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

2010 Annual Report

We Are Building a Connected World

Contents

4 Corporate Profile

5 Financial Highlights

6 Chairman's Statement

10 Business Overview

22 Management's Discussion and Analysis

44 Report of the Board of Directors

55 Report of the Supervisory Committee

58 Report on Corporate Governance Practices

65 Profile of Directors, Supervisors and Senior Management

70 Investor Relations

73 Independent Auditor's Report

75 Balance Sheets

77 Consolidated Income Statement

78 Consolidated Statement of Comprehensive Income

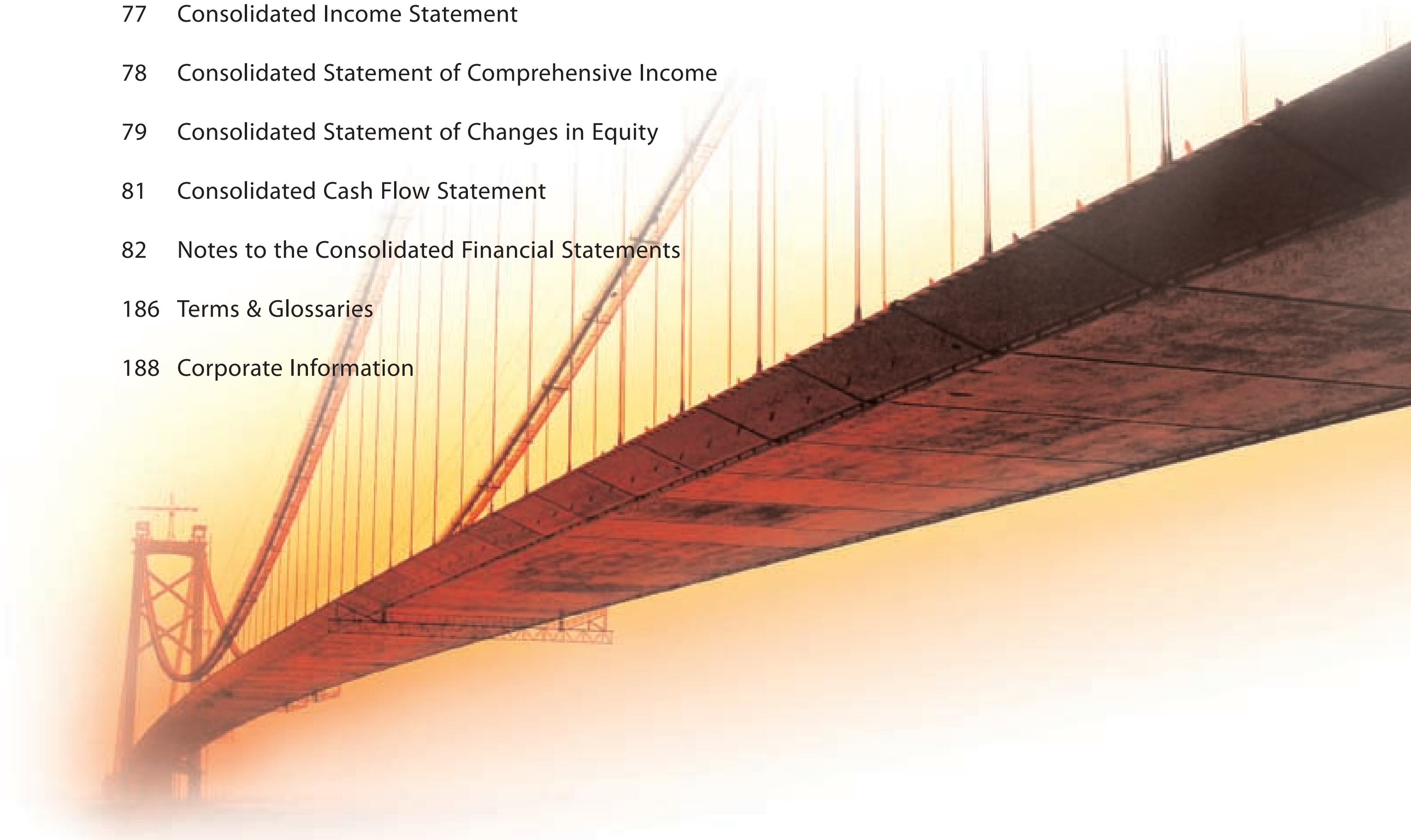
79 Consolidated Statement of Changes in Equity

81 Consolidated Cash Flow Statement

82 Notes to the Consolidated Financial Statements

186 Terms & Glossaries

188 Corporate Information



輝煌十一·五

The Splendid Plan of 11th Five-Years

The “Eleventh Five-Year Plan” resembled a very short period in history. However, in the development history of the Company, it was a period full of diligent efforts, important changes, remarkable records and fruitful gains. During this period, the Company was successfully listed on the Hong Kong Stock Exchange and ranked among the “Global Top 500 Enterprises”, with its ranking rising continuously. In addition, the Company has continuously been ranked as an “A-Class Enterprise” by SASAC, and both its operating and financial performance indicators rose significantly. Compared with the results at the end of the “Tenth Five-Year Plan” period, the value of new contracts, revenue, profit attributable to shareholders, total assets and net assets of the Company have increased by 3.85 times, 3.28 times, 4.49 times, 3.89 times and 5.71 times, respectively.

Corporate Profile

China Communications Construction Company Limited ("CCCC" or the "Company"), initiated and founded by China Communications Construction Group (under the State-owned Assets Supervision and Administration Commission of the State Council), was incorporated on 8 October 2006. Its H shares were listed on the Main Board of Hong Kong Stock Exchange with stock code of 1800.HK on 15 December 2006. It is the first large state-owned transportation infrastructure group entering the overseas capital market. In 2010, CCCC is ranked No. 224 of "Global 500" by Fortune Magazine, 117 places higher than 2009.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in the construction and design of transportation infrastructure, dredging and heavy machinery manufacturing business. It is the largest port design and construction company in China, a leading company in road and bridge design and construction, a leading railway construction company, the largest dredging company (in terms of total capacity of suction hopper dredgers and cutter suction dredgers) in the world. The Company is also the world's largest container crane manufacturer. In addition, the Company is the largest international contractor and designer in China. The Company currently has 36 wholly– owned or controlled subsidiaries. Recently, the Company operates it businesses throughout China, including Hong Kong and Macao Special Zones, and has established its global presence over 80 countries and regions.

Through participation in state level engineering construction projects, the Group has set many records recognised as the "first", the "best" and the "most" in the history of port and bridge construction not only in the PRC but also the rest of Asia and around the world. Sutong Yangtze River Bridge, Yangshan Deepwater Port, Yangtze River Mouth Deepwater Navigation Channel Regulation project not only reflect the state-of-the-art standard in China, but also globally. The Company entered the railway market since the market opened and participated in design and construction of approximately 70 national key railway projects successively, including Harbin-Dalian PDL, Beijing-Shanghai PDL, Lanzhou-Chongqing Railway, etc.

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

The Group has been committed to its brand development strategy and technology innovation, which has enabled it to successfully attract talent. The Group retains 1 member of the Chinese Academy of Engineering, 14 National Reconnaissance Master and many other national senior engineers and experts. The Group also holds 7 Post-Doctoral research centres. In addition, the Group possesses advanced technologies, research and development capabilities and equipment as well as 10 national level design institutes, 7 national level science and research centres, 14 provincial level science and research centres, 12 research institutes majoring in technology development, and 7 key laboratories (five of which have been recognized as Industrial key Laboratory of Ministry of Transport, PRC), holding various scientific achievements and self-developed intellectual property rights with international standards.

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

The Company is committed to developing the transportation infrastructure business in the PRC and abroad as well as providing its customers with high quality services and products by consistently pursuing its corporate mission of "Trustworthy service to clients, High quality returns to shareholders and Consistent out-performance".

Financial Highlights

Comparison of Major Financial Data between Two Years

For the year ended 31 December (RMB million)	2010	2009	Change (%)
Revenue	**272,734**	226,920	20.2
Gross profit	**23,473**	21,705	8.1
Profit for the year	**9,901**	8,004	23.7
Profit attributable to equity holders of the Company	**9,863**	7,200	37.0
As at 31 December (RMB million)			
Total assets	**307,794**	264,058	16.6
Total liabilities	**236,714**	197,829	19.7
Capital and reserves attributable to equity holders of the Company	**60,142**	54,614	10.1
Per share (RMB)			
Earnings per share	**0.67**	0.49	37.0
Equity attributable to equity holders of the Company per share	**4.06**	3.68	10.3

Summary of Financial Performance for the Last Five Years

For the year ended 31 December (RMB million)	2010	2009	2008	2007	2006
Revenue	**272,734**	226,920	178,889	150,601	114,881
Profit for the year	**9,901**	8,004	7,876	7,574	4,286
Profit attributable to equity holders of the Company	**9,863**	7,200	6,075	6,032	3,199
As at 31 December (RMB million)					
Total assets	**307,794**	264,058	218,098	167,397	126,952
Total liabilities	**236,714**	197,829	165,929	113,435	90,225
Capital and reserves attributable to equity holders of the Company	**60,142**	54,614	41,171	45,145	31,825

Chairman's Statement

Dear Shareholders,

I am pleased to present to you the annual report of the Company for the year 2010 on behalf of the Board of Directors.

2010 was the last year of the "Eleventh Five-Year Plan". It was also an unforgettable year in the development history of the Company. During this year, under the joint efforts of the Board of Directors, the Supervisory Board, the management and all the employees, the Company actively coped with the global financial crisis by adjusting its business structure, changing its growth mode and strengthening its internal control. Various economic performance indicators of the Company recorded historical high again this year, leading to the successful fulfillments of all targets under the "Eleventh Five-Year Plan".

Revenue for the year 2010 was RMB272,734 million, representing a year-on-year growth of 20.2%. Profit attributable to shareholders of the Company was RMB9,863 million, representing a year-on-year increase of 37.0%. Earnings per share amounted to RMB0.67, representing a year-on-year increase of approximately 37.0%. The value of new contracts was RMB411,738 million, representing a year-on-year increase of 14.3%. As at 31 December 2010, the backlog for the Company amounted to RMB512,103 million, representing a year-on-year increase of 20.2%.

The "Eleventh Five-Year Plan" resembled a very short period in history. However, in the development history of the Company, it was a period full of diligent efforts, important changes, remarkable records and fruitful gains. During this period, the Company was successfully listed on the Hong Kong Stock Exchange and ranked among the "Global Top 500 Enterprises", with its ranking rising continuously. In addition, the Company has continuously been ranked as an "A-Class Enterprise" by SASAC, and both its operating and financial performance indicators rose significantly. Compared with the results at the end of the "Tenth Five-Year Plan" period, the value of new contracts, revenue, profit attributable to shareholders, total assets and net assets of the Company have increased by 3.85 times, 3.28 times, 4.49 times, 3.89 times and 5.71 times, respectively.

These results and achievements demonstrated the wisdom and efforts of our management at all levels and all members of our staff. These data and indicators were also a testimony to the indomitable and persistent spirit as well as the continuous innovation and development initiated by members of the Company from generation to generation. In light of the results and honours, we would like to thank all of our shareholders and the public for their care and support, and all members of the Company who have paved the way and laid the foundation for its development. Above all, we would like to extend our gratitude to the management and all members of our staff for their efforts and commitment since the beginning of the "Eleventh Five-year Plan" and their contribution to the growth and expansion of the Company.

During the "Twelfth Five-year Plan" period, in addition to the implementation of our operational strategies and the reinforcement of the business management based on our overall development strategy to achieve the development targets, we will continue to focus on structural adjustments and the transformation of growth mode. We will adhere to the development approach and endeavour to carry out our business activities effectively in order to fulfill or surpass the operational targets of the "Twelfth Five-year Plan". Therefore, our work will focus on the following four aspects:

Firstly, the Company will adjust asset structure to mitigate market risks arising from over-concentration of assets on any single business segment and make the efficient use of limited resources.

Secondly, the Company will adjust its business structure by developing new businesses such as investment business to achieve breakthrough and fundamental change in the proportion of traditional and new businesses and thus enhance our ability and strength in weathering through market change.

Thirdly, the Company will adjust its market structure by implementing an overseas expansion strategy which will focus on the rapid development in overseas markets in order to avoid any over-reliance on the domestic market. Based on our overseas traditional businesses, we will proactively expand our presence into emerging business fields, explore the management system and operational mode for overseas operations, cultivate new profitability growth point and strengthen our overseas business and raise its ratio contribution percentage.

Fourthly, the Company will transform the growth mode of our operations. We will enhance the added value of our core businesses through further dividing the market, expand our scale of operations by making innovation on technology and management, change the investment-oriented mode of expansion as well as improve and increase our profitability and earnings.

2011 marks the beginning of the "Twelfth Five-year Plan" of the PRC. It is also the year in which we will strive to lay the foundation of "the second leap forward" of the Company. We have outlined a clear work plan for this year. Firstly, we will focus on our production and operations to achieve a steady growth in all production and operational indicators. Secondly, we will get prepared for the initial public offering of the A share and launch A share offering when appropriate to improve the Company's capability to maintain sustainable development. Thirdly, we will promote centralised procurement of materials and equipment to reduce cost and enhance efficiency by establishing a material and equipment management department and a bidding centre for material and equipment purchase at appropriate time. Fourthly, we will standardise our operations, strengthen our social responsibilities regarding safe production, quality and environment protection and further enhance our positive corporate and social image. Fifthly, we will allocate more resources to technological development, encourage technological innovation, maintain our technological leadership in order to achieve a healthy and sustainable development of the Company. Sixthly, we will work together with our staff, cultivate corporate culture and fulfill scientific development, thereby turning the Company into a powerful, efficient, harmonious, energetic enterprise which cares for the well-being of all parties.

Dear shareholders, the Company recorded impressive and fruitful results in the year 2010. Looking forward to the year 2011, we are confident that our management and staff will closely cooperate with each other for the development of the Company, pursue a more magnificent blueprint and bring excellent returns to our shareholders.

Zhou Jichang
Chairman

9 March 2011

Business Overview

As a leading transportation infrastructure group in the PRC, the Company is an industry leader in each of its four core businesses, namely infrastructure construction, infrastructure design, dredging and heavy machinery manufacturing. Leveraging on its extensive operating experience, expertise and know-how accumulated from projects undertaken across a wide range of sectors over the past six decades, the Company is capable of providing integrated solutions throughout each stage of infrastructure projects for its customers.

The Company operates its businesses throughout the PRC and, in particular, more actively in the three most prosperous and rapidly growing economic regions, namely the Bohai Rim, the Yangtze River Delta and the Pearl River Delta. Meanwhile, the Company has established a global presence in over 80 countries and regions, mainly South East Asia, the Middle East, Africa, Commonwealth of Independent States and South America.

The year 2010 evidenced the accomplishment of our plan for the "Eleventh Five-year Period". In this year, the Company achieved leaps in performance indicators and sustainable development, thanks to its upgraded business structure, growth mode transformation and strengthened internal management while maintaining the cutting edge in traditional markets to circumvent unfavourable impacts from the aftermath of global financial crisis, adverse weather and the increase of production cost in the PRC.

