, the Company entered into the loan service framework agreement pursuant to which, CCCC Finance agreed to provide loan service to CCCG and/or its subsidiaries ("CCCG Group") and charge CCCG Group for the loan service provided at a loan interest rate of no less than the loan interest rate of the same type of loan stipulated by the PBOC for the corresponding period and also no less than the loan interest rate of the same type of loan provided by CCCC Finance to other members for the corresponding period. CCCG Group shall provide guarantee for the loan service received from CCCC Finance at CCCC Finance's request. By entering into the agreement, the Company expected to benefit from CCCC Finance's profits from providing loan service. In addition, providing loan service to CCCG Group could help the Group improve efficiency of capital use and enhance CCCC Finance's ability to provide professional and comprehensive financial services. The agreement became effective on 26 March 2013 and expired on 31 December 2013. The annual cap for the loan service framework agreement is RMB200 million.

Due to changes in business plan, CCCC Finance did not provide loan service to CCCG Group. As at the date of this annual report, actual amount under the loan service framework agreement was zero because relevant connected transactions did not take place.

Project contracting framework agreement

On 26 March 2013, the Company entered into the project contracting framework agreement with CCCG, pursuant to which, the Group agreed to (i) provide construction service for real property development projects that may be undertaken by CCCG Group; (ii) design, construct, operate, manage and dismantle temporary supporting facilities for CCCG Group; and (iii) provide consultancy and management service to CCCG Group that may be required for the development of such real property projects. By entering into the agreement, the Company expected to enjoy the profits from the service provided to CCCG and also gain more experience in real property construction industry. The agreement became effective on 26 March 2013 and expired on 31 December 2013. The annual cap for the project contracting framework agreement is RMB2,872 million.

During 2013, the transaction amount under the project contracting framework agreement was RMB884 million which is within the annual cap as approved by the Board meeting and is under 5% of the most recent audited net asset of the Company. Please refer to note 44 "Transactions with fellow subsidiaries" of the audited financial statements for more details.

CCCG is the controlling shareholder of the Company, accordingly, the transactions contemplated under the project contracting framework agreement constitute a continuing connected transaction of the Company. As the highest percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the transactions contemplated under the project contracting framework agreement exceeds 0.1% but is less than 5%. Accordingly, such transactions were subject to the reporting and announcement requirements, but were exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

Independent non-executive directors' confirmation

In relation to the continuing connected transaction mentioned above, the independent non-executive Directors of the Company confirm that:

(i) the connected transactions mentioned above have been entered into in the ordinary and usual course of business of the Company;

(ii) the connected transactions mentioned above have been entered into on terms that are fair and reasonable to the shareholders of the Company;

(iii) the connected transactions mentioned above have been entered into on normal commercial terms in accordance with the terms of the agreements governing such transactions.

Auditor's Confirmation

The auditor of the Company was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the above-mentioned continuing connected transactions in accordance with the HKEx Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Others

Except the aforesaid connected transaction, the Group did not enter into any other connected transactions or continuing connected transactions which should comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For related party transactions discussed in Note 44 of the audited financial statements which are also connected transactions under Chapter 14A of the Hong Kong Listing Rules, the Company had made disclosure when required under the Hong Kong Listing Rules.

EMPLOYEES

As at 31 December 2013, the Group had 100,874 employees that had signed labor contracts with the Group. The Group was responsible for the expenses of 34,105 retired employees. The breakdown of employees as at 31 December 2013 was as follows:

(a) categorized by major

Major	Number of Employees	Percentage
Management	34,506	34.21%
Specialist	41,340	40.98%
Technician	15,641	15.51%
Others	9,387	9.30%
Total	100,874	100.0%

EMPLOYEES (Continued)

(b) categorized by degree held

	Number of Employees	Percentage
Master and above	6,199	6.14%
Bachelor	47,982	47.57%
Junior college degree	22,090	21.90%
Associate degree	7,335	7.27%
Junior high school degree and other	17,268	17.12%
Total	100,874	100.0%

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

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2013, as far as the Directors are aware, except as disclosed in Note 41 of the audited financial statements, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP were appointed as the international and domestic auditors of the Company for the year ended 31 December 2013, respectively. PricewaterhouseCoopers has audited the accompanying financial statements, which have been prepared in accordance with IFRS. The Company has retained PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP since the date of its listing.

Report of the Supervisory Committee

BOT project of Yulin-Jiaxian Highway in Shaanxi, the most convenient coal transport corridor between Yulin and Taiyuan.

Report of the Supervisory Committee

I. WORK PERFORMED BY THE SUPERVISORY COMMITTEE

During the reporting period, the Company held nine supervisory committee meetings. All Supervisors attended such meetings except for Mr. WANG Yongbin, who was unable to attend the ninth meeting of the second session of the Supervisory Committee due to personal reason and appointed Mr. XU Sanhao to attend the meeting and vote on his behalf, Mr. XU Sanhao, who was unable to attend the tenth meeting of the second session of the Supervisory Committee due to personal reason and appointed Mr. LIU Xiangdong to attend the meeting and vote on his behalf, and Mr. WANG Yongbin, who was unable to attend the fourteenth meeting of the second session of the Supervisory Committee due to personal reason and appointed Mr. XU Sanhao to attend the meeting and vote on his behalf. The relevant resolutions considered at those meetings are detailed as follows:

1. The seventh meeting of the second session of the Supervisory Committee was held on 11 January 2013 to consider the Resolution on Considering the Cooperative Investment in Suzhou Wujiang Lakeside New City Residential Project by CRBC, CRED Group and CRED Real Estate, and the Resolution on Considering the Change in Registered Capital of CCCC Finance.

2. The eighth meeting of the second session of the Supervisory Committee was held on 26 February 2013 to consider the Resolution on the Change in Registered Capital of CCCC Finance.

3. The ninth meeting of the second session of the Supervisory Committee was held on 26 March 2013 to consider the Resolution on Considering the Final Budget of the Company for 2012, the Resolution on Considering the Annual Results Announcement and Annual Report of the Company for 2012, the Resolution on the Profit Distribution and Dividend Payment plan of the Company for 2012, the Resolution on Considering the Special Report on the Deposit and Use of Proceeds from Funds-Raising for 2012, the Resolution on Considering the Day-to-Day Related-party Transactions of the Company for 2013, the Resolution on Considering the Related-Party/Connected Transactions in Relation to Deposit Business of CCCC Finance, the Resolution on Considering the 2012 Report of the Supervisory Committee of the Company, the Resolution on Considering the 2012 Assessment Report on Internal Control of CCCC and the Resolution on Considering Equity Investment in the Development of Jiangsu Yixing Yangxianhu Tourism Resort Town Project by CRBC.

4. The tenth meeting of the second session of the Supervisory Committee was held on 26 April 2013 to consider the Resolution on the Quarterly Report of the Company for the First Quarter of 2013.

5. The eleventh meeting of the second session of the Supervisory Committee was held on 28 June 2013 to consider the Resolution on the Changes in Ues of Proceeds raised from the A Share Issue, the Resolution on the Related-Party/Connected Transaction in Relation to the Establishment of a Project Company Involved in the Development of Lakeside New City Refined Residential Project by CRBC, the Resolution on the Related-Party/Connected Transaction in Relation to the Establishment of a Project Company Involved in the Development of Chongqing Oxygen Cylinder Factory Project by CRBC and the Resolution on the Related-Party/Connected Transaction in Relation to the Establishment of a Project Company Involved in the Development of Yangxianhu Tourism Resort Town Project by Subsidiaries of the Company.

6. The twelfth meeting of the second session of the Supervisory Committee was held on 13 August 2013 to consider the Resolution on the Amendment to the Caps for the Day-to-Day Related-Party/Connected Transactions of the Company for 2013, the Resolution on the Related-Party/Connected Transactions in Relation to the Capital Increase in Five Project Companies and the Resolution on the Related-Party/Connected Transactions in Relation to the Investment in Jiangsu Haimen Beijing Road Real Estate Project by CRBC.

I. WORK PERFORMED BY THE SUPERVISORY COMMITTEE (Continued)

7. The thirteenth meeting of the second session of the Supervisory Committee was held on 27 August 2013 to consider the Resolution on the Changes in Accounting Policy of the Company, the Resolution on Considering the Drafts of the Interim Results Announcement and Interim Report of the Company for 2013 and the Resolution on Considering the Special Report on the Deposit and Actual Use of Proceeds of the Company.

8. The fourteenth meeting of the second session of the Supervisory Committee was held on 30 October 2013 to consider the Resolution on Considering the Quarterly Report of the Company for the Third Quarter of 2013, the Resolution on the Related-Party/Connected Transaction in Relation to the Establishment of Project Company Involved in Investment in the Development of Hainan Bamenwan Real Estate Project by Subsidiaries of the Company, the Resolution on the Related-Party/Connected Transaction in Relation to the Establishment of Project Company Involved in Investment in Anhui Liuan Primary Land Development Project by CCCC WTC and CCCC Electronics and the Resolution on the Related-Party/Connected Transaction in Relation to the Increase in Registered Capital of Investment in Chongqing Oxygen Cylinder Factory Project by CRBC.

9. The fifteenth meeting of the second session of the Supervisory Committee was held on 13 December 2013 to consider the Resolution on the Related-Party/Connected Transaction in Relation to the Investment in Reconstruction of A City Block Located in Shunhe District, Jimo, Qingdao by Subsidiaries of the Company and the Resolution on the Related-Party/Connected Transaction in Relation to the Acquisition of 95% Equity Interest of CCCC Real Estate (Chengyang) by Beijing United Development.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE LEGAL COMPLIANCE OF THE OPERATIONS OF THE COMPANY IN 2013

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

III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE REVIEW OF THE FINANCIAL POSITIONS OF THE COMPANY

Members of the Supervisory Committee examined and supervised the financial positions of the Company through the debriefing report of the responsible person of the financial department of the Company, reviewing financial statements of the Company, regular reports of the Company, auditor's report issued by external auditors and on-site investigation of material investments and financing projects resolved by the Board. The Supervisory Committee was of the opinion that the financial system of the Company was comprehensive and the expenses made were reasonable and that the financial report gave a true view of financial positions and operating results of the Company. An accounting firm has audited the financial report of the Company and issued an unqualified audit report confirming that the accounting report of the Company was in compliance with the related provisions of Enterprise Accounting Standards and Enterprise Accounting System and gave an objective, fair, true and accurate view of statement of affairs of the Company in 2013, and that there were no false representations, misleading statements, or material omissions contained therein.

IV. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE USE OF PROCEEDS

During the reporting period, there were changes in the use of proceeds of the Company, which had been considered by the Supervisory Committee and in the opinion of the committee, such changes in the use of proceeds could facilitate the realisation of profits and avoid investment risks. It was in line with the status of business development of the Company and in the interests of the Company and all shareholders. No acts were found to be detrimental to the interests of the Company and its shareholders.

V. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON MATERIAL ACQUISITION OF THE COMPANY

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

VI. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELATED-PARTY/CONNECTED TRANSACTIONS OF THE COMPANY

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

VII. REVIEW OF THE SUPERVISORY COMMITTEE ON THE SELF-ASSESSMENT REPORT ON INTERNAL CONTROL

During the reporting period, the Supervisory Committee of the Company reviewed the Self-assessment Report on Internal Control and considered that the Company had complied with the Company Law and relevant requirements of the China Securities Regulatory Commission and Shanghai Stock Exchange, upheld the fundamental principles of internal control, established and perfected the internal control system that covered every part of the Company's operations with reference to its actual conditions and ensured the orderly function of the Company's production and operation. At the same time, the Company has established a complete internal control structure that ensures the effective supervision and implementation of the Company's internal control system. In 2013, the Company's key internal control activities were regulated, conducted in compliance with the law and were valid without any instance of breaching the relevant requirements of the national securities regulatory authorities and the Company's internal control system. To sum up, the Supervisory Committee of the Company considered that the 2013 Self-assessment Report on Internal Control reflected the actual situation of the establishment, improvement and operation of the Company's internal control system in a comprehensive, objective and truthful manner and thus no dissenting opinion was given.

Corporate Governance Report

Repair Project of Tajikistan – Uzbekistan Highway, the largest highway project since establishment of the Republic of Tajikistan

Corporate Governance Report

OVERVIEW

As a both H shares and A shares listed company, the Company operates in strict compliance with the requirements of the applicable laws, administrative regulations and regulatory documents, including the Company Law, the Securities Law and relevant rules of the Hong Kong Stock Exchange in relation to corporate information disclosure, the management and services of investor relations. In addition, the Company amended the Articles of Association and the related internal governance rules in 2011 and 2012 according to the requirements of the laws and regulations of the Code of Corporate Governance for Listed Companies, Rules for Shareholders' General Meetings of Listed Companies, the Guidelines for the Articles of Association of Listed Companies (as Amended in 2006) and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (as Amended in 2008). As a result, the Company has set up a corporate governance system that complies with the regulatory requirements for domestic listed companies and has further enhanced its corporate governance standard. During the reporting period, the Company had effectively implemented the corporate governance rules, including the Articles of Association, the Rules of Procedures for General Meetings, the Rules of Procedures for Board Meetings, the Working Manual of Independent Directors, the Rules of Procedures for the Supervisory Committee Meetings and the Working Rules of the President. The general meetings, Board meetings and Supervisory Committee meetings are convened independently and efficiently with their respective duties and obligations fully fulfilled.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules ("Corporate Governance Code") for the year ended 31 December 2013, with the exception of code provisions A.2.1, A.5.1 and A.5.6.

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Due to reaching retirement age, Mr. Zhou Jichang resigned as Chairman of the Board on 26 April 2013 with effect from the same day. On the same day, Mr. Liu Qitao, an executive Director and President of the Company, was elected as Chairman of the Board with effect from the same day.

Code provision A.5.1 provides that a nomination committee should, among others, comprise a majority of independent non-executive directors. As at 31 December 2013, the Nomination Committee of the Board comprised six Directors, of whom two were executive Directors, one was non-executive Director and three were independent non-executive Directors.

As a commitment to retain high level of corporate governance and continuous efforts to comply with the Hong Kong Listing Rules, the Company will endeavor to find eligible candidates to meet the requirements set out in the code provisions.

Code provision A.5.6 provides that the nomination committee should have a policy concerning diversity of board members. Since the current Directors of the Board are pending election or re-election, the Company had not adopted relevant policy as at 31 December 2013. The Company will consider the adoption of such diversity policy as soon as practicable after the election of a new session of the Board.

THE BOARD OF DIRECTORS

(1) Composition of the Board of Directors

As at 31 December 2013, the Board consisted of eight Directors, including two Executive Directors, one Non-executive Director and five Independent Non-executive Directors; and members of the Board were as follows:

Chairman of the Board and President: Liu Qitao

Executive Directors: Liu Qitao, Fu Junyuan

Non-executive Director: Zhang Changfu

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

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

The Company has received the confirmation on independence from each of the Independent Non-executive Directors for the year 2013 and the Company considers each Independent Non-executive Director to be independent.

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

(2) Shareholders' General Meetings

In 2013, the Company held three shareholders' general meeting. The table below sets out the details of shareholders' general meeting attendance of each Director in 2013:

Director	Number of Meetings Attended
Liu Qitao	3
Fu Junyuan	3
Zhang Changfu	2
Lu Hongjun	2
Yuan Yaohui	2
Zou Qiao	2
Liu Zhangmin	2
Leung Chong Shun	2
Zhou Jichang	1 [NOTE]

Note: On 26 April 2013, Mr. Zhou Jichang resigned as an Executive Director and Chairman of the Board.

THE BOARD OF DIRECTORS (Continued)

(3) Board Meetings

In 2013, the Company held eleven board meetings to discuss the fundamental system, the internal control system, the establishment of branches, fund raising and investment opportunities of the Company. The table below sets out the details of Board meeting attendance of each Director in 2013:

Director	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	10	1	91%
Fu Junyuan	11	0	100%
Zhang Changfu	10	1	91%
Lu Hongjun	11	0	100%
Yuan Yaohui	11	0	100%
Zou Qiao	9	2	82%
Liu Zhangmin	11	0	100%
Leung Chong Shun	10	1	91%
Zhou Jichang	3	0	N/A NOTE

Note: On 26 April 2013, Mr. Zhou Jichang resigned as an Executive Director and Chairman of the Board.

(4) Responsibilities and Operations of the Board

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

The division of power between the Board and senior management complies with the Articles of Association and relevant regulations, with the exception that Mr. Liu Qitao temporarily is both Chairman of the Board and President of the Company. The Chairman of the Board is responsible for ensuring that the Directors perform their duties properly and ensuring discussions on material matters on a timely basis. Pursuant to the Articles of Association, the President is responsible to the Board and is delegated the authority to, among other things, oversee the operation and management of the Company, implement the decisions of the Board, carry out investment plans and establish an internal management system. While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, the Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive directors of the Company. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, financing and financial reporting, internal controls, communication with shareholders and corporate governance.

The corporate governance functions of the Company are performed by the Board. In 2013, the Board reviewed the Company's policies and practices on corporate governance, reviewed and monitored the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements as well as the company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

THE BOARD OF DIRECTORS (Continued)

(5) Code for Securities Transactions by Directors

The Company has adopted the Model Code. 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 2013.

(6) Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and A Guide on Directors' Duties issued by the Companies Registry of Hong Kong to each newly appointed Director to ensure that he/she is fully aware of his/her responsibilities and obligations under the Hong Kong Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the Hong Kong Listing Rules, Corporate Governance Code and other regulatory regime to the Directors with written materials, as well as organizes seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities. During 2013, the Company Secretary undertook over 15 hours of professional training to update his skills and knowledge.

In 2013, Mr. Liu Qitao attended the training session on corporate bond in Beijing held by the Beijing Bureau of the China Securities Regulatory Commission and the listed Companies Association of Beijing.

(7) Committees under the Board

(a) Strategy Committee

The main duties of the Strategy Committee include, among other things, to review proposals and to make recommendations to the Board regarding the Company's strategic development plans, annual budgets, capital allocation plans, significant mergers and acquisitions and significant financing plans.

As at 31 December 2013, the Strategy Committee consisted of four members, namely Mr. Liu Qitao, Mr. Fu Junyuan, Mr. Lu Hongjun and Mr. Leung Chong Shun, and is chaired by Mr. Liu Qitao.

The Strategy Committee held one meeting in 2013 to review and approve the proposal on the adjustments of departments of the head office. The table below sets out the details of Strategy Committee meeting attendance of each Director in 2013:

Director	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	1	0	100%
Fu Junyuan	1	0	100%
Lu Hongjun	1	0	100%
Leung Chong Shun	1	0	100%

(b) Audit Committee

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

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and the remuneration and terms of engagement of the external auditor;

THE BOARD OF DIRECTORS (Continued)

(7) Committees under the Board (Continued)

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

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to monitor the integrity of financial statements of the Company and the Company's annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and

- to oversee the Company's financial reporting system and internal control procedures, including but not limited to, review of financial controls, internal control and risk management systems, consideration of action on any findings of major investigations of internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Company's financial and accounting policies and practices.

As at 31 December 2013, the Audit Committee consisted of three members, namely Mr. Liu Zhangmin, Mr. Lu Hongjun and Mr. Zou Qiao, and is chaired by Mr. Liu Zhangmin. All members of the Audit Committee are Independent Non-executive Directors.

The Audit Committee held nine meetings in 2013 to discuss, among other things, the audited annual financial statements of 2012, quarterly financial reports of 2013 and the interim financial report of 2013, the auditors' remunerations for 2013 and matters concerning connected transactions. The table below sets out the details of Audit Committee meeting attendance of each Director in 2013:

Director	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Zhangmin	9	0	100%
Lu Hongjun	9	0	100%
Zou Qiao	9	0	100%

Yuan Yaohui and Leung Chong Shun also attended the meeting held on 24 March 2013.

(c) Remuneration and Appraisal Committee

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

- to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent process for developing policy on such remuneration;

- to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment) and make recommendations relating to the remuneration of independent non-executive Directors to the Board; and

- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

As at 31 December 2013, the Remuneration and Appraisal Committee consisted of three members, namely Mr. Yuan Mr. Yaohui, Mr. Zhang Changfu and Mr. Liu Zhangmin, and is chaired by Mr. Yuan Yaohui. Two out of three members of the Remuneration and Appraisal Committee are Independent Non-executive Directors.

THE BOARD OF DIRECTORS (Continued)

(7) Committees under the Board (Continued)

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

The Remuneration and Appraisal Committee held 2 meeting in 2013 to review and discuss the resolution on matters relating to the 2012 annual appraisals of senior management of the Company and the execution of 2013 senior management performance contracts, the proposal on the Interim Measures for the Administration of the Remuneration of Persons in Charge of Central Enterprises and its implementation rules as well as the recommendation on the assessment of operational performance and remuneration of senior management for the year 2012. The table below sets out the details of Remuneration and Appraisal Committee meeting attendance of each Director in 2013:

Director	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Yuan Yaohui	2	0	100%
Zhang Changfu	2	0	100%
Liu Zhangmin	2	0	100%

(d) Nomination Committee

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

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

As at 31 December 2013, the Nomination Committee consisted of six members, namely Mr. Liu Qitao, Mr. Fu Junyuan, Mr. Zhang Changfu, Mr. Yuan Yaohui, Mr. Zou Qiao and Mr. Leung Chong Shun, and is chaired by Mr. Liu Qitao.

The Nomination Committee held one meeting in 2013 to nominate Liu Qitao, Executive Director and President, as Chairman of the Company. The table below sets out the details of Nomination Committee meeting attendance of each Director in 2013:

Director	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	1	0	100%
Fu Junyuan	1	0	100%
Zhang Changfu	1	0	100%
Yuan Yaohui	1	0	100%
Zou Qiao	1	0	100%
Leung Chong Shun	1	0	100%

SUPERVISORY COMMITTEE

The Supervisory Committee is responsible for supervising the Board, its individual members and senior management to safeguard against any potential abuse of authority by the Board, its individual members and senior management so as to protect the interests of the Company and its shareholders as a whole. As at 31 December 2013, the Supervisory Committee of the Company consisted of three members, Mr. Liu Xiangdong, Mr. Xu Sanhao and Mr. Wang Yongbin (representative of the employees). The term of office for supervisors is three years which is renewable upon re-election.

The Supervisory Committee held nine meetings in 2013 to consider and approve the 2012 report of the Supervisory Committee, the 2012 internal control assessment report of the Company as well as the 2013 first quarterly report and the 2013 third quarterly report of 2013 the Company. The table below sets out the details of Supervisory Committee meeting attendance of each Supervisor in 2013:

Supervisors	Number of Meetings Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Xiangdong	9	9	0	100%
Xu Sanhao	8	8	1	89%
Wang Yongbin	7	7	2	78%

AUDITORS' REMUNERATION

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP are appointed as the international and domestic auditors of the Company, respectively. PricewaterhouseCoopers Zhong Tian LLP is also appointed as the auditor of ZPMC, a subsidiary of the Company. Breakdown of the remuneration to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP for audit services provided and other non-audit service assignments for the year ended 31 December 2013 are as follows:

	RMB'000
Audit services	27,540
Audit-related services	9,000
Non-audit services	
– Tax consulting services	1,097
– Other services	5,355
Total	42,992

The Company will consider the resolution on appointment of auditors at the first meeting upon formation of a new session of the Board, which will then be submitted to the AGM for consideration and approval.

INTERNAL CONTROL, INTERNAL CONTROL SELF-ASSESSMENT REPORT AND CORPORATE SOCIAL RESPONSIBILITY REPORT

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

The Company attaches great importance to internal control and its corporate social responsibility. The 2013 Internal Control Self-assessment Report of the Company and the 2013 Corporate Social Responsibility Report of the Company have been published on the website of the Hong Kong Stock Exchange by way of overseas regulatory announcements as well as on the Company's website.

