中國交通建設股份有限公司

**CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED**

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

**(Stock Code: 1800)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

## FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2014 amounted to RMB158,561 million, representing an increase of RMB17,524 million, or 12.4%, from RMB141,037 million for the corresponding period of 2013.

Gross profit for the six months ended 30 June 2014 amounted to RMB16,636 million, representing an increase of RMB2,380 million, or 16.7%, from RMB14,256 million for the corresponding period of 2013.

Operating profit for the six months ended 30 June 2014 amounted to RMB10,864 million, representing an increase of RMB1,895 million, or 21.1%, from RMB8,969 million for the corresponding period of 2013.

Profit attributable to owners of the Company for the six months ended 30 June 2014 amounted to RMB6,020 million, representing an increase of RMB298 million, or 5.2%, from RMB5,722 million for the corresponding period of 2013.

Basic earnings per share for the six months ended 30 June 2014 amounted to RMB0.37, as compared with RMB0.35 for the corresponding period of 2013.

The value of new contracts for the six months ended 30 June 2014 amounted to RMB279,631 million, representing an increase of 10.6% from RMB252,917 million for the corresponding period of 2013.

As at 30 June 2014, the backlog for the Group amounted to RMB766,906 million, as compared with RMB738,055 million as at 31 December 2013.

The Board (the "**Board**") of Directors (the "**Directors**", each a "**Director**") of China Communications Construction Company Limited (the "**Company**", "**CCCC**" or "**we**") is pleased to announce the unaudited condensed consolidated interim results of the Company and all of its subsidiaries (hereinafter collectively referred to as, the "**Group**", except where the context otherwise requires) prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" for the six months ended 30 June 2014 as follows.

## CHAIRMAN'S STATEMENT

In the first half of the year, with the changes in the external market conditions in line with our expectation, the production and operation of the Company was generally positive. In the first half of the year, revenue of the Group was RMB158,561 million, representing a year-on-year increase of 12.4%; profit attributable to the owners of the Company was RMB6,020 million, representing a year-on-year increase of 5.2%; and earnings per share were RMB0.37. The value of new contracts was RMB279,631 million, representing a year-on-year increase of 10.6%. As at 30 June 2014, the backlog of the Group amounted to RMB766,906 million, representing an increase of 3.9% as compared to that as at 31 December 2013.

In the first half of the year, with effective implementation of the strategy "experts in five areas", the reform and innovation have gradually delivered return, and quality and efficiency of the Company's development have been increasingly improved, representing a firm step for building up an upgraded CCCC. In 2014, the Company ranked the 187th among Fortune Global 500, and has been rated as a Grade A enterprise in the Operating Results Assessment of State-owned Enterprises conducted by the State-owned Assets Supervision and Administration Commission of the State Council for the ninth consecutive year. The Company's achievements for the year were mainly reflected by the following facts:

Firstly, the Company's traditional business competitiveness was consolidated, and new competitive advantages have been gradually formed. In respect of traditional business competitiveness, the infrastructure construction business grew steadily; the infrastructure design business enjoyed a stable operating performance; dredging business was stagnant though; and heavy machinery manufacturing business targeted at high-end products in port machinery market, all of which further improved the market influence of the Company. For the new competitive advantages, overseas business grew rapidly and steadily; investment business showed strong growth momentum; rail transit and railway business achieved a major breakthrough; and new progress was made in respect of the expansion of the market of offshore heavy equipment products.

Secondly, there was a radical change in the profit model, and the proportion of traditional business, overseas business and investment business was optimized. Under such a model, overseas business and investment business contributed more than 40% in aggregate to the Company's profit.

Thirdly, the strategic ideas were finalized and organizational restructuring started to bear fruits. The system of the mutual development of "three engines", namely, business divisions, regional headquarters and subsidiaries, was substantially formed, which has increasingly produced synergies.

In addition, the Company achieved positive results in such areas as technology innovation, financial innovation, optimizing budget evaluation system, enhancing financial management, promoting information construction and building talent groups.

Currently, CCCC has stepped into a crucial period and a breakthrough and deepening stage of reform and restructuring, and the transformation and upgrading is therefore at a critical point. It should be clearly recognized that innovative development is imperative to settle difficulties and issues encountered during the course of development, and that it is necessary to constantly improve the core competitiveness of the Company in order to ensure its sustainable and healthy development.

In the second half of the year, we will firmly focus on the objectives set at the beginning of the year. Without pressure, the Company will achieve no development. While meeting the targets horizontally and vertically, the Company will continue to reinforce its fundamentals and seek organic development quality, strengthening its confidence and overwhelming the challenges. In this regard, the Company will mainly focus on the followings:

Firstly, by consistently implementing the established development policies of deepening the reform in all respects and becoming "experts in five areas", the Company will continue to promote professional integration and regional development, and to strengthen fully the effective integration in several areas including resources, business and brand.

Secondly, the Company will adopt an innovation-driven model to improve the development quality and efficiency. In particular, the Company will deepen organizational system innovation, endeavour to promote management innovation and continuously enhance technological innovation, as well as continue to promote business model innovation and vigorously expand financial innovation.

Thirdly, the Company will enhance the operation quality management to ensure the operation objectives established at the beginning of the year be met. In particular, it will not only strictly control the receivables and inventories and the amount of interest-bearing debts, but will also endeavour to increase its net cash flows. The Company will improve cost control by strengthening the management of projects directly managed by the Group and key projects, and enhancing the cost management of tertiary entities. In addition, the Company will strictly control investment risks and optimize investment business portfolio.

Fourthly, the Company will attach great importance to and put all efforts on production safety by the organic combination of the development of an adaptive organisation and production and safety supervision, and consistently fulfill the corporate social responsibility by serious accountability and rigorous assessment.

Facing both opportunities and challenges, we will insist on the path of upgrading and developing, consistently implement the strategy of becoming "experts in five areas", improve the development of an adaptive organisation and promote the conversion to a value chain from an industrial chain, to relentlessly promote CCCC to bring about a new situation, make remarkable development and go onto a higher stage, stepping forward to the goal of becoming a world first class enterprise.

## BUSINESS OVERVIEW

In the first half of 2014, China's economy maintained operating at a reasonable level. The CPI growth was in line with expected annual target and the PPI was flat to down, so the economy was stable on an overall scale. Meanwhile, there still existed numerous unstable and uncertain factors. In the face of relatively large economic downward pressures, China has recently promulgated a series of small-scaled stimulating policies including targeted accommodative monetary policies, reinforced expenditure budget management by the financial department, accelerated payment progress, expanding the scope of small and micro enterprises that can enjoy income tax preferential policies, further tapping the supporting roles of development financing on the redevelopment of run-down areas, deepening the reform of railway investment and financing systems and accelerating railway construction, steadily proceeding the construction of all kinds of infrastructure.

In the first half of 2014, the world economy was still in slow recovery, and the international engineering contracting market maintained a momentum of steady growth. The implementation of such national strategies as the "Silk Road economic belt and Maritime Silk Road" and interoperability with neighboring countries coupled with new supportive and cooperative policies proposed by top leaders of China during their visits to Africa and Latin American countries brought more market opportunities for the Company's overseas operations. In addition, countries and regions including the United States, Brazil, Australia, Russia and Europe all have voiced the strategy of boosting national economic development by increasing infrastructure inputs, so demand for infrastructure construction will remain exuberant. Interoperability, clean energy and urban construction have become the new focal points of development, and BOT, PPP and other methods will be adopted by more and more countries. The Company will actively grasp these development opportunities, develop traditional business advantages into new competitive edges in the international arena characterized by "investment, management, technology, and integration", and explore to transform from an engineering contractor to "international experts in five areas" within shortest time possible.

In the first half of 2014, the Group's revenue was RMB158,561 million, representing an increase of 12.4% as compared with that for the corresponding period in 2013; profit attributable to owners of the Company was RMB6,020 million, representing an increase of 5.2% as compared with that for the corresponding period in 2013; and the value of new contracts amounted to RMB279,631 million, representing an increase of 10.6% as compared with that for the corresponding period in 2013. As at 30 June 2014, the backlog of the Group amounted to RMB766,906 million, representing an increase of 3.9% as compared with the backlog as at 31 December 2013.

In the first half of 2014, revenue of the Group businesses derived from overseas markets, amounted to RMB26,928 million (equivalent to approximately USD4,388 million including revenue realised from export trade of domestically manufactured industrial products and the same hereafter), representing approximately 17.0% of the Group's revenue. The value of new contracts from overseas markets amounted to RMB68,909 million (equivalent to approximately USD10,670 million), representing approximately 24.6% of the Group's new contracts value.

# I. BUSINESS REVIEW AND OUTLOOK

## 1. Infrastructure Construction Business

In the first half of 2014, revenue from infrastructure construction projects undertaken by the Group was RMB128,854 million, representing an increase of 15.5% as compared with that for the corresponding period in the previous year. The value of new infrastructure construction contracts amounted to RMB235,551 million, representing an increase of 13.1% as compared with that for the corresponding period in the previous year. Categorised by project type, 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 RMB24,051 million, RMB61,874 million, RMB18,988 million, RMB30,551 million, RMB55,043 million and RMB45,044 million, respectively, representing 10%, 26%, 8%, 13%, 24% and 19% of the total value of new infrastructure construction contracts, respectively. As at 30 June 2014, the backlog amounted to RMB680,465 million, representing an increase of 4.1% as compared with that as at 31 December 2013.

### *(1) Port Construction*

In the first half of 2014, the value of new contracts of the Group for Mainland China port infrastructure projects amounted to RMB24,051 million, representing an increase of 6.3% as compared with that for the corresponding period in the previous year, and accounting for 10% of the infrastructure construction business.

In the first half of 2014, the decrease of coastal infrastructure investment gradually became less. Starting from May 2014, the investment data of coastal construction has turned into positive growth, indicating the waterway construction market steadily picked up. Along with the implementation of such national strategies as regional integration and development of Yangtze River economic zone, the port construction along the Yangtze River is expected to speed up, and the construction of the golden waterway along Yangtze River will boost the market. At the same time, we also noticed that after over a decade's rapid development, the demand for port construction at coastal areas was nearly finalized, thus the focus of market development are being shifted to secondary ports, a few newly planned harbor areas, and cargo wharfs with fierce market competition.

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

In the first half of 2014, the value of new contracts of the Group for Mainland China road and bridge projects reached RMB61,874 million, representing a decrease of 21.6% as compared with that for the corresponding period of last year, and accounting for 26% of the infrastructure construction business.

In the first half of 2014, the highway construction continued to operate at a high level, while the development of highway infrastructure construction business may slow down in the future compared with previous years. As transport infrastructure is still an important part of "stabilizing growth" of China, China will continue to strengthen targeted inputs into the transport infrastructure construction of the Midwest regions in the second half of the year. The Ministry of Transport has put forward several initiatives to accelerate transport infrastructure construction, with priority given to guaranteeing the completion of already initiated projects, initiating new projects, and paying adequate attention to early-stage constructions, and has sorted out a batch of projects whose construction would be accelerated. All these will become strong support for the growth of transportation infrastructure investments in the second half of 2014. Meanwhile, along with the rapid progressing of the development of Beijing-Tianjin-Hebei integration, the Beijing-Tianjin-Hebei transportation integration plan is also in full swing, which will give birth to a number of transport infrastructure construction projects and is bound to form regional hotspots.

***(3) Railway Construction***

In the first half of 2014, the value of new contracts of the Group for Mainland China railway construction projects reached RMB18,988 million, representing an increase of 601.2% as compared with that for the corresponding period in the previous year, and accounting for 8% of the infrastructure construction business.