In 2010, revenue for the Group was RMB272,734 million, representing a year-on-year increase of 20.2%. The value of new contracts amounted to RMB411,738 million, representing a year-on-year increase of 14.3%. As at 31 December 2010, the backlog was RMB512,103 million, representing a year-on-year increase of 20.2%.

I. Market Review

In 2010, the economic stimulus packages from governments around the world in response to the crisis generated more observable effects, as demonstrated by the recovering of the investor and consumer confidence, strong "refilling inventory" in developed countries and surging domestic demand in emerging economies. The Chinese government continued to adopt a proactive fiscal policy and a moderately loose monetary policy. We saw a gradual change from policy-driven to market-driven growth in domestic demand, rapid recovery in export and a 10.3% year-on-year GDP growth. These indicated that China's economy has shrugged off the global financial meltdown and returned to the normal track.

II. Business Review

In 2010, the second year for the PRC's RMB4 trillion economic stimulus plan, transportation infrastructure construction in the PRC entered into a peak season, with annual fixed asset investment in various projects including railway, road and bridge and port construction hitting new highs. Benefiting from the plan, the Company achieved progresses in market exploration of its infrastructure construction business, infrastructure design business and dredging business. In particular, the value of new contracts for port, highway and railway construction projects maintained a fast growth; the value of traditional design contracts in infrastructure design business posted a noticeable growth; and land reclamation projects in dredging business maintained a rapid growth. Even more encouraging is the increase in gross profit margin for all of our major projects under infrastructure construction, infrastructure design and dredging businesses compared to 2009. However, gross profit margin for railway construction projects declined due to the lagging effect on adjustment of contract prices (significant changes in projects and adjustment on raw material prices). The heavy machinery manufacturing business struggled and posted year-on-year decline in the value of new contracts, revenue and profit for 2010 as a result of the global financial crisis. However, this segment is expected to bottom out and enter into a new stage of growth as the global recovery strengthens and the Company's initiatives in market expansions take effect.

II. Business Review (Continued)

1. Infrastructure Construction Business

In 2010, revenue from the Group's infrastructure construction business was RMB212,962 million, representing a year-on-year increase of 28.6%. The value of new infrastructure construction contracts amounted to RMB334,109 million, representing a year-on-year increase of 16.4%. As at 31 December 2010, the backlog for infrastructure construction was RMB432,500 million, representing a year-on-year increase of 20.9%.

Through realigning its business strategies with the changing market to capitalise on the synergy of diversified business portfolio and market opportunities under the Western Development strategy, the Company kept forging ahead and scoring new success in market expansion on domestic port, road and railway construction as well as investment business in 2010, fuelling the rapid growth in the value of new contracts for infrastructure construction business.

(1) Port Construction

In 2010, new contracts of the Group for domestic port construction projects reached RMB50,462 million, representing a year-on-year increase of 21.3%.

Since early 2010, some post-crisis regional hotspots have emerged in the shipping infrastructure construction market of the PRC, as evidenced by a year-on-year growth in the number of newly kicked off shipping infrastructure projects led by new port construction. The market is characterised by: (1) a continued upward trend in demand for bulk cargo ports for shipments of resources such as coal, ore and oil; (2) a more diversified landscape of the shipping infrastructure construction market, where second– and third– tier cities are showing more enthusiasm for port construction, and some parts of north China (north-eastern and northern China) are seeing a higher growth in the number of projects than south China; (3) more market opportunities in Fujian coastal and Beibu Bay regions as a result of the stepped-up development of West-Straits Economic Area and ASEAN Economic Community. Responding to market changes, the Company leveraged on its strong market position to strengthen its market share in traditional port construction, while successfully expanding into the shipping infrastructure sector such as inland waterway construction, shipyards and ship locks.

In 2010, new projects won by the Group mainly include Huanghua Comprehensive Port project, 300,000t-class crude oil wharf project of Changxing Island in Dalian, bulk cargo terminal construction of Zhanjiang Xiashan Port Area, etc.

Container Terminal of Jinzhou No.2 Port Basin

Caofeidian 250,000t-class terminal

II. Business Review (Continued)

1. Infrastructure Construction Business (Continued)

(2) Road and Bridge Construction

In 2010, new contracts of the Group for domestic road and bridge projects reached RMB104,420 million, representing a year-on-year increase of 12.0%.

The decrease in the number of newly kicked off road and bridge construction projects in the first half of 2010 caused some difficulties for the Company's market expansion efforts. Regionally, more funding went to projects in western China, where both the amount and growth rate of investment exceeded those in eastern and central China. To adapt to the changing market, the Company managed to consolidate its share in traditional market areas on one hand and expanded its business to the western region to seize more opportunities on the other. In the second half of 2010, the Group won a series of road construction projects in Xinjiang and Chongqing, driving the value of new contracts for road construction projects to new high level from 2009. In terms of large-scale bridge construction market segment, the number of newly kicked off projects decreased in 2010 year-on-year after a peak in 2009. Therefore, the Company will keep a close eye on development trend of cross-river and cross-sea bridge projects while tapping into the Western Development in order to maintain the leadership in the construction of "high, new, special and difficult" projects and strengthen its position in large-scale bridge construction market.

In 2010, new projects won by the Group mainly include subgrade engineering of Fuzhou-Yongtai Expressway, the linking project of Dali-Lijiang Expressway in Yunnan, Xi'an-Baoji Expressway reconstruction project, Huangyi bridge project in Luzhou, Sichuan, Wudu-Guanzigou Section of Lanzhou-Haikou Expressway in Gansu, Renhuai-Chishui Expressway in Guizhou, etc.

Baling River Bridge

Shanghai Yangtze River Tunnel Connection Project

II. Business Review (Continued)

1. Infrastructure Construction Business (Continued)

(3) *Railway Construction*

In 2010, new contracts of the Group for domestic railway construction projects reached RMB65,086 million, representing a year-on-year increase of 35.5%.

Beijing-Shanghai High-Speed Railway under construction

To profit from the buoyant tendering activities in railway construction market in 2010, the Company aggressively deployed and integrated resources with selected focuses, and thus more and more subsidiaries scoring over RMB10 billion in the value of new contracts, which contributed to a significant year-on-year growth for the Group. While exploring railway market, the Company took efforts in production control in strict accordance with the management requirements of the Ministry of Railways to combine the safety, quality, term, economic return, environment protection and innovation in the railway construction. Standardised management was earnestly promoted under the framework structure pattern to ensure smooth operation of projects. The main body construction of Harbin-Dalian PDL, Beijing-Shanghai PDL and Shijiazhuang-Wuhan PDL projects were essentially completed, with sound quality and safety control. The Company also participated in the construction of Shanghai-Nanjing Intercity High-speed Railway, which started operation on 1 July, Shanghai-Hangzhou High-speed Railway, which started operation on 26 October and Taiyuan-Zhongwei-Yinchuan Railway, which started operation at the end of December, are all in good operation.

In 2010, new projects won by the Group mainly include two sections of Shanghai-Kunming PDL, three sections of Datong-Xi'an PDL, two sections of Changsha-Kunming PDL, two sections of Qingdao-Rongcheng Intercity Railway, etc.

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

In 2010, new contracts of the Group for domestic investment business amounted to RMB22,834 million, representing a year-on-year increase of 38.9%.

The investment business has gradually become a new source of profit growth for the Company. To ensure the quality of investment projects, the Company conducted strict review and verification process for each project in accordance with the established investment direction and under the prudence principle, where focuses were placed on project risk investigation and assessment in addition to business performance evaluation for the projects. In 2010, the Company carried out comprehensive review and assessment on 40 major investment projects in progress. The results indicated that such projects achieved satisfactory results as expected in terms of economic return, asset structure optimisation and contribution to principal operations.

In 2010, new projects won by the Group mainly include Yulin-Jiaxian Expressway in Shaanxi, Xianning-Tongshan Expressway in Hubei, Yongchuan-Jiangjin Expressway in Chongqing, etc.

II. Business Review (Continued)

1. Infrastructure Construction Business (Continued)

(5) *Overseas Business*

In 2010, new contracts of the Group for overseas infrastructure construction projects amounted to USD9,127 million (equivalent to approximately RMB62,323 million), representing a year-on-year increase of 1.2%. Among these contracts, under water construction projects accounted for approximately 52.3%, road and bridge construction projects accounted for approximately 30.7%, and urban infrastructure construction, housing construction and other projects accounted for approximately 17.0%.

Mekong River Bridge in Cambodia

In 2010, the Company steadily and persistently implemented its "Overseas Business Expansion" strategy to optimise organisational structure and integrate internal resources, resulting in a healthy and sustainable growth in overseas business. The Island and Tunnel EPC project, which is the Main Structure of Hong Kong-Zhuhai-Macau Bridge, won by the Company in November 2010 further strengthened our industry dominance, and demonstrated our one-stop service capability from design to construction.

While enlarging its market presence, the Company strengthened the monitoring on major projects under construction to improve risk management on overseas projects. For general projects, real-time monitoring is conducted through the "CCCC Operation and Production Management System" with monthly business updates. Projects with significant contractual value and extensive influence are included into the list of monitoring focuses under the Management Methods on Implementation of CCCC Large-scale Overseas Projects. The whole process including project preparation, implementation and delivery upon completion is monitored in order to identify potential weakness, avoid substantial risk exposure and prevent loss from any major defect in quality, progress and safety. According to our assessment, the approximately 440 projects currently under construction were in sound progress as a whole and have produced satisfactory returns. Our prudential overseas operation philosophy has laid a solid foundation for further expansion and enhanced strength of overseas business in the "Twelfth Five-year plan" period.

In 2010, new projects won by the Group mainly include Island and Tunnel project which is the Main Structure of Hong Kong-Zhuhai-Macau Bridge, Phase II of Hambantota port in Sri Lanka, deepwater port project in Cameroon, Belgrade, Serbia Zemun Borca Bridge and its accompanying road project, AAO Road project in Equatorial Guinean, etc.

(6) *Other Projects*

In 2010, new contracts of the Group for other infrastructure construction projects reached RMB28,984 million, representing a year-on-year increase of 15.7%.

The Company made remarkable progress in projects such as municipal works, housing construction, urban rail transit and wind power projects with a steady growth in the value of new contracts, giving a strong support to its principal operations.

In 2010, new projects won by the Group mainly include Section 07 engineering of Beijing Subway Line 14#, Section 1 of Wuxi Subway, Jiangsu Dongtai 200,000KW wind farm in intertidal zones, Jiangsu Binhai and Sheyang 300,000KW deepwater wind power project, etc.

II. Business Review (Continued)

2. Infrastructure Design Business

In 2010, revenue from the Group's infrastructure design business was RMB11,264 million, representing a year-on-year increase of 26.9%. The value of new infrastructure design contracts reached RMB14,830 million, representing a year-on-year increase of 25.0%, of which overseas contracts amounted to USD170 million. As at 31 December 2010, the backlog for infrastructure design business was RMB20,833 million, representing a year-on-year increase of 72.5%.

The rapid growth in the value of new infrastructure design contracts in 2010 was attributable to survey and design business, project supervision business and general contracts as to 54%, 6% and 37% respectively. In particular, survey and design business recorded an accelerating growth, mainly attributable to the shipping infrastructure design. This indicates a partial recovery in the shipping infrastructure construction market. In addition, benefiting from the extended industrial value chains from principal operations, the Company has expanded market niches with progresses in municipal works, urban rail transit, maintenance, monitoring and consolidation projects for roads and bridges, and environment evaluation projects.

In 2010, new projects won by the Group mainly include Caofeidian fully automatic container terminal, EPC project for Kuqa-Aksu Section of 314 National Highway, EPC project for circular tour route of Puer, Yunnan, etc.

Shenzhen Dachan Bay Port

Qingdao Bay Bridge, the longest cross-sea bridge globally

3. Dredging Business

In 2010, revenue from the Group's dredging business was RMB28,113 million, representing a year-on-year increase of 14.7%. The value of new dredging contracts amounted to RMB34,422 million, representing a year-on-year increase of 16.0%, of which overseas contracts amounted to USD450 million. As at 31 December 2010, the backlog for dredging business was RMB28,985 million, representing a year-on-year increase of 21.3%.

In 2010, the Group completed approximately 1,180 million cubic meters in terms of dredging volume, representing approximately 80% of the total domestic coastal dredging volume in the PRC, of which approximately 730 million cubic meters were for infrastructure and maintenance dredging and approximately 450 million cubic meters were for land reclamation dredging.

The year 2010 witnessed a further increase in land reclamation projects in Mainland China, together with a steady expansion in total project scale. The investment scale in infrastructure dredging and maintenance dredging remained at same level as compared with 2009, yet with a decrease in the number of individual projects of higher contractual value. The Company was exposed to more opportunities from many coastal large projects, mainly comprising land reclamation.

Jingtang Port 200,000t-class navigation channel dredging

Tian Qi, non-self-propelled cutter suction dredger

II. Business Review (Continued)

3. Dredging Business (Continued)

According to our dredging equipment investment plan for the "Eleventh Five-year Plan", eight special-purpose large vessels joined the Group's dredger fleet during 2010 with an additional annual capacity of approximately 80 million cubic meters under the standard conditions.

During the "Eleventh Five-year Plan" period, the Group invested a total of approximately RMB10,400 million for building 43 dredging vessels. As of the end of 2010, the Group's own annual capacity amounted to over 584 million cubic meters under the standard conditions, more than doubled compared to that as at the end of the "Tenth Five-year Plan" period. This strengthens its forerunner position in domestic dredging market, the Company ranked No. 1 both in total tank capacity of suction hopper dredgers and total installed power of cutter suction dredgers, paving the way for its dredging business to enter into the global market.

In 2010, new projects won by the Group mainly include channel navigation dredging and reclamation project of Tianjin Nangang Industrial Zone, Phase III of Yangtze River Estuary deepwater channel regulation maintenance, 150,000t-class navigation channel of Jinzhou Port, etc.

Xin Hai Feng

II. Business Review (Continued)

4. Heavy Machinery Manufacturing Business

In 2010, revenue from the Group's heavy machinery manufacturing business was RMB17,221 million, representing a year-on-year decrease of 36.4%. The value of new heavy machinery manufacturing contracts reached RMB21,653 million, representing a year-on-year decrease of 21.1%. As at 31 December 2010, the backlog for heavy machinery manufacturing business was RMB27,366 million, representing a year-on-year decrease of 8.8%.

As a result of insufficient orders in 2009 due to the global financial crisis, the revenue from port machinery products slumped in 2010. The high fixed cost and relative over-capacity led to the plummeting profitability of heavy machinery manufacturing business. In addition, revenue from the heavy machinery manufacturing business was primarily generated from contracts denominated in foreign currencies, mainly in Euro and U.S. dollar, while a substantial portion of the cost of sales associated with such contracts was incurred in Renminbi. The appreciation of Renminbi against foreign currencies had made the revenue of these contracts be translated into depressed revenue in Renminbi terms, thereby affected the gross profit margin negatively.

Thanks to the gradual recovery in global port machinery market since 2010, our container crane products recorded a noticeable year-on-year growth in the value of new orders, which was however lower than that before the global financial turmoil. To address the significant challenge from the shortage of traditional orders, Shanghai Zhenhua Heavy Industry Co., Ltd ("ZPMC") adopted business strategies of diversified product mix and multi-faceted regional market development with focuses on large steel structure and offshore heavy machinery products, thus minimising the adverse impact from traditional market.