ACCOUNTABILITY OF THE DIRECTORS IN RELATION TO FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the financial statements for each fiscal period. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Company and of the results and cash flow for that fiscal year.

SHAREHOLDERS' RIGHTS

The Company is committed to pursue active communications with shareholders as well as to provide disclosure of information concerning the Group's material developments to shareholders, investors and other stakeholders.

The AGM of the Company serves as an effective forum for communication between shareholders and the Board. Notice of the AGM together with the meeting materials will be dispatched to all shareholders not less than 45 days prior to the AGM. The Chairman of the Board and of Strategy Committee, Audit Committee, Remuneration and Appraisal Committee and Nomination Committee, or in their absence, other members of the respective Committees, will be invited to the AGM to answer questions from shareholders. External auditors will also be invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and the independence of auditors.

Shareholders individually or jointly holding in aggregate more than 10% of the shares of the Company are entitled to request the convention of a shareholders' general meeting. Shareholders individually or jointly holding more than 3% of the shares of the Company shall have the right to submit proposals to the Company at a shareholders' general meeting. Shareholders individually or jointly holding more than 3% of the shares of the Company may bring forward provisional proposals and submit the same in writing to the convener ten days prior to a shareholders' general meeting.

Voting by shareholders at a shareholders' general meeting will be conducted by poll in accordance with the Hong Kong Listing Rules, unless otherwise required and permitted. Detailed procedures for conducting a poll will be explained to the shareholders at the inception of a shareholders' general meeting to ensure that shareholders are familiar with such voting procedures. Separate resolution will be proposed by the chairman of a shareholders' general meeting for each material issue. Poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange on the same business day of the shareholders' general meeting.

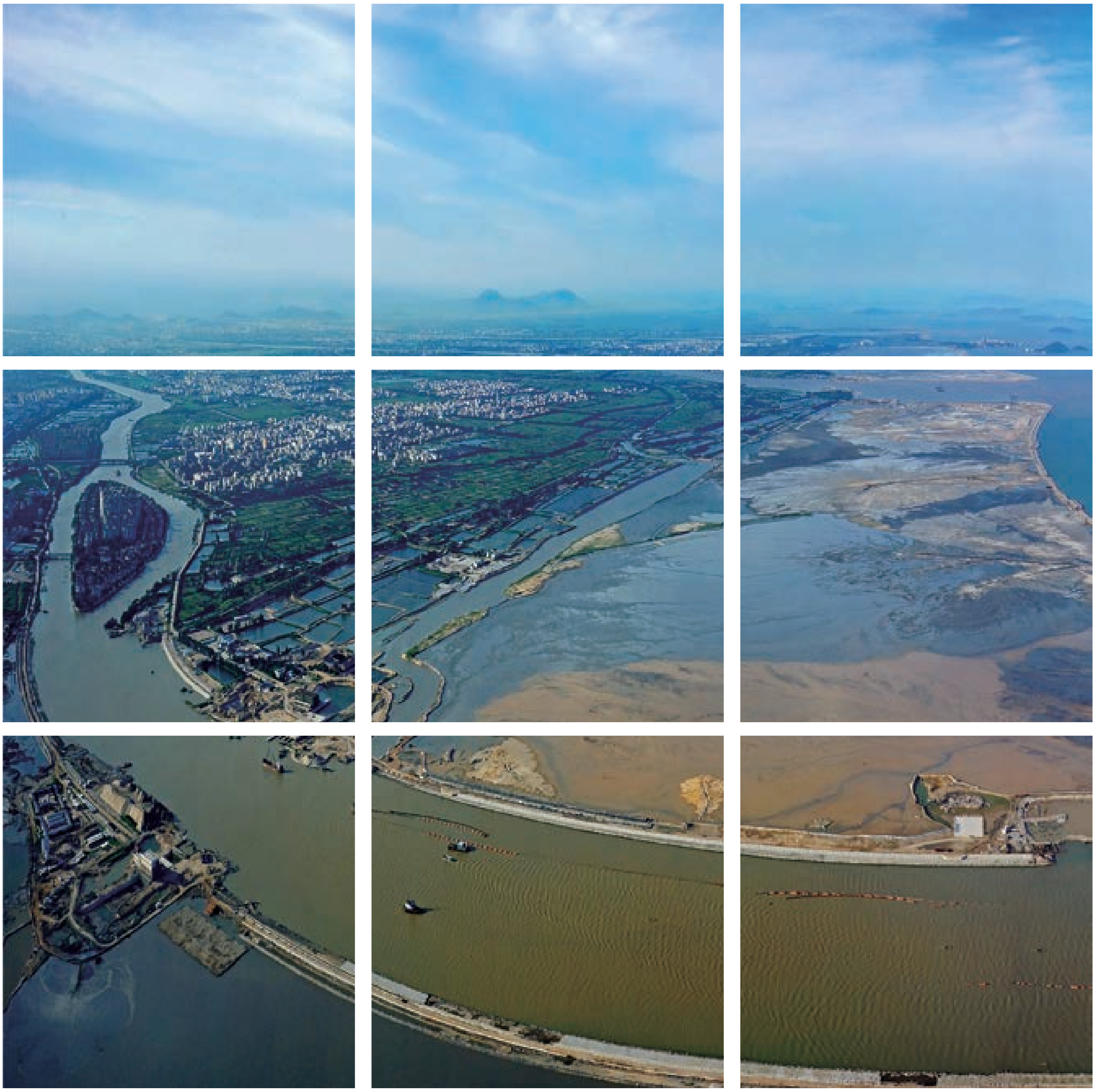
Pursuant to the Articles of Association, a special general meeting can be convened upon the written requisition by any two or more shareholders holding in aggregate not less than 10% in the paid up capital of the Company, provided that at the date of the lodging of such requisition such capital carries the right of voting at shareholders' general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the requisitionists and lodged at the office of the Company.

Enquiries directed to the Board or the Company are facilitated by email to ir@ccccltd.cn or through the online messaging system on the Company's website. All announcements, press releases and conducive corporate information of the Comapny are available on the Company's website to enhance the transparency of the Company.

INVESTOR RELATIONS

Please refer to the chapter headed "Investor Relations" for detailed information.

Profile of Directors, Supervisors and Senior Management



New City on the East coast of Shantou where 15 square kilometres of land reclamation has been completed.

Profile of Directors, Supervisors and Senior Management

BOARD OF DIRECTORS

As at 31 December 2013, the Board consisted of eight Directors, including two Executive Directors, one Non-executive Director, five Independent Non-executive Directors. Profiles of the Directors are as follows:

Mr. Liu Qitao, born in 1957, Chinese nationality with no overseas permanent residence, is an Executive Director, Chairman of the Board and President of the Company. Mr. Liu also serves as the chairman of the board, general manager and the director of CCCG. He has in-depth knowledge and extensive management and operational experience. Mr. Liu held positions as the deputy head of No.13 Bureau of Sinohydro, the assistant to general manager and deputy general manager of China National Water Resources and Hydropower Engineering Corporation and the general manager of its department of overseas operations, the deputy general manager at Sinohydro Corporation and the chairman of the board of directors of Sinohydro International Engineering Co., Ltd., director and general manager of Sinohydro Group Ltd. Mr. Liu graduated from Dalian Institute of Technology (now known as Dalian University of Technology) with a bachelor's degree in water conservancy and hydropower engineering construction, and is qualified as a first class constructor. He is a professor equivalent senior engineer and is entitled to the special government allowance awarded by the State Council. Mr. Liu has been serving as the President of the Company since December 2010, an Executive Director of the Company since January 2011 and Chairman of the Board since 26 April 2013.

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

Mr. Zhang Changfu, born in 1945, Chinese nationality with no overseas permanent residence. Within the reporting period, he served as a Non-executive Director of the Company. On 19 March 2014, due to other business commitments, Mr. Zhang reported to the Board to resign as a Non-executive Director and ceased to be a member of the remuneration and appraisal committee, and the nomination committee of the Board. Within the reporting period, Mr. Zhang also served as the vice chairman of China Iron and Steel Association and has been appointed as an external director of China Metallurgical Group Corporation. He has extensive experience in corporate administration. Mr. Zhang worked at No. 19 Metallurgical Construction Corporation for various positions. He also held positions as the head of the Administration Office and Service Bureau of the State Bureau of Metallurgical Industry, the deputy head and head of Service Administration Bureau of th State Economic and Trade Commission, and the head of Service Administration Bureau under the SASAC. Mr. Zhang graduated from Beijing Iron and Steel Institute (now known as University of Science and Technology Beijing) and obtained a bachelor's degree in engineering. He is a senior economist. Mr. Zhang had served as a Non-executive Director of the Company since June 2008, and was re-elected in December 2009.

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

Mr. Yuan Yaohui, born in 1945, Chinese nationality with no overseas permanent residence, is an Independent Non-executive Director of the Company. Mr. Yuan also serves as a director of Shenzhen Airport Co., Ltd.(resigned in March 2014). and a director of Shenzhen Yantian Port Group Co., Ltd.(will resign in 2014). He has extensive experience in both public policy making and corporate administration. Mr. Yuan held positions as the deputy general manager and general manager of Changhe Aircraft Industries Group, the head of the Economic and Trade Commission of Jiangxi Province, the deputy president of Air China International Corporation (now known as Air China Limited), and head of the policy and regulation department of the General Administration of Civil Aviation of China. Mr. Yuan graduated from the Beijing Institute of Technology with a bachelor's degree in wireless engineering. He is a professor level senior engineer and is entitled to the special government allowance awarded by the State Council. Mr. Yuan has been serving as an Independent Non-executive Director of the Company since September 2006, and was re-elected in December 2009.

BOARD OF DIRECTORS (Continued)

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

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

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

SUPERVISORY COMMITTEE

As at 31 December 2013, the Supervisory Committee consisted of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. Profiles of the Supervisors are as follows:

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

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

SUPERVISORY COMMITTEE (Continued)

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

SENIOR MANAGEMENT

As at 31 December 2013, the Company's senior management consisted of eight members with the profile as follow (profile of Mr. Liu Qitao and Mr. Fu Junyuan who are also Directors are set out above):

Mr. Chen Yun, born in 1963, Chinese nationality with no overseas permanent residence, is a Vice President of the Company. He served as the chairman of CCCC Dredging Technology and Equipment National Research Centre Limited and the chairman of CCCC Ocean Engineering Vessel Technology Research Centre Limited. Mr. Chen joined the Company in September 1998 and has extensive operational and management experience. He held positions as the general manager of assets management division of CHEC Group, the deputy general manager of CHEC Group, and the vice president of CCCG. Mr.Chen graduated from East China Institute of Water Conservancy (now known as Hohai University) with a bachelor's degree in harbour and channel engineering. He also holds a master's degree in business administration from Tsinghua University. He is a senior engineer. Mr. Chen has been serving as a Vice President of the Company since September 2006.

Mr. Chen Yusheng, born in 1955, Chinese nationality with no overseas permanent residence, is a Vice President of the Company. Mr. Chen also serves as the chairman of the board of Beijing United Development Co., Ltd. (resigned in January 2014). He joined the Company in June 1999 and has extensive operational and management experience. Mr. Chen held positions as the assistant president and the deputy general manager of CRBC Group, and the vice president of CCCG. Mr. Chen graduated from Central Communist Party School with a major in politics and law. He is a senior economist. Mr. Chen has been serving as a Vice President of the Company since September 2006.

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

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

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

SENIOR MANAGEMENT (Continued)

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

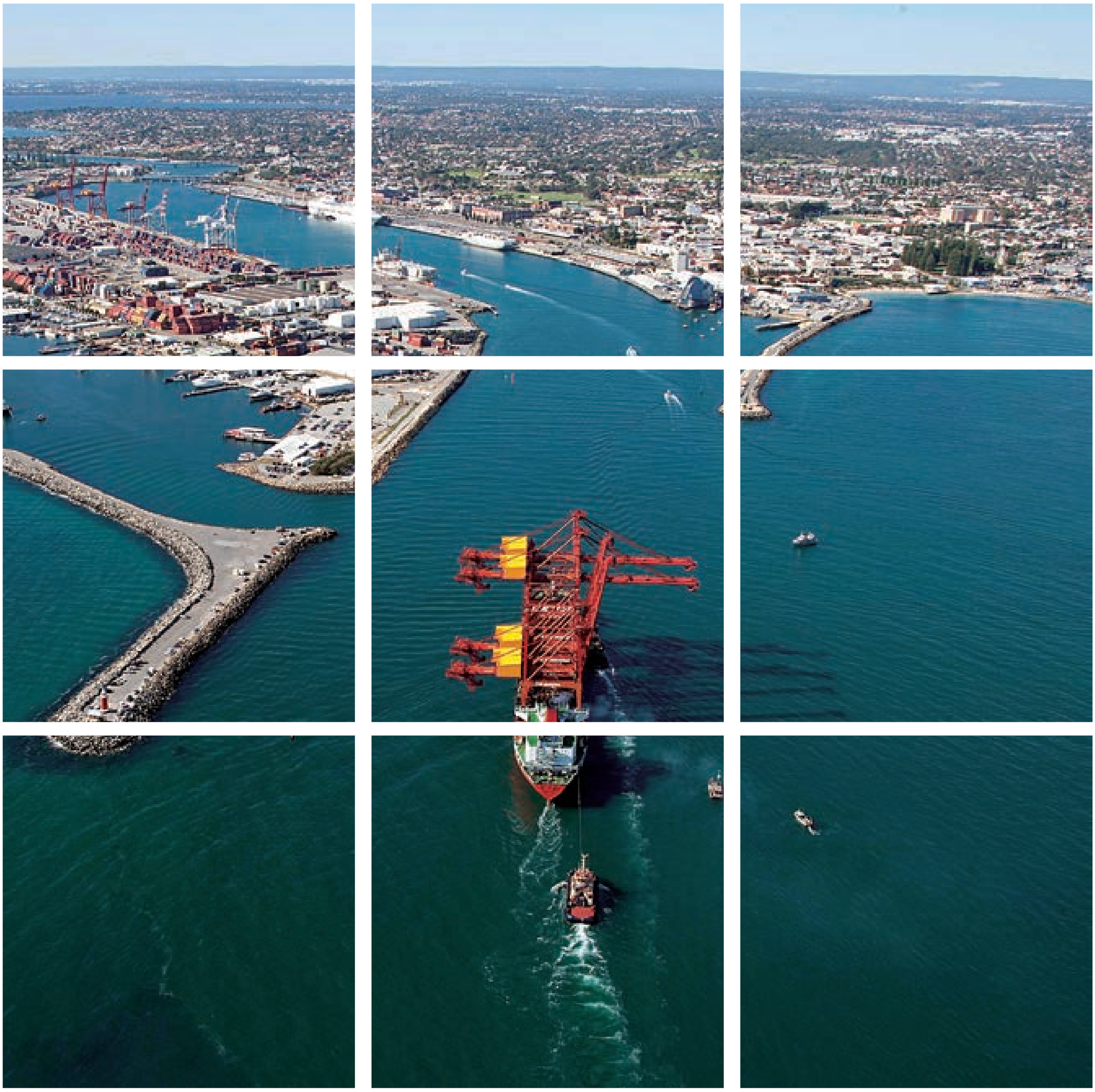
On 26 April 2013, Mr. Zhou Jichang resigned as an Executive Director and Chairman of the Board, as well as from his positions as the chairman of the Strategy Committee and the Nomination Committee of the Board. On the same day, Mr. Hou Jinlong resigned as a Vice President of the Company. Please refer to the announcement published by the Company on 26 April 2013 for more information.

On 19 March 2014, Mr. Zhang Changfu resigned as a Non-executive Director as well as from his positions as a member of the Remuneration and Appraisal Committee and the Nomination Committee of the Board. Please refer to the announcement published by the Company on 20 March 2014 for more information.

On the 38th meeting of the Second Session of the Board held on 28 February 2014, Mr. Liu Qitao, Mr. Chen Fenjian, Mr. Fu Junyuan were nominated as candidates for Executive Directors of the Third Session of the Board, Mr. Liu Maoxun was nominated as candidate for Non-executive Directors of the Third Session of the Board, Mr. Liu Zhangmin, Mr. Leung Chong Shun, Mr. Wu Zhenfang, Mr. Huang Long were nominated as candidates for Independent Non-executive Directors of the Third Session of the Board. This proposal is pending the submission for consideration and approval by the first extraordinary general meeting in 2014. Please refer to the announcement of the Company dated 28 February 2014 for biographical details of the persons mentioned above.

On the sixteen meeting of the Second Session of the Supervisory Committee held on 28 February 2014, Mr. Liu Xiangdong and Mr. Wang Yongbin were nominated as candidates for Supervisors representing the shareholders of the Third Session of the Supervisory Committee. This proposal is pending the submission for consideration and approval by the first extraordinary general meeting in 2014. Please refer to the announcement of the Company dated 28 February 2014 for biographical details of the persons mentioned above.

Investor Relations

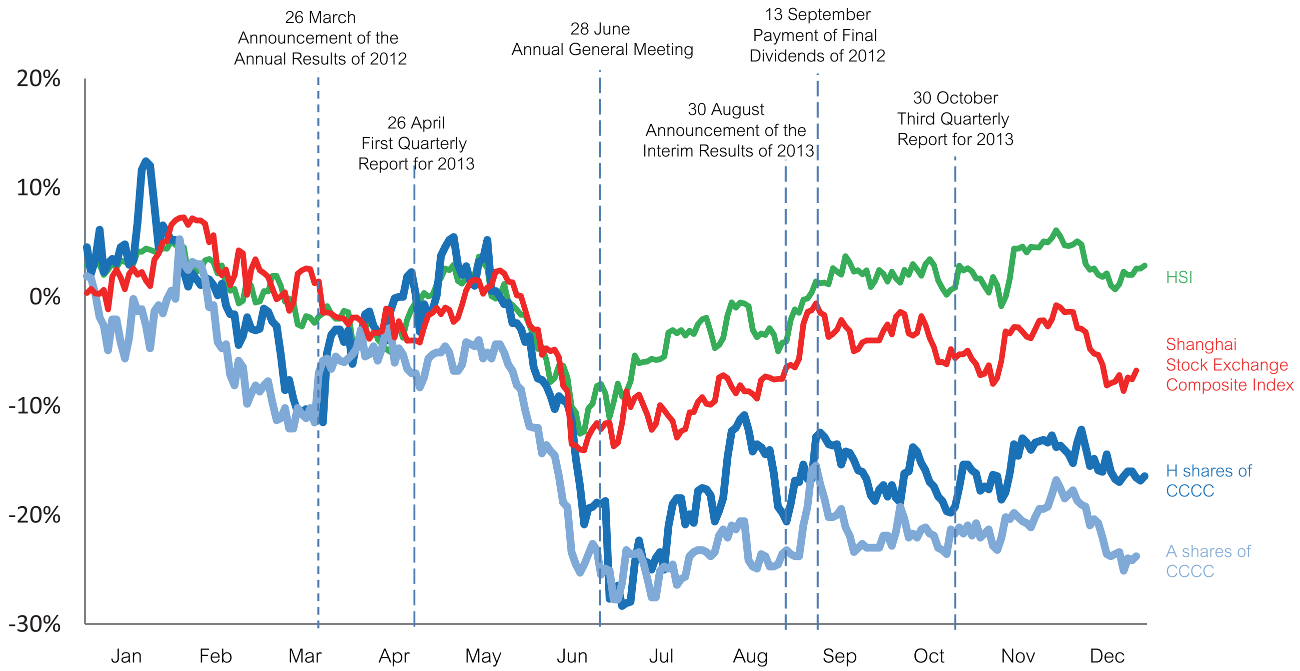


New quayside container cranes with the latest world leading technology export to Australia.

Investor Relations

CAPITAL MARKET REVIEW

The closing price of the Company's H shares on 31 December 2013 was HKD6.25, representing a decrease of 16.44% as compared to the closing price on 31 December 2012. The closing price of the Company's A shares on 31 December 2013 was RMB4.04, representing a decrease of 23.77% as compared to the closing price on 31 December 2012.



COMPREHENSIVE, EFFICIENT AND INTERACTIVE INVESTOR COMMUNICATIONS

The Company maintained active communications with investors in a candid and practical manner with an initiative and open stance and established a comprehensive investor relations service system.

(1) Results Presentations and Non-deal Roadshows

In 2013, results presentations were timely held upon announcement of the annual and interim results, at which the Company detailed its latest operating results to the investors. Upon that, several teams were led by the Chairman and President, the Executive Director who was also CFO as well as the Company Secretary, in visits to over 40 institutional investors and fruitful results were achieved in terms of communication.

With a view to strengthening communications and conversations between the Company and small and medium investors, and protecting their legal interests, upon announcement of 2013 interim results, the Company held results presentations by using online interactive platforms to mainly communicate with various investors, especially small and medium investors, on the Company's strategic planning, operating performance, dividends distribution policy and related business issues, and gained valuable experience. In the future, we will create opportunities and increase the usage of online interactive platforms to debrief advice and suggestions raised by small and medium investors towards the Company.

(2) Attending strategy sessions and overseas investors conferences organised by investment institutions

In 2013, the Company took the initiative to participate in 9 investment strategy report sessions and overseas investors conferences organised by domestic and international investment institutions. Through nearly 50 one-to-one meetings and group conferences, the Company interviewed over 120 investors to exchange ideas with them over the macro-economy of the PRC, the development prospect of the industry the Company is engaged in and the development of the Company's operations, etc. Efficiency was maximised by communicating with such large number of investors within a relatively short period of time.

Investor Relations

COMPREHENSIVE, EFFICIENT AND INTERACTIVE INVESTOR COMMUNICATIONS (Continued)

(3) Reception of investors

In 2013, the Company exchanged ideas with over 200 institutional investors through nearly 100 one-to-one meetings and 10 investor group conferences. The Company's executives had participated in the communication activities with investors in person to respond to enquiries from visitors in an earnest and honest manner whenever time permits. Such arrangement was highly welcomed by the investors. Meanwhile, with nearly 60,000 minority shareholders, the Company arranged dedicated staff to attend to calls to the IR hotline and handle the IR mailbox. During the year, hundreds of different kinds of enquiries were addressed, thus enabling the investors to have more and more understanding of the Company's strategic vision, integrated operating model and development characteristics of each business segment, etc. The Company also further formed a clearer view on concerns of investors, which laid a solid foundation for maintaining smooth communications and interactions and achieving mutual growth and development.

List of the Company's major investor relations activities in 2013

Month	Activity	Organiser
January	DB Access China Conference 2013 in Beijing	Deutsche Bank
	13th Greater China Conference	UBS Securities
March	2012 Annual Results Announcement	CCCC
	• Analysts Briefing	
	• Press Conference	
	Non-deal roadshow	
April	First Quarterly Report for 2013	CCCC
May	China Investment Forum	CLSA
	Interim Strategy Conference	Orient Securities
	4th China Industrial Summit	Morgan Stanley
June	9th China Summit	JP Morgan
	Online Presentations on Cash Dividends	CCCC
August	2013 Interim Results Announcement	CCCC
	• Online Results Presentations	
	• Analysts Briefing	
	• Press Conference	
	Non-deal roadshow	CCCC
September	2013 Autumn Strategy Conference	UBS Securities
October	Third Quarterly Report for 2013	CCCC
November	2013 China Investment Summit	Bank of America Merrill Lynch
	2013 China Investors Conference	Citibank

During the communication with investors, the Company tried its best to satisfy the demands for investigation and research of investors, research institutions and financial media by answering each question seriously. During the course, other than fully fulfilling our information disclosure responsibility by communicating our business strategies and operation performance to investors, we also actively listened to the questions and suggestions raised by investors. We prepared the Market Weekly and Summary of Roadshows to pass the questions raised by investors to the management in a timely and comprehensive manner. Through our work and services, an effective and interactive bridge of communication was built between the investors from the capital market and the Company.