In the first half of 2014, the central government decided to further increase efforts of railway construction by promoting the reform of railway investment and financing systems, absorbing social investments from various channels, appropriately expanding the scale of fixed assets investment, adjusting the mileage of new lines, and adding new projects. Hence, in the second half of the year, the railway market will further ramp up, with focus shifting to Midwest regions. 14 railways will commence construction in the second half of the year, with a total mileage of 3,712 kilometres and a total investment of RMB327.3 billion. Meanwhile, regional economic integration offers broad space for the development of intercity rail and intra-city rail projects. The Company will unswervingly follow the market and actively participate in the construction of various railway projects with a purpose of expanding market shares and bettering profitability.

***(4) Investment Business (BOT/BT and preliminary land development projects, etc.)***

In the first half of 2014, the value of new contracts of the Group for Mainland China investment business amounted to RMB30,551 million, representing a decrease of 31.8% as compared with that for the corresponding period in the previous year, 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 RMB19,800 million, RMB6,751 million and RMB4,000 million, respectively, representing 65%, 22% and 13% of the total value of new contracts, respectively. For the corresponding period of 2013, the value of new contracts for BOT projects, BT projects and preliminary land development projects represented 50%, 28% and 22% of the total value of new investment contracts, respectively.

As at 30 June 2014, according to statistics of the projects, the total contracted investment volume of the Group's BOT projects was estimated to be RMB168,195 million, and cumulatively RMB81,505 million having been completed with the assets with a value of RMB39,440 million have been put into operation. The total contract value of BT projects entered into by the Group amounted to RMB98,990 million and an investment amount of RMB60,550 million have been completed. Wherein, projects with an investment amount of RMB39,551 million have entered into the payback period, cumulatively recovering funds at RMB21,118 million. The total contracted investment amount of the Group's primary land development projects was estimated at RMB103,573 million, with cumulatively RMB24,000 million having been completed, while the sales amount of RMB2,932 million has been realised.

In the first half of 2014, the Company unswervingly adhered to the concept of prudent investment, so market development steadily progressed and achieved sound results. During the market development process, the Company gave due attention to the organic combination of project quality, structure optimization, industry layout, and risk prevention and control, focused on large projects that had innovative models, wide influence and good profit, and effectively implemented the strategy of becoming an urban comprehensive developer and operator. In addition, the Company configured BT and other projects with "little investments, short periods, fast returns, and high cost-effectiveness", which has made up for the lack of short-term gains to a certain extent and enhanced the rolling development capabilities of the Company's investment business.

Meanwhile, the Company further improved its management systems for investment business, amended seven prevailing rules and regulations, optimized financial assessment benchmark values, and formulated the Interim Regulations on the Revitalization and Disposal of Investment Assets. The Company also strengthened risk prevention and control for investment projects by strictly enacting project review and approval procedures and constantly improving the level of approval and assessment. It also carried out personalized and targeted risk prevention and control for certain investment projects and strived to select "best of best" investment projects. Also, the Company closely tracked and monitored various investment projects and implemented the project tracking and monitoring system that combines quarterly reports, onsite surveys, regular economic benefit analysis, and project after-completion assessment.

***(5) Overseas Projects***

In the first half of 2014, the value of the new contracts for overseas projects of the infrastructure construction business entered into by the Group amounted to RMB55,043 million (equivalent to approximately USD8,523 million), representing an increase of 73.4% as compared with that for the corresponding period of last year and accounting for 24% of the infrastructure construction business.

Categorised by project type, the value of new infrastructure construction contracts for road and bridge, port construction, airports, railway, municipal and others accounted for 55%, 37%, 3%, 1% and 4% 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, Southeast Asia, Europe, Central Asia, Hong Kong/Macau/Taiwan, America and other regions accounted for 35%, 24%, 22%, 12%, 4%, 2% and 1% of the value of new contracts for overseas projects, respectively.

In the first half of 2014, under the guidance of overseas expansion strategies, the value of new contracts of the Company from overseas projects increased rapidly, driving the steady growth of the value of new contracts from infrastructure construction business at the same time. Giving full play to the significant advantages of the "one body with two wings" platform, the value of new contracts from the three CCCC, CHEC, and CRBC brand overseas projects recorded substantial year-on-year growth. New breakthroughs were made in the expansion of new markets, and value of new contracts from newly tapped markets, including Montenegro, Liberia, and Fiji, exceeded USD2,000 million, representing a year-on-year increase of 277%. The marketing capability for large projects was further enhanced. In the first half of 2014, 80 new engineering projects were signed in 42 countries and regions, 7 of which had a contract value over USD300 million. The total value of these contracts was USD4,428 million, taking up 52% in the value of all new contracts from overseas projects.

In the first half of 2014, the operational quality of overseas projects remained robust. As at 30 June 2014, the Company had 479 engineering contracting projects in 80 countries and regions, with a total contract value of approximately USD36,000 million. All these projects were progressing smoothly. The management and order quality of engineering projects were constantly improving, account receivables and inventories were controlled at a reasonable level, and net operating cash flow remained positive.

***(6) Municipal and Other Projects***

In the first half of 2014, the value of new contracts for municipal and other projects in Mainland China entered into by the Group reached RMB45,044 million, representing an increase of 63.8% as compared to that for the corresponding period of last year, and accounting for 19% of the infrastructure construction business.

In the first half of 2014, the Company made tangible results in the market development of rail transportation, municipal, and water projects, which boosted the steady growth of the its infrastructure construction business. With the accelerated pace of development of China's new urbanization and urban capacity expansion, municipal rail transport market will continue its fast development track, and investments in emerging markets such as municipal roads, bridges, tunnels, drainage pipe networks, environmental engineering (including environmental technologies, sewage and garbage disposal), low carbon buildings, and underground space development will be gradually increased. The Company has been well prepared to grasp market opportunities and actively seeking business increments.

## 2. Infrastructure Design Business

In the first half of 2014, revenue from the infrastructure design business of the Group was RMB7,879 million, representing an increase of 1.8% as compared to that for the corresponding period of last year. The value of new infrastructure design contracts entered into by the Group reached RMB13,478 million, representing an increase of 4.3% as compared to that for the corresponding period of last year. As at 30 June 2014, the backlog amounted to RMB35,845 million, representing an increase of 0.8% as compared with the backlog as at 31 December 2013.

Categorised by project type, the values of new contracts for survey and design, project supervision, EPC contracting and other projects amounted to RMB4,756 million, RMB539 million, RMB7,494 million and RMB689 million, respectively, representing 35%, 4%, 56% and 5% of the total value of new infrastructure design contracts, respectively, as compared with 39%, 4%, 53% and 4%, respectively recorded for the corresponding period of 2013.

In the first half of 2014, the Company's traditional port design business was in downturn. The value of new contracts from port EPC projects declined year on year, while the increase of the value of new contracts from road EPC projects slowed down year on year, hence lowering the overall level of growth of the value of new contracts from the infrastructure design business. In the second half, the Company, while developing the traditional domestic market, will continue to focus on the development of overseas markets, and strive to make breakthroughs in regional market development by capitalizing on the Company's "one body with two wings" platform.

## 3. Dredging Business

In the first half of 2014, revenue from the dredging business of the Group was RMB13,172 million, representing a decrease of 4.9% as compared to that for the corresponding period of last year. The value of new dredging contracts entered into by the Company reached RMB12,868 million, representing a decrease of 28.9% as compared to that for the corresponding period of last year. As at 30 June 2014, the backlog amounted to RMB27,999 million, representing a decrease of 5.9% as compared with that as at 31 December 2013.

In the first half of 2014, according to vessel purchase plan, there was no large vessels constructed with special purpose to serve in the Group's dredger fleets. As at 30 June 2014, the Group's dredging capacity amounted to approximately 720 million cubic meters under standard operating conditions.

In the first half of 2014, demands in the coastal port and channel dredging market declined significantly, and the land reclamation market was still in the downturn under the influence of macroeconomic policies. At the same time, market players became diversified, and engineering companies affiliated to port groups, large private companies, and certain construction enterprises under the central government incorporated port and channel dredging engineering companies to join the market competition. Therefore, the price of bidding projects in the sector tends decrease in the long run. Also, after the fast development of the land reclamation market during the "Eleventh Five-Year Plan", the low-end dredging market has already been in overcapacity.

Faced with changes in the market, the Company will focus on hot markets in Haixi Region as well as large cannel construction projects in Yangtze River golden waterway and other inland waterways, further strengthen synergies with the Company's investment business, optimize the structure of operation ships, and strive to expand the contribution ratio of overseas markets, to steadily increase the scale of the business.

**4. Heavy Machinery Manufacturing Business**

In the first half of 2014, revenue from the heavy machinery manufacturing business of the Group was RMB10,923 million, representing an increase of 1.2% as compared to that for the corresponding period of last year. The value of new heavy machinery manufacturing contracts entered into by the Group reached RMB15,856 million, representing an increase of 18.3% as compared to that for the corresponding period of last year. As at 30 June 2014, the backlog was RMB21,959 million, representing an increase of 15.4% as compared with that as at 31 December 2013.

In the first half of 2014, the global port container machinery market remained stable, and demands for coal, ore and other dry bulk cargo machinery grew by a certain scale. Shanghai Zhenhua Heavy Industry Co., Ltd. ("**ZPMC**") recorded steady growth from port machinery product orders. In the first quarter, ZPMC sold port machinery products to Congo (Brazzaville) and Benin for the first time, marking the presence of such products in 86 countries and regions. Automatic cargo dock machinery products, were sold to the United States for the first time, following Spain, South Korea and the Netherlands, by which the company's product influence was further enhanced.

Ever since 2010, the global offshore engineering equipment market has remained buoyant. The Company also made new breakthroughs in the market, with value of new contracts growing rapidly. ZPMC, while preserving its world-leading research power in the floating crane, pipe-laying vessel and other engineering ship sector, taps its R&D edges in respect of core parts and components for offshore engineering equipment. It has formed synergy with Friede Goldman United, Ltd. ("**F&G**") to capitalize the design advantages of the latter, and successfully delivered one 300 feet jack-up drilling rig. This year, ZPMC has secured orders for three 400 feet jack-up drilling rig, thereby successfully grasping the opportunities arising from the shift of the offshore engineering drilling platform business to the Chinese market. In the future, ZPMC will continue to develop the high-end offshore heavy equipment products, to further expand the contribution ratio of new businesses and products.