8000t floating crane

F&G-ExD Class Semisubmersible jack up

In August 2010, the Company acquired F&G, the world renowned design powerhouse for offshore drilling platforms, to strengthen its design and manufacturing capacity for offshore drilling platforms. In October 2010, ZPMC entered into a cooperation agreement with F&G on design, development and manufacturing of marine petroleum engineering equipment, marking a material progress in cooperation with F&G. Therefore, the leading design expertise of F&G will supplement ZPMC's strong manufacturing capacity to forge the complete industrial chains for heavy machinery manufacturing business, thereby laying a foundation for its "Second pioneering" and "Second leap".

In 2010, new projects won by ZPMC mainly include Framework Agreement on Caofeidian fully automatic container terminal, three units of quayside container crane and six gantry cranes for Brazil, three pipe laying vessels globally, etc.

III. Technology Innovation

As "science and technology are the primary productive forces", our technological activities are carried out based on corporate production and operation with an aim at overall improvement in technology innovation. The scientific progress and technology innovation have steered and supported our development by leaps and bounds. The Company was granted "Technology Innovation Special Prize" for two consecutive sessions (6 years) by SASAC under the State Council, and was named as one of the national innovative enterprise pilot units.

In 2010, the Company won 6 National Awards for Science and Technology Progress, including 2 First Prizes and 4 Second Prizes. In addition, the Company won 9 China Civil Engineering Zhantianyou Awards, 7 China Navigation Science and Technology Awards, 6 Science and Technology Prizes of the Port Engineering Society, and 21 Science and Technology Prizes of the China Highway & Transportation Society.

Also in 2010, the Company was selected for 2 national key technology support programs, 2 scientific research projects for western China of the Ministry of Transport, 1 transportation soft scientific research project, 2 transportation application fundamental research projects, 1 joint strategic project of the transportation industry, 1 transportation information research project, and 5 projects of the Ministry of Finance in new construction technology. The Company now holds a total of 9 national "863" programs, 10 national key technology support programs and over 40 science & technology programs from various authorities including the Ministry of Transport, the Ministry of Railways and the Ministry of Finance.

IV. Business Outlook

In 2011, a year of opening move for China government's plan for the "Twelfth Five-year Plan", the Company will strive to lay a foundation for its "Second leap". It is expected that the global economy will recover modestly and China's export will maintain relatively rapid growth. Fixed Assets investment growth will remain robust. Hence, the mildly improved economic environment compared to 2010 is expected to present both opportunities and challenges for our business arms.

On shipping infrastructure construction, China will strategically press ahead with coastal port construction while accelerating inland waterway construction. The government will continue to make efforts in transportation terminal construction for major cargos, while pacing the progress of container terminal construction to orderly promote development of new ports. Construction of port facilities will be strengthened to allow port structure optimisation, resource integration and perfection of port functions. In light of the forthcoming guidelines of the State Council on accelerating development of inland waterways including Yangtze River, large scale construction of main navigation channel of Yangtze River will be expedited, with stresses on the navigation channel construction project at Jingjiang River Section in the middle course and the 12.5-meter deepwater navigation channel construction project in the lower course from Nanjing. Projects including the capacity expansion projects for main waterways in Xijiang River will be pressed forward. Construction of large-scale and specialised inland ports will be pushed ahead, as well as the shipping centers in Chongqing and Wuhan respectively located in upper and middle course of Yangtze River.

On road and bridge construction, China will continue to shore up the construction of the national highway network, transportation infrastructure under the regional development strategy and within metropolis circle and middle to large urban agglomeration as well as inter-province dead-end highways, while speeding up expansion of transportation arteries and improving dispersal expressways for ports. The establishment of national highway network will be pushed forward under refined national and provincial highway network plans. Upgrading and reconstruction of national and provincial highways will be carried out with emphases on 15 arteries including "5 radial, 6 vertical and 4 horizontal" lines.

On railway construction, China is to further promote large-scale construction on the high quality and efficiency basis. As disclosed in the national railway work conference, China will earmark RMB700 billion for railway infrastructure investment in 2011 with track laying targets for 7,935 km of new lines and 6,211 km of multi-track lines. Accordingly, total operating mileage of high-speed railways in the PRC will exceed 13,000 km in 2011, and a high-speed railway network with broadened coverage and rippling effect is taking shape.

On international market, the emerging markets including Asia Pacific, South Asia, Africa, Latin America and Balkan region are becoming the engines of global growth, where their fixed asset investment will maintain fast growth momentum. During the "Twelfth Five-year Plan" period, Chinese government will also capitalise on its strong foreign currency reserve to further support countries in Africa, Southeast Asia, Central Asia and South Pacific region. More governmental projects are expected to give rise to a greater diversity of international projects. As such, the extensive overseas market offers numerous development opportunities.

Faced with the opportunities and challenges at home and abroad in 2011, the Company is committed to business restructuring, growth mode transformation and performance improvement, capturing opportunities and evolving itself to stand out of market competition in light of its established goals and innovative concepts. The Company will expand into overseas markets in faster paces under its "Overseas Business Expansion" strategy to increase the overall contribution of overseas businesses. The Company will also advance its plan for the "Twelfth Five-year Plan" and strive to meet all targets for its healthy and sustainable development.

Management's Discussion and Analysis

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

Overview

For the year ended 31 December 2010 revenue of the Group amounted to RMB272,734 million, representing a year-on-year increase of 20.2%. The value of the Group's new contracts in 2010 was RMB411,738 million, representing a year-on-year increase of 14.3%. As at 31 December 2010, the backlog for the Group was RMB512,103 million, representing a year-on-year increase of 20.2%.

Gross profit for 2010 amounted to RMB23,473 million, representing an increase of RMB1,768 million, or 8.1%, from RMB21,705 million in 2009. Gross profit from infrastructure construction business, infrastructure design business, dredging business and other businesses increased by 21.6%, 33.2%, 15.6%, and 38.9%, respectively, from 2009; while the gross profit from heavy machinery manufacturing business decreased by 83.6% from 2009. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business, heavy machinery manufacturing business and other businesses were 7.0%, 28.1%, 15.0%, 2.8% and 9.3% in 2010, respectively, as compared with 7.4%, 26.8%, 14.9%, 10.8% and 8.9% in 2009.

Mainly as a result of the growth in gross profit, operating profit for 2010 amounted to RMB14,125 million, representing an increase of RMB1,601 million, or 12.8%, from RMB12,524 million in 2009. Operating profit from infrastructure construction business, infrastructure design business, dredging business and other businesses increased by 32.4%, 39.0%, 29.2%, and 77.7%, respectively, from 2009; while the operating profit from heavy machinery manufacturing business decreased by 166.3% from 2009.

In 2010, profit attributable to equity holders of the Company amounted to RMB9,863 million, representing an increase of RMB2,663 million, or 37.0%, from RMB7,200 million in 2009. Earnings per share of the Group for 2010 was RMB0.67, as compared with RMB0.49 in 2009.

The following is a comparison of financial results between years ended 31 December 2010 and 2009.

Consolidated Results of Operations

Revenue

Revenue in 2010 increased by 20.2% to RMB272,734 million, from RMB226,920 million in 2009. The growth was mainly attributable to the increases in the revenue from the infrastructure construction business, infrastructure design business, dredging business and other businesses, amounting to RMB47,399 million, RMB2,390 million, RMB3,607 million and RMB1,858 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 28.6%, 26.9%, 14.7% and 34.0%, respectively. Meanwhile, in 2010, revenue from heavy machinery manufacturing business decreased by RMB9,849 million or 36.4% from 2009, primarily attributable to the declined demand of port machinery as a result of the global financial crisis.

Cost of Sales and Gross Profit

Cost of sales in 2010 increased by 21.5% to RMB249,261 million, from RMB205,215 million in 2009. Increases in cost of sales from the infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB44,751 million, RMB1,602 million, RMB3,038 million and RMB1,668 million (all before elimination of inter-segment transactions), respectively, representing an increase of 29.2%, 24.7%, 14.6% and 33.5%, respectively. Meanwhile, in 2010, cost of sales from heavy machinery manufacturing business decreased by RMB7,411 million, or 30.7%, from 2009.

Cost of sales consisted mainly of cost of raw materials and consumables used, subcontracting cost, employee benefits and rental. Cost of raw materials and consumables used in 2010 amounted to RMB99,051 million, representing an increase of RMB9,145 million, or 10.2%, from RMB89,906 million in 2009. The growth rate was lower than that of revenue and total cost of sales, mainly attributable to the decrease of the heavy machinery manufacturing business, of which the cost of raw materials and consumables accounted for a significant proportion of the total cost. Subcontracting cost in 2010 amounted to RMB72,468 million, representing an increase of RMB12,662 million, or 21.2%, from RMB59,806 million in 2009. Employee benefits in 2010 amounted to RMB20,043 million, representing an increase of RMB4,539 million, or 29.3%, from RMB15,504 million in 2009, primarily due to the increase of per capita cost. Rentals in 2010 amounted to RMB19,438 million, representing an increase of RMB6,943 million, or 55.6%, from RMB12,495 million in 2009, mainly due to the increase in rentals for machinery, vessels, and equipments for infrastructure construction business and dredging business.

As a result, gross profit for 2010 amounted to RMB23,473 million, representing an increase of RMB1,768 million, or 8.1%, from RMB21,705 million in 2009. Gross profit margin decreased to 8.6% in 2010 from 9.6% in 2009, primarily due to the decrease of gross profit margin of the heavy machinery manufacturing business and the lagging effect on adjustment of contract prices in several large-scale railway projects of infrastructure construction business.

Consolidated Results of Operations (Continued)

Operating Profit

Operating profit in 2010 amounted to RMB14,125 million, representing an increase of RMB1,601 million, or 12.8%, from RMB12,524 million in 2009. The increase was mainly due to the increase in gross profit, as well as the lesser increase in administrative expenses. Administrative expenses amounted to RMB10,115 million in 2010, representing an increase of RMB442 million, or 4.6%, from RMB9,673 million in 2009. The lesser increase in administrative expenses was mainly attributable to enhanced administrative expense control.

In 2010, operating profit from the infrastructure construction business, infrastructure design business, dredging business and other businesses increased by RMB2,219 million, RMB497 million, RMB855 million and RMB150 million (all before elimination of inter-segment transactions and unallocated cost), representing a growth rate of 32.4%, 39.0%, 29.2% and 77.7% respectively. In 2010, operating profit from heavy machinery manufacturing business decreased by RMB2,396 million (all before elimination of inter-segment transactions and unallocated cost), representing a decrease rate of 166.3%.

As a result, operating profit margin decreased to 5.2% in 2010 from 5.5% in 2009, primarily due to the decrease of operating profit margin of heavy machinery manufacturing business.

Interest Income

Interest income in 2010 amounted to RMB708 million, representing an increase of RMB48 million from RMB660 million in 2009.

Finance Costs, net

Net finance costs for 2010 amounted to RMB2,496 million, representing an decrease of RMB477 million, or 16.0%, from RMB2,973 million for 2009. This decrease of finance cost was primarily attributable to the increase of net foreign exchange gains on borrowings, which resulted from the appreciation of Renminbi against foreign currencies. In addition, the decrease of finance costs was also attributable to the Group's efforts to optimise its debt structure by issuing corporate bond and medium term notes which bear lower interest rates as compared with bank borrowings.

Consolidated Results of Operations (Continued)

Share of Profit of Jointly Controlled Entities

Share of profit of jointly controlled entities for 2010 amounted to RMB38 million, compared with share of profit of jointly controlled entities of RMB55 million in 2009.

Share of Profit of Associates

Share of the profit of associates for 2010 amounted to RMB78 million, compared with share of profit of associates of RMB48 million in 2009.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax in 2010 amounted to RMB12,453 million, representing an increase of RMB2,139 million, or 20.7%, from RMB10,314 million in 2009.

Income Tax Expense

Income tax expense in 2010 amounted to RMB2,552 million, representing an increase of RMB242 million, or 10.5%, from RMB2,310 million in 2009. Effective tax rate for the Group in 2010 decreased to 20.5% from 22.4% in 2009, mainly because some subsidiaries began to benefit from tax preference in 2010.

Non-controlling Interests

Non-controlling interests in 2010 amounted to RMB38 million, representing a decrease of RMB766 million, or 95.3%, from RMB804 million in 2009, mainly attributable to the net loss of ZPMC in 2010.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company in 2010 amounted to RMB9,863 million, representing an increase of RMB2,663 million, or 37.0%, from RMB7,200 million in 2009.

Profit margin with respect to profit attributable to equity holders of the Company was 3.6% in 2010, as compared to 3.2% in 2009.

Discussion of Segment Operations

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for years ended 31 December 2010 and 2009.

Business	Revenue		Gross Profit		Gross Profit Margin		Operating Profit/(loss)[1]		Operating Profit Margin	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2010 (RMB million)	2009 (RMB million)	**2010 (RMB million)**	2009 (RMB million)	**2010 (%)**	2009 (%)	**2010 (RMB million)**	2009 (RMB million)	**2010 (%)**	2009 (%)
Infrastructure Construction	**212,962**	165,563	**14,924**	12,276	**7.0**	7.4	**9,058**	6,839	**4.3**	4.1
% of total	**76.9**	71.5	**63.6**	56.6	**—**	—	**64.7**	54.0	**—**	—
Infrastructure Design	**11,264**	8,874	**3,164**	2,376	**28.1**	26.8	**1,770**	1,273	**15.7**	14.3
% of total	**4.1**	3.8	**13.5**	10.9	**—**	—	**12.6**	10.0	**—**	—
Dredging	**28,113**	24,506	**4,219**	3,650	**15.0**	14.9	**3,780**	2,925	**13.4**	11.9
% of total	**10.2**	10.6	**18.0**	16.8	**—**	—	**27.0**	23.1	**—**	—
Heavy Machinery Manufacturing	**17,221**	27,070	**477**	2,915	**2.8**	10.8	**(955)**	1,441	**(5.5)**	5.3
% of total	**6.2**	11.7	**2.0**	13.4	**—**	—	**(6.8)**	11.4	**—**	—
Other businesses	**7,329**	5,471	**678**	488	**9.3**	8.9	**343**	193	**4.7**	3.5
% of total	**2.6**	2.4	**2.9**	2.3	**—**	—	**2.5**	1.5	**—**	—
Subtotal	**276,889**	231,484	**23,462**	21,705	**—**	—	**13,996**	12,671	**—**	—
Intersegment elimination and unallocated income/(costs)	**(4,155)**	(4,564)	**11**	—	**—**	—	**129**	(147)	**—**	—
Total	**272,734**	226,920	**23,473**	21,705	**8.6**	9.6	**14,125**	12,524	**5.2**	5.5

(1) Total operating profit represents the total of segment profit less intersegment elimination and unallocated costs.

Discussion of Segment Operations (Continued)

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the years ended 31 December 2010 and 2009.