TIMELY AND ACCURATE INFORMATION DISCLOSURE

During the reporting period, the Company carefully made every information disclosure in plain words without misleading and fraud contents, and uploaded those announcements on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange and the website of the Company in the stipulated time period, to facilitate timely and accurate understanding of investors in the Company's operations. Secondly, for discloseable important decisions and significant matters, the Company would publish impromptu announcements on the Shanghai Stock Exchange side by side with overseas regulatory announcements on the Hong Kong Stock Exchange to ensure fairness and consistency in information acquired by domestic and overseas investors, protect the interests of different types of investors and reduce market risks. Finally, matters such as common questions from investors, the Company's dividends distribution, investor relations activities calendar and bids of representative projects were published in the Investor Relations section on the Company's website and newsletter (online version) to make full use of the fast, extensive and low-cost nature of the internet.

All in all, the information release and publication system comprising regular reports, impromptu announcements and the Company's website has offered a comprehensive and multi-dimession channel for different types of investors and people who are concerned about the development of the Company to acquire information about the Company and further shortened the distance between the Company and investors.

CONTINUOUS IMPROVEMENT OF INVESTOR RELATIONS

Through the activities above, we strengthened communications between the management and the investors from the capital market, and enhanced the transparency of the operation and management of the Company. In 2013, the Company was named as one of the Best Management Team by Institutional Investor, an American magazine, and successfully made way into the 2013 Top 100 Hong Kong Listed Companies. The Company also received the "Listed Company with the Best Investor Relationship Management" award from the Overseas Summit Forum of Chinese Listed Companies & Presenting Ceremony of China Securities Golden Bauhinia Awards and Gold Ding Award from 9th China Securities Market Annual Conference in 2013. All these achievements represent recognitions from investors of our unremitting efforts in investor relations management in the past year, which further reinforced the sound image of the Company on capital market.

The Company will continue to enhance the management of capital market, highly value its investor relations work, attach great importance to the value creation for small and medium investors and further improve its information disclosure to continually increase the transparency of the Company in 2014. Investor relation management will be taken as a sustainable development strategy. We are committed to maximising shareholders' return through effective multi-channel and multi-level communication with investors that features equality, sincerity and mutual respect.

Independent Auditor's Report

pwc 羅兵咸永道

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

We have audited the consolidated financial statements of China Communications Construction Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 68 to 176, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2014

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Balance Sheets

	Note	Group As at 31 December 2013 RMB million	Group As at 31 December 2012 RMB million (Restated) (Note 21 (e))	Company As at 31 December 2013 RMB million	Company As at 31 December 2012 RMB million (Restated) (Note 21 (e))
ASSETS					
Non-current assets					
Property, plant and equipment	6	**55,619**	56,812	**50**	49
Lease prepayments	7	**8,273**	7,961	**–**	–
Investment properties	8	**752**	988	**–**	–
Intangible assets	9	**54,592**	36,519	**18**	13
Investments in subsidiaries	10	**–**	–	**91,875**	67,745
Investments in joint ventures	11	**1,019**	1,052	**62**	62
Investments in associates	11	**6,780**	3,811	**2,094**	2,004
Deferred income tax assets	24	**2,612**	2,379	**93**	101
Available-for-sale financial assets	13	**13,913**	14,462	**7,957**	7,913
Trade and other receivables	14	**55,032**	38,685	**1,385**	2,039
		198,592	162,669	**103,534**	79,926
Current assets					
Inventories	15	**32,850**	27,113	**336**	310
Trade and other receivables	14	**129,870**	111,842	**11,261**	12,026
Loans to subsidiaries	10	**–**	–	**17,897**	20,077
Amounts due from subsidiaries	10	**–**	–	**4,164**	7,944
Amounts due from customers for contract work	16	**66,131**	57,983	**3,165**	5,094
Other financial assets at fair value through profit or loss		**191**	37	**–**	–
Available-for-sale financial assets	13	**4,203**	1,500	**–**	500
Derivative financial instruments	17	**121**	49	**–**	23
Restricted bank deposits	18(a)	**4,249**	5,581	**1**	1
Cash and cash equivalents	18(b)	**81,238**	67,503	**25,226**	29,693
		318,853	271,608	**62,050**	75,668
Total assets		**517,445**	434,277	**165,584**	155,594

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

Balance Sheets (Continued)

	Note	Group As at 31 December 2013 RMB million	Group As at 31 December 2012 RMB million (Restated) (Note 21 (e))	Company As at 31 December 2013 RMB million	Company As at 31 December 2012 RMB million (Restated) (Note 21 (e))
EQUITY					
Capital and reserves attributable to owners of the Company					
Share capital	19	**16,175**	16,175	**16,175**	16,175
Share premium	19(a)	**19,656**	19,656	**19,656**	19,656
Other reserves	21	**55,995**	47,840	**35,230**	27,735
Proposed final dividend	38	**3,035**	2,988	**3,035**	2,988
		94,861	86,659	**74,096**	66,554
Non-controlling interests		**9,980**	9,454	**–**	–
Total equity		**104,841**	96,113	**74,096**	66,554
LIABILITIES					
Non-current liabilities					
Borrowings	23	**99,157**	75,058	**21,270**	22,284
Deferred income		**1,884**	1,021	**–**	–
Deferred income tax liabilities	24	**2,893**	3,100	**1,584**	1,740
Retirement benefit obligations	25	**1,809**	2,127	**74**	104
Trade and other payables	22	**2,126**	2,672	**539**	1,530
		107,869	83,978	**23,467**	25,658
Current liabilities					
Trade and other payables	22	**198,064**	165,972	**13,242**	16,293
Amounts due to subsidiaries	10	**–**	–	**33,361**	31,861
Amounts due to customers for contract work	16	**15,096**	15,253	**1,012**	672
Current income tax liabilities		**3,246**	3,223	**19**	19
Borrowings	23	**87,818**	69,187	**20,380**	14,532
Derivative financial instruments	17	**11**	28	**2**	–
Retirement benefit obligations	25	**144**	189	**5**	5
Provisions for other liabilities and charges	26	**356**	334	**–**	–
		304,735	254,186	**68,021**	63,382
Total liabilities		**412,604**	338,164	**91,488**	89,040
Total equity and liabilities		**517,445**	434,277	**165,584**	155,594
Net current assets/(liabilities)		**14,118**	17,422	**(5,971)**	12,286
Total assets less current liabilities		**212,710**	180,091	**97,563**	92,212

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

The financial statements on pages 68 to 176 were approved by the Board of Directors on 25 March 2014 and were signed on its behalf.

Liu Qitao
Director

Fu Junyuan
Director

Consolidated Income Statement

	Note	Year ended 31 December 2013 RMB million	2012 RMB million (Restated) (Note 21(e))
Revenue	5	**331,798**	295,321
Cost of sales	30	**(297,860)**	(262,723)
Gross profit		**33,938**	32,598
Other income	27	**2,054**	1,753
Other gains, net	28	**767**	439
Selling and marketing expenses	30	**(480)**	(611)
Administrative expenses	30	**(15,810)**	(14,033)
Other expenses	29	**(894)**	(921)
Operating profit		**19,575**	19,225
Finance income	32	**2,428**	1,627
Finance costs, net	33	**(6,373)**	(5,411)
Share of profit of joint ventures	11	**65**	49
Share of profit of associates	11	**157**	61
Profit before income tax		**15,852**	15,551
Income tax expense	34	**(3,580)**	(3,790)
Profit for the year		**12,272**	11,761
Attributable to:			
– Owners of the Company		**12,568**	12,277
– Non-controlling interests		**(296)**	(516)
		12,272	11,761
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	37	**0.78**	0.77
– Diluted	37	**0.78**	0.77

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

Details of aggregate amounts of the dividends paid and proposed to owners of the Company during the year 2013 and 2012 are set out in Note 38.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2013	2012
	RMB million	RMB million (Restated)
Profit for the year	**12,272**	11,761
Other comprehensive (expenses)/income		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gain/(loss) on retirement benefit obligations	**132**	(29)
Items that may be reclassified to profit or loss		
Changes in fair value of available-for-sale financial assets, net of deferred tax		
– (Losses)/gains arising during the year	**(696)**	1,408
– Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**(251)**	–
– Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets	**113**	–
Share of other comprehensive income of a joint venture	**–**	1
Currency translation differences	**(130)**	77
Other comprehensive (expenses)/income for the year, net of tax	**(832)**	1,457
Total comprehensive income for the year	**11,440**	13,218
Total comprehensive income/(expenses) attributable to:		
– Owners of the Company	**11,647**	13,725
– Non-controlling interests	**(207)**	(507)
	11,440	13,218

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

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company						
		Share capital RMB million	Share premium RMB million	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 previously reported		14,825	13,853	10,990	30,563	70,231	10,789	81,020
Adjustments for adoption of IAS 19 (2011)	2.1 (a)	–	–	(95)	(42)	(137)	–	(137)
Adjustments for adoption of merger accounting	1	–	–	9	–	9	–	9
Balance at 1 January 2012, as restated		14,825	13,853	10,904	30,521	70,103	10,789	80,892
Comprehensive income								
Profit/(losses) for the year, as restated		–	–	–	12,277	12,277	(516)	11,761
Other comprehensive income								
Changes in fair value of available-for-sale financial assets, net of deferred tax		–	–	1,404	–	1,404	4	1,408
Actuarial loss on retirement benefit obligations		–	–	(29)	–	(29)	–	(29)
Share of other comprehensive income of a joint venture		–	–	1	–	1	–	1
Currency translation differences		–	–	72	–	72	5	77
Total other comprehensive income, net of tax, as restated		–	–	1,448	–	1,448	9	1,457
Total comprehensive income/(expenses), as restated		–	–	1,448	12,277	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								
– Issue 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)
Capital contribution from shareholder of Qingdao Chengyang		–	–	38	–	38	–	38
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries		–	–	2	–	2	(20)	(18)
Transfer to statutory surplus reserve	21	–	–	223	(223)	–	–	–
Transfer to safety reserve	21	–	–	383	(383)	–	–	–
Balance at 31 December 2012, as restated		16,175	19,656	11,538	39,290	86,659	9,454	96,113

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

Consolidated Statement of Changes in Equity (Continued)

		Attributable to owners of the Company						
	Note	Share capital RMB million	Share premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2013, as restated		16,175	19,656	11,538	39,290	86,659	9,454	96,113
Comprehensive income								
Profit/(losses) for the year		–	–	–	12,568	12,568	(296)	12,272
Other comprehensive income								
Changes in fair value of available-for-sale financial assets, net of deferred tax		–	–	(782)	–	(782)	86	(696)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		–	–	(251)	–	(251)	–	(251)
Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets		–	–	113	–	113	–	113
Actuarial gain on retirement benefit obligations		–	–	132	–	132	–	132
Currency translation differences		–	–	(133)	–	(133)	3	(130)
Total other comprehensive (expenses)/ income, net of tax		–	–	(921)	–	(921)	89	(832)
Total comprehensive income/(expenses)		–	–	(921)	12,568	11,647	(207)	11,440
2012 final dividend		–	–	–	(2,988)	(2,988)	–	(2,988)
Dividends paid to non-controlling interests		–	–	–	–	–	(35)	(35)
Capital contribution from non-controlling interests		–	–	–	–	–	414	414
Cash contribution from government		–	–	63	–	63	1	64
Acquisition of subsidiaries		–	–	(48)	–	(48)	722	674
Disposal of subsidiaries		–	–	(60)	–	(60)	(371)	(431)
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries		–	–	(408)	–	(408)	2	(406)
Transfer investment revaluation reserve to retained earnings, net of deferred tax		–	–	(3)	3	–	–	–
Transfer to National Social Security Fund	21	–	–	–	(4)	(4)	–	(4)
Transfer to statutory surplus reserve	21	–	–	1,107	(1,107)	–	–	–
Transfer to safety reserve	21	–	–	140	(140)	–	–	–
Balance at 31 December 2013		16,175	19,656	11,408	47,622	94,861	9,980	104,841

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

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2013 RMB million	2012 RMB million (Restated)
Cash flows from operating activities			
Cash generated from operations	40(a)	**10,649**	16,526
Income tax paid		**(3,677)**	(3,219)
Net cash generated from operating activities		**6,972**	13,307
Cash flows from investing activities			
Purchases of property, plant and equipment ("PPE")		**(7,331)**	(7,131)
Increase in lease prepayments		**(765)**	(233)
Purchases of intangible assets		**(17,038)**	(11,922)
Purchases of investment properties		**–**	(327)
Proceeds from disposal of PPE	40(b)	**1,073**	596
Proceeds from disposal of lease prepayments		**133**	18
Proceeds from disposal of investment properties		**4**	–
Additional investments in joint ventures		**(254)**	(52)
Additional investments in associates		**(2,669)**	(682)
Acquisition of a subsidiary		**(925)**	(16)
Net cash inflow in respect of disposal of subsidiaries		**210**	–
Purchases of available-for-sale financial assets		**(8,976)**	(8,015)
Purchases of other financial assets at fair value through profit or loss		**(184)**	–
Proceeds from disposal of joint ventures		**73**	3
Proceeds from disposal of associates		**148**	72
Proceeds from disposal of available-for-sale financial assets		**5,911**	7,026
Proceeds from disposal of other financial assets at fair value through profit or loss		**18**	12
Proceeds from government grants related to assets		**978**	–
Interest received		**832**	726
Dividends received		**676**	421
Net cash used in investing activities		**(28,086)**	(19,504)
Cash flows from financing activities			
Proceeds from borrowings		**126,060**	119,735
Repayments of borrowings		**(83,273)**	(83,414)
Proceeds from issuance of A shares		**–**	4,864
Interest paid		**(8,275)**	(6,432)
Changes in restricted bank deposits		**2,655**	(2,938)
Capital contribution by shareholders		**–**	40
Dividends paid to the Company's shareholders		**(2,988)**	(2,902)
Dividends paid to non-controlling interests of subsidiaries		**(91)**	(135)
Capital contribution from non-controlling interests		**414**	144
Cash contribution from CCCG		**–**	18
Cash contribution from government		**64**	–
Additional investments in subsidiaries		**(4)**	(18)
Net cash generated from financing activities		**34,562**	28,962
Net increase in cash and cash equivalents		**13,448**	22,765
Cash and cash equivalents at beginning of year	18	**68,003**	45,237
Exchange (losses)/gains on cash and cash equivalents		**(213)**	1
Cash and cash equivalents at end of year	18	**81,238**	68,003

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

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

In July 2013, the Group completed the acquisition of a 95% equity interest in CCCC Real Estate Qingdao Chengyang Property Limited ("Qingdao Chengyang") from CCCC Real Estate Company Limited ("CCCC Real Estate"), which is a wholly-owned subsidiary of CCCG, with a consideration of RMB47.5 million. Upon completion of the acquisition, the Group held 100% equity interest in Qingdao Chengyang. 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 Combination" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements for the year ended 31 December 2012 have been restated as a result of adoption of merger accounting for the above business combination under common control. Details of relevant statements of adjustments for the common control combination on the Group's results for the year ended 31 December 2012 and the financial position as at 31 December 2012 are set out in Note 21(e).

In October 2012, the Group completed the acquisition of a 100% equity interests in China Communications Materials & Equipment Company Limited ("CCMEC") from CCCG. 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 "HKICPA".

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 25 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2013.

	Effective for accounting periods beginning on or after
Amendment to IAS 1, "Financial statements presentation" regarding other comprehensive income	1 July 2012
Amendment to IFRS 1, "First time adoption", on government loans	1 January 2013
Amendment to IFRSs 10, 11 and 12 on transition guidance	1 January 2013
Annual improvements 2011, which includes changes to: IFRS 1, IASs 1, 16, 32 and 34	1 January 2013
IFRS 10, "Consolidated financial statements"	1 January 2013
IAS 27 (revised 2011), "Separate financial statements"	1 January 2013
IFRS 11, "Joint arrangements"	1 January 2013
IAS 28 (revised 2011), "Associates and joint ventures"	1 January 2013
IFRS 12, "Disclosures of interests in other entities"	1 January 2013
IFRS 13, "Fair value measurements"	1 January 2013
IAS 19 (2011), "Employee benefits"	1 January 2013
Amendment to IFRS 7, "Financial instruments: Disclosures" on asset and liability offsetting	1 January 2013
Annual improvement 2012 – Amendment to IFRS 13, "Fair value measurement"	1 January 2013
Annual improvement 2013 – Amendment to IFRS 1, "First time adoption"	1 January 2013

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

- Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently(reclassification adjustments).

- IAS 19 (2011) "Employee benefits" amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas:

  (i) This amendment eliminated the "corridor approach" adopted by the Group previously, in which the net cumulative unrecognised actuarial gain or loss arising from experience adjustments and changes in actuarial assumptions exceeding 10% of the present value of the defined benefit obligation are credited or charged to consolidated income statement immediately.

  (ii) Actuarial gain and loss (remeasurement) are recognised in the consolidated balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. They are not recycled subsequently. Accumulated actuarial gain and loss are included in "remeasurement reserve" in other reserves (Note 21(e)).

  (iii) Statements of adjustments of adoption of IAS 19 (2011) are set out in Note 21(e).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group (Continued)

- IFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint ventures, associates and non-controlling interests. Relevant disclosures are set out in Note 10 and 11.

- IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group has included the disclosures for fair value measurement (Note 3.2).

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, and subsequently reissued to incorporate new requirements in October 2010 and November 2013. It replaces the parts 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 also consider the impact of the remaining phases of IFRS 9.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The acquisition method of accounting is used to account for the acquisitions of subsidiaries of the Group, except for those acquisitions which are considered as a business combination under common control in a manner similar to pooling-of-interests and with reference to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination (Continued)

Purchase method of accounting for non-common control combinations

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

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

Notes to the Consolidated Financial Statements (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.3 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, from part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The changes in accounting policy has been applied as from 1 January 2012.

Prior to the adoption of IFRS 11, the joint ventures were accounted for under the equity method of accounting and adoption of IFRS 11 did not have any impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates

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

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

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

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

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

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.5 Segment reporting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains, net".

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

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

(c) Group companies

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

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

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

2.7 Property, plant and equipment

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

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

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

– Leasehold land classified as finance lease	Shorter of useful life or remaining lease term
– Buildings	20-30 years
– Machinery	5-10 years
– Vessels	10-25 years
– Motor vehicles	5 years
– Other equipment	2-5 years

Construction-in-progress represents buildings, vessels and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Costs include construction and acquisition costs, and interest charges arising from borrowings used to finance the assets during the construction period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and available for use. When the assets concerned become available for use, the costs are transferred to appropriate category of property, plant and equipment and depreciated in accordance with the policy as stated above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

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

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

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

2.8 Investment properties

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

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

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

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

2.9 Lease prepayments

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

2.10 Intangible assets

(a) Concession assets

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

Notes to the Consolidated Financial Statements (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets (Continued)

(b) Goodwill

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

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

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

(c) Trademark, patent and proprietary technologies

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

(d) Computer software

Acquired computer software license costs recognised as assets are amortised over their estimated useful lives of 1 to 10 years.

2.11 Impairment of non-financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "restricted bank deposit" and "cash and cash equivalents" in the balance sheet (Note 2.17 and Note 2.18).

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

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

2.12.2 Recognition and measurement

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

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

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

2.12.2 Recognition and measurement (Continued)

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. However, if the range of reasonable fair value estimate is significant and the probabilities of various estimates cannot be reasonably assessed, such financial assets are carried out at cost less accumulated impairment losses.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

(b) Assets classified as available for sale

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

2.15 Derivative financial instruments

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

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

2.16 Inventories

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

2.17 Trade and other receivables

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

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

2.18 Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Share capital

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

2.20 Trade payables

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

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

2.21 Borrowings

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

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

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

2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for its intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.23 Current and deferred income tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Current and deferred income tax (Continued)

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

Notes to the Consolidated Financial Statements (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Actuarial gain and loss arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gain and loss arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognise costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Employee benefits (Continued)

(d) Housing funds

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

(e) Bonus entitlements

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

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

(f) Share-based payments

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

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed over the vesting period. The liability is re-measured at each end of the reporting period to its fair value, with all changes recognised immediately in the consolidated income statement.

The grant by the Company of SAR to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the fair value of the liability incurred, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding adjustment recognising the liability in the parent entity accounts.

2.25 Provisions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Government grants

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

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

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

2.27 Contract work

Contract costs are recognised in the consolidated income statement when incurred. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Revenue recognition

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

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

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

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

(b) Services rendered

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

(c) Sales of products

Sales of products are recognised when an entity has delivered the products to the customer, and the customer has accepted the products and collectability of the related receivables is reasonably assured.

(d) Rental income

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

2.29 Interest income

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

2.30 Dividend income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Leases

2.31.1 Operating leases

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

(a) As a lessee

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

(b) As a lessor

Assets leased out under operating leases are included in property, plant and equipment and investment properties in the consolidated balance sheet.

2.31.2 Finance leases

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

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the expected useful life of the asset and the lease term.

2.32 Research and development

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

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

2.33 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Risk management is carried out by Finance Department under policies approved by the Board of Directors. The Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

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

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

Details of the Group's trade and other receivables, cash and bank balances, trade and other payables and borrowings as at 31 December 2013, denominated in foreign currencies, mainly United States Dollars ("USD"), are disclosed in Notes 14(j), 18(c), 22(b) and 23(h), respectively.

To manage the impact of currency exchange rate fluctuations, the Group continually assesses its exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments when management considers necessary.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, post-tax profit for the year would have been approximately RMB351 million (2012: 5%, RMB331 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar -denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. Profit is more sensitive to movement in RMB/US dollar exchange rates in 2013 than 2012 mainly because of the increased amount of US dollar-denominated borrowings and decreased amount of US dollar-denominated trade and other receivables.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk *(Continued)*

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified 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.

The table below summarises the impact of increases/decreases of quoted price in open markets on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity price had increased/decreased by 10% with all other variables held constant:

	2013	2012
Increases/decreases in quoted price in open markets	**10%**	10%

	2013 **RMB million**	2012 RMB million
Impact on post-tax profit for the year	**19**	4
Impact on equity attributable to owners of the Company for the year	**1,247**	1,308

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2013 and 2012, the Group's borrowings at variable rate were mainly denominated in RMB, USD, Euro ("EUR"), Japanese Yen ("JPY") and Hong Kong Dollars ("HKD").

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

Increases in interest rates will increase the cost of new borrowing and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position. Management continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the Group did not consider it was necessary to do so in 2013 and 2012.

As at 31 December 2013, approximately RMB110,030 million (2012: RMB76,211 million) of the Group's borrowings were at variable rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 23. As at 31 December 2013, if interest rates on borrowings had been 0.25 percentage-point higher/lower with all other variables held constant, profit attributable to the owners of the Company for the year would have been RMB120 million lower/higher (2012: 0.25 percentage-point higher/lower, RMB104 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

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

The Group's major customers are PRC Government agencies at the national, provincial and local levels, and other state-owned enterprises, which accounted for significant amount of the Group's total operating revenue during the year. The Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluation of its customers. With regard to overseas companies of inadequate creditworthiness, the Group usually demands letters of guarantee or letters of credit.

Moreover, impairments are recognised for the credit risk that is inherent in trade receivables from the domestic and overseas businesses. The maximum exposure to loss of trade receivables is equal to their total carrying amounts. The carrying amounts of trade receivables, showing separately those receivables that are past due or impaired, are disclosed in Note 14.