Some major contracts entered into by the Group in the first half of 2014 are as follows: (Unit: RMB million)

### *(1) Infrastructure Construction Business*

**Port Construction**

| No. | Contract Name | Contract Value |
|---|---|---|
| 1 | Phase II of Container Terminal project in Gaolan Zone, Zhuhai Port, Guangdong | 1,116 |
| 2 | Container Terminal project of West Operating Area in Shenzhen Port, Guangdong | 620 |
| 3 | Xiexin Port project of Taicang Area in Suzhou Port, Jiangsu | 589 |
| 4 | Phase III of Coal Terimal project in Caofeidian Port, Hebei | 507 |
| 5 | Jiaomei Operating Area project in Haicang Zone, Xiamen Port, Fujian | 471 |

**Road and Bridge Construction**

| No. | Contract Name | Contract Value |
|---|---|---|
| 1 | Highway project of Dalijiashan-Xunhua Section and Xunhua-Longwuxia Section of G310 in Qinghai | 7,924 |
| 2 | Lot S2 and S3 of Humen Second Bridge in Guangzhou, Guangdong | 2,298 |
| 3 | Lot 2 of Jianli-Jiangling Highway project in Hubei | 1,320 |
| 4 | General Contract of Jia'ou-Libo Highway in Guizhou | 898 |
| 5 | Lot 3 of Phase I of diversion project of Zhangzhou Section of G319 in Fujian | 878 |

**Railway Construction**

| No. | Contract Name | Contract Value |
|---|---|---|
| 1 | Lot 1 of construction project of Shanghai-Nantong Railway and Shanghai-Nantong Yangtze River Bridge | 3,992 |
| 2 | Lot 5 of the station project of Zhangjiakou-Hohhot Railway | 2,456 |
| 3 | Lot 6 of the station project of Hebei Section of Beijing-Shenyang Passenger Dedicated Railway | 1,880 |
| 4 | Xintai Tunnel project of Jiangmen-maoming Section and the station project of Yangxi-Mata Section of Shenzhen-Maoming | 896 |
| 5 | Lot 3 of the station project of newly constructed Ejina-Hami Railway | 782 |

**Investment Business (BOT/BT projects and preliminary land development projects, etc.)**

| No. | Contract Name | Contract Value |
|---|---|---|
| 1 | BOT project of Foshan Rail Transit in Guangdong | 19,800 |
| 2 | Urban Comprehensive development and construction project of Baiyun New Town in Songzi, Hubei | 4,000 |
| 3 | BT project of Phase II of Dongfeng Avenue rapid transformation in Wuhan, Hubei | 2,652 |
| 4 | BT project of infrastructure construction of Changde Economic Development Zone in Hunan | 2,086 |
| 5 | Comprehensive improvement project of Taixing Tianxingzhou in Jiangsu | 1,350 |

**Overseas Projects**

| No. | Contract Name | Contract Value *(USD million)* |
|---|---|---|
| 1 | North-South Highway project in the Republic of Montenegro | 1,000 |
| 2 | Port Gentil-Omboue Highway Project (93 kilometers) in Gabon | 663 |
| 3 | JIGCC Water Intake and Outlet project in Jazan, Saudi Arabia | 512 |
| 4 | North-South No.2 Highway project in Kyrgyz | 400 |
| 5 | Walvis Bay Container Terminal Project in Namibia | 380 |

*(2) Infrastructure Design Business*

| No. | Contract Name | Contract Value |
|---|---|---|
| 1 | EPC project of reconstruction project of Changling-Sitang Section of Badong-Hefeng Highway in Badong County, Hube | 173 |
| 2 | Survey and Design project of Dunkou Yangtze River Bridge of Forth Ring Road in Wuhan | 171 |
| 3 | Survey and Design project of reconstruction of Maduo-Jiegu Section of Gonghe-Yushu Highway of G214 in Qinghai | 130 |
| 4 | Design project of Binhai New Area Reclamation of Jinjiang, Fujian | 121 |
| 5 | EPC project of cofferdam upgrade of Qinglanshan region in Quanzhou, Fujian | 112 |

*(3) Dredging Business*

| No. | Contract Name | Contract Value |
|---|---|---|
| 1 | Lot 1 of 35,000 ton-class channel regulation of middle area of Weifang Port in Shandong | 727 |
| 2 | Berth and reclamation project of Niutouwan operating area of Songxia Port area in Fuzhou, Fujian | 616 |
| 3 | Jingujiang channel regulation project of Qinzhou Port in Guangxi | 612 |
| 4 | Cofferdam reclamation project of Hengda Haihua Island in Hainan | 502 |
| 5 | EPC project of reclamation project Beihai New Area in Yingkou, Liaoning | 486 |

*(4) Heavy Machinery Manufacturing Business*

| No. | Contract Name | Contract Value |
|---|---|---|
| 1 | One 5,000 ton deepwater derrick pipelay barge | approximately USD200 million |
| 2 | One JU2000E jack-up drilling rig | approximately USD200 million |
| 3 | One LTD400 feet high-tech jack-up drilling rig | approximately USD200 million |
| 4 | One JU-2000E 400 feet high-tech jack-up drilling rig | approximately USD200 million |
| 5 | 8 quayside container cranes and 22 automatic rail mounted gantry cranes | approximately GBP100 million |

## II. BUSINESS PLAN

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.

In the first half of 2014, according to statistics, value of new contracts entered into by the Group amounted to RMB279,631 million, accomplishing 46.6% of our basic goal, and it is in line with our expectation per our schedule. Unaudited revenue amounted to RMB158,561 million, accomplishing 41.7% of our basic goal, and it is in line with our expectation per our schedule.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following section should be read in conjunction with the unaudited condensed consolidated interim financial information of the Group and accompanying notes herein.

### Overview

For the six months ended 30 June 2014, revenue of the Group amounted to RMB158,561 million, representing an increase of 12.4% from RMB141,037 million in the corresponding period of 2013. The value of the Group's new contracts for the six months ended 30 June 2014 was RMB279,631 million, representing an increase of 10.6% over the corresponding period of 2013. As at 30 June 2014, the backlog for the Group was RMB766,906 million, representing an increase of 3.9% as compared with 31 December 2013.

Gross profit for the six months ended 30 June 2014 amounted to RMB16,636 million, representing an increase of RMB2,380 million, or 16.7%, from RMB14,256 million in the corresponding period of 2013.

Mainly as a result of the growth in gross profit, operating profit for the six months ended 30 June 2014 amounted to RMB10,864 million, representing an increase of RMB1,895 million, or 21.1%, from RMB8,969 million in the corresponding period of 2013.

For the six months ended 30 June 2014, profit attributable to owners of the Company amounted to RMB6,020 million, representing an increase of RMB298 million, or 5.2%, from RMB5,722 million in the corresponding period of 2013. For the six months ended 30 June 2014, earnings per share of the Group was RMB0.37, compared with RMB0.35 in the corresponding period of 2013.

The following is a comparison of financial results between the six months ended 30 June 2014 and 2013.

### Consolidated Results of Operations

#### *Revenue*

Revenue for the six months ended 30 June 2014 increased by 12.4% to RMB158,561 million, from RMB141,037 million in the corresponding period of 2013. The growth was attributable to the increase in the revenue from the infrastructure construction business, infrastructure design business, heavy machinery manufacturing business and other businesses, amounting to RMB17,340 million, RMB142 million, RMB126 million and RMB1,506 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 15.5%, 1.8%, 1.2% and 130.8%, respectively, over the corresponding period of 2013. Meanwhile, revenue from dredging business decreased by RMB675 million (before elimination of inter-segment transactions), or 4.9%, from the corresponding period of 2013.

### *Cost of Sales and Gross Profit*

Cost of sales for the six months ended 30 June 2014 amounted to RMB141,925 million, representing an increase of RMB15,144 million, or 11.9%, from RMB126,781 million in the corresponding period of 2013. Increases in cost of sales from the infrastructure construction business, infrastructure design business and other businesses amounted to RMB15,352 million and RMB190 million and RMB1,475 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 15.1%, 3.2% and 137.0%, respectively, over the corresponding period of 2013. Meanwhile, for the six months ended 30 June 2014, cost of sales from dredging business and heavy machinery manufacturing business decreased by RMB422 million and RMB474 million (all before elimination of inter-segment transactions), or 3.6% and 4.7%, from the corresponding period of 2013.

Cost of sales consisted mainly of cost of raw materials and consumables used, subcontracting cost, employee benefits and rental. For the six months ended 30 June 2014, cost of raw materials and consumables used, subcontracting cost, employee benefits and rental increased by 2.6%, 19.9%, 12.4% and 10.8%, respectively, from the corresponding period of 2013. The increase in subcontracting cost was primarily due to the development of the infrastructure construction business.

Gross profit for the six months ended 30 June 2014 amounted to RMB16,636 million, representing an increase of RMB2,380 million, or 16.7%, from RMB14,256 million in the corresponding period of 2013. Gross profit from infrastructure construction business, heavy machinery manufacturing business and other business increased by 20.4%, 85.0% and 41.9%, respectively, from the corresponding period of 2013; while the gross profit from infrastructure design business and dredging business decreased by 2.7% and 12.9%, respectively, from the corresponding period of 2013. Gross profit margin increased to 10.5% for the six months ended 30 June 2014 from 10.1% in the corresponding period of 2013, primarily due to the increase in gross profit margin of infrastructure construction business and heavy machinery manufacturing business. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business, heavy machinery manufacturing business and other businesses were 9.1%, 22.1%, 13.0%, 12.0% and 4.0%, respectively, as compared with 8.7%, 23.1%, 14.2%, 6.5% and 6.4% in the corresponding period of 2013.

### *Operating Profit*

Operating profit for the six months ended 30 June 2014 amounted to RMB10,864 million, representing an increase of RMB1,895 million, or 21.1%, from RMB8,969 million in the corresponding period of 2013. The increase was mainly due to the increase in gross profit.

For the six months ended 30 June 2014, operating profit from the infrastructure construction business, infrastructure design business and heavy machinery manufacturing business increased by RMB1,880 million, RMB36 million and RMB782 million (all before elimination of inter-segment transactions and unallocated costs), representing a growth rate of 31.4%, 3.5% and 268.7%, respectively, over the corresponding period of 2013; operating profit from dredging business and other business decreased by RMB714 million and RMB118 million, or 42.3% and 98.3% (all before elimination of inter-segment transactions and unallocated costs), from the corresponding period of 2013.

Operating profit margin slightly increased to 6.9% for the six months ended 30 June 2014 from 6.4% for the corresponding period of 2013.

### *Finance Income*

Finance income for the six months ended 30 June 2014 amounted to RMB1,592 million, representing an increase of RMB520 million, or 48.5%, from RMB1,072 million in the corresponding period of 2013, which was primarily attributable to the increase of finance income from BT projects, as well as the growth of the interests arising from bank deposits.

### *Finance Costs, net*

Net finance costs for the six months ended 30 June 2014 amounted to RMB4,819 million, representing an increase of RMB1,958 million, or 68.4%, from RMB2,861 million in the corresponding period of 2013. The increase of finance cost was primarily attributable to the increase in the volume of borrowings.

### *Share of Profits/(losses) of Joint ventures*

Share of profits of joint ventures for the six months ended 30 June 2014 amounted to RMB6 million, compared with share of losses of joint ventures of RMB3 million in the corresponding period of 2013.

### *Share of Profits of Associates*

Share of the profits of associates for the six months ended 30 June 2014 amounted to RMB133 million, compared with that of RMB41 million in the corresponding period of 2013.

### *Profit before Income Tax*

As a result of the foregoing factors, profit before income tax for the six months ended 30 June 2014 amounted to RMB7,776 million, representing an increase of RMB558 million, or 7.7%, from RMB7,218 million in the corresponding period of 2013.

### *Income Tax Expense*

Income tax expense for the six months ended 30 June 2014 amounted to RMB1,745 million, representing an increase of RMB292 million, or 20.1%, from RMB1,453 million in the corresponding period of 2013. Effective tax rate for the Group for the six months ended 30 June 2014 was 22.4%, as compared with 20.1% in the corresponding period of 2013.

### *Profit Attributable to Non-Controlling Interests*

Profit attributable to non-controlling interests for the six months ended 30 June 2014 amounted to RMB11 million, compared with the profit attributable to non-controlling interests of RMB43 million in the corresponding period of 2013.

### *Profit Attributable to Owners of the Company*

As a result of the foregoing factors, profit attributable to owners of the Company for the six months ended 30 June 2014 amounted to RMB6,020 million, representing an increase of RMB298 million, or 5.2%, from RMB5,722 million in the corresponding period of 2013.

Profit margin with respect to profit attributable to owners of the Company was 3.8% for the six months ended 30 June 2014, as compared with 4.1% in the corresponding period of 2013.