	Years ended 31 December	
	2010	2009
	(RMB million)	(RMB million)
Revenue	**212,962**	165,563
Cost of sales	**(198,038)**	(153,287)
Gross profit	**14,924**	12,276
Selling and marketing expenses	**(52)**	(39)
Administrative expenses	**(6,410)**	(5,697)
Other income, net	**596**	299
Segment result	**9,058**	6,839
Depreciation and amortisation	**2,932**	2,383

Revenue. Revenue from the infrastructure construction business in 2010 was RMB212,962 million, representing an increase of RMB47,399 million, or 28.6%, as compared with RMB165,563 million in 2009, primarily attributable to the increase in the aggregate value of the projects undertaken by the Group, driven by the increased demand for the Group's services as a result of the growth in infrastructure expenditure by the Group's domestic and overseas customers. The value of new contracts entered into for the infrastructure construction business in 2010 was RMB334,109 million, representing an increase of RMB47,059 million, or 16.4%, compared with RMB287,050 million in 2009. No single project accounted for more than 5% of the Group's total revenue in 2010 or 2009.

Discussion of Segment Operations (Continued)

Infrastructure Construction Business (Continued)

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2010 was RMB198,038 million, representing an increase of RMB44,751 million, or 29.2%, as compared with RMB153,287 million in 2009. Cost of sales as a percentage of revenue slightly increased from 92.6% in 2009 to 93.0% in 2010.

Gross profit from the infrastructure construction business in 2010 grew by RMB2,648 million, or 21.6%, to RMB14,924 million from RMB12,276 million in 2009. Gross profit margin decreased to 7.0% in 2010 from 7.4% in 2009, which was mainly due to the lagging effect on adjustment of contract prices in several large-scale railway projects.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2010 were RMB52 million, representing an increase of RMB13 million from RMB39 million in 2009.

Administrative expenses. Administrative expenses for the infrastructure construction business in 2010 were RMB6,410 million, representing an increase of RMB713 million, or 12.5%, as compared with RMB5,697 million in 2009. Administrative expenses as a percentage of revenue decreased to 3.0% in 2010 from 3.4% in 2009.

Other income, net. Other net income for the infrastructure construction business was RMB596 million, as compared with RMB299 million in 2009.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2010 was RMB9,058 million, representing an increase of RMB2,219 million, or 32.4%, as compared with RMB6,839 million in 2009. Segment result margin slightly increased to 4.3% in 2010 from 4.1% in 2009.

Discussion of Segment Operations (Continued)

Infrastructure Design Business (Continued)

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

The following table sets out the principal profit and loss information for infrastructure design business for years ended 31 December 2010 and 2009.

	Years ended 31 December	
	2010 (RMB million)	2009 (RMB million)
Revenue	**11,264**	8,874
Cost of sales	**(8,100)**	(6,498)
Gross profit	**3,164**	2,376
Selling and marketing expenses	**(107)**	(97)
Administrative expenses	**(1,329)**	(1,073)
Other income, net	**42**	67
Segment result	**1,770**	1,273
Depreciation and amortisation	**154**	134

Revenue. Revenue from the infrastructure design business in 2010 was RMB11,264 million, representing an increase of RMB2,390 million, or 26.9%, as compared with RMB8,874 million in 2009. This growth was primarily attributable to the increase in the aggregate value of design contracts, including comprehensive contracts, which was in turn driven by growing infrastructure expenditure by the Group's domestic and overseas customers and the increase in the number of the Group's overseas customers, as well as higher demand for the Group's specialised design skills and experience in complex projects. The value of new contracts entered into for the infrastructure design business in 2010 was RMB14,830 million, representing an increase of RMB2,968 million, or 25.0%, as compared with RMB11,862 million in 2009.

Discussion of Segment Operations (Continued)

Infrastructure Design Business (Continued)

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2010 was RMB8,100 million, representing an increase of RMB1,602 million, or 24.7%, as compared with RMB6,498 million in 2009. Cost of sales as a percentage of revenue in 2010 was 71.9%, as compared with 73.2% in 2009.

Gross profit from the infrastructure design business in 2010 was RMB3,164 million, representing an increase of RMB788 million, or 33.2%, as compared with RMB2,376 million in 2009. Gross profit margin increased to 28.1% in 2010 from 26.8% in 2009, primarily due to the increase of design contracts with higher gross profit margin.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2010 were RMB107 million, representing an increase of RMB10 million from RMB97 million in 2009.

Administrative expenses. Administrative expenses for the infrastructure design business in 2010 were RMB1,329 million, representing an increase of RMB256 million, or 23.9%, as compared with RMB1,073 million in 2009. Administrative expenses as a percentage of revenue decreased to 11.8% in 2010 from 12.1% in 2009.

Other income, net. Other net income for the infrastructure design business in 2010 was RMB42 million, representing a decrease of RMB25 million, as compared with RMB67 million in 2009.

Segment result. As a result of the above, segment result for the infrastructure design business in 2010 was RMB1,770 million, representing an increase of RMB497 million, or 39.0%, as compared with RMB1,273 million in 2009. Segment result margin increased to 15.7% in 2010 from 14.3% in 2009, as a result of the increase of gross profit margin.

Discussion of Segment Operations (Continued)

Dredging Business

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

The following table sets out the principal profit and loss information for the dredging business for years ended 31 December 2010 and 2009.

	Years ended 31 December	
	2010	2009
	(RMB million)	(RMB million)
Revenue	**28,113**	24,506
Cost of sales	**(23,894)**	(20,856)
Gross profit	**4,219**	3,650
Selling and marketing expenses	**(37)**	(23)
Administrative expenses	**(1,037)**	(857)
Other income, net	**635**	155
Segment result	**3,780**	2,925
Depreciation and amortisation	**957**	828

Revenue. Revenue from the dredging business in 2010 was RMB28,113 million, representing an increase of RMB3,607 million, or 14.7%, as compared with RMB24,506 million in 2009. The revenue growth was primarily attributable to increased port development activities and coastal line reclamation activities in the PRC, which led to increased demand for the Group's dredging services. The value of new contracts entered into for the dredging business in 2010 was RMB34,422 million, representing an increase of RMB4,745 million, or 16.0%, compared with RMB29,677 million in 2009.

Discussion of Segment Operations (Continued)

Dredging Business (Continued)

Cost of sales and gross profit. Cost of sales for the dredging business in 2010 was RMB23,894 million, representing an increase of RMB3,038 million, or 14.6%, as compared with RMB20,856 million in 2009. Cost of sales as a percentage of revenue for the dredging business in 2010 was 85.0%, as compared with 85.1% in 2009.

Gross profit from the dredging business in 2010 was RMB4,219 million, representing an increase of RMB569 million, or 15.6%, as compared with RMB3,650 million in 2009. Gross profit margin for the dredging business slightly increased to 15.0% in 2010 from 14.9% in 2009.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2010 were RMB37 million, representing an increase of RMB14 million from RMB23 million in 2009.

Administrative expenses. Administrative expenses for the dredging business in 2010 were RMB1,037 million, representing an increase of RMB180 million, or 21.0%, as compared with RMB857 million in 2009. Administrative expenses as a percentage of revenue slightly increased from 3.5% in 2009 to 3.7% in 2010.

Other income, net. Other net income for the dredging business 2010 was RMB635 million, representing an increase of RMB480 million from RMB155 million in 2009, primarily attributable to the fact that certain subsidiaries disposed some available-for-sale financial assets and had recorded gain in 2010.

Segment result. As a result of the above, segment result for the dredging business in 2010 was RMB3,780 million, representing an increase of RMB855 million, or 29.2%, as compared with RMB2,925 million in 2009. Segment result margin increased to 13.4% in 2010 from 11.9% in 2009.

Discussion of Segment Operations (Continued)

Heavy Machinery Manufacturing Business

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

The following table sets out the principal profit and loss information for the heavy machinery manufacturing business for years ended 31 December 2010 and 2009.

	Years ended 31 December	
	2010	2009
	(RMB million)	(RMB million)
Revenue	**17,221**	27,070
Cost of sales	**(16,744)**	(24,155)
Gross profit	**477**	2,915
Selling and marketing expenses	**(107)**	(111)
Administrative expenses	**(1,100)**	(1,669)
Other (expenses)/income, net	**(225)**	306
Segment result	**(955)**	1,441
Depreciation and amortisation	**1,347**	1,125

Revenue. Revenue from the heavy machinery manufacturing business in 2010 was RMB17,221 million, representing a decrease of RMB9,849 million, or 36.4%, as compared with RMB27,070 million in 2009. This decrease was primarily attributable to declined demand for port machinery as a result of the global financial crisis. The value of new contracts entered into for the heavy machinery manufacturing business in 2010 was RMB21,653 million.

Discussion of Segment Operations (Continued)

Heavy Machinery Manufacturing Business (Continued)

Cost of sales and gross profit. Cost of sales for the heavy machinery manufacturing business in 2010 was RMB16,744 million, representing a decrease of RMB7,411 million, or 30.7%, as compared with RMB24,155 million in 2009. Cost of sales as a percentage of revenue increased from 89.2% in 2009 to 97.2% in 2010.

Gross profit from the heavy machinery manufacturing business in 2010 was RMB477 million, representing a decrease of RMB2,438 million, or 83.6%, as compared with RMB2,915 million in 2009. Gross profit margin decreased to 2.8% in 2010 from 10.8% in 2009. The decreased gross profit margin was mainly due to the high fixed cost of heavy machinery manufacturing business. In addition, revenue from the heavy machinery manufacturing business was primarily generated from contracts denominated in foreign currencies, mainly in Euro and U.S. dollar, while a substantial portion of the cost of sales associated with such contracts was incurred in Renminbi. The appreciation of Renminbi against foreign currencies had made the revenue of these contracts be translated into depressed revenue in Renminbi terms, thereby affected the gross profit margin negatively.

Selling and marketing expenses. Selling and marketing expenses for the heavy machinery manufacturing business in 2010 were RMB107 million, representing a decrease of RMB4 million from RMB111 million in 2009.

Administrative expenses. Administrative expenses for the heavy machinery manufacturing business in 2010 were RMB1,100 million, representing a decrease of RMB569 million, or 34.1%, as compared with RMB1,669 million in 2009. Administrative expenses as a percentage of revenue for the heavy machinery manufacturing business increased to 6.4% in 2010 from 6.2% in 2009.

Other (expenses)/income, net. Other net expenses for the heavy machinery manufacturing business in 2010 was RMB225 million, compared with other net income of RMB306 million in 2009, mainly due to the change of foreign exchange gains/losses from operating activities.

Segment result. As a result of the above, segment result for the heavy machinery manufacturing business in 2010 was of RMB955 million loss, as compared with an operating profit of RMB1,441 million in 2009.

Discussion of Segment Operations (Continued)

Other Businesses

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

The following table sets out the revenue, cost of sales and gross profit information for the other businesses years ended 31 December 2010 and 2009.

	Years ended 31 December	
	2010 (RMB million)	2009 (RMB million)
Revenue	**7,329**	5,471
Cost of sales	**(6,651)**	(4,983)
Gross profit	**678**	488

Revenue. Revenue from the other businesses in 2010 was RMB7,329 million, representing an increase of RMB1,858 million, or 34.0%, as compared with RMB5,471 million in 2009, primarily attributable to the recovery of the logistics business.

Cost of sales and gross profit. Cost of sales for the other businesses in 2010 was RMB6,651 million, representing an increase of RMB1,668 million, or 33.5%, as compared with RMB4,983 million in 2009, primarily attributable to the increase in revenue from logistics business. Cost of sales as a percentage of revenue decreased from 91.1% in 2009 to 90.7% in 2010.

Gross profit from the other businesses in 2010 was RMB678 million, representing an increase of RMB190 million, or 38.9%, as compared with RMB488 million in 2009. Gross profit margin increased to 9.3% in 2010 from 8.9% in 2009.

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 generated from operations, while financing the remainder of the Group's requirements primarily through bank borrowings. As at 31 December 2010, the Group had unutilised credit facilities in the amount of RMB140,151 million. The Group's access to financial markets since its public listing has provided additional financing flexibility.

Cash Flow Data

The following table presents selected cash flow data from the Group's consolidated cash flow statements for the years ended 31 December 2010 and 2009.

	Years ended 31 December	
	2010	2009
	(RMB million)	(RMB million)
Net cash generated from operating activities	**12,641**	14,599
Net cash used in investing activities	**(15,376)**	(16,890)
Net cash generated from financing activities	**7,856**	9,822
Net increase in cash and cash equivalents	**5,121**	7,531
Cash and cash equivalents at beginning of year	**33,817**	26,278
Exchange (losses)/gains on cash and cash equivalents	**(112)**	8
Cash and cash equivalents at end of year	**38,826**	33,817

Cash flow from operating activities

In 2010, net cash generated from operating activities was RMB12,641 million, representing a decrease of RMB1,958 million, or 13.4%, as compared with RMB14,599 million net cash generated from operating activities in 2009, which was primarily attributable to changes in working capital. Trade and other payables increased by RMB27,094 million during 2010, as compared with the amount of increase of RMB18,353 million during 2009. Trade and other receivables and contract work-in-progress increased by RMB23,954 million and RMB147 million respectively during 2010, as compared with the amount of increase of RMB9,498 million and RMB3,842 million during 2009.

Liquidity and Capital Resources (Continued)

Cash Flow Data (Continued)

Cash flow from investing activities
Net cash used in investing activities in 2010 was RMB15,376 million as compared with RMB16,890 million in 2009.

In 2010, the Group's purchases of property, plant and equipment amounted to RMB8,402 million, representing a decrease of RMB5,271 million from RMB13,673 million in 2009, mainly due to the decreased capital expenditure of ZPMC, as well as the decreased capital expenditure of some of the Group's other subsidiaries. The Group's purchases of intangible assets in 2010 amounted to RMB4,939 million, representing an increase of RMB1,024 million as compared with RMB3,915 million in 2009, primarily due to the increase of several BOT projects. The purchases of available-for-sale financial assets was RMB1,668 million in 2010, as compared with RMB791 million in 2009, which mainly consisted of some subsidiaries' participation in the rights issue and private placement of some listed companies in China domestic stock market in 2010.

Cash flow from financing activities
Net cash generated from financing activities in 2010 was RMB7,856 million, representing a decrease of RMB1,966 million from RMB9,822 million in 2009, primarily attributable to the combined impact of the decrease in proceeds from borrowings of RMB22,040 million and the decrease in repayment of borrowings of RMB20,270 million.

Capital Expenditure

The Group's capital expenditure principally comprises expenditure for the building of plants, purchases of property, vessels and equipment and investment in BOT projects. The following table sets forth the Group's capital expenditure by business for the years ended 31 December 2010 and 2009.

	Years ended 31 December	
	2010 (RMB million)	2009 (RMB million)
Infrastructure Construction Business	**11,682**	9,982
— BOT projects	**5,132**	3,886
Infrastructure Design Business	**250**	253
Dredging Business	**3,052**	4,199
Heavy Machinery Manufacturing Business	**2,216**	4,781
Other	**49**	140
Total	**17,249**	19,355

Capital expenditure in 2010 was RMB17,249 million, compared with RMB19,355 million in 2009. The decrease of RMB2,106 million or 10.9% was primarily attributable to the decrease of capital expenditure for purchase of property, plant and equipment for heavy machinery manufacturing business and dredging business.

Liquidity and Capital Resources (Continued)

Working Capital

Trade and bills receivables and trade and bills payables

The following table sets forth the turnover of the Group's average trade and bills receivables and average trade and bills payables for years ended 31 December 2010 and 2009.