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

(c) Liquidity risk

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

The Group's maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 23.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to capital intensive nature of the Group's business, the Group ensures that it maintains flexibility through keeping sufficient cash and cash equivalents and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and banks and other borrowings.

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Group

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
As at 31 December 2013				
Borrowings (excluding finance lease liabilities)	**93,216**	**18,391**	**46,301**	**73,144**
Finance lease liabilities	**882**	**645**	**1,333**	**915**
Net-settled derivative financial instruments	**(3)**	**(3)**	**16**	**1**
Gross-settled derivative financial instruments – outflows	**3,811**	**–**	**–**	**–**
Gross-settled derivative financial instruments – inflows	**(3,937)**	**–**	**–**	**–**
Trade and other payables (excluding statutory and non-financial liabilities)	**145,839**	**2,694**	**–**	**–**
Financial guarantee contracts	**–**	**–**	**115**	**147**
	239,808	**21,727**	**47,765**	**74,207**
As at 31 December 2012, as restated				
Borrowings (excluding finance lease liabilities)	72,909	19,911	28,227	51,757
Finance lease liabilities	836	839	1,469	1,163
Net-settled derivative financial instruments	8	7	15	–
Gross-settled derivative financial instruments – outflows	1,886	–	–	–
Gross-settled derivative financial instruments – inflows	(1,921)	–	–	–
Trade and other payables (excluding statutory and non-financial liabilities)	120,143	3,005	–	–
Financial guarantee contracts	80	–	32	135
	193,941	23,762	29,743	53,055

Notes to the Consolidated Financial Statements (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

***(c) Liquidity risk** (Continued)*

Company

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
As at 31 December 2013				
Borrowings	**20,984**	**2,302**	**8,661**	**16,361**
Net-settled derivative financial instruments	**(6)**	**(5)**	**13**	**1**
Trade and other payables (excluding statutory and non-financial liabilities)	**6,794**	**16**	**–**	**–**
Financial guarantee contracts	**9,189**	**2,334**	**2,196**	**11,048**
	36,961	**4,647**	**10,870**	**27,410**
As at 31 December 2012				
Borrowings	15,506	3,270	8,981	17,103
Trade and other payables (excluding statutory and non-financial liabilities)	10,599	–	–	–
Financial guarantee contracts	12,283	3,135	1,165	7,591
	38,388	6,405	10,146	24,694

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

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

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

(d) Capital risk management

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

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

Notes to the Consolidated Financial Statements (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Capital risk management (Continued)

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

	2013 **RMB million**	2012 RMB million (Restated)
Total borrowings (Note 23)	**186,975**	144,245
Less: cash and cash equivalents (Note 18(b))	**(81,238)**	(67,503)
Net debt	**105,737**	76,742
Total equity	**104,841**	96,113
Total capital	**210,578**	172,855
Gearing ratio	**50%**	44%

The gearing ratio as at 31 December 2013 increased by 6% compared with that in 2012 primarily attributable to the increase in borrowings to meet the financing needs of projects.

(e) Business environment in emerging economies

The Group has business operations in a number of overseas countries, including countries in Africa, Middle East and South Asia. Management has identified some of the overseas countries that are exposed to or may be exposed to political and social turbulence which may lead to unexpected or accelerated changes in political, social and economic environments, and these changes may result in adverse effect on the Group's operations and assets in these countries. Any political or social turbulence or unexpected or accelerated changes in political, social and economic environments may lead to delays or suspension of construction projects and consequently outstanding construction related cost and receivables may not be fully recoverable. The bank deposits in financial institutions in some of these countries are not freely convertible into other foreign currencies and the remittance of such bank deposits out of those countries is controlled. The Group has contingency plans to minimise the financial impact for unexpected turbulent situations, including safeguard of assets. The Group also has policies in place to limit the amounts to be settled in local currencies of these countries and to maintain minimum level of bank deposits in financial institutions of these countries.

As at 31 December 2013, the balance of contract work-in-progress relating to existing construction projects and bank deposits in these countries in Africa, Middle East and South Asia represent less than 2.0% and 1.0% (31 December 2012: less than 2.0% and 1.0%), respectively, of the respective balances on the consolidated balance sheet. Management continuously monitors the development and changes in political, social and economic environments of these countries. Whenever there is any indication of impairment exists, management will perform impairment assessment of the outstanding assets. Based on current assessment, management does not expect any material losses of outstanding assets in these countries. Future environment may differ from management's current assessment.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 RMB million	**Level 2 RMB million**	**Level 3 RMB million**	**Total RMB million**
Assets				
Financial assets at fair value through profit or loss	**191**	**–**	**–**	**191**
Derivative financial instruments – held for trading	**–**	**121**	**–**	**121**
Available-for-sale financial assets				
– Equity securities	**12,471**	**–**	**–**	**12,471**
– Other unlisted instruments	**–**	**4,203**	**–**	**4,203**
Total assets	**12,662**	**4,324**	**–**	**16,986**
Liabilities				
Derivative financial instruments – held for trading	**–**	**(11)**	**–**	**(11)**
Total liabilities	**–**	**(11)**	**–**	**(11)**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
Assets				
Financial assets at fair value through profit or loss	37	–	–	37
Derivative financial instruments -held for trading	–	49	–	49
Available-for-sale financial assets				
– Equity securities	12,957	124	–	13,081
– Other unlisted instruments	–	1,500	–	1,500
Total assets	12,994	1,673	–	14,667
Liabilities				
Derivative financial instruments – held for trading	–	(28)	–	(28)
Total liabilities	–	(28)	–	(28)

Notes to the Consolidated Financial Statements (Continued)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value estimation (Continued)

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all the resulting fair value estimates are included in level 2.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

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

4.1 Construction contracts

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

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

4.2 Income taxes

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

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

4.3 Fair value of financial instruments

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

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

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

4.4 Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 25.

If the discount rate used to increase/decrease by 0.25 percentage point from management's estimates with all other variables held constant, the carrying amount of pension obligations as at the end of the reporting period would have been RMB35 million (2012: RMB23 million) lower or RMB36 million (2012: RMB24 million) higher.

4.5 Impairment assessment on concession assets

The Group operates certain concession assets and their impairment is reviewed whenever events or changes in circumstances indicate that the carrying amounts of the concession assets may not be recoverable in accordance with the accounting policy stated in Note 2.10(a).

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

Based on management's best estimates, there was no impairment loss for concession assets recognised during the year. Where the expectation is different from the original estimate, such differences will impact the impairment assessment in the periods in which such estimate is changed.

4.6 Depreciation on property, plant and equipment

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

4.7 Impairment of trade and other receivables

The impairment of trade and other receivables is primarily assessed based on current market conditions and prior experience by taking into account past due status, financial position of debtors and guarantees obtained for the outstanding debts, if any. The Group reviews the adequacy of impairment on a regular basis. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade and other receivables would be required.

5. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2013 and other segment items included in the consolidated financial statements are as follows:

	For the year ended 31 December 2013						
	Construction 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	264,146	19,394	32,789	24,171	3,706	(12,408)	331,798
Inter-segment revenue	(5,831)	(947)	(3,478)	(1,062)	(1,090)	12,408	–
Revenue	258,315	18,447	29,311	23,109	2,616	–	331,798
Segment result	13,464	2,573	3,620	73	169	(235)	19,664
Unallocated costs							(89)
Operating profit							19,575
Finance income							2,428
Finance costs, net							(6,373)
Share of profit of joint ventures							65
Share of profit of associates							157
Profit before income tax							15,852
Income tax expense							(3,580)
Profit for the year							12,272
Other segment items							
Depreciation	4,554	186	1,646	1,168	19	–	7,573
Amortisation	313	31	19	63	43	–	469
Write-down of inventories	21	–	–	306	1	–	328
Provision for/(reversal of) foreseeable losses on construction contracts	62	1	(4)	176	–	–	235
Provision for impairment of trade and other receivables	515	153	181	309	–	–	1,158
Provision for impairment of available-for-sale financial assets	150	–	–	–	–	–	150

5. SEGMENT INFORMATION (Continued)

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

	For the year ended 31 December 2012 (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	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	13,465	2,364	3,511	(125)	120	30	19,365
Unallocated costs							(140)
Operating profit							19,225
Finance income							1,627
Finance costs, net							(5,411)
Share of profit of joint ventures							49
Share of profit of associates							61
Profit before income tax							15,551
Income tax expense							(3,790)
Profit for the year							11,761
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
Provision for impairment of available-for-sale financial assets	11	–	–	–	–	–	11

Notes to the Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION (Continued)

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

The segment assets and liabilities at 31 December 2013 and capital expenditure for the year then ended are as follows:

	As at 31 December 2013						
	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Segment assets	336,233	15,058	61,970	46,117	4,804	(10,048)	454,134
Investments in joint ventures							1,019
Investments in associates							6,780
Unallocated assets							55,512
Total assets							517,445
Segment liabilities	185,972	10,661	23,470	5,899	2,063	(9,685)	218,380
Unallocated liabilities							194,224
Total liabilities							412,604
Capital expenditure	24,262	269	804	253	1,280	–	26,868

Segment assets and liabilities at 31 December 2013 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	454,134	218,380
Investments in joint ventures	1,019	–
Investments in associates	6,780	–
Unallocated:		
Deferred income tax assets/liabilities	2,612	2,893
Current income tax liabilities	–	3,246
Current borrowings	–	87,818
Non-current borrowings	–	99,157
Available-for-sale financial assets	18,116	–
Other financial assets at fair value through profit or loss	191	–
Derivative financial instruments	121	11
Cash and other corporate assets/corporate liabilities	34,472	1,099
Total	517,445	412,604

5. SEGMENT INFORMATION (Continued)

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

	As at 31 December 2012 (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	267,342	12,672	56,101	47,593	4,627	(7,283)	381,052
Investments in joint ventures							1,052
Investments in associates							3,811
Unallocated assets							48,362
Total assets							434,277
Segment liabilities	152,477	8,192	22,357	8,778	2,590	(7,313)	187,081
Unallocated liabilities							151,083
Total liabilities							338,164
Capital expenditure	18,461	349	2,896	511	69	–	22,286

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

	Assets RMB million (Restated)	Liabilities RMB million (Restated)
Segment assets/liabilities	381,052	187,081
Investments in joint ventures	1,052	–
Investments in associates	3,811	–
Unallocated:		
Deferred income tax assets/liabilities	2,379	3,100
Current income tax liabilities	–	3,223
Current borrowings	–	69,187
Non-current borrowings	–	75,058
Available-for-sale financial assets	15,962	–
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	487
Total	434,277	338,164

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

	2013 RMB million	2012 RMB million (Restated)
PRC (excluding Hong Kong and Macau)	**275,179**	245,185
Other regions	**56,619**	50,136
	331,798	295,321

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

Notes to the Consolidated Financial Statements (Continued)

6. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2012						
Cost, as previously reported	14,342	16,009	39,975	6,494	9,625	86,445
Adjustments for adoption of merger accounting (Note 21)	–	–	1	–	–	1
Cost, as restated	14,342	16,009	39,976	6,494	9,625	86,446
Accumulated depreciation	(3,498)	(6,949)	(16,930)	(3,905)	–	(31,282)
Net book amount, as restated	10,844	9,060	23,046	2,589	9,625	55,164
Year ended 31 December 2012						
Opening net book amount, as previously reported	10,844	9,060	23,045	2,589	9,625	55,163
Adjustments for adoption of merger accounting (Note 21)	–	–	1	–	–	1
Opening net book amount, as restated	10,844	9,060	23,046	2,589	9,625	55,164
Additions	117	1,290	1,538	1,793	4,110	8,848
Disposals (Note 40(b))	(21)	(61)	(221)	(126)	–	(429)
Transfers	1,851	1,448	3,228	97	(6,624)	–
Transferred to investment properties (Note 8)	(245)	–	–	–	–	(245)
Depreciation charge (Note 30)	(520)	(1,702)	(2,674)	(1,630)	–	(6,526)
Closing net book amount	12,026	10,035	24,917	2,723	7,111	56,812
At 31 December 2012						
Cost	15,929	18,389	43,636	7,827	7,111	92,892
Accumulated depreciation	(3,903)	(8,354)	(18,719)	(5,104)	–	(36,080)
Net book amount, as restated	12,026	10,035	24,917	2,723	7,111	56,812
Year ended 31 December 2013						
Opening net book amount, as previously reported	**12,026**	**10,035**	**24,916**	**2,723**	**7,111**	**56,811**
Adjustments for adoption of merger accounting (Note 21)	**–**	**–**	**1**	**–**	**–**	**1**
Opening net book amount, as restated	**12,026**	**10,035**	**24,917**	**2,723**	**7,111**	**56,812**
Additions	**166**	**1,657**	**1,281**	**2,766**	**1,875**	**7,745**
Disposals (Note 40(b))	**(82)**	**(180)**	**(660)**	**(116)**	**–**	**(1,038)**
Transfers	**1,273**	**657**	**1,183**	**65**	**(3,178)**	**–**
Disposal of a subsidiary (Note 43)	**(431)**	**–**	**(69)**	**(12)**	**(9)**	**(521)**
Transferred from investment properties (Note 8)	**156**	**–**	**–**	**–**	**–**	**156**
Depreciation charge (Note 30)	**(571)**	**(1,887)**	**(3,074)**	**(2,003)**	**–**	**(7,535)**
Closing net book amount	**12,537**	**10,282**	**23,578**	**3,423**	**5,799**	**55,619**
At 31 December 2013						
Cost	**16,764**	**20,086**	**44,064**	**9,966**	**5,799**	**96,679**
Accumulated depreciation	**(4,227)**	**(9,804)**	**(20,486)**	**(6,543)**	**–**	**(41,060)**
Net book amount	**12,537**	**10,282**	**23,578**	**3,423**	**5,799**	**55,619**

Notes to the Consolidated Financial Statements (Continued)

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2012						
Cost	22	31	51	108	1	213
Accumulated depreciation	(4)	(31)	(36)	(88)	–	(159)
Net book amount	18	–	15	20	1	54
Year ended 31 December 2012						
Opening net book amount	18	–	15	20	1	54
Additions	–	–	2	6	1	9
Depreciation charge	(1)	–	(6)	(7)	–	(14)
Closing net book amount	17	–	11	19	2	49
At 31 December 2012						
Cost	22	31	53	114	2	222
Accumulated depreciation	(5)	(31)	(42)	(95)	–	(173)
Net book amount	17	–	11	19	2	49
Year ended 31 December 2013						
Opening net book amount	**17**	**–**	**11**	**19**	**2**	**49**
Additions	**–**	**–**	**6**	**4**	**2**	**12**
Depreciation charge	**(1)**	**–**	**(4)**	**(6)**	**–**	**(11)**
Closing net book amount	**16**	**–**	**13**	**17**	**4**	**50**
At 31 December 2013						
Cost	**22**	**31**	**59**	**118**	**4**	**234**
Accumulated depreciation	**(6)**	**(31)**	**(46)**	**(101)**	**–**	**(184)**
Net book amount	**16**	**–**	**13**	**17**	**4**	**50**

Notes to the Consolidated Financial Statements (Continued)

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Depreciation of the Group's property, plant and equipment of RMB6,875 million (2012: RMB5,920 million) has been charged to cost of sales, RMB643 million (2012: RMB572 million) to administrative expenses and RMB17 million (2012: RMB34 million) to selling and marketing expenses.

(b) Bank borrowings are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB374 million (2012: RMB1,562 million) (Note 23).

(c) As at 31 December 2013, the Group is in the process of applying for registration of the ownership certificates for certain of its properties with an aggregate book carrying amount of approximately RMB2,126 million (2012: RMB2,130 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

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

	2013 RMB million	2012 RMB million
Cost – Capitalised finance leases	**5,309**	5,361
Accumulated depreciation	**(1,029)**	(967)
Net book amount	**4,280**	4,394

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

Notes to the Consolidated Financial Statements (Continued)

7. LEASE PREPAYMENTS – GROUP

	2013 RMB million	2012 RMB million
At 1 January		
Cost	**8,993**	9,035
Accumulated amortisation	**(1,032)**	(897)
Net book amount	**7,961**	8,138
For the year Ended 31 December		
Opening net book amount	**7,961**	8,138
Additions	**765**	233
Transferred to inventories	**–**	(211)
Disposals	**(58)**	(34)
Amortisation charge (Note 30)	**(188)**	(165)
Disposal of a subsidiary (Note 43)	**(207)**	–
Closing net book amount	**8,273**	7,961
At 31 December		
Cost	**9,454**	8,993
Accumulated amortisation	**(1,181)**	(1,032)
Net book amount	**8,273**	7,961

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

	2013 RMB million	2012 RMB million
Held on:		
Leases of over 50 years	**537**	769
Leases of between 10 to 50 years	**7,736**	7,192
	8,273	7,961

(a) Amortisation of the Group's lease prepayments of RMB59 million (2012: RMB32 million) has been charged to cost of sales and RMB129 million (2012: RMB133 million) to administrative expenses.

(b) As at 31 December 2013, the Group is in the process of applying for registration of the title certificates for certain of its leasehold land with an aggregate carrying value of approximately RMB228 million (2012: RMB188 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these leasehold land.

(c) Bank borrowings are secured by certain lease prepayments with an aggregate book carrying amount of approximately RMB1,811 million (2012: RMB410 million) (Note 23).

Notes to the Consolidated Financial Statements (Continued)

8. INVESTMENT PROPERTIES – GROUP

	2013 RMB million	2012 RMB million
At 1 January		
Cost	**1,227**	610
Accumulated depreciation	**(239)**	(159)
Net book amount	**988**	451
For the year ended 31 December		
Opening net book amount	**988**	451
Transferred (to)/from property, plant and equipment (Note 6)	**(156)**	245
Additions	**–**	327
Disposals	**(4)**	–
Depreciation charge (Note 30)	**(38)**	(35)
Disposal of a subsidiary (Note 43)	**(38)**	–
Closing net book amount	**752**	988
At 31 December		
Cost	**1,009**	1,227
Accumulated depreciation	**(257)**	(239)
Net book amount	**752**	988
Fair value at end of the year (Note a)	**3,752**	3,615

(a) As at 31 December 2013, the fair value of the Group's investment properties is based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent and professionally qualified valuers.

The investment properties located in Mainland China are valued by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The fair value of these properties is RMB3,128 million (2012: RMB3,110 million), which falls into the category of fair value measurements using significant unobservable inputs (Level 3) including future rental cash inflows, discount rates and capitalisation rates, etc.

The investment properties located outside Mainland China are mainly valued by the comparison approach by making reference to comparable market transactions. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. The fair value of these properties is RMB624 million (2012: RMB505 million), which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable price in the market.

(b) Rental income of the Group's investment properties of RMB138 million (2012: RMB86 million) and depreciation of the Group's investment properties of RMB38 million (2012: RMB35 million) were recognised in the consolidated income statement for the year ended 31 December 2013.

(c) As at 31 December 2013, the Group had no unprovided contractual obligations for future repairs and maintenance (2012: Nil).

Notes to the Consolidated Financial Statements (Continued)

9. INTANGIBLE ASSETS

Group

	Concession assets RMB million	Goodwill RMB million	Trademark, patent and proprietary technologies RMB million	Computer software RMB million	Others RMB million	Total RMB million
At 1 January 2012						
Cost	23,332	306	318	141	238	24,335
Accumulated amortisation	(220)	–	(101)	(75)	(37)	(433)
Net book amount	23,112	306	217	66	201	23,902
Year ended at 31 December 2012						
Opening net book amount	23,112	306	217	66	201	23,902
Additions	12,772	2	52	35	17	12,878
Amortisation charge (Note 30)	(179)	–	(28)	(26)	(28)	(261)
Closing net book amount	35,705	308	241	75	190	36,519
At 31 December 2012						
Cost	36,104	308	367	194	255	37,228
Accumulated amortisation	(399)	–	(126)	(119)	(65)	(709)
Net book amount	35,705	308	241	75	190	36,519
Year ended at 31 December 2013						
Opening net book amount	**35,705**	**308**	**241**	**75**	**190**	**36,519**
Additions	**18,307**	**–**	**–**	**41**	**10**	**18,358**
Amortisation charge (Note 30)	**(198)**	**–**	**(22)**	**(27)**	**(34)**	**(281)**
Disposal of a subsidiary (Note 43)	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Closing net book amount	**53,814**	**308**	**219**	**85**	**166**	**54,592**
At 31 December 2013						
Cost	**54,411**	**308**	**367**	**229**	**265**	**55,580**
Accumulated amortisation	**(597)**	**–**	**(148)**	**(144)**	**(99)**	**(988)**
Net book amount	**53,814**	**308**	**219**	**85**	**166**	**54,592**

9. INTANGIBLE ASSETS (Continued)

Company

	Computer software RMB million
Year ended at 31 December 2012	
Opening net book amount	18
Amortisation charge	(5)
Closing net book amount	13
At 31 December 2012	
Cost	33
Accumulated amortisation	(20)
Net book amount	13
Year ended at 31 December 2013	
Opening net book amount	**13**
Additions	**10**
Amortisation charge	**(5)**
Closing net book amount	**18**
At 31 December 2013	
Cost	**43**
Accumulated amortisation	**(25)**
Net book amount	**18**

(a) As at 31 December 2013, concession assets represent assets under "Build-Operate-Transfer" service concession arrangements and mainly consist of toll roads in the PRC, with cost of RMB25,403 million (2012: RMB13,827 million) generating operating income and RMB29,008 million (2012: RMB22,277 million) under construction.

(b) Amortisation of the Group's intangible assets of RMB206 million (2012: RMB184 million) has been charged to cost of sales, and RMB75 million (2012: RMB77 million) to administrative expenses.

(c) Certain bank borrowings are secured by concession assets with carrying amount of approximately RMB28,548 million (2012: RMB18,498 million) (Note 23).

(d) Goodwill is allocated to the Group's CGUs identified in accordance with operating segment. The goodwill mainly relates to Heavy Machinery Segment and arose in connection with the Group's acquisition of 100% equity interest in Friede Goldman United, Ltd. ("F&G") in August 2010. F&G, a company incorporated under the laws of Cayman Islands, has engaged in design and manufacturing of equipment in relation to offshore drilling rigs.

Notes to the Consolidated Financial Statements (Continued)

10. SUBSIDIARIES – COMPANY

	2013 RMB million	2012 RMB million
Non-current assets		
Listed investments, at cost	**6,671**	6,671
Unlisted investments, at cost	**85,204**	61,074
	91,875	67,745
Quoted market value of listed investments	**4,480**	4,291
Current assets		
Loans to subsidiaries (Note a)	**17,897**	20,077
Amounts due from subsidiaries (Note b)	**4,164**	7,944
Current liabilities		
Amounts due to subsidiaries (Note c)	**33,361**	31,861

(a) The loans to subsidiaries are unsecured, repayable within 1 year, and bear interest at rates ranging from 5.00% to 6.00% (2012: 5.60% to 6.00%) per annum.

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

(c) The amounts due to subsidiaries are unsecured, repayable within 1 year and bear interest at rates ranging from 0.39% to 3.30% (2012: 0.35% to 3.00%) per annum.

(d) Details of the principal subsidiaries as at 31 December 2013 are shown in Note 45.

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

The total non-controlling interest as at 31 December 2013 was RMB9,980 million, of which RMB7,738 is for Shanghai Zhenhua Heavy Industry Co., Ltd ("ZPMC"). The non-controlling interests in respect of other subsidiaries are not material.

Financial information on a subsidiary with material non-controlling interest

Set out below are the financial information for ZPMC in which there is non-controlling interests that are material to the Group.