## Discussion of Segment Operations

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for the six months ended 30 June 2014 and 2013.

| | Revenue | | Gross Profit | | Gross Profit Margin | | Operating Profit/(loss) [1] | | Operating Profit Margin | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| **Business** | **2014** **(RMB million)** | 2013 (RMB million) | **2014** **(RMB million)** | 2013 (RMB million) | **2014** **(%)** | 2013 (%) | **2014** **(RMB million)** | 2013 (RMB million) | **2014** **(%)** | 2013 (%) |
| Infrastructure Construction | **128,854** | 111,514 | **11,745** | 9,757 | **9.1** | 8.7 | **7,870** | 5,990 | **6.1** | 5.4 |
| % of total | **78.8** | 77.0 | **70.7** | 68.3 | | | **71.6** | 65.7 | | |
| Infrastructure Design | **7,879** | 7,737 | **1,742** | 1,790 | **22.1** | 23.1 | **1,066** | 1,030 | **13.5** | 13.3 |
| % of total | **4.8** | 5.3 | **10.5** | 12.5 | | | **9.7** | 11.3 | | |
| Dredging | **13,172** | 13,847 | **1,715** | 1,968 | **13.0** | 14.2 | **973** | 1,687 | **7.4** | 12.2 |
| % of total | **8.1** | 9.5 | **10.3** | 13.8 | | | **8.9** | 18.5 | | |
| Heavy Machinery Manufacturing | **10,923** | 10,797 | **1,306** | 706 | **12.0** | 6.5 | **1,073** | 291 | **9.8** | 2.7 |
| % of total | **6.7** | 7.4 | **7.9** | 4.9 | | | **9.8** | 3.2 | | |
| Other businesses | **2,657** | 1,151 | **105** | 74 | **4.0** | 6.4 | **2** | 120 | **0.1** | 10.4 |
| % of total | **1.6** | 0.8 | **0.6** | 0.5 | | | **0.0** | 1.3 | | |
| Subtotal | **163,485** | 145,046 | **16,613** | 14,295 | | | **10,984** | 9,118 | | |
| Intersegment elimination and unallocated (costs)/income | **(4,924)** | (4,009) | **23** | (39) | | | **(120)** | (149) | | |
| Total | **158,561** | 141,037 | **16,636** | 14,256 | **10.5** | 10.1 | **10,864** | 8,969 | **6.9** | 6.4 |

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

*Infrastructure Construction Business*

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the six months ended 30 June 2014 and 2013.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014** | 2013 |
| | ***(RMB million)*** | *(RMB million)* |
| Revenue | **128,854** | 111,514 |
| Cost of sales | **(117,109)** | (101,757) |
| Gross profit | **11,745** | 9,757 |
| Selling and marketing expenses | **(59)** | (48) |
| Administrative expenses | **(4,189)** | (3,894) |
| Other income, net | **373** | 175 |
| Segment result | **7,870** | 5,990 |
| Depreciation and amortisation | **2,508** | 2,236 |

**Revenue.** Revenue from the infrastructure construction business for the six months ended 30 June 2014 was RMB128,854 million, representing an increase of RMB17,340 million, or 15.5%, as compared with RMB111,514 million in the corresponding period of 2013, primarily attributable to the increase in the aggregate value of projects undertaken by the Group, driven by the increased demand for the Group's services as a result of the growth in infrastructure expenditure by the Group's domestic and overseas customers. The value of new contracts entered into for the infrastructure construction business for the six months ended 30 June 2014 was RMB235,551 million, representing an increase of RMB27,229 million, or 13.1%, compared with RMB208,322 million in the corresponding period of 2013. No single project accounted for more than 5% of the Group's total revenue for the six months ended 30 June 2014 or 2013.

**Cost of sales and gross profit.** Cost of sales for the infrastructure construction business for the six months ended 30 June 2014 was RMB117,109 million, representing an increase of RMB15,352 million, or 15.1%, as compared with RMB101,757 million in the corresponding period of 2013. Cost of sales as a percentage of revenue decreased to 90.9% for the six months ended 30 June 2014 from 91.3% in the corresponding period of 2013.

Gross profit from the infrastructure construction business for the six months ended 30 June 2014 grew by RMB1,988 million, or 20.4%, to RMB11,745 million from RMB9,757 million in the corresponding period of 2013. Gross profit margin increased to 9.1% for the six months ended 30 June 2014 from 8.7% in the corresponding period of 2013, which was mainly attributable to increasing BOT/BT projects that has relatively higher gross profit margin.

**Selling and marketing expenses.** Selling and marketing expenses for the infrastructure construction business for the six months ended 30 June 2014 were RMB59 million, representing an increase of RMB11 million as compared with RMB48 million in the corresponding period of 2013.

**Administrative expenses.** Administrative expenses for the infrastructure construction business for the six months ended 30 June 2014 were RMB4,189 million, representing an increase of RMB295 million, or 7.6%, as compared with RMB3,894 million in the corresponding period of 2013, mainly attributable to the increase in research and development costs as well as employee benefits. The growth rate of administrative expenses was lower than that of revenue during first six months of 2014, as a result, administrative expenses as a percentage of revenue slightly decreased to 3.3% for the six months ended 30 June 2014 from 3.5% in the corresponding period of 2013.

**Other income, net.** Other net income for the infrastructure construction business was RMB373 million for the six months ended 30 June 2014, as compared with other net income of RMB175 million in the corresponding period of 2013, mainly attributable to the increase in foreign exchange gains.

**Segment result.** As a result of the above, segment result for the infrastructure construction business for the six months ended 30 June 2014 was RMB7,870 million, representing an increase of RMB1,880 million, or 31.4%, as compared with RMB5,990 million in the corresponding period of 2013. Segment result margin increased to 6.1% for the six months ended 30 June 2014 from 5.4% in the corresponding period of 2013.

***Infrastructure Design Business***

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

The following table sets out the principal profit and loss information for infrastructure design business for the six months ended 30 June 2014 and 2013.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014** | 2013 |
| | ***(RMB million)*** | *(RMB million)* |
| Revenue | **7,879** | 7,737 |
| Cost of sales | **(6,137)** | (5,947) |
| Gross profit | **1,742** | 1,790 |
| Selling and marketing expenses | **(85)** | (80) |
| Administrative expenses | **(631)** | (677) |
| Other income/(expenses), net | **40** | (3) |
| Segment result | **1,066** | 1,030 |
| Depreciation and amortisation | **107** | 106 |

**Revenue.** Revenue from the infrastructure design business for the six months ended 30 June 2014 was RMB7,879 million, representing an slight increase of RMB142 million, or 1.8%, as compared with RMB7,737 million in the corresponding period of 2013. The value of new contracts entered into for the infrastructure design business for the six months ended 30 June 2014 was RMB13,478 million, representing an increase of RMB558 million, or 4.3%, as compared with RMB12,920 million in the corresponding period of 2013.

**Cost of sales and gross profit.** Cost of sales for the infrastructure design business for the six months ended 30 June 2014 was RMB6,137 million, representing an increase of RMB190 million, or 3.2%, as compared with RMB5,947 million in the corresponding period of 2013. Cost of sales as a percentage of revenue increased to 77.9% for the six months ended 30 June 2014 from 76.9% in the corresponding period of 2013.

Gross profit from the infrastructure design business for the six months ended 30 June 2014 was RMB1,742 million, representing an slight decrease of RMB48 million, or 2.7%, as compared with RMB1,790 million in the corresponding period of 2013. Gross profit margin decreased to 22.1% for the six months ended 30 June 2014 from 23.1% in the corresponding period of 2013.

**Selling and marketing expenses.** Selling and marketing expenses for the infrastructure design business for the six months ended 30 June 2014 were RMB85 million, representing an increase of RMB5 million as compared with RMB80 million in the corresponding period of 2013.

**Administrative expenses.** Administrative expenses for the infrastructure design business for the six months ended 30 June 2014 were RMB631 million, representing an decrease of RMB46 million, or 6.8%, as compared with RMB677 million in the corresponding period of 2013. Administrative expenses as a percentage of revenue decreased to 8.0% for the six months ended 30 June 2014 from 8.8% in the corresponding period of 2013.

**Other income/(expenses), net.** Other net income for the infrastructure design business for the six months ended 30 June 2014 was RMB40 million, as compared with other net expense of RMB3 million in the corresponding period of 2013, mainly due to the increase of foreign exchange gains.

**Segment result.** As a result of the above, segment result for the infrastructure design business for the six months ended 30 June 2014 was RMB1,066 million, representing an increase of RMB36 million, or 3.5%, as compared with RMB1,030 million in the corresponding period of 2013. Segment result margin slightly increased to 13.5% for the six months ended 30 June 2014 from 13.3% in the corresponding period of 2013, mainly due to better controlling of administrative expenses and other income from foreign exchange gains.

*Dredging Business*

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

The following table sets out the principal profit and loss information for the dredging business for the six months ended 30 June 2014 and 2013.

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***(RMB million)*** | *(RMB million)* |
| Revenue | **13,172** | 13,847 |
| Cost of sales | **(11,457)** | (11,879) |
| Gross profit | **1,715** | 1,968 |
| Selling and marketing expenses | **(8)** | (10) |
| Administrative expenses | **(845)** | (678) |
| Other income, net | **111** | 407 |
| Segment result | **973** | 1,687 |
| Depreciation and amortisation | **444** | 808 |

**Revenue.** Revenue from the dredging business for the six months ended 30 June 2014 was RMB13,172 million, representing a decrease of RMB675 million, or 4.9%, as compared with RMB13,847 million in the corresponding period of 2013. The decline was primarily attributable to the slowed down coastal line reclamation activities. The value of new contracts entered into for the dredging business for the six months ended 30 June 2014 was RMB12,868 million, representing an decrease of RMB5,233 million, or 28.9%, as compared with RMB18,101 million in the corresponding period of 2013.

**Cost of sales and gross profit.** Cost of sales for the dredging business for the six months ended 30 June 2014 was RMB11,457 million, representing a decrease of RMB422 million, or 3.6%, as compared with RMB11,879 million in the corresponding period of 2013. Cost of sales as a percentage of revenue for the dredging business for the six months ended 30 June 2014 was 87.0%, as compared with 85.8% in the corresponding period of 2013.

Gross profit from the dredging business for the six months ended 30 June 2014 was RMB1,715 million, representing a decrease of RMB253 million or 12.9%, as compared with RMB1,968 million in the corresponding period of 2013. Gross profit margin for the dredging business decreased to 13.0% for the six months ended 30 June 2014 from 14.2% in the corresponding period of 2013, primarily attributable to some projects newly started in the first six months of 2014, of which less profit has been generated at this stage.

**Selling and marketing expenses.** Selling and marketing expenses for the dredging business for the six months ended 30 June 2014 were RMB8 million, as compared with RMB10 million in the corresponding period of 2013.

**Administrative expenses.** Administrative expenses for the dredging business for the six months ended 30 June 2014 were RMB845 million, representing an increase of RMB167 million, or 24.6%, as compared with RMB678 million in the corresponding period of 2013. The increment was primarily attributable to the increase of provision for impairment of trade and bills receivables. Administrative expenses as a percentage of revenue increased to 6.4% for the six months ended 30 June 2014 from 4.9% in the corresponding period of 2013.

**Other income, net.** Other net income for the dredging business for the six months ended 30 June 2014 was RMB111 million, representing an decrease of RMB296 million from RMB407 million in the corresponding period of 2013, mainly attributable to more gains on disposal of available-for-sale financial assets recognized in the six months ended 30 June 2013.