	Years ended 31 December	
	2010	2009
	(Number of days)	(Number of days)
Turnover of average trade and bills receivables[(1)]	**57**	57
Turnover of average trade and bills payables[(2)]	**101**	97

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

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

The following table sets forth an ageing analysis of trade and bills receivables as at 31 December 2010 and 2009.

	Years ended 31 December	
	2010	2009
	(RMB million)	(RMB million)
Less than 6 months	**39,840**	32,464
6 months to 1 year	**5,122**	2,691
1 year to 2 years	**2,374**	2,695
2 years to 3 years	**1,051**	900
Over 3 years	**919**	1,325
Total	**49,306**	40,075

The Group's credit terms with its customers for the year ended 31 December 2010 remained the same as that in the year ended 31 December 2009. Management closely monitored the recovery of the Group's overdue trade and bills receivables on a regular basis, and, when appropriate, provided for impairment of these trade and bills receivables. As at 31 December 2010, the Group had a provision for impairment of RMB2,117 million, as compared with RMB2,640 million as at 31 December 2009.

Liquidity and Capital Resources (Continued)

Working Capital (Continued)

Trade and bills receivables and trade and bills payables (Continued)
The following table sets forth an ageing analysis of trade and bills payables as at 31 December 2010 and 2009.

	Years ended 31 December	
	2010	2009
	(RMB million)	(RMB million)
Within 1 year	**74,455**	55,620
1 year to 2 years	**3,159**	2,607
2 years to 3 years	**710**	451
Over 3 years	**246**	220
Total	**78,570**	58,898

The Group's credit terms with its suppliers for the year ended 31 December 2010 remained the same as that in the year ended 31 December 2009. Payments to suppliers and subcontractors may be delayed as a result of delays in settlement from the Group's customers. Nevertheless, there have been no material disputes arising from the non-timely payment of outstanding balances under the Group's supplier contracts or contracts with subcontractors.

Retentions

The following table sets forth the fair value of the retentions as at 31 December 2010 and 2009.

	Years ended 31 December	
	2010	2009
	(RMB million)	(RMB million)
Current	**7,344**	5,206
Non-current	**12,006**	6,867
Total	**19,350**	12,073

Indebtedness

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2010 and 2009.

	Years ended 31 December	
	2010	2009
	(RMB million)	(RMB million)
Within 1 year	**42,760**	36,043
Between 1 year and 2 years	**6,561**	8,379
Between 2 years and 5 years	**12,308**	11,338
Wholly repayable within 5 years	**61,629**	55,760
Over 5 years	**19,700**	14,977
Total borrowings	**81,329**	70,737

The Group's borrowings are primarily denominated in Renminbi, U.S. dollar, and to a lesser extent, Euro, Hong Kong dollar and Japanese Yen. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 31 December 2010 and 2009.

	Years ended 31 December	
	2010	2009
	(RMB million)	(RMB million)
Renminbi	**64,061**	50,691
U.S. dollar	**15,706**	16,415
Euro	**153**	2,881
Japanese yen	**541**	524
Hong Kong dollar	**864**	226
Others	**4**	—
Total borrowings	**81,329**	70,737

The Group's gearing ratio, calculated as net debt divided by total capital, as at 31 December 2010 was 37.4%, compared with 35.8% as at 31 December 2009.

Indebtedness (Continued)

Contingent Liabilities

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

	Years ended 31 December	
	2010	2009
	(RMB million)	(RMB million)
Pending lawsuits[(1)]	**510**	555
Outstanding loan guarantees[(2)]	**598**	682
Total	**1,108**	1,237

(1) The Group has been named 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 pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the probability of loss is remote.

(2) The Group has acted as the guarantor for various external borrowings made by certain jointly controlled entities and associates of the Group and certain third party entities.

Market Risks

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

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 attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2010, approximately RMB44,519 million (2009: RMB40,851 million) of the Group's borrowings were at variable rates.

Market Risks (Continued)

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 Japanese Yen. Renminbi is not freely convertible into other foreign currencies and conversion of the Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against the U.S. dollar. As at 31 December 2010, Renminbi had appreciated by approximately 20.0% against the U.S. dollar since July 2005. The PRC government may in the future make further adjustments to the exchange rate system. When Renminbi appreciates, the value of foreign currency denominated assets will decline against Renminbi.

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

During the years ended 31 December 2010 and 2009, certain subsidiaries within the Group used foreign exchange forward contracts for transactions with domestic and overseas registered banks, to hedge the Group's exposure to foreign currency risk on individual transactions primarily vis-à-vis U.S. dollar, the Euro, Japanese Yen and Korea Won.

Report of the Board of Directors

The Board of Directors (the "Board") of the Company is pleased to present its report together with the audited financial statements of the Group prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010.

Principal Business

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

Results

Results of the Group for the year ended 31 December 2010 and the financial position of the Company and the Group as at 31 December 2010 are set out in the audited financial statements in this annual report.

Dividends

On 9 March 2011, the Board proposed a final dividend of RMB0.16 per share (amounting to approximately RMB2,372 million in total) for the year ended 31 December 2010. The dividend proposal was approved by the Extraordinary General Meeting of the Company held on 25 March 2011. The final dividends are expected to be paid to shareholders whose names appear on the register of members of the Company at the close of business on 5 May 2011. The register of members will be closed from 1 May 2011 to 5 May 2011 (both days inclusive), during which period no transfers will be registered. Dividends will be denominated and declared in Renminbi. Dividends on domestic shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate is determined at RMB0.841506 equivalent to HK$1.00 as the mean of the middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China one week (including the date of the EGM) prior to the convening of the EGM. Therefore, the final dividend is HK$0.190135 per H share (inclusive of applicable tax).

Pursuant to the "Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividend to Foreign Non-resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation of the PRC, when the Company distributes annual dividends for 2008 and future dividends, the Company shall withhold enterprise income tax at a uniform tax rate of 10% on dividends paid to foreign non-resident enterprises as shareholders of H shares. All unregistered holders who hold H shares of the Company through HKSCC Nominees Limited (or other enterprises) will be subject to the 10% withholding tax, regardless whether such unregistered holders are enterprises or natural persons. The Company will withhold for payment of the enterprise income tax strictly in accordance with the relevant laws or requirements of the relevant government departments and strictly based on what has been registered on the Company's register of members for H shares at the close of business on 5 May 2011. Investors and potential investors in the H shares of the Company are recommended to consult their professional tax advisors if they are in any doubt as to the implications of the above mechanism of withholding, and the Company does not accept responsibility for any effect the above mechanism of withholding may have on any person.

Share Capital

The share capital of the Company in issue as fully paid or credited as fully paid as at 31 December 2010 was RMB14,825,000,000 divided into 14,825,000,000 shares with a nominal value of RMB1.00 each. As at 31 December 2010, the share capital structure of the Company is as follows:

Class of shares	Number of shares	As at 31 December 2010 Percentage of total issued share capital
Domestic shares	10,397,500,000	70.13%
H shares	4,427,500,000	29.87%

Use of Proceeds from the Company's Initial Public Offering

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in December 2006 amounted to approximately RMB17,878 million. Approximately RMB17,861 million have been applied by 31 December 2010 in accordance with the proposed applications set out in the Company's listing prospectus.

Public Float

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

Directors, Supervisors and Senior Management of the Company

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

On 30 November 2010, Mr. Meng Fengchao resigned as an executive director, vice chairman of the Board and President of the Company as well as from his positions in the Strategy Committee and Nomination Committee of the Board due to change of work. The Company made an announcement in respect of this on 1 December 2010. The Company would like to take this opportunity to thank Mr. Meng Fengchao for his contribution to the Company during his service period.

Name	Age	Position in the Company	Date of Appointment
ZHOU Jichang	60	Chairman of the Board and Executive Director	29 December 2009
LIU Qitao	53	Executive Director and President	1 December 2010 appointed as President 24 January 2011 appointed as Executive Director
FU Junyuan	49	Executive Director and Chief Financial Officer	29 December 2009
ZHANG Changfu	65	Non-executive Director	29 December 2009
LU Hongjun	61	Independent Non-executive Director	29 December 2009
YUAN Yaohui	65	Independent Non-executive Director	29 December 2009
ZOU Qiao	64	Independent Non-executive Director	29 December 2009
LIU Zhangmin	61	Independent Non-executive Director	29 December 2009
LEUNG Chong Shun	45	Independent Non-executive Director	24 January 2011
CHEN Yun	47	Vice President	29 December 2009
CHEN Yusheng	55	Vice President	29 December 2009
HOU Jinlong	58	Vice President	29 December 2009
CHEN Fenjian	48	Vice President	29 December 2009
ZHU Bixin	45	Vice President	29 December 2009
YANG Liqiang	54	Vice President	29 December 2009
LIU Wensheng	50	Secretary of the Board, Joint Company Secretary and Chief Economist	29 December 2009
KAM Mei Ha, Wendy	43	Joint Company Secretary	14 April 2009

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

Name	Age	Position in the Company	Date of Appointment
LIU Xiangdong	52	Chairman of the Supervisory Committee	18 June 2010
XU Sanhao	56	Supervisor	18 June 2010
WANG Yongbin	45	Supervisor (representative of the employees)	18 June 2010

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

Independence of the Independent Non-executive Directors

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

Board Committees

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

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

As at 31 December 2010, the interests or short positions of every person (other than Directors, Supervisors and chief executive of the Company) who have an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed by the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (the "SFO") are as follows:

Name of shareholder	Number of shares held	Type of shares	Percentage of the respective type of shares (%)	Percentage of the total number of shares in issue (%)	Capacity in which the shares are held
China Communications Constructions Group (Limited)	10,397,500,000	Domestic shares	100	70.13	Beneficial owner
Merrill Lynch (Asia Pacific) Limited	525,000,000	H shares	11.86	3.54	Corporate interest
	528,912,000 (short position)	H shares	11.95	3.57	Corporate interest
Merrill Lynch Far East Limited	525,000,000	H shares	11.86	3.54	Interest held jointly with another person
	528,912,000 (short position)	H shares	11.95	3.57	Interest held jointly with another person
Merrill Lynch International Holdings Inc.	525,000,000	H shares	11.86	3.54	Corporate interest
	528,912,000 (short position)	H shares	11.95	3.57	Corporate interest
Merrill Lynch International Incorporated	525,000,000	H shares	11.86	3.54	Corporate interest
	528,912,000 (short position)	H shares	11.95	3.57	Corporate interest
Blackrock, Inc.	342,916,872	H shares	7.75	2.31	Corporate interest
	5,274,862 (short position)	H shares	0.12	0.04	Corporate interest

Save as stated above, as at 31 December 2010, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

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

As at 31 December 2010, none of the Directors or Supervisors of the Company had any interest or short position in the shares, underlying shares of equity derivatives or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 31 December 2010, the Company had not granted its Directors or Supervisors, or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for shares or debentures.

Competing Business

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

Directors Financial, Business and Family Relations

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

Directors and Supervisors Interests in Contracts

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

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

Apart from the service contracts with the Company or its subsidiaries (if applicable), in the year ended 31 December 2010, none of the Directors or Supervisors of the Company was materially interested, whether directly or indirectly, in any contract of significance to which the Company, its subsidiary or holding company or a subsidiary of the Company's holding company is a party.

Emoluments of Directors and Supervisors

Please refer to Note 40 of the audited financial statements for details of the emoluments of the Directors and Supervisors of the Company in 2010.

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

Purchase, Sale and Redemption of Shares

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

Summary of Financial Information for the Last Five Years

The tables below set out a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2010.

Consolidated Income Statement

	2010	2009	2008	2007	2006
	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue	**272,734**	226,920	178,889	150,601	114,881
Gross profit	**23,473**	21,705	17,858	15,568	11,815
Profit before income tax	**12,453**	10,314	9,831	9,623	5,514
Profit for the year	**9,901**	8,004	7,876	7,574	4,286
Attributable to:					
– equity holders of the Company	**9,863**	7,200	6,075	6,032	3,199
– non-controlling interests	**38**	804	1,801	1,542	1,087
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)					
– basic	**0.67**	0.49	0.41	0.41	0.29
– diluted	**0.67**	0.49	0.41	0.41	0.29
Dividends	**2,372**	1,720	1,453	1,305	74

Summary of Financial Information for the Last Five Years (Continued)

Consolidated Balance Sheet

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB million	RMB million	RMB million	RMB million	RMB million
Total assets	**307,794**	264,058	218,098	167,397	126,952
Total liabilities	**236,714**	197,829	165,929	113,435	90,225
Capital and reserves attributable to equity holders of the Company	**60,142**	54,614	41,171	45,145	31,825
Non-controlling interests	**10,938**	11,615	10,998	8,817	4,092

Bank Loans and Other Borrowings

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

Fixed Assets

Please refer to Note 6 of the audited financial statements for movements in the property, plant and equipment of the Group for the year ended 31 December 2010.

Capitalised Interest

Please refer to Note 34 of the audited financial statements for details of the capitalised interest of the Group for the year ended 31 December 2010.

Reserves

Please refer to Note 22 of the audited financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2010.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2010 amounted to approximately RMB2,477 million.

Donations

For the year ended 31 December 2010, the Group made charitable and other donations in a total amount of approximately RMB16 million.

Subsidiaries, Jointly Controlled Entities and Associates

Please refer to Notes 11, 12 and 46 of the audited financial statements for details of the Company's subsidiaries and the Group's interests in jointly controlled entities and associates as at 31 December 2010.

Change in Equity

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

Retirement Benefits

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

Pre-emptive Rights

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

Major Customers and Suppliers

For the year ended 31 December 2010, sales to the five largest customers of the Group represented an amount not exceeding 30% of the revenue of the Group.

For the year ended 31 December 2010, purchases from the five largest suppliers of the Group represented an amount not exceeding 30% of the total annual purchases of the Group.

Connected Transactions

Below are the details of the connected transactions of the Group in 2010 which are not exempt under Rule 14A.31 of the Listing Rules.

Connected Transaction with Jurong Shipyard Pte Ltd.

Jurong Shipyard Pte Ltd. ("Jurong Shipyard") is a wholly-owned subsidiary of Sembcorp Marine Ltd ("Sembcorp Marine") while the latter is a substantial shareholder with a 19% interest in the share capital of Zhen Hua (Singapore) Engineering Pte Ltd ("Zhen Hua (Singapore)"), a subsidiary of China Harbour Engineering Company ("China Harbour") and of which China Harbour holds 81% of the issued capital. And China Harbour is a wholly-owned subsidiary of the Company. Accordingly, Jurong Shipyard, as the wholly-owned subsidiary of a substantial shareholder of one of our subsidiaries, is a connected person of the Company pursuant to the Listing Rules and transactions between the Group and Jurong Shipyard constitute connected transactions.

Connected Transactions (Continued)

Connected Transaction with Jurong Shipyard Pte Ltd. (Continued)

Zhen Hua (Singapore) entered into an agreement with Jurong Shipyard on 18 November 2009 in relation to the design and construction on turnkey basis of the docks, quays, wharfs, piers and other ancillary works at New Yard (Phase 1) at Tuas South, Singapore. The construction phase started on 21 June 2010. Zhen Hua (Singapore) was the contractor and Jurong Shipyard was the employer. The consideration for services provided by Zhen Hua (Singapore) as stipulated in the agreement is S$443,253,676.00 (approximately HKD2,500 million), paid in fixed lump sum, determined through friendly consultation and arm's length negotiation with reference to prevailing market prices of labour, materials, equipment and other factors, including taking into account the complexity of the project. Jurong Shipyard has no influence over the Group's pricing process. Services provided by the Group to Jurong Shipyard are rendered on normal commercial terms after arm's length negotiation.