Summarised balance sheet

	2013 RMB million	2012 RMB million
Current		
Assets	**26,880**	25,877
Liabilities	**(28,276)**	(23,246)
Total current net (liabilities)/assets	**(1,396)**	2,631
Non-current		
Assets	**22,275**	20,903
Liabilities	**(6,165)**	(9,116)
Total non-current net assets	**16,110**	11,787
Net assets	**14,714**	14,418

Notes to the Consolidated Financial Statements (Continued)

10. SUBSIDIARIES – COMPANY (Continued)

(e) Material non-controlling interests (Continued)

Financial information on a subsidiary with material non-controlling interest *(Continued)*

Summarised income statement

	2013 RMB million	2012 RMB million
Revenue	**23,202**	18,255
Profit/(losses) before income tax	**120**	(1,171)
Income tax expense	**14**	72
Post-tax profit/(losses)	**134**	(1,099)
Other comprehensive income	**160**	13
Total comprehensive income/(expenses)	**294**	(1,086)
Total comprehensive expenses allocated to Non-controlling interests	**(6)**	(55)
Dividends paid to Non-controlling interests	**–**	–

Summarised cash flows

	2013 RMB million	2012 RMB million
Cash flows from operating activities		
Cash generated from operations	**947**	3,069
Income tax paid	**(8)**	(3)
Net cash generated from operating activities	**939**	3,066
Net cash used in investing activities	**(2,688)**	(391)
Net cash generated from/(used) in financing activities	**2,544**	(2,310)
Net increase in cash and cash equivalents	**795**	365
Cash and cash equivalents at beginning of year	**2,358**	1,993
Cash and cash equivalents at end of year	**3,153**	2,358

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

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	Group 2013 RMB million	2012 RMB million
Associates	**6,780**	3,811
Joint ventures	**1,019**	1,052
	7,799	4,863

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

	Group 2013 RMB million	2012 RMB million
Associates	**157**	61
Joint ventures	**65**	49
	222	110

(a) Investments in associates

	Group 2013 RMB million	2012 RMB million
At 1 January	**3,811**	3,145
Additions	**2,948**	682
Disposals	**(120)**	(67)
Disposal of a subsidiary (Note 43)	**(46)**	–
Transferred to available-for-sale financial assets, due to loss of significant influence (Note 13)	**–**	(5)
Share of profit or loss, net	**157**	61
Dividend distribution	**(3)**	(5)
Transferred from joint ventures (Note 11(b))	**33**	–
At 31 December	**6,780**	3,811

(i) Set out below is the associate of the Group as at 31 December 2013, which, in the opinion of the directors, is material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also its principal place of business.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
TaiYuan-ZhongWei-YinChuan Railway Co., Ltd.	the PRC	14.66%	Note 1	Equity

Note 1: TaiYuan-ZhongWei-YinChuan Railway Co., Ltd. ("Tai Zhong Yin") runs business in railway construction and operation in the PRC, in which the Group has representation on its board of directors and participation in policy-making processes.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

(ii) All of the associates of the Group are unlisted and there is no quoted market price available for their shares.

(iii) There are no contingent liabilities relating to the Group's interests in the associates.

(iv) Summarised financial information for associates

Set out below is the summarised financial information for an associate which is material to the Group and is accounted for using the equity method.

Summarised balance sheet

	Tai Zhong Yin	
	2013	2012
	RMB million	RMB million
Current		
Cash and cash equivalents	**3,672**	3,420
Other current assets (excluding cash)	**1,001**	1,075
Total current assets	**4,673**	4,495
Financial liabilities (excluding trade payables)	**(1,978)**	(1,851)
Other current liabilities (including trade payables)	**(1,322)**	(1,253)
Total current liabilities	**(3,300)**	(3,104)
Non-current		
Assets	**39,037**	39,759
Financial liabilities	**(26,269)**	(27,183)
Other liabilities	**(37)**	–
Total non-current liabilities	**(26,306)**	(27,183)
Net assets	**14,104**	13,967
Reconciliation to carrying amounts		
Opening net assets at 1 January	**13,967**	13,927
Profit for the year	**137**	40
Closing net assets at 31 December	**14,104**	13,967
Interest in associates	**14.66%**	14.66%
Carrying value	**2,068**	2,040
Elimination of unrealised losses on transactions between the Group and Taizhongyin	**1**	–
Carrying value, net off unrealised losses	**2,069**	2,040

Notes to the Consolidated Financial Statements (Continued)

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

(iv) Summarised financial information for associates (Continued)

Summarised statement of comprehensive income

	Tai Zhong Yin	
	2013	2012
	RMB million	RMB million
Revenue	**5,074**	4,596
Profit for the year	**137**	40
Total comprehensive income	**137**	40

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

(v) Individually immaterial associates

In addition to the interests in associate disclosed above, the reporting entity also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2013	2012
	RMB million	RMB million
Aggregate carrying amount of individually immaterial associates	**4,711**	1,763
Aggregate amounts of the Group's share of:		
Profit for the year	**137**	55
Other comprehensive income	**–**	–
Total comprehensive income	**137**	55

Notes to the Consolidated Financial Statements (Continued)

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures

	Group 2013 RMB million	2012 RMB million
At 1 January	**1,052**	948
Additions	**258**	76
Disposals	**(38)**	(3)
Disposal of a subsidiary (Note 43)	**(148)**	–
Transferred to available-for-sale financial assets, due to loss of joint control (Note 13)	**–**	(4)
Transferred to associates, due to loss of joint control (Note 11(a))	**(33)**	–
Transferred to subsidiaries	**(124)**	–
Share of profit or losses, net	**65**	49
Dividend distribution	**(13)**	(14)
At 31 December	**1,019**	1,052

(i) In the opinion of the Directors, none of the joint ventures is individually material to the Group as at 31 December 2013.

(ii) All of the joint ventures of the Group are unlisted and there is no quoted market price available for their shares.

(iii) There are no contingent liabilities relating to the Group's interest in its joint ventures and there are no material contingent liabilities of the joint ventures themselves.

(c) Loan guarantees for joint ventures and associates

The Group acts as the guarantors for various external borrowings made by certain joint ventures and associates as follows:

	Group 2013 RMB million	2012 RMB million
Outstanding loan guarantees for joint ventures	**143**	196
Outstanding loan guarantees for associates	**119**	–
	262	196

Notes to the Consolidated Financial Statements (Continued)

12. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

	Loans and receivables RMB million	Assets at fair value through profit or loss RMB million	Available- for-sale financial assets RMB million	Total RMB million
Assets as per consolidated balance sheet				
31 December 2013				
Available-for-sale financial assets (Note 13)	**–**	**–**	**18,116**	**18,116**
Derivative financial instruments (Note 17)	**–**	**121**	**–**	**121**
Other financial assets at fair value through profit or loss	**–**	**191**	**–**	**191**
Trade and other receivables excluding prepayments (Note 14)	**170,076**	**–**	**–**	**170,076**
Cash and bank balances (Note 18)	**85,487**	**–**	**–**	**85,487**
Total	**255,563**	**312**	**18,116**	**273,991**
31 December 2012, as restated				
Available-for-sale financial assets (Note 13)	–	–	15,962	15,962
Derivative financial instruments (Note 17)	–	49	–	49
Other financial assets at fair value through profit or loss	–	37	–	37
Trade and other receivables excluding prepayments (Note 14)	136,539	–	–	136,539
Cash and bank balances (Note 18)	73,084	–	–	73,084
Total	209,623	86	15,962	225,671

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Liabilities as per consolidated balance sheet			
31 December 2013			
Borrowings (excluding finance lease liabilities) (Note 23)	**–**	**183,818**	**183,818**
Finance lease liabilities (Note 23)	**–**	**3,157**	**3,157**
Derivative financial instruments (Note 17)	**11**	**–**	**11**
Trade and other payables excluding statutory and non-financial liabilities (Note 22)	**–**	**147,965**	**147,965**
Total	**11**	**334,940**	**334,951**
31 December 2012, as restated			
Borrowings (excluding finance lease liabilities) (Note 23)	–	140,687	140,687
Finance lease liabilities (Note 23)	–	3,558	3,558
Derivative financial instruments (Note 17)	28	–	28
Trade and other payables excluding statutory and non-financial liabilities (Note 22)	–	122,815	122,815
Total	28	267,060	267,088

Notes to the Consolidated Financial Statements (Continued)

12. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company

	Loans and receivables RMB million	Assets at fair value through profit or loss RMB million	Available for-sale financial assets RMB million	Total RMB million
Assets as per balance sheet				
31 December 2013				
Available-for-sale financial assets (Note 13)	**–**	**–**	**7,957**	**7,957**
Trade and other receivables excluding prepayments (Note 14)	**7,034**	**–**	**–**	**7,034**
Loans to subsidiaries (Note 10)	**17,897**	**–**	**–**	**17,897**
Amounts due from subsidiaries (Note 10)	**4,164**	**–**	**–**	**4,164**
Cash and bank balances (Note 18)	**25,227**	**–**	**–**	**25,227**
Total	**54,322**	**–**	**7,957**	**62,279**
31 December 2012, as restated				
Available-for-sale financial assets (Note 13)	–	–	8,413	8,413
Derivative financial instruments (Note 17)	–	23	–	23
Trade and other receivables excluding prepayments (Note 14)	5,327	–	–	5,327
Loans to subsidiaries (Note 10)	20,077	–	–	20,077
Amounts due from subsidiaries (Note 10)	7,944	–	–	7,944
Cash and bank balances (Note 18)	29,694	–	–	29,694
Total	63,042	23	8,413	71,478

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Liabilities as per balance sheet			
31 December 2013			
Borrowings (Note 23)	**–**	**41,650**	**41,650**
Amounts due to subsidiaries (Note 10)	**–**	**33,361**	**33,361**
Derivative financial instruments (Note 17)	**2**	**–**	**2**
Trade and other payables excluding statutory and non-financial liabilities (Note 22)	**–**	**6,800**	**6,800**
Total	**2**	**81,811**	**81,813**
31 December 2012, as restated			
Borrowings (Note 23)	–	36,816	36,816
Amounts due to subsidiaries (Note 10)	–	31,861	31,861
Trade and other payables excluding statutory and non-financial liabilities (Note 22)	–	10,599	10,599
Total	–	79,276	79,276

Notes to the Consolidated Financial Statements (Continued)

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**15,962**	12,844	**8,413**	6,463
Fair value (losses)/gains	**(951)**	1,885	**(575)**	1,333
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**(335)**	–	**–**	–
Additions	**8,976**	8,515	**621**	617
Transferred from investments in joint ventures and associates (Note 11)	**–**	9	**–**	–
Disposals	**(5,532)**	(7,280)	**(500)**	–
Impairment charge	**–**	(11)	**–**	–
Transferred to National Social Security Fund (Note 21)	**(4)**	–	**(2)**	–
At 31 December	**18,116**	15,962	**7,957**	8,413
Less: non-current portion	**(13,913)**	(14,462)	**(7,957)**	(7,913)
Current portion	**4,203**	1,500	**–**	500

Available-for-sale financial assets include the following:

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Non-current				
Listed equity securities, at fair value (Note b)				
– Mainland China	**12,403**	13,006	**7,824**	7,781
– Hong Kong	**68**	75	**–**	–
Unlisted equity investments, at cost (Note c)	**1,442**	1,381	**133**	132
	13,913	14,462	**7,957**	7,913
Current				
Other unlisted instruments, at fair value (Note d)	**4,203**	1,500	**–**	500
	18,116	15,962	**7,957**	8,413
Market value of listed securities	**12,471**	13,096	**7,824**	7,781

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

(a) The Group reclassified available-for-sale investments gains, net of deferred tax, of RMB251 million (2012: nil) upon disposal from other comprehensive income to consolidated income statement. The Group charged impairment provision net of deferred tax, of RMB113 million (2012: nil) into the consolidated income statement.

(b) These securities primarily represent promoters' shares listed and traded in stock markets, of which no securities are subject to trading restrictions at the end of the reporting period. The fair value of freely traded shares was based on the quoted market prices at the balance sheet date.

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

(d) Other unlisted instruments represented wealth management products issued by financial institutions. Major investment targets of these products are bills issued by the People's Bank of China, debt securities issued by policy banks, debt securities issued by Chinese government in the national financial market for institutional investors, and other financial instruments. As at 31 December 2013, bank borrowings are secured by certain unlisted debt instruments with carrying amount of approximately RMB3,980 million (31 December 2012: nil) (Note 23).

As at 31 December 2013, no unlisted instruments is classified as cash equivalents for the purposes of the consolidated statement of cash flows (31 December 2012: RMB500 million).

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

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
RMB	**17,730**	15,560	**7,957**	8,413
HKD	**105**	113	**–**	–
USD	**281**	289	**–**	–
	18,116	15,962	**7,957**	8,413

Notes to the Consolidated Financial Statements (Continued)

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Trade and bills receivables (Note a)	**62,153**	54,160	**3,035**	1,066
Less: provision for impairment	**(3,802)**	(2,964)	**(39)**	(21)
Trade and bills receivables – net	**58,351**	51,196	**2,996**	1,045
Prepayments	**14,826**	13,988	**5,612**	8,738
Retentions	**36,710**	33,085	**2,509**	3,049
Deposits	**18,766**	15,335	**448**	57
Other receivables	**16,976**	12,604	**619**	659
Staff advances	**740**	737	**11**	12
Long-term receivables	**38,533**	23,582	**451**	505
	184,902	150,527	**12,646**	14,065
Less: non-current portion				
– Retentions	**(19,162)**	(16,621)	**(634)**	(1,553)
– Deposits	**(3,514)**	(1,829)	**–**	–
– Long-term receivables	**(31,012)**	(19,644)	**(451)**	(486)
– Prepayments for equipment	**(1,344)**	(591)	**(300)**	–
	(55,032)	(38,685)	**(1,385)**	(2,039)
Current portion	**129,870**	111,842	**11,261**	12,026

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Within 6 months	**48,147**	42,110	**2,447**	716
6 months to 1 year	**5,865**	5,101	**484**	246
1 year to 2 years	**4,762**	4,080	**103**	103
2 years to 3 years	**1,603**	1,702	**–**	–
Over 3 years	**1,776**	1,167	**1**	1
	62,153	54,160	**3,035**	1,066

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

Notes to the Consolidated Financial Statements (Continued)

14. TRADE AND OTHER RECEIVABLES (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Trade and bills receivables	**58,351**	51,196	**2,996**	1,045
Retentions	**36,741**	33,097	**2,513**	3,049
Deposits	**18,778**	15,333	**448**	57
Other receivables	**16,976**	12,604	**619**	659
Staff advances	**740**	737	**11**	12
Long-term receivables	**38,576**	23,613	**451**	505
	170,162	136,580	**7,038**	5,327

The carrying amounts of the current trade and other receivables approximate their fair value. The fair values of non-current trade and other receivables are based on projected cash flows discounted using a rate based on current market interest rate ranging from 6.15% to 6.55% per annum as at 31 December 2013 (2012: ranging from 6.15% to 6.55%) available to the Group for similar financial instruments. The fair values are within level 2 of the fair value hierarchy.

(c) Retentions receivable represented amounts due from customers upon completion of the free maintenance period of the construction work, which normally last from one to two years. Deposits represented tender and performance bonds due from customers. Long-term receivables represented amounts due from customers for "Build-Transfer" projects and certain construction works with payment periods over one year. As of 31 December 2013, retentions receivable, deposits and long-term receivables of the Group totalling RMB93,017 million (2012: RMB71,079 million) were neither past due nor impaired, and RMB1,559 million (2012: RMB1,547 million) were past due/partially impaired with the provision of RMB567 million (2012: RMB624 million). These receivables of the Company amounting to RMB3,408 million (2012: RMB3,611 million) were neither past due nor impaired.

(d) The Group has entered into certain recourse and non-recourse factoring agreements with certain banks so as to obtain bank advances. As at 31 December 2013, relevant trade receivables, with recourse factoring clauses in the agreements, amounted to RMB2,817 million (2012: RMB1,840 million). In the opinion of the Directors, such transactions did not qualify for derecognition and were accounted for as secured borrowings (Note 23). In addition, as at 31 December 2013, trade receivables of RMB13,293 million (2012: RMB10,747 million) had been transferred to the banks in accordance with relevant non-recourse factoring agreements. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

(e) As at 31 December2013, bills receivables – bank acceptance notes of RMB41 million (2012:RMB240 million) were endorsed to suppliers with rights of recourse. In the opinion of the Directors, such transactions did not qualify for derecognition. In addition, as at December 2013, bills receivables – bank acceptance notes of RMB1,206 million (2012: RMB1,520 million) were endorsed to suppliers, and RMB340 million (2012: RMB314 million) were discounted with banks. Relevant bills receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition.

Notes to the Consolidated Financial Statements (Continued)

14. TRADE AND OTHER RECEIVABLES (Continued)

(f) As of 31 December 2013, trade and bills receivables of the Group amounting to RMB4,732 million (2012: RMB4,060 million) were neither past due nor impaired. Trade and bills receivables of the Company amounting to RMB173 million (2012: RMB227 million) were neither past due nor impaired as of 31 December 2013.

(g) As of 31 December 2013, trade and bills receivables of RMB47,154 million (2012: RMB40,906 million) were past due but not impaired. These receivables relate to a number of customers for whom there is no recent history of default. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Trade and bills receivables of the Company amounting to RMB2,773 million (2012: RMB769 million) were past due but not impaired as of 31 December 2013. The ageing analysis of these trade and bills receivables is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Within 6 months	**41,782**	37,044	**2,677**	702
6 months to 1 year	**2,887**	1,917	**56**	30
1 year to 2 years	**1,779**	1,286	**24**	37
2 years to 3 years	**370**	589	**16**	–
Over 3 years	**336**	70	**–**	–
	47,154	40,906	**2,773**	769

(h) As of 31 December 2013, trade and bills receivables of RMB10,267 million (2012: RMB9,194 million) were impaired and provided for. The provision amounted to RMB3,802 million as of 31 December 2013 (2012: RMB2,964 million). The amount of individually impaired receivables was RMB751 million (2012: RMB617 million) with the provision of RMB542 million (2012: RMB316 million). The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments. The Directors are of the opinion that only a portion of the receivables is expected to be recovered. As of 31 December 2013, Trade and bills receivables of the Company amounting to RMB89 million (2012: RMB70 million) were impaired and provided for. The provision of the Company amounted to RMB39 million (2012: RMB21 million). The amount of individually impaired receivables of the Company was RMB65 million (2012: RMB67 million) with the provision of RMB19 million (2012: RMB20 million). The ageing analysis of these receivables (net of impairment provision) is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Within 6 months	**1,751**	1,408	**5**	–
6 months to 1 year	**2,198**	2,334	**–**	3
1 year to 2 years	**1,656**	1,937	**–**	46
2 years to 3 years	**625**	488	**45**	–
Over 3 years	**235**	63	**–**	–
	6,465	6,230	**50**	49

Notes to the Consolidated Financial Statements (Continued)

14. TRADE AND OTHER RECEIVABLES (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**2,964**	2,456	**21**	20
Provision for the year	**1,826**	1,091	**18**	1
Receivables written off during the year as uncollectible	**(10)**	(18)	**–**	–
Released	**(978)**	(565)	**–**	–
At 31 December	**3,802**	2,964	**39**	21

The provision and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement (Note 30). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
RMB	**169,302**	134,572	**10,954**	12,610
USD	**8,928**	9,300	**334**	441
Central African CFA Franc BEAC	**931**	531	**–**	–
Qatar Riyal	**929**	477	**–**	–
Saudi Riyal	**905**	485	**–**	–
United Arab Emirates Dirham	**758**	901	**–**	–
EUR	**547**	581	**1,155**	556
Other currencies	**2,602**	3,680	**203**	458
	184,902	150,527	**12,646**	14,065

As at 31 December 2013, other currencies mainly comprised of Macanese Pataca, HKD and Indonesian Rupiah.

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

15. INVENTORIES

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Raw materials	**16,284**	15,408	**–**	–
Work in progress	**15,604**	10,901	**336**	310
Finished goods	**962**	804	**–**	–
	32,850	27,113	**336**	310

Bank borrowings are secured by certain work in progress with an aggregate book carrying amount of approximately RMB661 million (2012: RMB111 million) (Note 23).

Notes to the Consolidated Financial Statements (Continued)

16. CONTRACT WORK-IN-PROGRESS

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Contract costs incurred and recognised profit (less recognised losses)	**1,224,864**	1,042,697	**81,235**	73,736
Less: progress billings	**(1,173,829)**	(999,967)	**(79,082)**	(69,314)
	51,035	42,730	**2,153**	4,422
Representing:				
Amounts due from customers for contract work	**66,131**	57,983	**3,165**	5,094
Amounts due to customers for contract work	**(15,096)**	(15,253)	**(1,012)**	(672)
	51,035	42,730	**2,153**	4,422

	Group	
	Year ended 31 December	
	2013	2012
	RMB million	RMB million
Contract revenue recognised as revenue in the year	**302,767**	265,038

17. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	2013		2012	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	**RMB million**	RMB million	RMB million
Forward foreign exchange contracts – held for trading	**121**	**(11)**	49	(28)

Company

	2013		2012	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	**RMB million**	RMB million	RMB million
Forward foreign exchange contracts – held for trading	**–**	**(2)**	23	–

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2013 were RMB3,957 million (2012: RMB2,091 million).

The maximum exposure to credit risk at the end of the reporting period is the fair value of the derivative financial assets in the balance sheet.

Notes to the Consolidated Financial Statements (Continued)

18. CASH AND BANK BALANCES

		Group		Company	
		2013	2012	**2013**	2012
		RMB million	RMB million (Restated)	**RMB million**	RMB million
Restricted bank deposits	(Note a)	**4,249**	5,581	**1**	1
Cash and cash equivalents	(Note b)	**81,238**	67,503	**25,226**	29,693
		85,487	73,084	**25,227**	29,694

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Cash and cash equivalents	**81,238**	67,503	**25,226**	29,693
Available-for-sale financial assets	**–**	500	**–**	500
Cash and cash equivalents	**81,238**	68,003	**25,226**	30,193

(a) As at 31 December 2013, restricted bank deposits mainly included pledged bank deposits as securities for bank borrowings (Note 23) and deposits for issuance of bank acceptance notes, performance bonds and letters of credit to customers.

(b) Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Cash on hand	**162**	165	**2**	1
Bank deposits				
– Term deposits with initial term of over three months(i)	**2,713**	454	**616**	105
– Other bank deposits	**78,363**	66,884	**24,608**	29,587
Cash and cash equivalents	**81,238**	67,503	**25,226**	29,693

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

(ii) The maximum exposure to credit risk approximates the carrying amounts of the Group's cash and cash equivalents at the end of the reporting period.

(iii) The weighted average effective interest rate on bank deposits was 4.71% per annum as at 31 December 2013 (2012: 3.64% per annum).

18. CASH AND BANK BALANCES (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
– RMB	**65,816**	55,119	**21,263**	26,101
– USD	**11,992**	11,372	**3,237**	2,947
– Central African CFA Franc BEAC	**1,848**	1,748	**–**	–
– Angolan Kwanza	**1,429**	1,480	**–**	–
– EUR	**984**	641	**472**	350
– Saudi Riyal	**366**	278	**–**	–
– HKD	**335**	329	**175**	245
– Malaysian Ringgit	**303**	403	**–**	–
– Venezuelan Bolivar	**246**	2	**–**	–
– Pakistani Rupee	**238**	227	**–**	–
– Singapore Dollar	**214**	310	**–**	–
– Other currencies	**1,716**	1,175	**80**	51
	85,487	73,084	**25,227**	29,694

(d) The Group's cash and bank balances denominated in RMB are deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC Government.