**Segment result.** As a result of the above, segment result for the dredging business for the six months ended 30 June 2014 was RMB973 million, representing an decrease of RMB714 million, or 42.3%, as compared with RMB1,687 million in the corresponding period of 2013. Segment result margin decreased to 7.4% for the six months ended 30 June 2014 from 12.2% in the corresponding period of 2013.

***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 income or costs.

The following table sets out the principal profit and loss information for the heavy machinery manufacturing business for the six months ended 30 June 2014 and 2013.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014** | 2013 |
| | ***(RMB million)*** | *(RMB million)* |
| Revenue | **10,923** | 10,797 |
| Cost of sales | **(9,617)** | (10,091) |
| Gross profit | **1,306** | 706 |
| Selling and marketing expenses | **(47)** | (56) |
| Administrative expenses | **(496)** | (635) |
| Other income, net | **310** | 276 |
| Segment result | **1,073** | 291 |
| Depreciation and amortisation | **608** | 599 |

**Revenue.** Revenue from the heavy machinery manufacturing business for the six months ended 30 June 2014 was RMB10,923 million, representing an increase of RMB126 million, or 1.2%, as compared with RMB10,797 million in the corresponding period of 2013. The value of new contracts entered into for the heavy machinery manufacturing business for the six months ended 30 June 2014 was RMB15,856 million, representing an increase of RMB2,455 million, or 18.3%, compared with RMB13,401 million in the corresponding period of 2013.

**Cost of sales and gross profit.** Cost of sales for the heavy machinery manufacturing business for the six months ended 30 June 2014 was RMB9,617 million, representing an decrease of RMB474 million, or 4.7%, as compared with RMB10,091 million in the corresponding period of 2013, which was primarily due to shrinkage of steel structure business that recorded loss in 2013. Cost of sales as a percentage of revenue decreased to 88.0% for the six months ended 30 June 2014 from 93.5% in the corresponding period of 2013.

Gross profit from the heavy machinery manufacturing business for the six months ended 30 June 2014 was RMB1,306 million, representing an increase of RMB600 million, or 85.0%, as compared with RMB706 million in the corresponding period of 2013. Gross profit margin increased to 12.0% for the six months ended 30 June 2014 from 6.5% in the corresponding period of 2013. The increase in gross profit margin was mainly due to the improvement of profitability of ZPMC and F&G.

**Selling and marketing expenses.** Selling and marketing expenses for the heavy machinery manufacturing business for the six months ended 30 June 2014 were RMB47 million, representing an decrease of RMB9 million from RMB56 million in the corresponding period of 2013.

**Administrative expenses.** Administrative expenses for the heavy machinery manufacturing business for the six months ended 30 June 2014 were RMB496 million, representing a decrease of RMB139 million, or 21.9%, as compared with RMB635 million in the corresponding period of 2013, which was mainly due to the provision for impairment of trade and bills receivables during the first six months of 2013 and reversal of provision during the corresponding period of 2014. Administrative expenses as a percentage of revenue for the heavy machinery manufacturing business decreased to 4.5% for the six months ended 30 June 2014, from 5.9% in the corresponding period of 2013.

**Other income, net.** Other net income for the heavy machinery manufacturing business for the six months ended 30 June 2014 was RMB310 million, representing an increase of RMB34 million from RMB276 million in the corresponding period of 2013.

**Segment result.** As a result of the above, segment result for the heavy machinery manufacturing business for the six months ended 30 June 2014 was RMB1,073 million profit, as compared with operating profit of RMB291 million in the corresponding period of 2013. Segment result margin increased to 9.8% for the six months ended 30 June 2014 from 2.7% in the corresponding period of 2013.

*Other Businesses*

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

The following table sets out the revenue, cost of sales and gross profit information for the other businesses for the six months ended 30 June 2014 and 2013.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014** | 2013 |
| | ***(RMB million)*** | *(RMB million)* |
| Revenue | **2,657** | 1,151 |
| Cost of sales | **(2,552)** | (1,077) |
| Gross profit | **105** | 74 |

**Revenue.** Revenue from the other businesses for the six months ended 30 June 2014 was RMB2,657 million, representing an increase of RMB1,506 million, or 130.8%, as compared with RMB1,151 million in the corresponding period of 2013, mainly due to the growth of trading business.

**Cost of sales and gross profit.** Cost of sales for the other businesses for the six months ended 30 June 2014 was RMB2,552 million, representing an increase of RMB1,475 million, or 137.0%, as compared with RMB1,077 million in the corresponding period of 2013. Cost of sales as a percentage of revenue increased to 96.0% for the six months ended 30 June 2014 from 93.6% in the corresponding period 2013.

Gross profit from the other businesses for the six months ended 30 June 2014 was RMB105 million, representing an increase of RMB31 million, or 41.9%, as compared with RMB74 million in the corresponding period of 2013. Gross profit margin decreased to 4.0% for the six months ended 30 June 2014 from 6.4% in the corresponding period of 2013, primarily attributable to the increased trading business which had relatively lower gross profit margin.

**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 30 June 2014, the Group had unutilized credit facilities in the amount of RMB415,837 million. The Group's access to financial markets of both Hong Kong and Shanghai has provided additional financing flexibility.

### *Cash Flow Data*

The following table presents selected cash flow data from the Company's consolidated interim cash flow statements for the six months ended 30 June 2014 and 2013.

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***(RMB million)*** | *(RMB million)* |
| Net cash used in operating activities | **(17,522)** | (10,622) |
| Net cash used in investing activities | **(26,000)** | (17,869) |
| Net cash generated from financing activities | **34,950** | 20,195 |
| Net decrease in cash and cash equivalents | **(8,572)** | (8,296) |
| Cash and cash equivalents at beginning of period | **81,238** | 68,003 |
| Exchange gains/(losses) on cash and cash equivalents | **85** | (154) |
| Cash and cash equivalents at end of period | **72,751** | 59,553 |

*Cash flow from operating activities*

During the six months ended 30 June 2014, net cash used in operating activities was RMB17,522 million, as compared with RMB10,622 million in the corresponding period of 2013, which was primarily attributable to changes in working capital, in particular, due to larger increase in trade and other receivables as well as smaller increase in trade and other payables, which was then partially offset by smaller increase in contract work-in-progress. During the six months ended 30 June 2014, trade and other receivables and trade and other payables increased by RMB20,053 million and RMB9,895 million, respectively, as compared with the amount of increase of RMB15,566 million and RMB18,195 million, respectively, during the corresponding period of 2013. Meanwhile, contract work-in-progress increased by RMB14,618 million during the six months ended 30 June 2014, as compared with the amount of increase of RMB19,770 million during the corresponding period of 2013. The changes in working capital reflect, to some extent, a fact that rapid growth of BT and land development projects requires more working capital than traditional infrastructure construction business.

*Cash flow from investing activities*

Net cash used in investing activities for the six months ended 30 June 2014 was RMB26,000 million as compared with RMB17,869 million in the corresponding period of 2013. The increase was primarily attributable to the increase in purchase of intangible assets, the increase in acquisition of subsidiaries and the increase in purchase of property, plant and equipment with amount of RMB8,274 million, RMB4,796 million and RMB1,062 million, respectively.

*Cash flow from financing activities*

Net cash generated from financing activities for the six months ended 30 June 2014 was RMB34,950 million, representing an increase of RMB14,755 million from RMB20,195 million in the corresponding period of 2013, primarily because that the Company's proceeds from borrowings increased by RMB38,609 million which exceeded the increment of repayments of borrowings of RMB18,941 million.

## Capital Expenditure

The Group's capital expenditure principally comprises expenditure from investment in BOT projects, purchases of machinery, equipment and vessels, and the building of plants. The following table set forth the Group's capital expenditure by business for the six months ended 30 June 2014 and 2013.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014** | 2013 |
| | ***(RMB million)*** | *(RMB million)* |
| Infrastructure Construction Business | **20,285** | 8,128 |
| – BOT projects | **13,399** | 5,158 |
| Infrastructure Design Business | **137** | 153 |
| Dredging Business | **674** | 190 |
| Heavy Machinery Manufacturing Business | **2,038** | 127 |
| Other | **7** | 11 |
| Total | **23,141** | 8,609 |

Capital expenditure for the six months ended 30 June 2014 was RMB23,141 million, compared with RMB8,609 million in the corresponding period of 2013. The increase of RMB14,532 million or 168.8% was primarily attributable to the increase of capital expenditure in BOT projects and acquisition of subsidiaries.

***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 six months ended 30 June 2014 and the year ended 31 December 2013.

| | **As at** | |
|---|---|---|
| | **Six months ended 30 June 2014 (Unaudited)** ***(Number of days)*** | Twelve months ended 31 December 2013 (Audited) *(Number of days)* |
| Turnover of average trade and bills receivables[(1)] | **68** | 60 |
| Turnover of average trade and bills payables[(2)] | **160** | 143 |

*(1) For the six months ended 30 June 2014, average trade and bills receivables equals trade and bills receivables net of provisions at the beginning of the six-month period plus trade and bills receivables net of provisions at the end of the six-month period divided by 2. Turnover of average trade and bills receivables (in days) equals average trade and bills receivables divided by revenue and multiplied by 180. For the twelve months ended 31 December 2013, 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) For the six months ended 30 June 2014, average trade and bills payables equals trade and bills payables at the beginning of the six-month period plus trade and bills payables at the end of the six-month period 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 180. For the twelve months ended 31 December 2013, 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 30 June 2014 and 31 December 2013.

| | As at | |
|---|---|---|
| | **30 June 2014 (Unaudited)** | 31 December 2013 (Audited) |
| | ***(RMB million)*** | *(RMB million)* |
| Less than 6 months | **46,518** | 48,147 |
| 6 months to 1 year | **8,194** | 5,865 |
| 1 year to 2 years | **4,922** | 4,762 |
| 2 years to 3 years | **2,981** | 1,603 |
| 3 years to 4 years | **1,185** | 846 |
| 4 years to 5 years | **430** | 265 |
| Over 5 years | **746** | 665 |
| Total | **64,976** | 62,153 |

The Group's credit terms with its customers for the six months ended 30 June 2014 remained the same as that in the year ended 31 December 2013. 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 30 June 2014, the Group had a provision for impairment of RMB3,865 million, as compared with RMB3,802 million as at 31 December 2013.

The following table sets forth an ageing analysis of trade and bills payables as at 30 June 2014 and 31 December 2013.

| | As at | |
|---|---|---|
| | **30 June 2014 (Unaudited)** | 31 December 2013 (Audited) |
| | ***(RMB million)*** | *(RMB million)* |
| Within 1 year | **116,266** | 115,799 |
| 1 year to 2 years | **5,924** | 8,002 |
| 2 years to 3 years | **2,703** | 1,595 |
| Over 3 years | **1,030** | 1,019 |
| Total | **125,923** | 126,415 |

The Group's credit terms with its suppliers for the six months ended 30 June 2014 remained the same as that in the year ended 31 December 2013. 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 carrying amounts of the retentions as at 30 June 2014 and 31 December 2013.

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| | **(Unaudited)** | (Audited) |
| | ***(RMB million)*** | *(RMB million)* |
| Current | **17,916** | 17,548 |
| Non-current | **21,656** | 19,162 |
| Total | **39,572** | 36,710 |

**Indebtedness**

*Borrowings*

The following table sets out the maturities of the Group's total borrowings as at 30 June 2014 and 31 December 2013.