The proper submission of a performance bond in the form of a banker's guarantee prescribed by Jurong Shipyard from a Singapore registered and reputable bank approved by Jurong Shipyard of an amount equivalent to 5% of the contract price of the agreement and a performance guarantee in a form prescribed by Jurong Shipyard and issued by the Company and in accordance with the conditions of the agreement are the conditions precedent of the agreement.

Jurong Shipyard is believed to be renowned for offering a "one-stop total service" in ship repair, shipbuilding, ship conversion, rig building and offshore engineering and construction in Singapore. From the perspective of the Group's overseas market expansion plans and revenue generation, the Group is of the view that it would be in the Group's best interests to provide the abovementioned services to Jurong Shipyard.

The Directors, including the independent non-executive Directors, are of the view that the abovementioned connected transaction with Jurong Shipyard is conducted in the ordinary and usual course of business of the Group, on normal commercial terms and the terms of the connected transaction are fair and reasonable and in the interests of the Company and its shareholders as a whole and no Directors have a material interest in the transaction.

The Directors have unanimously approved the issuance by the Company of a performance guarantee in favor of Jurong Shipyard to guarantee the performance by Zhen Hua (Singapore) of its obligations under the agreement.

As the relevant ratios are more than 0.1% but less than 2.5%, the aforesaid connected transaction with Jurong Shipyard is subject to announcement and reporting requirements but exempted from independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules. The aforesaid transaction with Jurong Shipyard is a connected transaction only because it involves Jurong Shipyard which is a connected person of the Company by virtue of its relationship with the Company's subsidiary, Zhen Hua (Singapore), and the value of Zhen Hua (Singapore)'s total assets, profits and revenue represents significantly less than 10% under the relevant percentage ratios as defined under Rule 14.04(9) of the Listing Rules for each of the latest three financial years. The Company made an announcement in respect of the connected transaction with Jurong Shipyard.

Employees

As at 31 December 2010, the Group has 101,030 employees illustrated as follows:

	Number of Employees	Percentage
Infrastructure Construction Business	67,890	67.2%
Infrastructure Design Business	10,440	10.3%
Dredging Business	10,181	10.1%
Heavy Machinery Manufacturing Business	10,064	10.0%
Others	2,455	2.4%
Total	101,030	100.0%

As at 31 December 2010, approximately 1,521 employees were located overseas.

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

Compliance with Code on Corporate Governance Practices

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

Material Legal Proceedings

As at 31 December 2010, as far as the Directors are aware, except as disclosed in Note 42 of the audited financial statements, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

Auditors

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were appointed as the international and domestic auditors of the Company for the year ended 31 December 2010, respectively. PricewaterhouseCoopers has audited the accompanying financial statements, which have been prepared in accordance with International Financial Reporting Standards. The Company has retained PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company since the date of its listing.

By order of the Board
Zhou Jichang
Chairman of the Board

Beijing, the PRC
9 March 2011

Report of the Supervisory Committee

Dear Shareholders and their respective representatives,

On behalf of the second session of the Supervisory Committee of the Company, I would like to submit to the shareholders' annual general meeting a report on the work of the Supervisory Committee during the reporting period.

The establishment of the first session of the Supervisory Committee was approved at the inaugural meeting held on 29 September 2006. Two supervisors were elected at the 2009 Annual General Meeting of the Company convened on 18 June 2010 and one employee representative supervisor was elected at the joint meeting of representatives of the Company. This session of the Supervisory Committee is composed of three supervisors.

1. Meetings convened during the reporting period

(1) The eighth meeting of the first session of the Supervisory Committee was held on 4 January 2010 and attended by all supervisors. Mr. Liu Xiangdong and Mr. Xu Sanhao were elected as supervisors of the second session of the Supervisory Committee of the Company in accordance with the relevant procedures and Mr. Wang Yongbin was elected as an employee representative supervisor at the joint meeting of representatives of the Company; and a resolution was proposed at the shareholders' meeting of the Company for 2009 for consideration and approval.

(2) The ninth meeting of the first session of the Supervisory Committee was held on 31 March 2010 and attended by all supervisors, at which the 2009 Report of the Supervisory Committee was considered and approved and was resolved to be proposed at the shareholders' meeting of the Company for 2009 for consideration and approval.

(3) The first meeting of the second session of the Supervisory Committee was held on 21 June 2010 and attended by all supervisors, at which Mr. Liu Xiangdong was elected as Chairman of the second session of the Supervisory Committee in accordance with the relevant procedures.

2. Work of the Supervisory Committee of the Company

During the reporting period, the second session of the Supervisory Committee strictly observed the relevant provisions stipulated in the Company Law of the People's Republic of China, the Articles of Association of China Communications Construction Company Limited (the "Articles of Association") and the Rules for Meetings of the Supervisory Committee of China Communications Construction Company Limited. The Supervisory Committee worked proactively on such issues as to accommodate itself to the continuous changes in the development of the Company, to enhance the transparency and the level of standardisation for the Company's operations, to establish a good image for the Company in capital markets, to realise practical and effective protection of investors' benefits, particularly for that of small and medium-scale investors, and to improve the Company's corporate governance structure on an ongoing basis, in accordance with fiduciary principles, and independently and conscientiously performed the supervisory and inspection functions as conferred by the Articles of Association.

2. Work of the Supervisory Committee of the Company (Continued)

The Supervisory Committee mainly carried out the following work:

1. Supervision of implementation of resolutions of the shareholders' meeting

During the reporting period, members of the Supervisory Committee attended shareholders' meetings and Board meetings of the Company. The Supervisory Committee performed supervision on the procedure and eligibility of the convening and decision making of the shareholders' meetings and Board meetings of the Company, and performed supervision and inspection on implementation of resolutions of the shareholders' meetings by the Board, Directors and senior management of the Company, and put forth proposal to the Board. The Supervisory Committee is of the opinion that the Directors and senior management of the Company have performed their duties in compliance with the resolutions and authorisation of the shareholders' meetings and safeguard the shareholders' interests with due diligence.

All members of the Board and the senior management of the Company have faithfully performed their duties with due diligence. There has been no violation of any laws or regulations or the Articles of Association, or any act that jeopardizes the interests of the shareholders of the Company in the conduct of the Company's Directors and senior management.

2. Supervision of legal compliance of the operations of the Company

The Supervisory Committee performed supervision on a regular basis over the legal compliance and rationality of the operation and management of the Company. It has also performed supervision over work performance of the Directors and senior management of the Company. The Supervisory Committee is of the opinion that the operation of the Company is sound and rational, and is in compliance with all applicable laws, regulations and rules. The members of the Board and senior management of the Company have faithfully exercised their authorities and performed duties conferred by the shareholders.

3. Supervision of the daily operating activities of the Company

The Supervisory Committee supervised over the operating activities of the Company. The Supervisory Committee is of the opinion that the Company has improved its internal control system, and has made great progress in the formulation and implementation of its internal procedures, and thus effectively controlled its exposure to various corporate risks. The Company's operation is in compliance with the PRC laws and regulations, the Articles of Association and its internal procedures.

4. Supervision of the financial position of the Company

The Supervisory Committee reviewed the 2010 financial report audited by PricewaterhouseCoopers, supervised and inspected the Company's consistent implementation of relevant financial policies and legislation as well as details on the assets, financial income and expenditure and connected transactions of the Company. The Supervisory Committee is of the opinion that the 2010 financial report truly reflected the financial position and operating results of the Company on an objective basis, and that the Company's accounts are accurate with clear records and complete information.

2. Work of the Supervisory Committee of the Company (Continued)

5. Information disclosure

The Supervisory Committee is of the opinion that the Company has disclosed the relevant information in accordance with the requirements of the Hong Kong Stock Exchange comprehensively on a timely basis and no misleading information was found.

6. Supervision of the use of proceeds

The Supervisory Committee reviewed and inspected the use of proceeds raised by the previous offering of the Company. Upon receipt of the proceeds from the listing of the Company's shares, the Board applied effectively the proceeds as committed in the prospectus. The investments of the proceeds have generated revenue and profit contributions for the Company.

The Supervisory Committee is confident in the prospects of the Company. In 2011, the Supervisory Committee will continue to perform its duties diligently in strict compliance with the Articles of Association and other relevant regulations, in order to safeguard shareholders' interests and enhance the competitiveness and strength of the Company against keen competition.

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

Beijing, the PRC
22 February 2011

Report on Corporate Governance Practices

The Company is committed to upholding the principles of the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Listing Rules. The Board of Directors understands good corporate governance is crucial to enhancing investors' confidence in the Company as well as sustaining continued business growth of the Company. The Company complied with all provisions of the Code in 2010.

The Board of Directors

(1) Composition of the Board of Directors

As at 31 December 2010, the Company's Board of Directors consists of seven Directors, including two Executive Directors, one Non-executive Director and four Independent Non-executive Directors; and members of the Board were as follows:

Chairman of the Board: Zhou Jichang

President: Liu Qitao

Executive Director: Zhou Jichang, Fu Junyuan

Non-executive Directors: Zhang Changfu

Independent Non-executive Directors: Lu Hongjun, Yuan Yaohui, Zou Qiao, Liu Zhangmin

As at the date of this annual report, the Company's Board of Directors consists of nine Directors, including three Executive Directors, one Non-executive Director and five Independent Non-executive Directors.

Current members of the Board are as follows:

Chairman of the Board: Zhou Jichang

President: Liu Qitao

Executive Director: Zhou Jichang, Liu Qitao, Fu Junyuan

Non-executive Directors: Zhang Changfu

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

The Company has appointed a sufficient number of Independent Non-executive Directors in compliance with the recommended best practices in the Code which suggest independent non-executive directors shall represent at least one-third of the board of a listed company.

The Company has received the confirmation on independence from each of the Independent Non-executive Directors for the year 2010 and the Company considers each Independent Non-executive Director independent.

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

The Board of Directors (Continued)

(2) Board Meetings

In 2010, the Company held 9 board meetings. The table below sets out the details of board meeting attendance of each Director in 2010:

Director	Number of Board Meetings Attended	Attendance Rate	Remarks
Zhou Jichang	9	100%	–
Meng Fengchao[(1)]	4	66.67%	Absence from the 6th and 7th sessions of the second board of directors for business trip and Fu Junyuan, a director, having been appointed as his proxy to attend and vote at the meeting on his behalf. The 8th, 9th and 10th sessions of the second board of directors were held after Mr. Meng's resignation.
Fu Junyuan	8	88.89%	Absence from the 3rd session of the second board of directors for business trip and Meng Fengchao, a director, having been appointed as his proxy to attend and vote at the meeting on his behalf.
Zhang Changfu	9	100%	–
Lu Hongjun	8	88.89%	Absence from the 9th session of the second board of director for business trip and Yuan Yaohui, a director, having been appointed as his proxy to attend and vote at the meeting on his behalf.
Yuan Yaohui	8	88.89%	Absence from the 6th session of the second board of directors for business trip and Lu Hongjun, a director, having been appointed as his proxy to attend and vote at the meeting on his behalf.
Zou Qiao	9	100%	–
Liu Zhangmin	9	100%	–

Note:

(1) On 30 November 2010, Meng Fengchao resigned as executive director, vice-chairman of the Board and President as well as from his positions in the Strategy Committee and Nomination Committee of the Board..

The Board of Directors (Continued)

(3) Responsibilities and operations of the Board

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

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

(4) Code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by its Directors and Supervisors. After specific enquiries to all Directors and Supervisors of the Company, the Company confirms that the Directors and Supervisors complied with the standards set out in the Model Code for the year ended 31 December 2010.

(5) Committees under the Board

(a) Strategy Committee

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

The Strategy Committee held one meeting in 2010 and proposed recommendations and advice on significant issues of the Company such as the overall development planning of the "Twelfth Five Year Plan" of the Company. All members of the Strategy Committee attended the meeting.

The Board of Directors (Continued)

(5) Committees under the Board (Continued)

(b) Audit Committee

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

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

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

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

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

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

The Audit Committee held five meetings in 2010 to discuss and communicate with Company's accountants in relation to the progress of the audit work for the year of 2009, to review the interim and annual results, to review and discuss the organization structure and effectiveness of the internal controls system of the Company and to discuss the audit plan and major steps for the year of 2010. All members of the Audit Committee attended the meetings.

(c) Remuneration and Appraisal Committee

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

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

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

The Board of Directors (Continued)

(5) Committees under the Board (Continued)

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

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

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

The Remuneration and Appraisal Committee held one meeting in 2010 to review and discuss the resolution on determining the implementation plan of share option incentive scheme and the granting date. All members of the Remuneration and Appraisal Committee attended the meeting.

The Remuneration and Appraisal Committee also held two enlarged meetings with all Non-executive directors be present to discuss and make amendments to the remuneration and appraisal plan of 2009 and to determine the remuneration and appraisal plan for the year of 2010. The meetings mainly focus on the method of adjustment to the salary and to discuss and determine the remuneration and appraisal plan for the year of 2011.

(d) *Nomination Committee*

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

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

The Nomination Committee currently consists of Zhou Jichang, Fu Junyuan, Zhang Changfu and Yuan Yaohui, and is chaired by Zhou Jichang.

The Nomination Committee held one meeting in 2010 to nominate Liu Qitao as Executive Director and Leung Chong Shun as Independent Non-executive Director of the Company. All members of the Nomination Committee attended the meeting.

Supervisory Committee

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

The Supervisory Committee held three meetings in 2010 to elect the supervisors of the second session of the Supervisory Committee, to consider and approve the 2009 report of the Supervisory Committee and to elect the Chairman of the second session of the Supervisory Committee of the Company. All members of the Supervisory Committee attended the meetings.

Auditors' Remuneration

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company are appointed as the international and domestic auditors of the Company, respectively. PricewaterhouseCoopers Zhong Tian CPAs Limited Company is also appointed as the auditor of ZPMC, a subsidiary of the Company. Breakdown of the remuneration to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company for audit services provided and other non-audit service assignments for the year ended 31 December 2010 are as follows:

	RMB'000
Audit services [(a)]	32,800
Audit-related services	200
Non-audit services:	
— Acquisition related service	2,100
— Internal control related service	1,350
— Risk management related service	700
	37,150

(a) The amounts of RMB30,000,000 and RMB2,800,000 were charged for the review and audit of the Company's interim and annual financial statements respectively as well as the audit of ZPMC's annual financial statements for the year ended 31 December 2010.

The Board proposes to re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the international and domestic auditors of the Company for the year 2010, which is subject to shareholders' approval at the forthcoming Annual General Meeting.

Internal Control

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

Accountability of the Directors in relation to Financial Statements

The Directors are responsible for overseeing the preparation of the financial statements for each fiscal period. In preparing the financial statements for the year ended 31 December 2010, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Company and of the results and cash flow for that fiscal year.