As at 31 December 2013, less than 4% (2012: less than 5%) of the cash and bank balances denominated in currencies other than RMB was deposited in banks in certain countries which are subject to foreign exchange control and the currencies are not freely convertible into other currencies or remitted out of those countries.

(e) During the year ended 31 December 2013, a subsidiary of the Group was involved in a product quality dispute arising from the ordinary business. In March 2014, a contractor exercised a letter of guarantee provided by the subsidiary and consequently EUR23.41 million in the subsidiary's bank account was deducted and passed to the contractor.

Having reviewed the claim and taking into account legal advice received, the subsidiary is planning to recover the EUR23.41 million, together with interests from the contractor through legal procedures. The Directors do not consider the pending claim will give rise to any material adverse impact to the financial position of the Group.

Notes to the Consolidated Financial Statements (Continued)

19. SHARE CAPITAL AND PREMIUM

	2013		2012	
	Number of shares (thousands)	**Nominal value (RMB'000)**	Number of shares (thousands)	Nominal value (RMB'000)
Registered, issued and fully paid				
A shares of RMB1.00 each	**11,747,235**	**11,747,235**	11,747,235	11,747,235
H shares of RMB1.00 each	**4,427,500**	**4,427,500**	4,427,500	4,427,500
At 31 December	**16,174,735**	**16,174,735**	16,174,735	16,174,735

(a) The Company was incorporated on 8 October 2006, with an initial registered share capital of RMB10,800 million, divided into 10,800,000,000 domestic shares with a nominal value of RMB1.00 each which were issued to CCCG, the parent company.

In December 2006, the Company completed an H share listing on the Hong Kong Stock Exchange and 4,025,000,000 H shares with a nominal value of RMB1.00 each were issued at HKD4.6 (equivalent to approximately RMB4.63) each. The Company raised net proceeds of approximately RMB17,878 million (equivalent to HKD17,772 million) from the issuance of H shares, of which paid-up share capital was RMB4,025 million and share premium was approximately RMB13,853 million. Upon the issuance of H shares, 402,500,000 domestic shares (10% of the number of H shares issued) were converted into H shares and transferred to the National Social Security Fund.

In March 2012, the Company completed an initial public offering of A-shares on the Shanghai Stock exchange. In this connection, the Company issued 1,349,735,425 A-shares, of which 925,925,925 A-shares were issued to domestic investors by way of public offering, and 423,809,500 A-shares were issued for the purpose of implementing the merger agreement through share exchange with the non-controlling shareholders of Road & Bridge International Co., Ltd., a former A share listed company and a subsidiary of the Company. Upon the completion of this A share issuance and listing, 92,592,593 A shares (10% of the number of new A shares issued by public offering) were transferred to the National Social Security Fund.

As at 31 December 2013, the Company's share capital was RMB16,174,735,425 (2012: RMB16,174,735,425), comprising 11,747,235,425 A shares and 4,427,500,000 H shares, representing approximately 72.6% and 27.4% of the registered capital, respectively.

Notes to the Consolidated Financial Statements (Continued)

20. CASH-SETTLED SHARE-BASED PAYMENTS

The Group has adopted a cash-settled shared-based payment arrangement, also known as SAR plan (the "Plan"), which was approved by the Annual General Meeting on 18 June 2010. The Plan provides for the grant of SAR to eligible participants as approved by the Company's Board of Directors. The validity period of the Plan is ten years.

Under the Plan, a holder of one SAR unit is entitled to receive an amount in respect of the appreciation in market value of one ordinary share of the Company when the Company's share price rises above the exercise price specified in the Plan, subject to certain terms and conditions of the Plan.

The Board of Directors of the Company granted approximately 61.83 million of SAR of the Company on 8 August 2010.

As at 31 December 2013, all of the above SAR has forfeited since the non-market conditions of the Plan were not reached. Accordingly, provision of RMB5 million for the share-based payment was reversed in the year ended 31 December 2013 (2012: RMB30 million).

	For the year ended 31 December 2013 Number of units of SAR						
Category	**Exercise price**	**Outstanding as at 1 January 2013**	**Granted during the year**	**Exercised during the year**	**Expired during the year**	**Forfeited during the year**	**Outstanding as at 31 December 2013**
Directors and key management of the Company	**HKD7.43**	**11,477,102**	**–**	**–**	**–**	**(11,477,102)**	**–**
Management of subsidiaries of the Company	**HKD7.43**	**25,936,551**	**–**	**–**	**–**	**(25,936,551)**	**–**
		37,413,653	**–**	**–**	**–**	**(37,413,653)**	**–**

	For the year ended 31 December 2012 Number of units of SAR						
Category	Exercise price	Outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding as at 31 December 2012
Directors and key management of the Company	HKD7.43	18,371,138	–	–	–	(6,894,036)	11,477,102
Management of subsidiaries of the Company	HKD7.43	41,893,493	–	–	–	(15,956,942)	25,936,551
		60,264,631	–	–	–	(22,850,978)	37,413,653

Notes to the Consolidated Financial Statements (Continued)

21. OTHER RESERVES

Group

	Capital reserve (Note a) RMB million	Statutory surplus reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB million	Safety reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2012, as previously reported	2,327	1,186	–	6,534	925	18	30,563	41,553
Adjustments for adoption of IAS 19 (2011)	–	–	(95)	–	–	–	(42)	(137)
Adjustments for adoption of merger accounting	9	–	–	–	–	–	–	9
Balance at 1 January 2012, as restated	2,336	1,186	(95)	6,534	925	18	30,521	41,425
Profit for the year, as restated	–	–	–	–	–	–	12,277	12,277
Currency translation differences	–	–	–	–	–	72	–	72
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	–	1,404	–	–	–	1,404
Actuarial loss on retirement benefit obligations	–	–	(29)	–	–	–	–	(29)
Cash contribution from CCCG (Note a)	18	–	–	–	–	–	–	18
Acquisition of CCMEC	(16)	–	–	–	–	–	–	(16)
Capital contribution from shareholder of Qingdao Chengyang	38	–	–	–	–	–	–	38
Issuance of A shares in exchange for the shares in a subsidiary held by its non-controlling shareholders	(1,462)	–	–	–	–	–	–	(1,462)
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries	2	–	–	–	–	–	–	2
Share of other comprehensive income of a joint venture	1	–	–	–	–	–	–	1
2011 final dividend	–	–	–	–	–	–	(2,902)	(2,902)
Transfer to statutory surplus reserve (Note b)	–	223	–	–	–	–	(223)	–
Transfer to safety reserve (Note c)	–	–	–	–	383	–	(383)	–
At 31 December 2012, as restated	917	1,409	(124)	7,938	1,308	90	39,290	50,828

Notes to the Consolidated Financial Statements (Continued)

21. OTHER RESERVES (Continued)

Group (Continued)

	Capital reserve (Note a) RMB million	Statutory surplus reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB million	Safety reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2013, as restated	917	1,409	(124)	7,938	1,308	90	39,290	50,828
Profit for the year	–	–	–	–	–	–	12,568	12,568
Currency translation differences	–	–	–	–	–	(133)	–	(133)
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	–	(782)	–	–	–	(782)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	–	–	(251)	–	–	–	(251)
Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets	–	–	–	113	–	–	–	113
Actuarial gain on retirement benefit obligations	–	–	132	–	–	–	–	132
Cash contribution from government	63	–	–	–	–	–	–	63
Acquisition of Qingdao Chengyang	(48)	–	–	–	–	–	–	(48)
Disposal of subsidiaries	(60)	–	–	–	–	–	–	(60)
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries	(408)	–	–	–	–	–	–	(408)
Transfer to National Social Security Fund (Note d)	–	–	–	–	–	–	(4)	(4)
Transfer investment revaluation reserve to retained earnings, net of deferred tax	–	–	–	(3)	–	–	3	–
2012 final dividend	–	–	–	–	–	–	(2,988)	(2,988)
Transfer to statutory surplus reserve (Note b)	–	1,107	–	–	–	–	(1,107)	–
Transfer to safety reserve (Note c)	–	–	–	–	140	–	(140)	–
At 31 December 2013	464	2,516	8	7,015	1,448	(43)	47,622	59,030

Notes to the Consolidated Financial Statements (Continued)

21. OTHER RESERVES (Continued)

Company

	Capital reserve RMB million	Statutory surplus reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB million	Safety reserve RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2012, as previously reported	21,218	1,190	–	4,130	6	3,835	30,379
Adjustments for adoption of IAS 19 (2011)	–	–	41	–	–	(45)	(4)
Balance at 1 January 2012, as restated	21,218	1,190	41	4,130	6	3,790	30,375
Profit for the year	–	–	–	–	–	2,224	2,224
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	–	1,000	–	–	1,000
Cash contribution from CCCG (Note a)	18	–	–	–	–	–	18
2011 final dividend	–	–	–	–	–	(2,902)	(2,902)
Acquisition of CCMEC	8	–	–	–	–	–	8
Transfer to statutory surplus reserve (Note b)	–	223	–	–	–	(223)	–
At 31 December 2012	21,244	1,413	41	5,130	6	2,889	30,723

	Capital reserve RMB million	**Statutory surplus reserve RMB million**	**Remeasurement reserve RMB million**	**Investment revaluation reserve RMB million**	**Safety reserve RMB million**	**Retained earnings RMB million**	**Total RMB million**
Balance at 1 January 2013, as restated	**21,244**	**1,413**	**41**	**5,130**	**6**	**2,889**	**30,723**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**10,995**	**10,995**
Changes in fair value of available-for-sale financial assets, net of deferred tax	**–**	**–**	**–**	**(431)**	**–**	**–**	**(431)**
Disposal of joint ventures	**(40)**	**–**	**–**	**–**	**–**	**–**	**(40)**
Actuarial gain on retirement benefit obligations	**–**	**–**	**12**	**–**	**–**	**–**	**12**
Disposal of a subsidiary	**(34)**	**–**	**–**	**–**	**–**	**30**	**(4)**
Transfer to National Social Security Fund (Note d)	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Transfer investment revaluation reserve to retained earnings, net of deferred tax	**–**	**–**	**–**	**(1)**	**–**	**1**	**–**
2012 final dividend	**–**	**–**	**–**	**–**	**–**	**(2,988)**	**(2,988)**
Transfer to statutory surplus reserve (Note b)	**–**	**1,107**	**–**	**–**	**–**	**(1,107)**	**–**
At 31 December 2013	**21,170**	**2,520**	**53**	**4,698**	**6**	**9,818**	**38,265**

21. OTHER RESERVES (Continued)

(a) Capital Reserve

Capital reserve primarily arose upon incorporation of the Company on 8 October 2006 when the Company took over the assets and liabilities relating to the principal operations and businesses (the "Core Operations") of CCCG. The net value of the Core Operations transferred to the Company from CCCG was converted into the Company's share capital of RMB10,800,000,000 of RMB1.00 each with the then existing reserves eliminated and the resulting difference dealt with in the capital reserve of the Group.

Cash contribution from CCCG represents equity contributions from the parent company, CCCG, in cash. As at 31 December 2013, in accordance with the relevant regulation issued by the Ministry of Finance, equity contribution of RMB64 million cannot be distributed as dividend (2012: RMB64 million). In the future, when the Company increases its share capital, the capital reserve may be converted into shares of the Company to be held by CCCG, provided that appropriate conditions are met. The conversion is however subject to obtaining prior approval from the relevant government authorities and shareholders.

(b) Statutory Surplus Reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to owners. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2013, the Board of Directors proposed appropriation 10% (2012: 10%) of the Company's profit after tax as determined under the PRC GAAP, of RMB1,107 million (2012: RMB223 million) to the statutory surplus reserve.

(c) Safety Reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount to a safety reserve at different rates ranging from 1.5% to 2% of the total construction contract revenue recognised for the year. The reserve can be utilised for improvements of safety on the construction work, and the amounts are generally expenses in nature and charged to the consolidated income statement as incurred.

(d) Retained Earnings

The Group holds certain A shares of China Everbright Bank Company Limited ("Everbright Bank") as state-owned shareholder since its initial A share public offering. In December 2013, Everbright Bank completed an H share listing on the Hong Kong Stock Exchange. In accordance with the Provisional Measures on the Management of Reducing State-Owned Shares and Raising Social Security Funds (Guofa [2011] No.22) published by the State Council of the PRC, 10% of domestic A shares of Everbright Bank held by the Group were transferred to the National Social Security Fund based on the stock prices at the transfer date.

21. OTHER RESERVES (Continued)

(e) Statements of retrospective adjustments

The Group adopts merger accounting for common control combination in respect of the acquisition of Qingdao Chengyang as mentioned in Note 1. Also, the Group has applied IAS 19 (2011) retrospectively as stated in Note 2.1 (a).

Statements of retrospective adjustments for business combination under common control and adoption of IAS 19 (2011) on the consolidated balance sheet as at 1 January 2012 and 31 December 2012 and the Group's results for the year 2012 are as follows:

	As at 1 January 2012				
	As previously reported RMB million	Adoption of IAS 19 (2011) RMB million	Acquisition of Qingdao Chengyang RMB million	Elimination (Note i) RMB million	As restated RMB million
Property, plant and equipment	55,163	–	1	–	55,164
Inventories	22,603	–	394	–	22,997
Deferred income tax assets	2,038	42	–	–	2,080
Trade and other receivables	129,223	–	1	(28)	129,196
Cash and cash equivalents	45,234	–	3	–	45,237
Other assets	104,724	–	–	–	104,724
Total assets	358,985	42	399	(28)	359,398
Capital and reserves attributable to owners of the Company	70,231	(137)	9	–	70,103
Non-controlling interests	10,789	–	–	–	10,789
Total equity	81,020	(137)	9	–	80,892
Retirement benefit obligations	2,364	179	–	–	2,543
Trade and other payables	148,993	–	390	(28)	149,355
Other liabilities	126,608	–	–	–	126,608
Total liabilities	277,965	179	390	(28)	278,506

Notes to the Consolidated Financial Statements (Continued)

21. OTHER RESERVES (Continued)

(e) Statements of retrospective adjustments (Continued)

	As at 31 December 2012				
	As previously reported RMB million	Adoption of IAS 19 (2011) RMB million	Acquisition of Qingdao Chengyang RMB million	Elimination (Note i) RMB million	As restated RMB million
Property, plant and equipment	56,811	–	1	–	56,812
Inventories	26,675	–	438	–	27,113
Deferred income tax assets	2,338	39	2	–	2,379
Trade and other receivables	150,554	–	8	(35)	150,527
Cash and cash equivalents	67,492	–	11	–	67,503
Available-for-sale financial assets	15,964	–	–	(2)	15,962
Other assets	113,981	–	–	–	113,981
Total assets	433,815	39	460	(37)	434,277
Capital and reserves attributable to owners of the Company	86,749	(132)	44	(2)	86,659
Non-controlling interests	9,454	–	–	–	9,454
Total equity	96,203	(132)	44	(2)	96,113
Retirement benefit obligations	2,145	171	–	–	2,316
Trade and other payables	168,263	–	416	(35)	168,644
Other liabilities	167,204	–	–	–	167,204
Total liabilities	337,612	171	416	(35)	338,164

(i) Adjustments to eliminate the inter-group balances as at 31 December 2012.

	For the year ended 31 December 2012			
	As previously reported RMB million	Adoption of IAS 19 (2011) RMB million	Acquisition of Qingdao Chengyang RMB million	As restated RMB million
Revenue	295,321	–	–	295,321
Cost of sales	(262,723)	–	–	(262,723)
Gross profit	32,598	–	–	32,598
Other income	1,753	–	–	1,753
Other gains, net	439	–	–	439
Selling and marketing expenses	(611)	–	–	(611)
Administrative expenses	(14,069)	44	(8)	(14,033)
Other expenses	(921)	–	–	(921)
Operating profit	19,189	44	(8)	19,225
Others	(3,674)	–	–	(3,674)
Profit before income tax	15,515	44	(8)	15,551
Income tax expense	(3,783)	(9)	2	(3,790)
Profit for the year	11,732	35	(6)	11,761
Profit attributable to owners of the Company	12,248	35	(6)	12,277

No other significant adjustments were made to the net assets and net profit of any entities as a result of the common control combinations to achieve consistency of accounting policies.

Notes to the Consolidated Financial Statements (Continued)

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
Trade and bills payables (Note a)	**126,415**	106,226	**6,263**	9,058
Advances from customers	**43,127**	38,015	**4,022**	4,185
Deposits from suppliers	**15,308**	10,778	**2,989**	3,007
Other taxes	**6,854**	5,705	**112**	106
Social security	**984**	1,006	**29**	27
Accrued expenses	**228**	468	**–**	40
Accrued payroll	**480**	356	**2**	7
Share appreciation rights (Note 20)	**–**	5	**–**	5
Others	**6,794**	6,085	**364**	1,388
	200,190	168,644	**13,781**	17,823
Less: non-current portion				
– Deposits from suppliers	**(2,126)**	(2,672)	**(539)**	(1,530)
Current portion	**198,064**	165,972	**13,242**	16,293

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Within 1 year	**115,799**	98,440	**5,040**	8,967
1 year to 2 years	**8,002**	5,812	**1,212**	90
2 years to 3 years	**1,595**	1,370	**11**	1
Over 3 years	**1,019**	604	**–**	–
	126,415	106,226	**6,263**	9,058

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
RMB	**166,785**	140,757	**11,349**	15,069
USD	**23,260**	19,966	**5**	19
EUR	**1,645**	1,495	**1,213**	1,213
HKD	**1,478**	1,182	**1**	–
Saudi Riyal	**1,142**	850	**–**	–
Macanese Pataca	**822**	271	**–**	
Central African CFA Franc BEAC	**554**	509	**–**	–
Other currencies	**4,504**	3,614	**1,213**	1,522
	200,190	168,644	**13,781**	17,823

At 31 December 2013, other currencies mainly consist of Sri Lanka Rupee, United Arab Emirates Dirham and Ethiopian Birr.

Notes to the Consolidated Financial Statements (Continued)

23. BORROWINGS

		Group		Company	
		2013	2012	**2013**	2012
	Note	**RMB million**	RMB million	**RMB million**	RMB million
Non-current					
Long-term bank borrowings					
– secured	(a)	**48,296**	29,736	**1,219**	–
– unsecured		**17,625**	10,052	**79**	211
		65,921	39,788	**1,298**	211
Other borrowings					
– secured	(a)	**1,561**	965	**–**	–
– unsecured		**1,443**	153	**138**	153
Corporate bonds	(b)	**19,834**	21,920	**19,834**	21,920
Medium term notes	(c)	**3,797**	5,990	**–**	–
Non-public debt instrument	(e)	**4,294**	3,495	**–**	–
Finance lease liabilities	(l)	**2,307**	2,747	**–**	–
		33,236	35,270	**19,972**	22,073
Total non-current borrowings		**99,157**	75,058	**21,270**	22,284
Current					
Current portion of long-term bank borrowings					
– secured	(a)	**4,893**	3,693	**–**	–
– unsecured		**2,630**	6,036	**108**	114
		7,523	9,729	**108**	114
Short-term bank borrowings					
– secured	(a)	**17,820**	19,622	**–**	–
– unsecured		**44,406**	31,373	**10,601**	8,912
		62,226	50,995	**10,601**	8,912
Other borrowings					
– secured	(a)	**117**	1,752	**–**	–
– unsecured		**2,860**	111	**10**	11
Corporate bonds	(b)	**2,509**	409	**2,509**	409
Medium term notes	(c)	**2,459**	260	**–**	–
Debentures	(d)	**7,152**	5,086	**7,152**	5,086
Non-public debt instrument	(e)	**2,122**	34	**–**	–
Finance lease liabilities	(l)	**850**	811	**–**	–
		18,069	8,463	**9,671**	5,506
Total current borrowings		**87,818**	69,187	**20,380**	14,532
Total borrowings		**186,975**	144,245	**41,650**	36,816

23. BORROWINGS (Continued)

(a) As at 31 December 2013, these borrowings were secured by the Group's property, plant and equipment (Note 6), concession assets (Note 9), term deposits (Note 18(a)), lease prepayment (Note 7), unlisted financial instruments (Note 13), trade receivables (Note 14), inventories (Note 15) and guarantees provided by certain subsidiaries of the Group, the Company and one third party, (2012: secured by the Group's property, plant and equipment, concession assets, trade and bills receivables, term deposits, lease prepayment, inventories and guarantees provided by certain subsidiaries of the Group, the Company and one third party).

(b) As approved by China Securities Regulatory Commission document [2009] No. 761, the Company issued domestic corporate bonds with an aggregate principal amount of RMB10 billion in August 2009. RMB2,100 million of such bonds bears interest at a rate of 4.7% per annum with maturities through 2014, and RMB7,900 million bears interest at a rate of 5.2% per annum with maturities through 2019. The Company raised totally net proceeds of RMB9,910 million from the issuance.

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

The corporate bonds are stated at amortised cost. Interest is payable once a year. Accrued interest is included in current borrowings. All corporate bonds are guaranteed by CCCG.

(c) The Group issued the following medium term notes as approved by National Association of Financial Market Institutional Investors ("NAFMII") of the PRC:

- medium term notes at a nominal value of RMB2,200 million issued in March and April 2009, with a maturity of five years from issuance. RMB1,800 million of such notes bears interest at a rate of 4.1% per annum, and the remaining RMB400 million bears interest at 4.0% per annum;

- medium term notes with a nominal value of RMB3,800 million issued in February 2011, with a maturity of five years from issuance, bearing interest at a rate of 5.85% per annum.

The medium term notes are stated at amortised cost. Interest is payable once a year. Accrued interest is included in current borrowings.

(d) The Group issued the following debentures:

- As approved by the People's Bank of China, two tranches of debentures were issued in June and July 2012, respectively, at the same nominal value of RMB2,500 million, totalling RMB5,000 million, with maturities of one year from the issue date. The interest rate is 3.40% and 3.56% per annum, respectively. As at 31 December 2013, these two tranches of debentures have been fully paid off.

- As approved by NAFMII, three tranches of debentures were issued in April, May and August 2013, respectively, at nominal values of RMB2,000 million, RMB2,000 million and RMB3,000, respectively, totalling RMB7,000 million, with maturities of 270 days from issuance. The interest rate is 3.75%, 3.85% and 4.60% per annum, respectively.

The debentures are stated at amortised cost.

Notes to the Consolidated Financial Statements (Continued)

23. BORROWINGS (Continued)

(e) As approved by NAFMII, the Group issued the following non-public instruments:

- A tranche of non-public debt instrument with a nominal value of RMB2,000 million in November 2011, with a maturity of three years from issuance, bearing interest at a rate of 6.46% per annum.

- A tranche of non-public debt instrument with a nominal value of RMB1,500 million in October 2012, with a maturity of five years from issuance, bearing interest at a rate of 5.80% per annum.

- A tranche of non-public debt instrument with a nominal value of RMB1,500 million in April 2013, with a maturity of five years from issuance, bearing interest at a rate of 5.10% per annum.

- A tranche of non-public debt instrument with a nominal value of RMB800 million in April 2013, with a maturity of five years from issuance, bearing interest at a rate of 6.00% per annum.

- A tranche of non-public debt instrument with a nominal value of RMB500 million in October 2013, with a maturity of five years from issuance, bearing interest at a rate of 6.65% per annum.