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| | **(Unaudited)** | (Audited) |
| | ***(RMB million)*** | *(RMB million)* |
| Within 1 year | **109,909** | 87,818 |
| Between 1 year and 2 years | **21,190** | 13,587 |
| Between 2 years and 5 years | **40,865** | 35,847 |
| Over 5 years | **61,687** | 49,723 |
| Total borrowings | **233,651** | 186,975 |

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Euro, Hong Kong dollars and Japanese Yen. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 30 June 2014 and 31 December 2013.

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| | **(Unaudited)** | (Audited) |
| | ***(RMB million)*** | *(RMB million)* |
| Renminbi | **207,273** | 167,921 |
| U.S. dollar | **22,458** | 16,108 |
| Euro | **1,081** | 806 |
| Hong Kong dollar | **1,055** | 684 |
| Japanese Yen | **868** | 698 |
| Others | **916** | 758 |
| Total borrowings | **233,651** | 186,975 |

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 30 June 2014 was 59.7%, compared with 50.2% as at 31 December 2013. The increase of gearing ratio was primarily due to the increase in borrowings and the decrease in cash and cash equivalent which resulted in the increase of net debt.

### *Contingent Liabilities*

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

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| | **(Unaudited)** | (Audited) |
| | ***(RMB million)*** | *(RMB million)* |
| Pending lawsuits[(1)] | **554** | 439 |
| Outstanding loan guarantees[(2)] | **401** | 262 |
| Total | **955** | 701 |

*(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 and associates of the Group.*

## Market Risks

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

### *Marco-economy Risk*

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

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

### *Market Risk*

The Group conducts its business in over 120 countries and regions, with major overseas business in Africa, Middle East, South America and Southeast Asia. Due to various factors, the political and economic conditions in Africa and Middle East are usually subject to uncertainty. If the political and economic conditions of such countries and regions change adversely, or there are frictions or disputes in the diplomatic and economic relations among the PRC government and governments of such relevant countries and regions, the overseas business of the Group in such countries and regions would be exposed to certain risks.

### *Interest rate risk*

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

The Group's exposure to changes in interest rates is mainly due to the Group's borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 30 June 2014, approximately RMB125,235 million (as at 31 December 2013: RMB110,030 million) of the Group's borrowings were at variable rates.

***Foreign exchange risk***

The Group's functional currency of a majority of the entities within the Group is Renminbi with most of the Group's transactions settled in Renminbi. The Group uses, however, foreign currencies to settle the Group's invoices from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. In addition, the Group generates revenue from certain construction contracts denominated in foreign currencies and a significant proportion of the Group's bank borrowings are denominated in foreign currencies, particularly the U.S. dollar, the Euro and the Hong Kong dollars. Renminbi is not freely convertible into other foreign currencies and conversion of the Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against the U.S. dollar. As at 30 June 2014, Renminbi had appreciated by over 30% against the U.S. dollar since July 2005. The PRC government may in the future make further adjustments to the exchange rate system. When Renminbi appreciates, the value of foreign currency denominated assets will decline against Renminbi.

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

During the six month ended 30 June 2014 and the year ended 31 December 2013, certain subsidiaries within the Group used foreign currency forward contracts for transactions with domestic and overseas registered banks, to hedge the Group's exposure to foreign currency risk on individual transactions primarily vis-à-vis U.S. dollar, the Euro, and Japanese Yen.

## UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

| | *Note* | **Six months ended 30 June** **2014** ***RMB million*** | 2013 *RMB million* (Restated) |
|---|---|---|---|
| Revenue | *4* | **158,561** | 141,037 |
| Cost of sales | *5* | **(141,925)** | (126,781) |
| **Gross profit** | | **16,636** | 14,256 |
| Other income | *6* | **687** | 1,047 |
| Other gains, net | *7* | **459** | 284 |
| Selling and marketing expenses | *5* | **(220)** | (207) |
| Administrative expenses | *5* | **(6,463)** | (6,055) |
| Other expenses | | **(235)** | (356) |
| **Operating profit** | | **10,864** | 8,969 |
| Finance income | | **1,592** | 1,072 |
| Finance costs, net | *8* | **(4,819)** | (2,861) |
| Share of post-tax profits/(losses) of joint ventures | | **6** | (3) |
| Share of post-tax profits of associates | | **133** | 41 |
| **Profit before income tax** | | **7,776** | 7,218 |
| Income tax expense | *9* | **(1,745)** | (1,453) |
| **Profit for the period** | | **6,031** | 5,765 |
| **Attributable to:** | | | |
| – Owners of the Company | | **6,020** | 5,722 |
| – Non-controlling interests | | **11** | 43 |
| | | **6,031** | 5,765 |
| **Earnings per share for profit attributable to owners of the Company** (expressed in RMB per share) | | | |
| – Basic | *10* | **0.37** | 0.35 |
| – Diluted | *10* | **0.37** | 0.35 |

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB million*** | *RMB million* |
| | | (Restated) |
| **Profit for the period** | **6,031** | 5,765 |
| **Other comprehensive (expenses)/income** | | |
| *Item that will not be reclassified subsequently to profit or loss* | | |
| Actuarial losses on retirement benefit obligations | **(76)** | – |
| *Items that may be reclassified to profit or loss* | | |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | | |
| – Losses arising during the period | **(653)** | (938) |
| – Release of investment revaluation reserve upon disposal of available-for-sale financial assets | **(195)** | (80) |
| – Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets | **–** | 113 |
| Currency translation differences | **52** | (58) |
| **Other comprehensive expenses for the period, net of tax** | **(872)** | (963) |
| **Total comprehensive income for the period** | **5,159** | 4,802 |
| **Total comprehensive income/(expenses) attributable to:** | | |
| – Owners of the Company | **5,164** | 4,723 |
| – Non-controlling interests | **(5)** | 79 |
| | **5,159** | 4,802 |

## UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

| | Note | Group<br>**Unaudited**<br>**30 June**<br>**2014**<br>***RMB million*** | <br>Audited<br>31 December<br>2013<br>*RMB million* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **59,692** | 55,619 |
| Lease prepayments | | **9,063** | 8,273 |
| Investment properties | | **738** | 752 |
| Intangible assets | | **68,921** | 54,592 |
| Investments in joint ventures | | **1,151** | 1,019 |
| Investments in associates | | **8,103** | 6,780 |
| Deferred income tax assets | | **2,841** | 2,612 |
| Available-for-sale financial assets | | **13,345** | 13,913 |
| Trade and other receivables | *12* | **68,721** | 55,032 |
| Held-to-maturity financial assets | | **330** | – |
| | | **232,905** | 198,592 |
| **Current assets** | | | |
| Inventories | | **44,283** | 32,850 |
| Trade and other receivables | *12* | **139,409** | 129,870 |
| Amounts due from customers for contract work | | **83,957** | 66,131 |
| Other financial assets at fair value through profit or loss | | **169** | 191 |
| Available-for-sale financial assets | | **7,267** | 4,203 |
| Derivative financial instruments | | **27** | 121 |
| Restricted bank deposits | | **7,177** | 4,249 |
| Cash and cash equivalents | | **72,751** | 81,238 |
| | | **355,040** | 318,853 |
| **Total assets** | | **587,945** | 517,445 |

## UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET *(continued)*

| | | Group | |
|---|---|---|---|
| | *Note* | **Unaudited 30 June 2014** *RMB million* | Audited 31 December 2013 *RMB million* |
| **EQUITY** | | | |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | | **16,175** | 16,175 |
| Share premium | | **19,656** | 19,656 |
| Other reserves | | **61,180** | 55,995 |
| Proposed final dividend | | **–** | 3,035 |
| | | **97,011** | 94,861 |
| **Non-controlling interests** | | **11,470** | 9,980 |
| **Total equity** | | **108,481** | 104,841 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **123,742** | 99,157 |
| Deferred income | | **2,466** | 1,884 |
| Deferred income tax liabilities | | **5,774** | 2,893 |
| Retirement benefit obligations | | **1,867** | 1,809 |
| Trade and other payables | *13* | **5,543** | 2,126 |
| | | **139,392** | 107,869 |
| **Current liabilities** | | | |
| Trade and other payables | *13* | **209,052** | 198,064 |
| Amounts due to customers for contract work | | **18,196** | 15,096 |
| Current income tax liabilities | | **2,402** | 3,246 |
| Borrowings | | **109,909** | 87,818 |
| Derivative financial instruments | | **41** | 11 |
| Retirement benefit obligations | | **102** | 144 |
| Provisions for other liabilities and charges | | **370** | 356 |
| | | **340,072** | 304,735 |
| **Total liabilities** | | **479,464** | 412,604 |
| **Total equity and liabilities** | | **587,945** | 517,445 |
| **Net current assets** | | **14,968** | 14,118 |
| **Total assets less current liabilities** | | **247,873** | 212,710 |

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

| | For the six months ended 30 June 2014 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 2014** | **16,175** | **19,656** | **11,408** | **47,622** | **94,861** | **9,980** | **104,841** |
| **Comprehensive income** | | | | | | | |
| Profit for the period | – | – | – | 6,020 | 6,020 | 11 | 6,031 |
| **Other comprehensive (expenses)/income** | | | | | | | |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | – | – | (735) | – | (735) | 82 | (653) |
| Release of investment revaluation reserve upon disposal of available-for-sale assets | – | – | (104) | – | (104) | (91) | (195) |
| Actuarial losses on retirement benefit obligations | – | – | (76) | – | (76) | – | (76) |
| Currency translation differences | – | – | 59 | – | 59 | (7) | 52 |
| **Total other comprehensive expenses, net of tax** | – | – | (856) | – | (856) | (16) | (872) |
| **Total comprehensive (expenses)/ income for the period ended 30 June 2014** | – | – | (856) | 6,020 | 5,164 | (5) | 5,159 |
| 2013 final dividend | – | – | – | (3,035) | (3,035) | – | (3,035) |
| Dividends paid to non-controlling interests | – | – | – | – | – | (2) | (2) |
| Capital contribution from non-controlling interests | – | – | – | – | – | 472 | 472 |
| Cash contribution from government | – | – | 20 | – | 20 | – | 20 |
| Share of other comprehensive income of a joint venture | – | – | 1 | – | 1 | – | 1 |
| Acquisition of subsidiaries | – | – | – | – | – | 1,025 | 1,025 |
| Transfer to safety reserve | – | – | 155 | (155) | – | – | – |
| **Balance at 30 June 2014** | **16,175** | **19,656** | **10,728** | **50,452** | **97,011** | **11,470** | **108,481** |

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY *(continued)*

| | For the six months ended 30 June 2013 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 2013, as restated | 16,175 | 19,656 | 11,538 | 39,290 | 86,659 | 9,454 | 96,113 |
| **Comprehensive income** | | | | | | | |
| Profit for the period, as restated | – | – | – | 5,722 | 5,722 | 43 | 5,765 |
| **Other comprehensive (expenses)/income** | | | | | | | |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | – | – | (975) | – | (975) | 37 | (938) |
| Release of investment revaluation reserve upon disposal of available-for-sale financial assets | – | – | (80) | – | (80) | – | (80) |
| Reclassification of investment revaluation reserve due to impairment of available-for-sale financial assets | – | – | 113 | – | 113 | – | 113 |
| Currency translation differences | – | – | (57) | – | (57) | (1) | (58) |
| Total other comprehensive (expenses)/income, net of tax | – | – | (999) | – | (999) | 36 | (963) |
| **Total comprehensive (expenses)/ income for the period ended 30 June 2013, as restated** | – | – | (999) | 5,722 | 4,723 | 79 | 4,802 |
| 2012 final dividend | – | – | – | (2,987) | (2,987) | – | (2,987) |
| Dividends paid to non-controlling interests | – | – | – | – | – | (3) | (3) |
| Capital contribution from non-controlling interests | – | – | – | – | – | 36 | 36 |
| Acquisition of a subsidiary | – | – | – | – | – | 205 | 205 |
| Disposal of a subsidiary | – | – | (60) | – | (60) | (370) | (430) |
| Transfer to safety reserve | – | – | 221 | (221) | – | – | – |
| **Balance at 30 June 2013, as restated** | 16,175 | 19,656 | 10,700 | 41,804 | 88,335 | 9,401 | 97,736 |