Investor Relations

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

Profile of Directors, Supervisors and Senior Management

Board of Directors

Directors:	Zhou Jichang, Liu Qitao, Fu Junyuan, Zhang Changfu, Lu Hongjun, Yuan Yaohui, Zou Qiao, Liu Zhangmin and Leung Chong Shun
Independent Non-executive Directors:	Lu Hongjun, Yuan Yaohui, Zou Qiao, Liu Zhangmin and Leung Chong Shun
Chairman:	Zhou Jichang

Zhou Jichang, aged 60, has been serving as an executive Director and the Chairman of the Company since 29 September 2006. Mr. Zhou also serves as the chairman of the board of ZPMC, a major subsidiary of the Company listed on the Shanghai Stock Exchange. Mr. Zhou has in-depth knowledge of the industries in which the Company operates and extensive operational and managerial experience. Mr. Zhou joined the Company in January 1977 and has been working with the Company for nearly 34 years. The most recent positions he held with the Company include the general manager of the China Road and Bridge Corporation (which is one of the predecessors of the Company) from November 1997 to December 2005. Before that, Mr. Zhou once served as deputy general manager of The First Highway Survey & Design Institute of the former China Road and Bridge Corporation (which is one of the predecessors of the Company) from August 1987 to May 1992 and general manager and chairman of China Road and Bridge Construction Company (the predecessor of China Road and Bridge Corporation) from August 1995 to November 1997. From December 2005 to present, Mr. Zhou serves as the chairman of CCCG and since August 2006 he has also served as the president of CCCG. Mr. Zhou graduated from Tongji University with a major in bridge, road and tunnel construction. Mr. Zhou is a Senior Engineer.

Liu Qitao, aged 53, has been serving as the President of the Company since 1 December 2010 and has been serving as an executive Director of the Company since 24 January 2011. Mr. Liu has extensive managerial and operational experience. He worked at Sinohydro Bureau 13 from September 1982 to July 1998 and served as deputy head of the bureau since May 1995. Mr. Liu was awarded as "Top Ten Young and Middle-Aged Leaders of Technical Expertise" of China National Water Resources and Hydropower Engineering Corporation in 1995. Mr. Liu held positions as assistant to general manager and deputy general manager with China National Water Resources and Hydropower Engineering Corporation and acted as general manager of its department of overseas operations from July 1997 to July 2003. Mr. Liu served as deputy general manager at Sinohydro Corporation from July 2003 to November 2009. He also served as chairman of the board of Sinohydro International Engineering Co., Ltd from November 2004 to December 2006. He acted as director and general manager of Sinohydro Group Ltd. from November 2009 to November 2010. Mr. Liu graduated from Dalian Institute of Technology (now known as Dalian University of Technology) with a bachelor degree in water conservancy and hydropower engineering construction. Mr. Liu is a professor equivalent senior engineer and is entitled to the special government allowance for experts from the State Council.

Fu Junyuan, aged 49, has been serving as an executive Director and the Chief Financial Officer of the Company since 29 September 2006. Mr. Fu also serves as a director of ZPMC. Mr. Fu joined the Company in September 1996 and has been working with the Company for over 14 years and has extensive operational and financial management experience. The most recent positions he held with us include chief accountant of China Harbour Engineering Company (Group) from October 1998 to December 2005. Before that, Mr. Fu once worked for over ten years at the financial bureau and auditing bureau of the Ministry of Communications. He was the chief accountant of CCCG from December 2005 to August 2006 and a non-executive director of CCCG from August 2006 to November 2006. He is also a non-executive director of China Merchants Bank Co., Ltd., which is listed on the Main Board of the Hong Kong Stock Exchange and on the Shanghai Stock Exchange. Mr. Fu holds a doctor's degree in business administration from Beijing Jiaotong University. Mr. Fu is a Senior Accountant.

Board of Directors (Continued)

Zhang Changfu, aged 65, has been serving as a non-executive Director of the Company since 18 June 2008. Mr. Zhang has extensive experience in corporate administration. Prior to joining the Company, he worked at No. 19 Metallurgical Construction Corporation for 28 years from 1968 to 1996, and served as the head of the Bureau Office and the Service Bureau of State Bureau of Metallurgical Industry from 1998 to 2000. He served as the deputy head and head of Service Administration Bureau of State Economic and Trade Commission from 2000 to 2003. He subsequently became the head of Service Administration Bureau under the SASAC until 2004. He has been serving as the vice chairman of China Iron and Steel Association and has been appointed as an external director of China Metallurgical Group Corporation since 2006. Mr. Zhang graduated from Beijing Iron and Steel Institute with a major in engineering studies. Mr. Zhang is a Senior Economist.

Lu Hongjun, aged 61, has been serving as an independent non-executive Director of the Company since 29 September 2006. Mr. Lu is the president and a professor of Shanghai Institute of International Finance. He set up China's Human Resource Assessment Program in the 1980's and had conducted extensive research on assessment centre and corporate leadership development. Over the course of many years, Mr. Lu had lectured on this topic at Shanghai Jiaotong University and Shanghai Institute of International Finance. In 1999, he completed the Wharton CEO Circle Program conducted by the Wharton School of the University of Pennsylvania. He was also visiting scholar at Stanford University and Japan's Waseda University. He was honored the Doctor of Business Administration by Madonna University of USA in May 2010. Since June 2002, Mr. Lu has served as an independent non-executive director of Shanghai Dragon Corporation and Shanghai New Huang Pu Real Estate Co. Ltd., both of which are listed on the Shanghai Stock Exchange, and serves as an external director of Jin Jiang International Holdings Company Limited.

Yuan Yaohui, aged 65, has been serving as an independent non-executive Director of the Company since 29 September 2006. Mr. Yuan has extensive experience in both public policy making and corporate administration. He was the head of the policy and regulation department of the General Administration of Civil Aviation of China (being China's national aviation regulatory body) from January 2001 to his retirement in May 2006, when he was charged with formulating national aviation policy. He had also served as the head of the Economic and Trade Commission of Jiangxi Province from 1995 to 1997 during which time he was in charge of the local economic development of that province. Mr. Yuan was the deputy president of Air China International Corporation (now known as Air China Limited) from December 1998 to December 2000, with primary responsibility for business planning and human resource management. Mr. Yuan also served as a deputy general manager and the general manager, respectively, of Changhe Aircraft Industries Group, a major aircraft manufacturer in China, for ten years since 1984. Mr. Yuan graduated from the Beijing Institute of Technology with a bachelor's degree in wireless engineering. Mr. Yuan is a professor equivalent Senior Engineer and is entitled to government special allowance as awarded by the State Council.

Zou Qiao, aged 64, has been serving as an independent non-executive Director of the Company since 18 June 2008. Mr. Zou has extensive experience in corporate administration. Prior to joining the Company, he worked at No. 16 Metallurgy Corporation of the Ministry of Metallurgy for various positions from 1970 to 1990. He served as deputy head of the infrastructure department and the head of the investment and operation department, respectively, at China National Nonferrous Metals Industry Corporation from 1990 to 1998. Mr. Zou is also the former director of Industry Administration Division of State Nonferrous Metal Industry Bureau between 1998 and 2000. He served as the deputy general manager of China Nonferrous Metals Construction Group Co., Ltd. in 2000 before serving as the deputy general manager of China Nonferrous Metal Mining and Construction (Group) Co., Ltd. in 2003. Between 2003 and 2007, he acted as the deputy general manager of China Nonferrous Metal Mining (Group) Co., Ltd. Mr Zou graduated from Xi'an Metallurgy and Construction Institute with a major in industrial and civil construction studies. Mr. Zou is a professor equivalent Senior Engineer.

Board of Directors (Continued)

Liu Zhangmin, aged 61, has extensive experience in corporate administration and financial management. He has been an independent non-executive Director of China First Heavy Industries Company Limited since December 2008. Mr. Liu worked for Second Automotive Works in various positions from April 1970 to February 1992, including deputy manager of Standard Component Factory of Second Automotive Works, deputy director of supply department, deputy director and director of finance department. Mr. Liu worked at Dongfeng Motor Corporation from February 1992 to December 2004 for a variety of positions, including head of finance department, assistant of general manager, deputy general manager and chief accountant. He also served as executive director and president of Dongfeng Motor Group Company Limited since December 2004. Mr. Liu graduated from Beijing Mechanical Industry Management College with a major in financial accounting of industrial enterprises. Mr. Liu is a senior accountant.

Leung Chong Shun, aged 45, has been serving as an independent non-executive Director of the Company since 24 January 2011. Mr. Leung is a partner of Woo Kwan Lee & Lo. He graduated from the University of Hong Kong in November 1988 obtaining a bachelor degree of Laws with honors. He has been admitted as a solicitor since 1991 and has extensive experience in legal practice of corporate finance, mergers and acquisitions and initial public offerings (IPO). He is qualified as a solicitor in Hong Kong and England. Mr. Leung served as chief representative in Beijing Office of Woo Kwan Lee & Lo and participated in various IPOs and acquisition projects for H share and red-chip companies of the PRC. He is currently an independent non-executive director of China National Materials Company Limited (01893.HK). Mr. Leung has been serving as an independent non-executive director of Lijun International Pharmaceutical (Holding) Co., Ltd. and China Metal Recycling (Holdings) Limited since October 2005 and May 2009, respectively.

Supervisory Committee

Supervisors:	Liu Xiangdong, Xu Sanhao and Wang Yongbin
Chairman of the Supervisory Committee:	Liu Xiangdong

Liu Xiangdong, aged 52, has been serving as a Supervisor of the Company since 29 September 2006. Prior to joining CCCG, Mr. Liu served as an inspector of the Enterprises Reform Bureau of SASAC from May 2003 to December 2005. From January 1995 to May 2003, Mr. Liu held a number of positions at the former State Economy and Trade Commission and the former Ministry of Domestic Trade of the PRC. Mr. Liu holds a master of science degree from Hunan University, China.

Xu Sanhao, aged 56, has been serving as a Supervisor of the Company since 29 September 2006. Mr. Xu was deputy general manager of China Road and Bridge Corporation from March 2001 to September 2005. Mr. Xu graduated from Jilin Industry University with a major in automobile appliance and maintenance. Mr. Xu is a Senior Engineer.

Wang Yongbin, aged 45, has been serving as a Supervisor of the Company since 29 September 2006. Mr. Wang is the head of the auditing department of our Company. Mr. Wang joined China Harbour Engineering Company (Group) in July 2001 and has been working with us for about ten years. Mr. Wang graduated from Changsha Communications University with a bachelor's degree in project finance and accounting. Mr. Wang is a Senior Accountant.

Senior Management

Vice Presidents:	Chen Yun, Chen Yusheng, Hou Jinlong, Chen Fenjian, Zhu Bixin and Yang Liqiang
Chief Financial Officer:	Fu Junyuan
Chief Economist and Secretary of the Board:	Liu Wensheng
Joint Company Secretaries:	Liu Wensheng and Kam Mei Ha, Wendy

Chen Yun, aged 47, is a Vice President of the Company. Mr. Chen joined the Company in September 1998 and has extensive operational experience. The most recent positions he held with us include deputy general manager of China Harbour Engineering Company (Group) from December 2001 to December 2005. Before that, Mr. Chen once served as the general manager of assets management division of China Harbour Engineering Company (Group) from September 1999 to February 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from East China Institute of Water Conservancy with a bachelor's degree in harbour and channel engineering. Mr. Chen also holds a master's degree in business administration from Tsinghua University. Mr. Chen is a Senior Engineer.

Chen Yusheng, aged 55, is a Vice President of the Company. Mr. Chen joined the Company in June 1999 and has extensive operational experience. The most recent positions he held with us include deputy general manager of China Road and Bridge Corporation from March 2001 to December 2005 and assistant president of China Road and Bridge Corporation from March 2000 to March 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from Central Communist Party School with a major in politics and law. Mr. Chen is a Senior Economist.

Hou Jinlong, aged 58, is a Vice President of the Company. Mr. Hou joined us in September 1970 and has been working with the Company for over 40 years and has extensive operational experience. The most recent positions he held with us include general manager of The First Highway Engineering Bureau of China Road and Bridge Corporation from July 2001 to December 2005 and chief engineer of The Second Highway Engineering Bureau of China Road and Bridge Corporation from October 1995 to January 2001. From September 2005 to August 2006, he was a vice president of CCCG. Mr. Hou graduated from Chongqing Construction Engineering College with a major in bridge and tunnel. Mr. Hou also holds a master's degree in road and railway engineering from Southeast University of China. Mr. Hou is a professor equivalent Senior Engineer and is entitled to governmental special allowance as awarded by the State Council. He is a member of the Expert Commission of the Ministry of Transport and a member of the Technical Expert Commission of the Ministry of Housing and Urban-Rural Development.

Chen Fenjian, aged 48, is a Vice President of the Company. Mr. Chen joined the Company in August 1983 and has been working with us for over 27 years and has extensive operational experience. The most recent positions he held with us include general manager of Fourth Navigational Engineering Bureau of the former China Harbour Engineering Company (Group) (which is one of the predecessors of the Company) from September 2002 to December 2005 and deputy general manager of Fourth Navigational Engineering Bureau of China Harbour Engineering Company (Group) from July 2000 to September 2002. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from Changsha Communications University with a bachelor's degree in harbour and channel engineering. He holds a master's degree in business administration from Guanghua School of Peking University. Mr. Chen is a professor equivalent Senior Engineer.

Senior Management (Continued)

Zhu Bixin, aged 45, is a Vice President of the Company. Mr. Zhu joined us in April 1995 and has been working with the Company for 15 years. The most recent positions he held with us include secretary of the discipline commission of the Chinese Communist Party Committee of China Road and Bridge Corporation and head of trade union of China Road and Bridge Corporation from March 2001 to December 2005. He was a vice president of CCCG from December 2005 to August 2006. Mr. Zhu graduated from Chongqing Jiaotong College (now known as Chongqing Jiaotong University) with a bachelor's degree in transportation management. Mr. Zhu also holds a master's degree in business administration from Peking University. Mr. Zhu is a Senior Economist.

Yang Liqiang, aged 54, is a Vice President and head of trade union of the Company. Mr. Yang was the head of trade union of China Harbour Engineering Company (Group) from April 2002 to December 2005. He was the head of the trade union of CCCG from January 2006 to August 2006. He worked with the Ministry of Communications for ten years before joining us. Mr. Yang holds a master's degree in Economics from China University of Geosciences.

Liu Wensheng, aged 50, is the Secretary of the Board, the Joint Company Secretary and the Chief Economist of the Company. He also serves as a director of ZPMC. Mr. Liu has been working with us for nearly 30 years and has extensive operational experience. The most recent positions Mr. Liu held with the Company include deputy chief economist of China Harbour Engineering Company (Group) and general manager of its corporate planning department from March 2003 to November 2005 and deputy general manager of CHEC Tianjin Dredging Corp., a major subsidiary of the Company, from June 1999 to March 2003. He was the chief economist of CCCG from December 2005 to August 2006. Mr. Liu graduated from Dalian Maritime University with a bachelor's degree in engineering. He is a Senior Engineer.