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

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

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
6 months or less	**102,920**	94,241	**16,103**	8,415
6 -12 months	**28,068**	11,445	**2,059**	5,991
1 – 5 years	**35,483**	22,026	**8,149**	8,186
Over 5 years	**20,504**	16,533	**15,339**	14,224
	186,975	144,245	**41,650**	36,816

Notes to the Consolidated Financial Statements (Continued)

23. BORROWINGS (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Bank borrowings				
– Within 1 year	**69,749**	60,724	**10,709**	9,026
– Between 1 and 2 years	**12,120**	9,798	**1,256**	113
– Between 2 and 5 years	**18,670**	7,707	**41**	95
– Over 5 years	**35,131**	22,283	**1**	3
	135,670	100,512	**12,007**	9,237
Others, excluding finance lease liabilities				
– Within 1 year	**17,219**	7,652	**9,671**	5,506
– Between 1 and 2 years	**875**	6,394	**10**	2,099
– Between 2 and 5 years	**16,096**	12,174	**6,024**	6,021
– Over 5 years	**13,958**	13,955	**13,938**	13,953
	48,148	40,175	**29,643**	27,579
	183,818	140,687	**41,650**	36,816

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Wholly repayable within 5 years				
– Bank borrowings	**100,141**	77,844	**11,876**	9,020
– Others, excluding finance lease liabilities	**34,158**	26,167	**15,654**	13,572
	134,299	104,011	**27,530**	22,592
Wholly repayable after 5 years				
– Bank borrowings	**35,529**	22,668	**131**	217
– Others, excluding finance lease liabilities	**13,990**	14,008	**13,989**	14,007
	49,519	36,676	**14,120**	14,224
	183,818	140,687	**41,650**	36,816

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
RMB	**167,921**	125,922	**40,096**	35,930
USD	**16,108**	15,260	**1,368**	560
EUR	**806**	951	**55**	109
JPY	**698**	839	**131**	217
HKD	**684**	766	**–**	–
Others	**758**	507	**–**	–
	186,975	144,245	**41,650**	36,816

Notes to the Consolidated Financial Statements (Continued)

23. BORROWINGS (Continued)

(i) Borrowings of the Group, excluding corporate bonds, medium term notes, debentures, non-public debt instrument and finance lease liabilities, bear interest at effective rates ranging from 1.06% to 7.8% per annum at the end of the reporting period(2012: 1.37% to 7.69%).

(j) The carrying amounts of current portion of long-term borrowings and short-term borrowings approximate their fair values, as the impact of discounting is not significant.

The carrying amounts and fair values of the non-current borrowings are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Carrying amount				
– Bank borrowings	**65,921**	39,788	**1,298**	211
– Other borrowings	**3,004**	1,118	**138**	153
– Corporate bonds	**19,834**	21,920	**19,834**	21,920
– Medium term notes	**3,797**	5,990	**–**	–
– Finance lease liabilities	**2,307**	2,747	**–**	–
– Non-public debt instrument	**4,294**	3,495	**–**	–
	99,157	75,058	**21,270**	22,284
Fair value				
– Bank borrowings	**65,224**	39,186	**1,266**	199
– Other borrowings	**2,979**	1,124	**128**	141
– Corporate bonds	**19,571**	20,023	**19,571**	21,714
– Medium term notes	**3,527**	5,671	**–**	–
– Finance lease liabilities	**2,329**	2,729	**–**	–
– Non-public debt instrument	**4,237**	3,453	**–**	–
	97,867	72,186	**20,965**	22,054

The fair values of borrowings are based on cash flows discounted using the prevailing market rates of interest available to the Group for financial instruments with similar terms and characteristics at the respective ends of reporting periods. These fair values are within level 2 of the fair value hierarchy.

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Floating rate				
– Expiring within one year	**115,608**	145,403	**37,480**	39,901
– Expiring beyond one year	**294,741**	264,985	**198,243**	218,272
	410,349	410,388	**235,723**	258,173

Notes to the Consolidated Financial Statements (Continued)

23. BORROWINGS (Continued)

(l) Finance lease liabilities:

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

	2013 RMB million	2012 RMB million
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**882**	836
Later than 1 year and no later than 5 years	**1,978**	2,308
Later than 5 years	**915**	1,163
	3,775	4,307
Future finance charges on finance leases	**(618)**	(749)
Present value of finance lease liabilities	**3,157**	3,558
The present value of finance lease liabilities is as follows:		
No later than 1 year	**850**	811
Later than 1 year and no later than 5 years	**1,673**	1,961
Later than 5 years	**634**	786
	3,157	3,558

(m) In 2013, a customer of the Group has obtained a long term borrowing facility from a bank. The bank borrowing is effective from 26 April 2013 to 25 April 2038. The customer, as a borrower, has pledged its self-owned asset to secure the bank borrowing. The Group has entered into the loan contract as a co-borrower to take up joint responsibility of loan repayments up to 25 April 2021. Pursuant to the terms of the borrowing contract, upon default in loan repayments by the customer, the bank is entitled to ask for early repayments of bank borrowings and the co-borrower can be liable to repay the outstanding borrowing principal together with accrued interest. Accordingly, if the customer defaults in loan repayments during joint borrowing period, it is possible for the Group to undertake the responsibility to repay the principal and interest.

During the year ended 31 December 2013, as there was no default in payments and the customer had pledged its asset to secure the bank borrowing, management considers that the likelihood of default in payments is not probable, and therefore no provision has been made as of 31 December 2013.

24. DEFERRED INCOME TAX

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**2,472**	2,030	**93**	101
– Deferred tax assets to be recovered within 12 months	**140**	349	**–**	–
	2,612	2,379	**93**	101
Deferred tax liabilities:				
– Deferred tax liabilities to be settled after more than 12 months	**(2,844)**	(3,011)	**(1,584)**	(1,740)
– Deferred tax liabilities to be settled within 12 months	**(49)**	(89)	**–**	–
	(2,893)	(3,100)	**(1,584)**	(1,740)
Deferred tax liabilities (net)	**(281)**	(721)	**(1,491)**	(1,639)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
At 1 January, as previously reported	**(762)**	(310)	**(1,640)**	(1,292)
Adjustment for adoption of IAS 19 (2011)	**39**	42	**1**	1
Adjustment for adoption of merger accounting	**2**	–	**–**	–
At 1 January, as restated	**(721)**	(268)	**(1,639)**	(1,291)
Recognised in the income statement (Note 34)	**156**	18	**8**	(15)
Recognised in other comprehensive income	**276**	(471)	**140**	(333)
Disposal of a subsidiary (Note 43)	**8**	–	**–**	–
At 31 December	**(281)**	(721)	**(1,491)**	(1,639)

24. DEFERRED INCOME TAX (Continued)

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

Deferred Tax Liabilities

	Group			
	Available-for-sale financial assets RMB million	**Investments in subsidiaries** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2012	(2,242)	(89)	(581)	(2,912)
Charged to the consolidated income statement	–	(80)	(40)	(120)
Charged to other comprehensive income	(489)	–	–	(489)
At 31 December 2012	(2,731)	(169)	(621)	(3,521)
At 1 January 2013	**(2,731)**	**(169)**	**(621)**	**(3,521)**
Charged to the consolidated income statement	**–**	**(142)**	**(167)**	**(309)**
Credited to other comprehensive income	**336**	**–**	**–**	**336**
Disposal of a subsidiary (Note 43)	**–**	**–**	**18**	**18**
At 31 December 2013	**(2,395)**	**(311)**	**(770)**	**(3,476)**

	Company		
	Available-for-sale financial assets RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2012	(1,372)	(22)	(1,394)
Charged to the income statement	–	(13)	(13)
Charged to other comprehensive income	(333)	–	(333)
At 31 December 2012	(1,705)	(35)	(1,740)
At 1 January 2013	**(1,705)**	**(35)**	**(1,740)**
Credited to the income statement	**–**	**12**	**12**
Credited to other comprehensive income	**144**	**–**	**144**
At 31 December 2013	**(1,561)**	**(23)**	**(1,584)**

Notes to the Consolidated Financial Statements (Continued)

24. DEFERRED INCOME TAX (Continued)

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

Deferred Tax Assets:

	Group							
	Provision for impairment of assets	Depreciation and amortisation	Provision for foreseeable contract losses	Provision for employee benefits	Tax losses	Discount on long-term receivables	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2012, as previously reported	616	72	92	541	264	549	468	2,602
Adjustment for adoption of IAS 19 (2011)	–	–	–	42	–	–	–	42
At 1 January 2012, as restated	616	72	92	583	264	549	468	2,644
Credited/(charged) to the consolidated income statement	142	(55)	(24)	(65)	74	17	49	138
Credited to other comprehensive income	–	–	–	6	–	–	12	18
At 31 December 2012, as restated	758	17	68	524	338	566	529	2,800
At 1 January 2013, as previously reported	**758**	**17**	**68**	**485**	**336**	**566**	**529**	**2,759**
Adjustment for adoption of IAS 19 (2011)	**–**	**–**	**–**	**39**	**–**	**–**	**–**	**39**
Adjustment for adoption of merger accounting	**–**	**–**	**–**	**–**	**2**	**–**	**–**	**2**
At 1 January 2013, as restated	**758**	**17**	**68**	**524**	**338**	**566**	**529**	**2,800**
Credited/(charged)to the consolidated income statement	**258**	**–**	**(24)**	**(69)**	**154**	**72**	**74**	**465**
Charged to other comprehensive income	**–**	**–**	**–**	**(26)**	**–**	**–**	**(34)**	**(60)**
Disposal of a subsidiary (Note 43)	**(3)**	**(5)**	**–**	**–**	**–**	**–**	**(2)**	**(10)**
At 31 December 2013	**1,013**	**12**	**44**	**429**	**492**	**638**	**567**	**3,195**

	Company				
	Provision for impairment of assets	Discount of long-term receivable	Provision for employee benefits	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2012, as previously reported	13	16	26	47	102
Adjustment for adoption of IAS 19 (2011)	–	–	1	–	1
At 1 January 2012, as restated	13	16	27	47	103
(Charged)/credited to the income statement	–	8	(1)	(9)	(2)
At 31 December 2012	13	24	26	38	101
Charged to the income statement	–	–	(2)	(2)	(4)
Charged to other comprehensive income	–	–	(4)	–	(4)
At 31 December 2013	**13**	**24**	**20**	**36**	**93**

24. DEFERRED INCOME TAX (Continued)

(c) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2013, the Group did not recognise deferred tax assets of RMB1,719 million (2012: RMB1,268 million) in respect of tax losses amounting to RMB6,982 million (2012: RMB5,391 million) as the Directors believes it is more likely than not that such tax losses would not be utilised before they expire.

As at 31 December 2013, the tax losses with no deferred tax assets recognised carried forward are as follows:

	2013 **RMB million**	2012 RMB million
Year of expiry of tax losses		
2014	**682**	865
2015	**1,370**	1,385
2016	**960**	980
2017	**2,161**	2,161
2018	**1,809**	–
	6,982	5,391

(d) As at 31 December 2013, the unrecognised deferred income tax liabilities were RMB10 million (2012: RMB15 million), relating to income tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2013 amounted to RMB64 million (2012: RMB100 million).

25. RETIREMENT BENEFIT OBLIGATIONS

The Group provided supplementary pension subsidies and medical benefits to its normal retired or early retired employees in Mainland China who retired prior to 1 January 2006, which are considered to be defined benefit plans, and recognised a liability for the unfunded employee benefit obligations in the consolidated balance sheet.

The amount of retirement benefit obligations recognised in the consolidated balance sheet are determined as follows:

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
Present value of defined benefits obligations	**1,953**	2,316	**79**	109
Less: current portion	**(144)**	(189)	**(5)**	(5)
	1,809	2,127	**74**	104

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

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million (Restated)
At 1 January, as previously reported	**2,145**	2,364	**104**	110
Adjustments for adoption of IAS 19 (2011)	**171**	179	**5**	5
At 1 January, as restated	**2,316**	2,543	**109**	115
Past service cost	**(33)**	2	**2**	–
Interest cost	**77**	86	**3**	4
Effect of settlement	**(14)**	(100)	**(10)**	–
	2,346	2,531	**104**	119
Remeasurements				
– Gains from change in financial assumptions	**(153)**	–	**(6)**	–
– Experience (gains)/losses	**(5)**	35	**(10)**	1
	2,188	2,566	**88**	120
Payment	**(235)**	(250)	**(9)**	(11)
At 31 December	**1,953**	2,316	**79**	109

Notes to the Consolidated Financial Statements (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

(a) The above obligations were determined based on actuarial valuation performed by an independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch, using the projected unit credit method. The significant actuarial assumptions are as follows:

	2013	2012
Discount rate	**4.5%**	3.5%
Medical cost trend rate	**4%-8%**	4%-8%

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

	Impact on defined benefit obligation		
	Change in assumption (%)	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25	(1.80%)	1.86%
Medical cost trend rate	1.00	1.66%	(1.46%)

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumption the same method (present value of the defined benefit obligation calculated with the projected unit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligations within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(c) Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which is detailed below:

Life expectancy: The defined benefit obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

(d) The weighted average duration of the defined benefit obligations is 7.3 years.

(e) Expected maturity analysis of undiscounted defined benefit obligations of the Group:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB million	RMB million	RMB million	RMB million	RMB million
As at 31 December 2013					
Defined benefit obligations	**144**	**241**	**523**	**1,958**	**2,866**

Notes to the Consolidated Financial Statements (Continued)

26. PROVISIONS FOR OTHER LIABILITIES AND CHARGES – GROUP

	Pending Lawsuits RMB million	Others RMB million	Total RMB million
At 1 January 2012	123	17	140
Charged to the consolidated income statement:			
– Additional provisions	213	27	240
– Utilised/reversed during the year	(42)	(4)	(46)
At 31 December 2012	294	40	334
At 1 January 2013	294	40	334
Charged to the consolidated income statement:			
– Additional provisions	8	31	39
– Utilised/reversed during the year	(1)	(16)	(17)
At 31 December 2013	301	55	356

27. OTHER INCOME

	2013 **RMB million**	2012 RMB million
Rental income	**373**	287
Income from sale of materials	**126**	206
Dividend income on available-for-sale financial assets		
– Listed equity securities	**480**	349
– Unlisted equity investments	**73**	56
Government grants	**286**	251
Others	**716**	604
	2,054	1,753

28. OTHER GAINS, NET

	2013 **RMB million**	2012 RMB million
Gains on disposal of property, plant and equipment	**35**	167
Gains on disposal of lease prepayments	**75**	7
Losses on disposal of other financial assets at fair value through profit or loss	**(5)**	(7)
Fair value (losses)/gains from other financial assets at fair value through profit or loss	**(7)**	7
Net gains on derivative financial instruments:		
– Foreign exchange forward contracts	**156**	71
Gains on disposal of available-for-sale financial assets	**531**	123
Net foreign exchange (losses)/gains (Note 35)	**(197)**	66
Net gains on disposal of subsidiaries	**152**	–
Net gains on disposal of joint ventures and associates	**27**	5
	767	439

Notes to the Consolidated Financial Statements (Continued)

29. OTHER EXPENSES

	2013 RMB million	2012 RMB million
Provision for impairment of available-for-sale financial assets	**150**	11
Depreciation and other costs relating to assets being leased out	**213**	159
Cost of sale of materials	**233**	221
Others	**298**	530
	894	921

30. EXPENSES BY NATURE

	2013 RMB million	2012 RMB million (Restated)
Raw materials and consumables used	**108,670**	98,728
Subcontracting costs	**99,363**	83,079
Employee benefits expenses (Note 31)	**30,580**	27,400
Rentals	**14,273**	13,663
Business tax and other transaction taxes	**8,642**	7,753
Fuel	**6,479**	6,053
Depreciation of property, plant and equipment and investment properties (Note 6, 8)	**7,573**	6,561
Transportation costs	**307**	4,709
Amortisation of intangible assets (Note 9)	**281**	261
Amortisation of lease prepayments (Note 7)	**188**	165
Cost of goods sold	**4,437**	3,360
Research and development costs	**3,381**	2,332
Repair and maintenance expenses	**1,876**	1,758
Utilities	**1,256**	1,201
Insurance	**844**	238
Provision for impairment of trade and other receivables	**1,158**	689
Provision for foreseeable losses on construction contracts	**235**	498
Write-down of inventories	**328**	150
Auditors' remuneration	**40**	40
Other expenses	**24,239**	18,729
Total cost of sales, selling and marketing expenses and administrative expenses	**314,150**	277,367

Notes to the Consolidated Financial Statements (Continued)

31. EMPLOYEE BENEFIT EXPENSES

	2013 **RMB million**	2012 RMB million (Restated)
Salaries, wages and bonuses	**21,424**	18,820
Pension costs – defined contribution plans (Note a)	**2,471**	2,252
Pension costs – defined benefit plans (Note 25)	**30**	(12)
Housing benefits (Note b)	**1,155**	1,018
Share appreciation rights (Note 20)	**(5)**	(30)
Welfare, medical and other expenses	**5,505**	5,352
	30,580	27,400

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

No forfeited contributions were available as at 31 December 2013 and 2012 to reduce future contributions.

Contributions totalling RMB660 million (2012: RMB656 million) payable to various retirement benefit plans as at 31 December 2013 are included in trade and other payable.

(b) These represent contributions to the government-sponsored housing funds in Mainland China, at different rates of the employees' basic salary depending on the applicable local regulations.

32. FINANCE INCOME

	2013 **RMB million**	2012 RMB million
Interest income:		
– Bank deposits	**723**	627
– Unwinding of discount of long-term receivables	**1,612**	876
Others	**93**	124
	2,428	1,627

33. FINANCE COSTS, NET

	2013 **RMB million**	2012 RMB million
Interest expense incurred	**8,598**	6,884
Less: capitalised interest expense	**(2,858)**	(2,013)
Net interest expense	**5,740**	4,871
Representing:		
– Bank borrowings	**3,460**	3,288
– Other borrowings	**221**	143
– Corporate bonds	**1,093**	746
– Medium term notes	**312**	312
– Debentures	**241**	110
– Non-public debt instrument	**308**	145
– Finance lease liabilities	**105**	127
	5,740	4,871
Net foreign exchange gains on borrowings (Note 35)	**(476)**	(35)
Others	**1,109**	575
	6,373	5,411

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 RMB2,858 million (2012: RMB2,013 million) were capitalised in 2013, of which approximately RMB1,182 million (2012: RMB719 million) was charged to contract work-in-progress, approximately RMB1,320 million (2012: RMB956 million) was included in cost of concession assets, approximately RMB344 million (2012: RMB328 million) was included in cost of construction-in-progress, and approximately RMB12 million (2012: RMB10 million) was included in property, plant and equipment as at 31 December 2013. A generally capitalisation rate of 4.37% (2012: 4.98%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets.

34. TAXATION

(a) Income Tax Expense

Most of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (2012: 25%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for a few subsidiaries of the Company, which were exempted from tax or taxed at preferential rates of 15% (2012: 12.5% to 15%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2012: 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:

	2013 RMB million	2012 RMB million (Restated)
Current income tax		
– PRC enterprise income tax	**3,583**	3,315
– Others	**153**	493
	3,736	3,808
Deferred income tax (Note 24(a))	**(156)**	(18)
Income tax expense	**3,580**	3,790

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2013 RMB million	2012 RMB million (Restated)
Profit before income tax	**15,852**	15,551
Less: share of profits of joint ventures and associates	**(222)**	(110)
	15,630	15,441
Tax calculated at PRC statutory tax rate of 25% (2012: 25%)	**3,908**	3,860
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(699)**	(435)
Income not subject to tax	**(104)**	(202)
Additional tax concession on research and development costs	**(213)**	(185)
Expenses not deductible for tax purposes	**289**	148
Utilisation of previously unrecognised tax losses	**(53)**	(25)
Tax losses for which no deferred income tax asset was recognised	**452**	629
Income tax expense	**3,580**	3,790

Notes to the Consolidated Financial Statements (Continued)

34. TAXATION (Continued)

(a) Income Tax Expense (Continued)

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

	2013 Before tax RMB million	Tax charge RMB million	After tax RMB million	2012 Before tax RMB million	Tax credit RMB million	After tax RMB million
Actuarial gain/(loss) on retirement benefit obligations	**158**	**(26)**	**132**	(35)	6	(29)
Changes in fair value of available-for-sale financial assets	**(951)**	**255**	**(696)**	1,885	(477)	1,408
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**(335)**	**84**	**(251)**	–	–	–
Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets	**150**	**(37)**	**113**	–	–	–
Share of other comprehensive income of a joint venture	**–**	**–**	**–**	1	–	1
Currency translation differences	**(130)**	**–**	**(130)**	77	–	77
Other comprehensive income	**(1,108)**	**276**	**(832)**	1,928	(471)	1,457
Current income tax		**–**			–	
Deferred income tax (Note 24)		**276**			(471)	
		276			(471)	

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

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

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

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

During 2012 and 2013, pursuant to the Notice on Issuance of Business Tax to Value Added Tax Transformation Pilot Program ("Pilot Program") and relevant further regulations, revenues derived from transportation and design services provided by some subsidiaries of the Group were no longer subject to business tax. Under the pilot program, the transportation services and design services were subject to VAT at rates ranging from 6% to 11%.

35. NET FOREIGN EXCHANGE GAINS

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

	2013 **RMB million**	2012 RMB million
Finance costs (Note 33)	**476**	35
Other gains – net (Note 28)	**(197)**	66
	279	101

36. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB10,995 million (2012: RMB2,224 million).

37. 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.

	2013	2012 (Restated)
Profit attributable to owners of the Company (RMB million)	**12,568**	12,277
Weighted average number of ordinary shares in issue (million)	**16,175**	15,950
Basic earnings per share (RMB per share)	**0.78**	0.77

(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 2013 and 2012.

38. DIVIDENDS

	2013 **RMB million**	2012 RMB million
Proposed final dividend of RMB0.18762 per ordinary share (2012: RMB0.1847)	**3,035**	2,988

The dividends paid in 2013 and 2012 were RMB2,988 million (RMB0.1847 per ordinary share) and RMB2,902 million (RMB0.1794 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2013 of RMB0.18762 per ordinary share, amounting to a total dividend of RMB3,035 million, is to be approved at the annual general meeting on 18 June 2014. These financial statements do not reflect this dividend payable.

Notes to the Consolidated Financial Statements (Continued)

39. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

(a) Directors' and Supervisors' Emoluments

	2013 RMB'000	2012 RMB'000
Directors and supervisors		
– Basis salaries, housing allowances and other allowances	**3,465**	3,422
– Contributions to pension plans	**188**	198
– Discretionary bonuses	**2,178**	2,569
	5,831	6,189

The emoluments of every director and supervisor for the year ended 31 December 2013 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
Mr. Zhou Jichang (i)	**181**	**3**	**–**	**184**
Mr. Liu Qitao	**535**	**37**	**519**	**1,091**
Mr. Fu Junyuan	**469**	**37**	**463**	**969**
Non-executive director				
Mr. Zhang Changfu	**114**	**–**	**–**	**114**
Independent non-executive directors				
Mr. Liu Zhangmin	**156**	**–**	**–**	**156**
Mr. Yuan Yaohui	**136**	**–**	**–**	**136**
Mr. Zou Qiao	**129**	**–**	**–**	**129**
Mr. Lu Hongjun	**132**	**–**	**–**	**132**
Mr. Leung Chong Shun	**109**	**–**	**–**	**109**
Supervisors				
Mr. Liu Xiangdong	**470**	**37**	**462**	**969**
Mr. Xu Sanhao	**471**	**37**	**461**	**969**
Mr. Wang Yongbin	**553**	**37**	**162**	**752**
	3,455	**188**	**2,067**	**5,710**

(i) Mr. Zhou Jichang, who, due to reaching retirement age, resigned as an executive director and chairman of the Board on 26 April 2013.

39. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

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

The emoluments of every director and supervisor for the year ended 31 December 2012 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
Mr. Zhou Jichang	541	33	483	1,057
Mr. Liu Qitao	530	33	494	1,057
Mr. Fu Junyuan	464	33	440	937
Non-executive director				
Mr. Zhang Changfu	101	–	–	101
Independent non-executive directors				
Mr. Liu Zhangmin	133	–	–	133
Mr. Yuan Yaohui	127	–	–	127
Mr. Zou Qiao	104	–	–	104
Mr. Lu Hongjun	104	–	–	104
Mr. Leung Chong Shun	112	–	–	112
Supervisors				
Mr. Liu Xiangdong	464	33	440	937
Mr. Xu Sanhao	465	33	439	937
Mr. Wang Yongbin	277	33	273	583
	3,422	198	2,569	6,189

During the year, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

39. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

(b) Five Highest Paid Individuals

None of the Directors' emoluments as disclosed in Note 39(a) above was included in the emoluments paid to the five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2013 **RMB'000**	2012 RMB'000
Basic salaries, housing allowances, and other allowances and benefits in kind	**2,256**	3,092
Contributions to pension plans	**256**	210
Discretionary bonuses	**7,491**	3,481
	10,003	6,783

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

	2013	2012
– HKD1,500,001 to HKD2,000,000 (equivalent to approximately RMB1,179,345 to RMB1,572,460)	**–**	5
– HKD2,000,001 to HKD2,500,000 (equivalent to approximately RMB1,572,460 to RMB1,965,575)	**3**	–
– HKD2,500,001 to HKD3,000,000 (equivalent to approximately RMB1,965,575 to RMB2,358,690)	**2**	–
	5	5

Notes to the Consolidated Financial Statements (Continued)

40. CASH GENERATED FROM OPERATIONS

(a) Cash Generated from Operations

	2013 RMB million	2012 RMB million (Restated)
Profit for the year	**12,272**	11,761
Adjustments for:		
– Income tax expense	**3,580**	3,790
– Depreciation of property, plant and equipment and investment properties	**7,573**	6,561
– Amortisation of intangible assets and lease prepayments	**469**	426
– Gains on disposal of property, plant and equipment	**(35)**	(167)
– Reversal of share-based payment provision (Note 20)	**(5)**	(30)
– Fair value gains on derivative financial instruments	**(89)**	(17)
– Fair value losses/(gains) on other financial assets at fair value through profit or loss	**7**	(7)
– Gains on disposal of subsidiaries	**(152)**	–
– Net gains on disposal of lease prepayments	**(75)**	(7)
– Gains on disposal of available-for-sale financial assets	**(531)**	(123)
– Losses on disposal of other financial assets at fair value through profit or loss	**5**	7
– Gains on disposal of associates	**(28)**	(5)
– Losses on disposal of joint ventures	**1**	–
– Write-down of inventories	**328**	150
– Provision for impairment of trade and other receivables	**1,158**	689
– Provision for foreseeable losses on construction contracts	**235**	498
– Provision for impairment on available-for-sale financial assets	**150**	11
– Dividend income from available-for-sale financial assets	**(553)**	(405)
– Interest income	**(2,428)**	(1,627)
– Interest expenses	**5,740**	4,871
– Share of profit of joint ventures	**(65)**	(49)
– Share of profit of associates	**(157)**	(61)
– Net foreign exchange gains on borrowings	**(476)**	(35)
	26,924	26,231
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	**(3,277)**	(3,906)
– Trade and other receivables	**(35,286)**	(20,771)
– Contract work-in-progress	**(7,966)**	(3,070)
– Restricted bank deposits	**(1,323)**	(1,721)
– Retirement benefit obligations	**(205)**	(263)
– Trade and other payables	**31,866**	19,453
– Provisions for other liabilities and charges	**37**	194
– Deferred income	**(121)**	379
Cash generated from operations	**10,649**	16,526

Notes to the Consolidated Financial Statements (Continued)

40. CASH GENERATED FROM OPERATIONS (Continued)

(b) Proceeds from disposal of PPE

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2013 RMB million	2012 RMB million
Net book amount (Note 6)	**1,038**	429
Gains on disposal of property, plant and equipment (Note 28)	**35**	167
Proceeds from disposal of property, plant and equipment	**1,073**	596

41. CONTINGENCIES

	Group		**Company**	
	2013 RMB million	2012 RMB million	**2013 RMB million**	2012 RMB million
Pending lawsuits (Note a)	**439**	462	**–**	–
Outstanding loan guarantees (Note b)	**262**	247	**24,767**	24,174
	701	709	**24,767**	24,174

(a) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision as set out in Note 26 has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for above pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.

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

Notes to the Consolidated Financial Statements (Continued)

42. COMMITMENTS

(a) Capital Commitments

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Property, plant and equipment	**1,857**	2,972	**1,857**	2,972

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Property, plant and equipment	**5,006**	4,859	**–**	–
Intangible assets – concession assets	**88,829**	83,385	**–**	–
	93,835	88,244	**–**	–

(b) Operating Lease Commitments – the Group as Lessee

The Group leases various offices, warehouses, residential properties, machinery and vessels under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
No later than 1 year	**688**	910	**78**	78
Later than 1 year and no later than 5 years	**877**	1,055	**–**	56
Later than 5 years	**282**	455	**–**	–
	1,847	2,420	**78**	134

(c) Lease Payments Receivable

The Group rents out various offices under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments receivable under non-cancelable operating leases are as follows:

	Group	
	2013	2012
	RMB million	RMB million
No later than 1 year	**147**	156
Later than 1 year and no later than 5 years	**278**	326
Later than 5 years	**276**	310
	701	792

The Company has no lease payments receivable.

Notes to the Consolidated Financial Statements (Continued)

43. DISPOSAL OF ZHENHUA LOGISTICS GROUP

In January 2013, the Group disposed of its 36.78% equity interest in Zhenhua Logistics Group ("Zhenhua Logistics"), a former subsidiary, which was primarily engaged in transportation and logistics in the PRC, for a consideration of RMB409 million. The Group retained a 25% equity interest in and has significant influence over Zhenhua Logistics. The investment has been reclassified to investments in associates in the consolidated balance sheet upon completion of the disposal.

Details of sales proceeds and gains on disposal are as follows:

	RMB million
Sales proceeds:	
Cash received	409
Fair value of the remaining 25% share of Zhenhua Logistics on disposal date	279
Less: net assets disposed – as shown below	(910)
non-controlling interests	370
Gains on disposal	148

The details of the net assets disposal are as follows:

	RMB million
Cash and cash equivalents	203
Property, plant and equipment (Note 6)	521
Lease prepayments (Note 7)	207
Investment properties (Note 8)	38
Intangible assets (Note 9)	4
Investments in associates (Note 11(a))	46
Investments in joint ventures (Note 11(b))	148
Trade and other receivables	795
Deferred tax assets (Note 24)	10
Other assets	17
Borrowings	(194)
Trade and other payables	(820)
Deferred tax liabilities (Note 24)	(18)
Other liabilities	(47)
Net assets	910
Non-controlling interests	(370)
Net assets disposed	540
Sales proceeds – cash received	409
Less: cash and cash equivalents of Zhenhua Logistics	(203)
Net cash inflow on disposal of Zhenhua Logistics	206

Notes to the Consolidated Financial Statements (Continued)

44. RELATED-PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by CCCG, the parent company and a state-owned enterprise established in the PRC. CCCG is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "government-related entities"). In accordance with IAS 24 "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC Government are regarded as related parties of the Group. On that basis, related parties include CCCG, other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence, and key management personnel of the Company and CCCG, as well as their close family members. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of related party transactions entered into in the ordinary course of business between the Group and its related parties, including other government-related entities, during the year and balances arising from related party transactions as at 31 December 2012.

(a) Related Party Transactions

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

	2013 RMB million	2012 RMB million
Transactions with CCCG		
– Rental expense	**46**	49
– Property maintenance expenses	**56**	56
– Acquisition of CCMEC	**–**	16
– Acquisition of Qingdao Chengyang	**48**	–
– Other costs	**1**	–
Transactions with fellow subsidiaries		
– Revenue from provision of construction services	**884**	503
– Revenue from provision of other services	**–**	4
– Sales of machinery	**–**	1
– Other costs	**7**	–
Transactions with joint ventures and associates		
– Revenue from provision of construction services	**3,063**	900
– Sales of machinery	**8**	110
– Disposal of property, plant and equipment	**381**	–
– Subcontracting fee charges	**869**	1,086
– Purchase of materials	**154**	91
– Services charges	**54**	127
– Revenue from rental income	**3**	3
– Other costs	**8**	15

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

Notes to the Consolidated Financial Statements (Continued)

44. RELATED-PARTY TRANSACTIONS (Continued)

(b) Key Management Compensation

	2013 RMB'000	2012 RMB'000
Basis salaries, housing allowances and other allowances	**6,428**	6,614
Contributions to pension plans	**420**	429
Others	**5,109**	5,693
	11,957	12,736

(c) Year-end Balances with Related Parties

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	**2013 RMB million**	2012 RMB million
Trade and other receivables				
Trade receivables due from				
– Fellow subsidiaries	**346**	151	**346**	151
– Joint ventures and associates	**813**	178	**251**	14
– Subsidiaries	**–**	–	**178**	335
Long-term receivables due from				
– Joint ventures and associates	**89**	358	**–**	358
Prepayments				
– Subsidiaries	**–**	–	**4,577**	8,096
– Joint ventures and associates	**64**	83	**–**	–
Other receivables due from				
– Fellow subsidiaries	**–**	677	**–**	–
– Joint ventures and associates	**570**	152	**–**	–
– Subsidiaries	**–**	–	**163**	254
	1,882	1,599	**5,515**	9,208
Loans to subsidiaries	**–**	–	**17,897**	20,077
Amounts due from subsidiaries	**–**	–	**4,164**	7,944

The receivables are unsecured in nature and bear no interest. As at 31 December 2013, the provisions against receivables from related parties of the Group amounted to RMB47 million (2012: RMB35 million). No provision has been held against receivables from related parties of the Company as at 31 December 2013 and 2012.

44. RELATED-PARTY TRANSACTIONS (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Trade and other payables				
Trade and bills payable due to				
– Fellow subsidiaries	**1**	–	**–**	–
– Joint ventures and associates	**683**	307	**–**	–
– Subsidiaries	**–**	–	**5,284**	8,226
Advanced from customers				
– Joint ventures and associates	**972**	273	**–**	–
– Subsidiaries	**–**	–	**712**	619
Other payables due to				
– CCCG	**943**	455	**226**	171
– Fellow subsidiaries	**652**	412	**–**	–
– Joint ventures and associates	**49**	38	**–**	–
– Subsidiaries	**–**	–	**157**	1,028
	3,300	1,485	**6,379**	10,044
Amounts due to subsidiaries	**–**	–	**33,361**	31,861
Amounts due from customers for contract work with				
– Joint ventures and associates	**253**	461	**–**	20
Amounts due to customers for contract work with				
– Joint ventures and associates	**117**	–	**62**	–
Outstanding corporate loan guarantees provided by the Group				
– Joint ventures	**143**	196	**7**	8
– Associates	**119**	–	**–**	–
– Subsidiaries	**–**	–	**24,760**	24,166
Outstanding bond guarantees provided by CCCG	**22,343**	22,329	**22,343**	22,329

The payables bear no interest.

Notes to the Consolidated Financial Statements (Continued)

44. RELATED-PARTY TRANSACTIONS (Continued)

(d) Transactions and Year-end Balances with Other Government-Related Entities

The Group's major customers are PRC Government agencies and other government-related entities. A significant portion of revenue from provision of construction, design, dredging and other services, and sales of heavy machinery is conducted with other government-related entities. The Group also incurred some portion of subcontracting costs, rentals and purchases of materials and services from other government-related entities. These transactions are carried out on terms agreed with the counter parties in the ordinary course of business. As a result, a major portion of the Group's trade and other receivables and payables, as well as amount due from/due to customers for contract work, is with other government-related entities.

In addition, the Group has the following significant transactions and balances with other government-related entities:

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Transactions with other government-related entities				
– Interest from bank deposits	**399**	469	**177**	166
– Interest on bank borrowings	**6,156**	5,550	**385**	630

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
Balances with other government-related entities				
– Restricted bank deposits	**3,559**	5,208	**17**	1
– Cash and cash equivalents	**53,309**	55,286	**14,477**	27,397
	56,868	60,494	**14,494**	27,398
– Borrowings	**131,606**	83,747	**10,405**	8,741

Notes to the Consolidated Financial Statements (Continued)

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2013, the Company had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Proportional of ordinary shares held by the Company		Proportional of ordinary shares held by non-controlling interests	Principal activities and place of operation
				Directly held	Indirectly held		
Listed –							
Shanghai Zhenhua Heavy Industry Co., Ltd.	the PRC	Joint stock limited company	RMB4,390	28.83%	17.40%	53.77%	Manufacturing of heavy machinery in the PRC
Unlisted –							
China Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB1,715	50%	50%	0.00%	Infrastructure construction in the PRC and other regions
China Road and Bridge Corporation	the PRC	Limited liability company	RMB3,889	96.37%	3.63%	0.00%	Infrastructure construction in the PRC and other regions
CCCC First Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB5,475	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Second Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB3,002	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Third Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB2,859	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Fourth Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB3,140	100%	–	0.00%	Infrastructure construction in the PRC
CCCC First Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB2,728	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Second Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB2,086	100%	–	0.00%	Infrastructure construction in the PRC
Road & Bridge International Co., Ltd.	the PRC	Limited liability company	RMB1,684	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Investment Co., Ltd.	the PRC	Limited liability company	RMB7,730	100%	–	0.00%	Investment holding in the PRC
CCCC Tianjin Dredging Co., Ltd.	the PRC	Limited liability company	RMB5,807	100%	–	0.00%	Dredging in the PRC
CCCC Shanghai Dredging Co., Ltd.	the PRC	Limited liability company	RMB7,606	100%	–	0.00%	Dredging in the PRC
CCCC Guangzhou Dredging Co., Ltd.	the PRC	Limited liability company	RMB4,934	100%	–	0.00%	Dredging in the PRC

Notes to the Consolidated Financial Statements (Continued)

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

As at 31 December 2013, the Company had direct and indirect interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Proportional of ordinary shares held by the Company: Directly held	Proportional of ordinary shares held by the Company: Indirectly held	Proportional of ordinary shares held by non-controlling interests	Principal activities and place of operation
CCCC Third Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB930	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Fourth Highway Engineering Bureau Co., Ltd.	the PRC	Limited liability company	RMB505	100%	–	0.00%	Infrastructure construction in the PRC
CCCC Tunnel Engineering Co., Ltd.	the PRC	Limited liability company	RMB1,226	99.33%	0.67%	0.00%	Infrastructure construction in the PRC
CCCC International Holding Limited	Hong Kong	Limited liability company	HKD2,372	100%	–	0.00%	Investment holding in the PRC
CCCC Water Transportation Consultants Co., Ltd.	the PRC	Limited liability company	RMB818	100%	–	0.00%	Infrastructure design in the PRC
CCCC Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB401	100%	–	0.00%	Infrastructure design in the PRC
CCCC First Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB723	100%	–	0.00%	Infrastructure design in the PRC
CCCC Second Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB428	100%	–	0.00%	Infrastructure design in the PRC
CCCC Third Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB519	100%	–	0.00%	Infrastructure design in the PRC
CCCC-FHDI Engineering Co., Ltd.	the PRC	Limited liability company	RMB630	100%	–	0.00%	Infrastructure design in the PRC
CCCC First Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB856	100%	–	0.00%	Infrastructure design in the PRC
CCCC Second Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB872	100%	–	0.00%	Infrastructure design in the PRC
China Highway Engineering Consulting Group Co., Ltd.	the PRC	Limited liability company	RMB650	100%	–	0.00%	Infrastructure design in the PRC
CCCC Road and Bridge Consultants Co., Ltd.	the PRC	Limited liability company	RMB123	100%	–	0.00%	Infrastructure design in the PRC

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

As at 31 December 2013, the Company had direct and indirect interests in the following principal subsidiaries: (Continued)

				Proportional of ordinary shares held by the Company			
Name	Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Directly held	Indirectly held	Proportional of ordinary shares held by non-controlling interests	Principal activities and place of operation
CCCC Xi'an Road Construction Machinery Co., Ltd.	the PRC	Limited liability company	RMB433	54.31%	45.69%	0.00%	Manufacturing of road construction machinery in the PRC
China Highway Vehicle & Machinery Co., Ltd.	the PRC	Limited liability company	RMB168	100%	–	0.00%	Trading of motor vehicles spare parts in the PRC
Chuwa Bussan Co., Ltd.	Japan	Limited liability company	JPY 60	75%	–	0.00%	Trading of machinery in Japan
CCCC Shanghai Equipment Engineering Co., Ltd.	the PRC	Limited liability company	RMB10	55%	–	45.00%	Design, manufacturing and repairing of machinery in the PRC
CCCC Electromechanical Engineering Co., Ltd.	the PRC	Limited liability company	RMB500	100%	–	0.00%	Infrastructure construction in the PRC
China Communications Materials & Equipment Company Limited	the PRC	Limited liability company	RMB34	100%	–	0.00%	Trading of construction materials and equipment in the PRC
CCCC Finance Company Limited	the PRC	Limited liability company	RMB3,500	95%	–	5.00%	Financial service in the PRC

46. HOLDING COMPANY

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

Terms & Glossaries

"AGM"	The annual general meeting of the Company for the year 2013 to be held on 18 June 2014
"A Shares"	domestic shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
"A Share Issue"	the issue of an aggregate of 1,349,735,425 A Shares by the Company, which were listed on the Shanghai Stock Exchange on 9 March 2012
"Articles of Association"	the articles of associations of the Company, approved on 8 October 2006, and as amended thereafter
"Board"	the board of Directors of the Company
"BOT"	build, operate and transfer
"BT"	build and transfer
"Company" or "CCCC"	China Communications Construction Company Limited, a joint stock limited company with limited liability incorporated under the laws of the PRC on 8 October 2006, and except where the context requires otherwise, all of its subsidiaries
"CCCC Finance"	CCCC Finance Company Limited, a limited liability company incorporated under the laws of the PRC
"CCCC Real Estate"	CCCC Real Estate Company Limited, a wholly-owned subsidiary of CCCG
"CCCG"	China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds approximately 63.83% equity interest in the Company
"CCCI"	CCCC International Holding Limited, a wholly-owned subsidiary of the Company
"CHEC"	China Harbour Engineering Company Ltd., a wholly-owned subsidiary of the Company
"CHEC Group"	China Harbour Engineering Company (Group), one of the predecessors of the Company
"CRBC"	China Road & Bridge Corporation, a wholly-owned subsidiary of the Company
"CRBC International"	Road & Bridge International Co., Ltd., a wholly-owned subsidiary of the Company
"CRBC Group"	China Road and Bridge Corporation, one of the predecessors of the Company
"CRED Group"	China National Real Estate Development Group Corporation, a wholly-owned subsidiary of CCCG
"CRED Real Estate"	CRED-Chongshi Real Estate Corporation Limited, a subsidiary of CRED Group, which is approximately 53.32% owned by CRED Group
"Director(s)"	The director(s) of the Company

Terms & Glossaries

"experts in five areas"	the strategy of being "experts in five areas", is the optimisation and re-building of the Company based on our existing businesses, markets and resources. That is, to build the Company to be a world-famous engineering contractor, an urban complex developer and operator, a distinctive real estate developer, an integrated infrastructure investor and a general contractor of offshore heavy equipment and port machinery manufacturing and system integration
"F&G"	Friede Goldman United, Ltd.
"GDP"	gross domestic product
"Group"	the Company itself and all of its subsidiaries
"Hong Kong dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standard Board ("IASB"). IFRS includes International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations
"Ministry of Finance"	the Ministry of Finance of the PRC
"PBOC"	People's Bank of China
"PRC" or "China" or "Mainland China"	the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan
"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	State-owned Assets Supervisor and Administration Commission of the State Council
"SFO"	the Securities and Future Ordinance
"Shanghai Listing Rules"	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
"Shareholders"	the shareholders of the Company
"State Council"	the State Council of the PRC
"terminal"	an assigned area in which containers and cargo are prepared for loading onto a vessel, train, truck or plane or are stacked immediately after discharge from the vessel, train, truck or plane
"Twelfth Five-Year Plan"	the Twelfth Five-Year Plan for National Economic and Social Development (2011-2015) promulgated by the State Council on the Eleventh National People's Congress in 2010
"U.S."	United States of America
"U.S. dollars" or "USD"	United States dollars, the lawful currency of the U.S.
"ZPMC"	Shanghai Zhenhua Heavy Industry Co., Ltd, a company incorporated on 14 February 1992 in the PRC and listed on the Shanghai Stock Exchange, which the Company owns, directly and indirectly, a controlling equity interest of approximately 46.2%

Note: Any discrepancies between the amounts herein and the amounts set out in the tables herein are due to rounding

Corporate Information

I. CORPORATE INFORMATION

Legal name of the Company in Chinese: 中國交通建設股份有限公司
Legal Chinese abbreviation of the Company: 中國交建
Legal name of the Company in English: China Communications Construction Company Limited
Legal English abbreviation of the Company: CCCC
Legal representative of the Company: LIU Qitao

II. CONTACT PERSON AND CONTACT DETAILS

Secretary to the Board of the Company: LIU Wensheng
Address: 85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Tel: 8610-82016562
Fax: 8610-82016524
E-mail: ir@ccccltd.cn

III. BASIC INFORMATION

Registered address of the Company:
85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Postal code: 100088

Office address of the Company:
85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Postal code: 100088

Company website: http://www.ccccltd.cn
E-mail: ir@ccccltd.cn

IV. INFORMATION DISCLOSURE AND PLACE AVAILABLE FOR INSPECTION

Newspapers designated by the Company for disclosure of information (A Shares):
China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by China Securities Regulatory Commission for publishing annual reports of A Shares:
www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publishing annual reports of H Shares:
www.hkexnews.hk

Place available for inspection of the Company's annual reports of A Shares:
85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Place available for inspection of the Company's annual reports of H Shares:
Room 2805, 28th Floor, Convention Plaza Office Tower, 1 Harbour Road, Wanchai, Hong Kong, China

V. BASIC INFORMATION ON SHARES OF THE COMPANY

Listing place of A Shares: Shanghai Stock Exchange
Abbreviation of A Shares: 中國交建
Stock code of A Shares: 601800

Listing place of H Shares: The Stock Exchange of Hong Kong Limited
Abbreviation of H Shares: CHINA COMM CONS
Stock code of H Shares: 01800

Corporate Information

VI. OTHER INFORMATION OF THE COMPANY

Registration date of the Company: 8 October 2006
Legal person business license registration number: 100000000040563
Tax registration number: 110105710934369
Organisation code: 71093436-9

Domestic Auditors:
PricewaterhouseCoopers Zhong Tian LLP
11th Floor PricewaterhouseCoopers Centre, Building 2, Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, China
Signing auditors: LEUNG Wai Kin and GENG Xin

International Auditors:
PricewaterhouseCoopers
22nd Floor, Prince's Building, Central, Hong Kong

Sponsor performing continuous supervisory duty during the reporting period:
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200 Yincheng Zhong Rd.(M), Pudong District, Shanghai, China
Signing representative of sponsor: TIAN Jin and WANG Ding
Period of continuous supervision: 9 March 2012 to 31 December 2014

Sponsor performing continuous supervisory duty during the reporting period:
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618 Shangcheng Road, Pudong District, Shanghai, China
Signing representative of sponsor: LIU Xin and YE Ke
Period of continuous supervision: 9 March 2012 to 31 December 2014

Financial consultant performing continuous supervisory duty during the reporting period:
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Signing chief financial consultant: GAO Yuxiang and FAN Haidong
Period of continuous supervision: 9 March 2012 to 31 December 2013

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H Share registrar:
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