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

| | | Unaudited | |
|---|---|---|---|
| | | Six months ended 30 June | |
| | *Note* | **2014** | 2013 |
| | | ***RMB million*** | *RMB million* |
| | | | (Restated) |
| Net cash used in operating activities | *14(a)* | **(17,522)** | (10,622) |
| Net cash used in investing activities | *14(b)* | **(26,000)** | (17,869) |
| Net cash generated from financing activities | *14(c)* | **34,950** | 20,195 |
| **Net decrease in cash and cash equivalents** | | **(8,572)** | (8,296) |
| Cash and cash equivalents at 1 January | | **81,238** | 68,003 |
| Exchange gains/(losses) on cash and cash equivalents | | **85** | (154) |
| **Cash and cash equivalents at 30 June** | | **72,751** | 59,553 |

## 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, 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. As the Group and CCCC Real Estate Company Limited are controlled and ultimately owned by CCCG, accordingly, the transaction is regarded as a business combination under common control in a manner similar to pooling-of-interests. Consequently, the comparative information has been restated to as if Qingdao Chengyang has been under the control of the Group since the beginning of the earliest period presented.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This condensed consolidated interim financial information for the six months ended 30 June 2014 was approved for issue by the Board of Directors on 26 August 2014.

These condensed consolidated interim financial information has been reviewed, not audited.

## 2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

## 3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2013, as described in those annual consolidated financial statements.

### (a) Amendments to standards and interpretation adopted by the Group

The following amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2014.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to IAS 32, 'Financial instruments: Presentation' on asset and liability offsetting | 1 January 2014 |
| Amendments to IFRS 10, 12 and IAS 27 'Consolidation for investment entities' | 1 January 2014 |
| Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures | 1 January 2014 |
| Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' – 'Novation of derivatives' | 1 January 2014 |
| IFRIC 21 'Levies' | 1 January 2014 |

The adoption of the above did not have any material impact on the Group's results for the six months ended 30 June 2014 and the Group's financial position as at 30 June 2014.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing the condensed consolidated interim financial information.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendment to IAS 19 regarding defined benefit plans | 1 July 2014 |
| Annual improvements 2012, which includes changes to: IFRS 2, 3, 8, 9, IAS 16, 24, 37, 38, 39 | 1 July 2014 |
| Annual improvements 2013, which includes changes to: IFRS 3, 13, IAS 40 | 1 July 2014 |
| IFRS 14 'Regulatory Deferral Accounts' | 1 January 2016 |
| Amendment to IFRS 11 on accounting for acquisitions of interests in joint operation | 1 January 2016 |
| Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| Amendments to IAS 27 'Separate Financial Statements' | 1 January 2016 |
| IFRS 15 'Revenue from Contracts with Customers' | 1 January 2017 |
| IFRS 9 'Financial Instruments' | 1 January 2018 |

3. **ACCOUNTING POLICIES (CONTINUED)**

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

The Group has commenced an assessment of the related impact to the Group, and anticipates that the application of above amended standards will have no material impact on the results and financial position of the Group, except for the following set out below:

- IFRS 15, "Revenue from Contracts with Customers", establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contracts with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition. The standard is not effective until 1 January 2017. As the implementation of IFRS 15 is complex, the Group is yet to assess IFRS 15's full impact and will apply the new standard when it becomes effective.

- IFRS 9, "Financial instruments", replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it includes an expected credit losses model that replaces the incurred loss impairment model used today; it also includes an improved hedge accounting moded to better align hedge accounting with the risk management activities. The standard is not effective until 1 January 2018. The Group is yet to assess IFRS 9's full impact and will apply the new standard when it becomes effective.

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.

4. **SEGMENT INFORMATION**

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

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

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

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

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

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

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

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

## 4. SEGMENT INFORMATION (CONTINUED)

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

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

Segment liabilities comprise primarily payables and amounts due to customers for contract work. They exclude taxation, borrowings, deferred income, retirement benefit obligations and derivative financial instruments.

Capital expenditure comprises mainly additions to property, plant and equipment, lease prepayments, investment properties and intangible assets.

The segment results for the six months ended 30 June 2014 and other segment items included in the unaudited condensed consolidated interim financial information are as follows:

| | For the six ended 30 June 2014 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | **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 | **128,854** | **7,879** | **13,172** | **10,923** | **2,657** | **(4,924)** | **158,561** |
| Inter-segment revenue | **(2,582)** | **(237)** | **(1,652)** | **(84)** | **(369)** | **4,924** | **–** |
| **Revenue** | **126,272** | **7,642** | **11,520** | **10,839** | **2,288** | **–** | **158,561** |
| Segment result | **7,870** | **1,066** | **973** | **1,073** | **2** | **13** | **10,997** |
| Unallocated costs | | | | | | | **(133)** |
| Operating profit | | | | | | | **10,864** |
| Finance income | | | | | | | **1,592** |
| Finance costs, net | | | | | | | **(4,819)** |
| Share of post-tax profits of joint ventures | | | | | | | **6** |
| Share of post-tax profits of associates | | | | | | | **133** |
| **Profit before income tax** | | | | | | | **7,776** |
| Income tax expense | | | | | | | **(1,745)** |
| **Profit for the period** | | | | | | | **6,031** |
| **Other segment items** | | | | | | | |
| Depreciation | **2,301** | **92** | **432** | **563** | **14** | | **3,402** |
| Amortisation | **207** | **15** | **12** | **45** | **22** | | **301** |
| Write-down of inventories | **–** | **–** | **–** | **42** | **–** | | **42** |
| Provision for foreseeable losses on construction contracts | **85** | **–** | **–** | **93** | **–** | | **178** |
| (Reversal of)/provision for impairment of trade and other receivables | **(147)** | **(47)** | **186** | **(105)** | **–** | | **(113)** |

## 4. SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2013 and other segment items included in the unaudited condensed consolidated interim financial information are as follows:

| | For the six months ended 30 June 2013 (Unaudited) (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 | 111,514 | 7,737 | 13,847 | 10,797 | 1,151 | (4,009) | 141,037 |
| Inter-segment revenue | (1,534) | (365) | (1,630) | (213) | (267) | 4,009 | – |
| **Revenue** | 109,980 | 7,372 | 12,217 | 10,584 | 884 | – | 141,037 |
| Segment result | 5,990 | 1,030 | 1,687 | 291 | 120 | (296) | 8,822 |
| Unallocated income | | | | | | | 147 |
| Operating profit | | | | | | | 8,969 |
| Finance income | | | | | | | 1,072 |
| Finance costs, net | | | | | | | (2,861) |
| Share of post-tax profits of joint ventures | | | | | | | (3) |
| Share of post-tax profits of associates | | | | | | | 41 |
| **Profit before income tax** | | | | | | | 7,218 |
| Income tax expense | | | | | | | (1,453) |
| **Profit for the period** | | | | | | | 5,765 |
| **Other segment items** | | | | | | | |
| Depreciation | 2,099 | 91 | 798 | 569 | 11 | | 3,568 |
| Amortisation | 137 | 15 | 10 | 30 | 21 | | 213 |
| Write-down of inventories | – | – | – | 127 | – | | 127 |
| Provision for/(reversal of) foreseeable losses on construction contracts | 45 | – | (4) | 21 | – | | 62 |
| Provision for impairment of trade and other receivables | 69 | 27 | 6 | 121 | – | | 223 |
| Provision for impairment of available-for-sale financial assets | 150 | – | – | – | – | | 150 |

## 4. 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 30 June 2014 and capital expenditure for the six months then ended are as follows:

| | As at 30 June 2014 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Construction** *RMB million* | **Design** *RMB million* | **Dredging** *RMB million* | **Heavy machinery** *RMB million* | **Others** *RMB million* | **Elimination** *RMB million* | **Total** *RMB million* |
| Segment assets | 399,865 | 18,503 | 60,696 | 52,031 | 7,106 | (11,222) | 526,979 |
| Investments in joint ventures | | | | | | | 1,151 |
| Investments in associates | | | | | | | 8,103 |
| Unallocated assets | | | | | | | 51,712 |
| **Total assets** | | | | | | | 587,945 |
| Segment liabilities | 197,831 | 11,074 | 22,374 | 10,096 | 3,211 | (10,851) | 233,735 |
| Unallocated liabilities | | | | | | | 245,729 |
| **Total liabilities** | | | | | | | 479,464 |
| Capital expenditure | 20,285 | 137 | 674 | 2,038 | 7 | | 23,141 |

Segment assets and liabilities at 30 June 2014 are reconciled to entity assets and liabilities as follows:

| | **Assets** *RMB million* | **Liabilities** *RMB million* |
|---|---|---|
| Segment assets/liabilities | **526,979** | **233,735** |
| Investments in joint ventures | **1,151** | **–** |
| Investments in associates | **8,103** | **–** |
| Unallocated: | | |
| Deferred income tax assets/liabilities | **2,841** | **5,774** |
| Current income tax liabilities | **–** | **2,402** |
| Current borrowings | **–** | **109,909** |
| Non-current borrowings | **–** | **123,742** |
| Available-for-sale financial assets | **20,612** | **–** |
| Held-to-maturity financial assets | **330** | **–** |
| Other financial assets at fair value through profit or loss | **169** | **–** |
| Derivative financial instruments | **27** | **41** |
| Cash and other corporate assets/corporate liabilities | **27,733** | **3,861** |
| **Total** | **587,945** | **479,464** |

## 4. SEGMENT INFORMATION (CONTINUED)

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 (Audited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | 25,523 | 269 | 804 | 253 | 19 | | 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 |

## 4. SEGMENT INFORMATION (CONTINUED)

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

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB million*** | *RMB million* |
| | **(Unaudited)** | (Unaudited) |
| PRC (excluding Hong Kong and Macau) | **131,633** | 115,411 |
| Other regions | **26,928** | 25,626 |
| | **158,561** | 141,037 |

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

There are no differences from the last annual consolidated financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

## 5. EXPENSES BY NATURE

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB million*** | *RMB million* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Raw materials and consumables used | **47,112** | 45,926 |
| Subcontracting costs | **51,033** | 42,561 |
| Employee benefits expenses | **15,170** | 13,492 |
| Rentals | **6,923** | 6,247 |
| Business tax and other transaction taxes | **3,870** | 3,607 |
| Depreciation of property, plant and equipment and investment properties | **3,402** | 3,568 |
| Fuel | **2,993** | 3,224 |
| Cost of goods sold | **2,315** | 1,768 |
| Research and development costs | **1,017** | 575 |
| Repair and maintenance expenses | **900** | 816 |
| Utilities | **583** | 642 |
| Transportation costs | **557** | 560 |
| Insurance | **529** | 117 |
| Amortisation of intangible assets | **196** | 132 |
| Provision for foreseeable losses on construction contracts | **178** | 62 |
| Amortisation of lease prepayments | **105** | 81 |
| Write-down of inventories | **42** | 127 |
| (Reversal of)/provision for impairment of trade and other receivables | **(113)** | 223 |
| Others | **11,796** | 9,315 |
| **Total cost of sales, selling and marketing expenses and administrative expenses** | **148,608** | 133,043 |

## 6. OTHER INCOME

| | Six months ended 30 June 2014 RMB million (Unaudited) | 2013 RMB million (Unaudited) |
|---|---|---|
| Rental income | **152** | 164 |
| Dividend income on available-for-sale financial assets | | |
| – Listed equity securities | **44** | 436 |
| – Unlisted equity investments | **87** | 27 |
| Government grants | **79** | 62 |
| Others | **325** | 358 |
| | **687** | 1,047 |

## 7. OTHER GAINS, NET

| | Six months ended 30 June 2014 RMB million (Unaudited) | 2013 RMB million (Unaudited) |
|---|---|---|
| Gains on disposal of available-for-sale financial assets | **255** | 175 |
| Gains on disposal of property, plant and equipment | **71** | 61 |
| Gains on disposal of lease prepayments | **–** | 75 |
| Gains on disposal of a subsidiary | **–** | 148 |
| Gains on disposal of associates | **6** | – |
| (Losses)/gains on derivative financial instruments: | | |
| – Foreign exchange forward contracts | **(102)** | 44 |
| Net foreign exchange gains/(losses) | **233** | (218) |
| Others | **(4)** | (1) |
| | **459** | 284 |

## 8. FINANCE COSTS, NET

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB million*** | *RMB million* |
| | **(Unaudited)** | (Unaudited) |
| Interest expense incurred | **5,584** | 3,832 |
| Less: Capitalised interest expense | **(1,357)** | (1,058) |
| Net interest expense | **4,227** | 2,774 |
| Representing: | | |
| – Bank borrowings | **2,895** | 1,663 |
| – Other borrowings | **213** | 95 |
| – Corporate bonds | **565** | 550 |
| – Medium term notes | **77** | 156 |
| – Non-public debt instrument | **183** | 123 |
| – Finance lease liabilities | **116** | 79 |
| – Debentures | **178** | 108 |
| | **4,227** | 2,774 |
| Net foreign exchange losses/(gains) on borrowings | **175** | (300) |
| Others | **417** | 387 |
| | **4,819** | 2,861 |

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB1,357 million (six months ended 30 June 2013: RMB1,058 million) were capitalised in the six months period ended 30 June 2014, of which approximately RMB673 million was charged to contract work-in-progress, approximately RMB597 million was included in cost of concession assets, and approximately RMB87 million was included in cost of construction-in-progress (six months ended 30 June 2013: RMB340 million was charged to contract work-in-progress, RMB598 million was included in cost of concession assets, RMB116 million was included in cost of construction-in-progress, and RMB4 million was included in cost of property, plant and equipment). A general capitalisation rate of 4.37% per annum (six months ended 30 June 2013: 4.80%) was used, representing the costs of the borrowings used to finance the qualifying assets.

## 9. TAXATION

Most of companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (2013: 25%) of the assessable income of each of these companies for the period 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% (2013: 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% (2013: 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 six months ended 30 June at the appropriate rates of taxation prevailing in the countries in which these companies operate.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit.

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB million*** | *RMB million* |
| | **(Unaudited)** | (Unaudited) |
| Current income tax | | |
| – PRC enterprise income tax | **1,585** | 1,512 |
| – Others | **95** | 51 |
| | **1,680** | 1,563 |
| Deferred income tax | **65** | (110) |
| Income tax expense | **1,745** | 1,453 |

## 10. 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 period.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Profit attributable to owners of the Company *(RMB million)* | **6,020** | 5,722 |
| Weighted average number of ordinary shares in issue *(millions)* | **16,175** | 16,175 |
| Basic earnings per share *(RMB per share)* | **0.37** | 0.35 |

### (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 six months ended 30 June 2014 and 2013.

## 11. DIVIDENDS

A dividend in respect of the year ended 31 December 2013 of RMB0.18762 per ordinary share, totalling RMB3,035 million was approved by the Company's shareholders in the Annual General Meeting on 18 June 2014. As at 30 June 2014, 2013 final dividend was yet to be fully paid off.

No interim dividend for the six months ended 30 June 2014 was declared by the Board of Directors (six months ended 30 June 2013: nil).

## 12. TRADE AND OTHER RECEIVABLES

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| | ***RMB million*** | *RMB million* |
| | **(Unaudited)** | (Audited) |
| Trade and bills receivables (a) | **64,976** | 62,153 |
| Less: provision for impairment | **(3,865)** | (3,802) |
| Trade and bill receivables – net | **61,111** | 58,351 |
| Prepayments | **19,769** | 14,826 |
| Retentions | **39,572** | 36,710 |
| Deposits | **20,543** | 18,766 |
| Other receivables | **19,780** | 16,976 |
| Staff advances | **1,145** | 740 |
| Long-term receivables | **46,210** | 38,533 |
| | **208,130** | 184,902 |
| Less: non-current portion | | |
| – Retentions | **(21,656)** | (19,162) |
| – Deposits | **(4,302)** | (3,514) |
| – Long-term receivables | **(41,150)** | (31,012) |
| – Prepayments for equipment | **(1,613)** | (1,344) |
| | **(68,721)** | (55,032) |
| Current portion | **139,409** | 129,870 |

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

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| | ***RMB million*** | *RMB million* |
| | **(Unaudited)** | (Audited) |
| Within 6 months | **46,518** | 48,147 |
| 6 months to 1 year | **8,194** | 5,865 |
| 1 year to 2 years | **4,922** | 4,762 |
| 2 years to 3 years | **2,981** | 1,603 |
| 3 years to 4 years | **1,185** | 846 |
| 4 years to 5 years | **430** | 265 |
| Over 5 years | **746** | 665 |
| | **64,976** | 62,153 |

12. **TRADE AND OTHER RECEIVABLES (CONTINUED)**

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.

13. **TRADE AND OTHER PAYABLES**

| | **As at** | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| | ***RMB million*** | *RMB million* |
| | **(Unaudited)** | (Audited) |
| Trade and bills payables (a) | **125,923** | 126,415 |
| Advance from customers | **51,477** | 43,127 |
| Deposits from suppliers | **18,955** | 15,308 |
| Other taxes | **7,559** | 6,854 |
| Dividend payables | **2,768** | – |
| Social security | **1,069** | 984 |
| Accrued payroll | **439** | 480 |
| Accrued expenses | **257** | 228 |
| Others | **6,148** | 6,794 |
| | **214,595** | 200,190 |
| Less: non-current portion | | |
| – Deposits from suppliers | **(5,543)** | (2,126) |
| Current portion | **209,052** | 198,064 |

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

| | **As at** | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| | ***RMB million*** | *RMB million* |
| | **(Unaudited)** | (Audited) |
| Within 1 year | **116,266** | 115,799 |
| 1 year to 2 years | **5,924** | 8,002 |
| 2 years to 3 years | **2,703** | 1,595 |
| Over 3 years | **1,030** | 1,019 |
| | **125,923** | 126,415 |

## 14. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

### (a) Cash flows from operating activities:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB million*** | *RMB million* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Cash used in operations | **(14,593)** | (7,949) |
| Income tax paid | **(2,929)** | (2,673) |
| Net cash used in operating activities | **(17,522)** | (10,622) |

### (b) Cash flows from investing activities:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB million*** | *RMB million* |
| | **(Unaudited)** | (Unaudited) |
| Purchases of property, plant and equipment | **(3,966)** | (2,904) |
| Increase in lease prepayments | **(356)** | (123) |
| Purchases of intangible assets | **(12,845)** | (4,571) |
| Proceeds from disposal of property, plant and equipment | **330** | 567 |
| Proceeds from disposal of lease prepayments | **–** | 77 |
| Proceeds from disposal of intangible assets | **1** | – |
| Purchases of available-for-sale financial assets | **(7,821)** | (7,848) |
| Proceeds from disposal of a subsidiary | **–** | 206 |
| Investment in CCCC Finance Company Limited | **–** | (3,325) |
| Acquisition of subsidiaries | **(5,721)** | (925) |
| Additional investments in associates | **(1,224)** | (1,036) |
| Additional investments in joint ventures | **(139)** | (63) |
| Proceeds from disposal of available-for-sale financial assets | **4,384** | 1,322 |
| Proceeds from disposal of joint ventures | **3** | – |
| Proceeds from disposal of associates | **8** | – |
| Interest received | **573** | 328 |
| Proceeds from disposal of other financial assets at fair value through profit or loss | **18** | 9 |
| Proceeds from government grants related to assets | **633** | – |
| Dividends received | **122** | 417 |
| Net cash used in investing activities | **(26,000)** | (17,869) |

## 14. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

### (c) Cash flows from financing activities:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB million*** | *RMB million* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| Proceeds from borrowings | **100,119** | 61,510 |
| Repayments of borrowings | **(57,458)** | (38,517) |
| Interest paid | **(5,001)** | (3,280) |
| Changes in restricted bank deposits | **(2,895)** | 456 |
| Dividends paid to the Company's shareholders | **(267)** | – |
| Additional investments from minority shareholders of subsidiaries | **472** | 36 |
| Others | **(20)** | (10) |
| Net cash generated from financing activities | **34,950** | 20,195 |

## 15. SUBSEQUENT EVENTS

As approved by NAFMII, a tranche of debentures was issued on 8 August 2014, at a nominal value of RMB3,000 million, with maturity of 270 days from issuance. The interest rate is 4.68% per annum.

## OTHER INFORMATION

### Purchase, Sale or Redemption of Securities

During the period from 1 January 2014 to 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

### Interests and Short Positions of Directors, Supervisors and Chief Executive Officer in Shares, Underlying Shares and Debentures

As at 30 June 2014, none of the Directors, Supervisors or the Chief Executive Officer of the Company had any interest or short position in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which would have to be notified to the Company 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 would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 30 June 2014, the Company had not granted its Directors, or Supervisors or the Chief Executive Officer, 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 had ever exercised any such right to subscribe for shares or debentures.

### 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the six months ended 30 June 2014, with the exception of Code Provisions A.2.1 and A.5.1 before 22 April 2014.

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. On 26 April 2013, Mr LIU Qitao, an executive Director and the President of the Company, was elected as the Chairman of the Board with effect from the same day. On 22 April 2014, Mr. LIU Qitao resigned as President and Mr. CHEN Fenjian was elected as President with effect from the same day, thus the Company complied with Code Provision A.2.1 from that day on.

Code provision A.5.1 provides that a nomination committee should, among others, comprise a majority of independent non-executive directors. 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 before 22 April 2014. On 22 April 2014, the members of Nomination Committee of the Board were changed to five Directors, of whom two were executive Directors and three were independent non-executive Directors, thus the Company complied with Code Provision A.5.1 from that day on.

**Compliance with Model Code for Securities Transactions by Directors and Supervisors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors of the Company, the Company confirms that the Directors and Supervisors have complied with the Model Code throughout the period from 1 January 2014 to 30 June 2014.

**Review by the Audit Committee**

The Audit Committee of the Board currently comprises LIU Zhangmin, LEUNG Chong Shun, HUANG Long, all of whom are independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014. The Audit Committee has also discussed matters such as the accounting policies and practices adopted by the Company and internal control with the senior management of the Company.

**Interim Dividend**

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended 30 June 2014.

By Order of the Board
**China Communications Construction Company Limited**
**LIU Wensheng**
*Company Secretary*

Beijing, the PRC
26 August 2014

*As at the date of this announcement, the Directors are LIU Qitao, CHEN Fenjian, FU Junyuan, LIU Maoxun, LIU Zhangmin#, LEUNG Chong Shun#, WU Zhenfang# and HUANG Long#.*

\# *Independent non-executive Director*