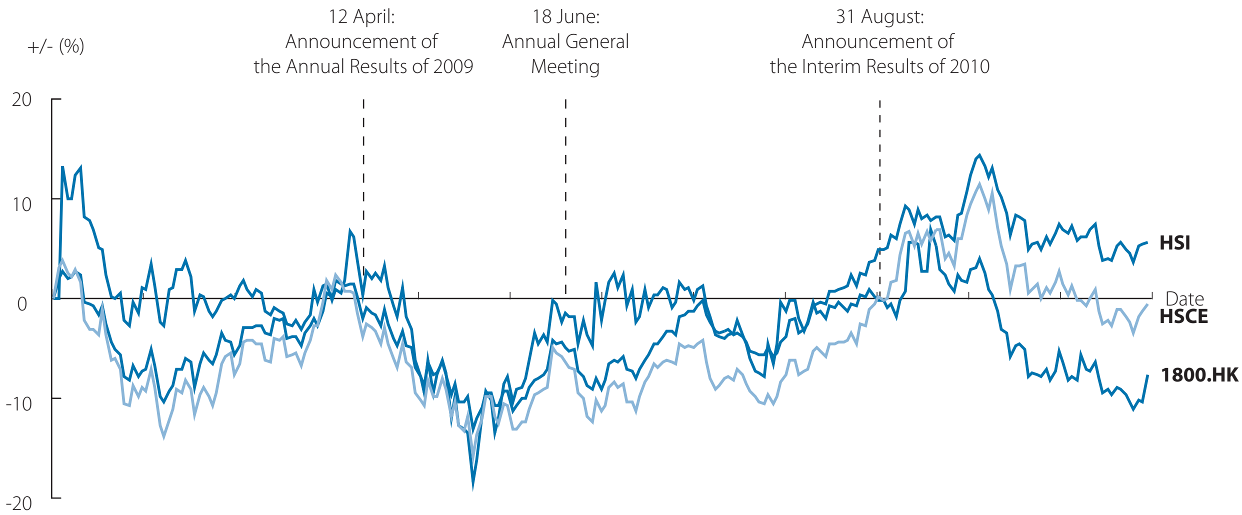
Kam Mei Ha, Wendy, aged 43, is the Joint Company Secretary of the Company. She is a senior manager of the corporate services division of Tricor Services Limited ("Tricor"). Prior to joining Tricor, Ms. Kam served as manager of the company secretarial department of Tricor Tengis Limited and Ernst & Young, Hong Kong. Ms. Kam has more than 19 years of experience in company secretarial industry, and provided services to clients ranging from private companies to public companies listed on the Main Board of the Hong Kong Stock Exchange (including H share companies). Ms. Kam is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She graduated from the City Polytechnic of Hong Kong (currently the City University of Hong Kong).

Investor Relations

Capital Market Review

In 2010, the Chinese economy grew steadily amid twists and turns despite the slow recovery of the global economy. The Company's stock outperformed the market substantially in the first and second quarters, and was basically in line with the market trend in the third quarter. However, the stock underperformed in the fourth quarter. The closing price of our shares on 31 December 2010 was HK$6.80, representing a decrease of 8.6% as compared to the opening price on 4 January 2010.

Comparison in the movement trends for the H shares of CCCC with Hang Seng Index and Hang Seng China Enterprises Index

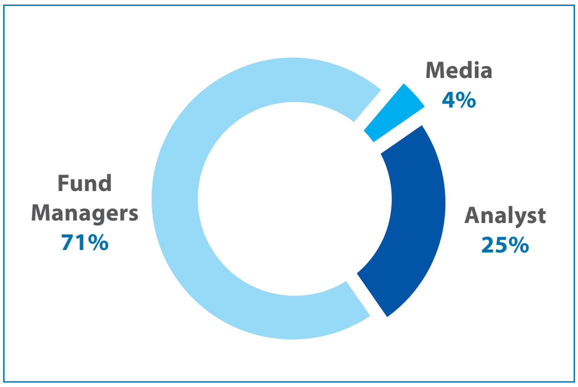


Multi-channel and Multi-level Investor Communications

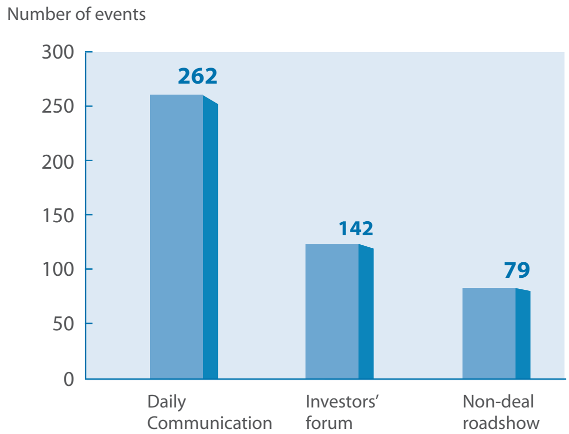
The Company values effective communication with investors and keeps building and improving our investor relations. In general, the Company communicates with investors primarily via two channels:

Firstly, we encourage investors to "walk in". The Company is more than willing to have face-to-face contact with more investors. We endeavor to accommodate the request of "walk-in" investors as much as possible by arranging meetings with them. In addition, subject to the information disclosure requirements, we will provide the most comprehensive answers to the questions raised by research institutions. As at the end of 2010, the Company had conducted face-to-face meetings or conference-calls with dozens of institutions and more than 260 investors, and had addressed more than one hundred investors' concerns and issues. The Company also handles, on a daily basis, investors' enquiries coming in through our investors' hotline and IR mailbox and has answered over 300 questions from investors. The above channels effectively facilitated investors' understanding of the Company.

Types of Investors



Investors Events for the Year



Secondly, the Company is ready to "go out", with performance result roadshows as the primary channel. In 2010, the Company, in accordance with relevant regulations, held press conferences for analysts and media immediately following the announcement of its annual and interim results, where the management presented the results and major policies to shareholders, investors and the public directly and answered their enquiries in details. Subsequently, two teams led by the Chairman and the Company Secretary met with investors across Hong Kong, the US and Japan, and had in-depth one-on-one, group or phone discussions with dozens of investors on key issues including industry trend, the Company's operating performance and future strategies. The information covered in the non deal roadshows was immediately posted on the Company's website so that the information could reach the wide audience. The Company also from time to time arranged its management team to take part in investors' conferences held by investment banks, where the management held discussion meetings with investors to allow the latter better understand the latest development and performance of the Company in areas including operation and governance.

Apart from improving external communications, the Company also values a lot the critics from the capital markets. The investor relations department actively gathers comments and suggestions and timely updates to the management so that opinions from the capital markets become a key reference for the Company's decision-making.

List of the Company's major investor relations activities in 2010

Time	Activity	Organiser
January	DB Access China Conference	Deutsche Bank
	UBS Greater China Conference	UBS
April	2009 Annual Results Announcement	CCCC
	• Press Conference	
	• Investors and Analysts Briefing	
	Non-deal roadshow	CCCC
May	China Forum	CLSA
	Asian Stars	Bank of America – Merrill Lynch
August	2010 Interim Results Announcement	CCCC
September	• Press Conference	
	• Investors and Analysts Briefing	
	Non-deal roadshow	CCCC
October	17th Annual China Conference (Alternative China)	BNP Paribas
	Greater China Investor Conference	Citigroup
November	China Investment Summit	Bank of America-Merrill Lynch
	Transportation and Infrastructure Corporate Access Days	Standard Chartered Bank

Timely and Accurate Information Disclosure

The Company upgraded its English website and enhanced the information disclosure functions in 2010 based on capital markets requirements and the international best practice. As a result, the Company is able to maintain good interactions and communications with its investors and shareholders.

The Company updates its major business developments timely and accurately through its announcements and press releases. The Company also updates its website on an on-going basis to help investors learn more about the Company's operating performance with enhanced transparency.

Continuously Improvement of Investor Relations

In 2011, the Company will carry on and step up efforts in investor relations as our long term commitment. We are committed to maximize shareholders' return through a good multi-channel and multi-level investor communication that features equality, sincerity and mutual respect.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

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

We have audited the consolidated financial statements of China Communications Construction Company Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 75 to 185, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 March 2011

Balance Sheets

As at 31 December 2010

	Note	Group 2010 RMB million	Group 2009 (Restated) RMB million	Company 2010 RMB million	Company 2009 RMB million
ASSETS					
Non-current assets					
Property, plant and equipment	*6*	**52,438**	47,351	**56**	49
Lease prepayments	*7*	**4,583**	3,689	**216**	221
Investment properties	*8*	**370**	332	**—**	—
Intangible assets	*9*	**15,906**	10,075	**23**	7
Investment in subsidiaries	*10*	**—**	—	**58,110**	56,575
Investments in jointly controlled entities	*11*	**857**	758	**62**	62
Investments in associates	*12*	**2,826**	2,650	**2,004**	2,004
Available-for-sale financial assets	*14*	**15,402**	17,650	**8,362**	10,334
Deferred income tax assets	*25*	**2,221**	1,944	**146**	141
Trade and other receivables	*15*	**22,176**	15,142	**2,383**	1,770
		116,779	99,591	**71,362**	71,163
Current assets					
Inventories	*16*	**21,473**	18,835	**2**	135
Trade and other receivables	*15*	**86,424**	69,158	**9,108**	8,092
Loans to subsidiaries	*10*	**—**	—	**10,127**	8,289
Amounts due from subsidiaries	*10*	**—**	—	**6,999**	4,958
Amounts due from customers for contract work	*17*	**43,458**	41,843	**5,253**	4,457
Derivative financial instruments	*18*	**48**	36	**—**	19
Other financial assets at fair value through profit or loss		**67**	80	**—**	—
Restricted cash	*19(a)*	**719**	698	**3**	3
Cash and cash equivalents	*19(b)*	**38,826**	33,817	**15,298**	14,172
		191,015	164,467	**46,790**	40,125
Total assets		**307,794**	264,058	**118,152**	111,288

The notes on pages 82 to 185 are an integral part of these financial statements.

Balance Sheets (continued)

As at 31 December 2010

		Group		Company	
		2010	2009 (Restated)	**2010**	2009
	Note	**RMB million**	RMB million	**RMB million**	RMB million
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	*20*	**14,825**	14,825	**14,825**	14,825
Share premium	*20(a)*	**13,853**	13,853	**13,853**	13,853
Other reserves	*22*	**29,092**	24,216	**27,537**	29,012
Proposed final dividend	*39*	**2,372**	1,720	**2,372**	1,720
		60,142	54,614	**58,587**	59,410
Non-controlling interests		**10,938**	11,615	**—**	—
Total equity		**71,080**	66,229	**58,587**	59,410
LIABILITIES					
Non-current liabilities					
Borrowings	*24*	**38,569**	34,694	**10,399**	15,505
Deferred income		**554**	405	**—**	—
Deferred income tax liabilities	*25*	**2,362**	3,420	**1,857**	2,460
Early retirement and supplemental benefit obligations	*26*	**2,184**	2,460	**42**	52
Trade and other payables	*23*	**1,929**	1,166	**116**	27
		45,598	42,145	**12,414**	18,044
Current liabilities					
Trade and other payables	*23*	**131,625**	105,017	**14,391**	13,920
Amounts due to subsidiaries	*10*	**—**	—	**21,204**	15,695
Amounts due to customers for contract work	*17*	**14,204**	12,567	**409**	246
Current income tax liabilities		**2,091**	1,678	**15**	15
Borrowings	*24*	**42,760**	36,043	**11,062**	3,897
Derivative financial instruments	*18*	**71**	77	**23**	16
Early retirement and supplemental benefit obligations	*26*	**214**	197	**7**	5
Provisions	*27*	**151**	105	**40**	40
		191,116	155,684	**47,151**	33,834
Total liabilities		**236,714**	197,829	**59,565**	51,878
Total equity and liabilities		**307,794**	264,058	**118,152**	111,288
Net current (liabilities)/assets		**(101)**	8,783	**(361)**	6,291
Total assets less current liabilities		**116,678**	108,374	**70,001**	77,454

Zhou Jichang
Director

Fu Junyuan
Director

The notes on pages 82 to 185 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31 December 2010

	Note	**2010 RMB million**	2009 RMB million
Revenue	*5*	**272,734**	226,920
Cost of sales	*31*	**(249,261)**	(205,215)
Gross profit		**23,473**	21,705
Other income	*28*	**1,824**	2,119
Other gains, net	*29*	**527**	299
Selling and marketing expenses	*31*	**(570)**	(491)
Administrative expenses	*31*	**(10,115)**	(9,673)
Other expenses	*30*	**(1,014)**	(1,435)
Operating profit		**14,125**	12,524
Interest income	*33*	**708**	660
Finance costs, net	*34*	**(2,496)**	(2,973)
Share of profit of jointly controlled entities		**38**	55
Share of profit of associates		**78**	48
Profit before income tax		**12,453**	10,314
Income tax expense	*35*	**(2,552)**	(2,310)
Profit for the year		**9,901**	8,004
Attributable to:			
– equity holders of the Company		**9,863**	7,200
– non-controlling interests		**38**	804
		9,901	8,004
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
– basic	*38*	**0.67**	0.49
– diluted	*38*	**0.67**	0.49
Dividends	*39*	**2,372**	1,720

The notes on pages 82 to 185 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 **RMB million**	2009 RMB million
Profit for the year	**9,901**	8,004
Other comprehensive (expenses)/income		
Fair value (losses)/gains on available-for-sale financial assets, net of deferred tax		
– (Losses)/gains arising during the year	**(2,219)**	7,661
– Less: fair value revaluation reserve transferred to income statement	**(287)**	(16)
Cash flow hedge reserve transferred to income statement, net of deferred tax	**—**	(11)
Currency translation differences	**(39)**	97
Other comprehensive (expenses)/income for the year, net of tax	**(2,545)**	7,731
Total comprehensive income for the year	**7,356**	15,735
Total comprehensive income attributable to:		
– equity holders of the Company	**7,249**	14,913
– non-controlling interests	**107**	822
	7,356	15,735

The notes on pages 82 to 185 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Note	Share Capital RMB million	Share Premium RMB million	Other Reserves RMB million	Retained Earnings RMB million	Total RMB million	Non-controlling Interests RMB million	Total Equity RMB million
		Attributable to equity holders of the Company						
Balance at 1 January 2009	*22*	14,825	13,853	1,194	11,299	41,171	10,998	52,169
Comprehensive income								
Profit for the year		—	—	—	7,200	7,200	804	8,004
Other comprehensive income								
Changes in fair value of available-for-sale financial assets, net of deferred tax		—	—	7,659	—	7,659	2	7,661
Fair value revaluation reserve transferred to income statement, net of deferred tax		—	—	(16)	—	(16)	—	(16)
Cash flow hedge reserve transferred to income statement, net of deferred tax		—	—	(5)	—	(5)	(6)	(11)
Currency translation differences		—	—	75	—	75	22	97
Total other comprehensive income		—	—	7,713	—	7,713	18	7,731
Total comprehensive income		—	—	7,713	7,200	14,913	822	15,735
2008 final dividend		—	—	—	(1,453)	(1,453)	—	(1,453)
Dividends paid to non-controlling interests		—	—	—	—	—	(145)	(145)
Contribution from non-controlling interests		—	—	—	—	—	60	60
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries		—	—	(12)	(5)	(17)	(120)	(137)
Transfer to statutory surplus reserve	*22*	—	—	178	(178)	—	—	—
Appropriations to safety reserve	*22*	—	—	298	(298)	—	—	—
Balance at 31 December 2009		14,825	13,853	9,371	16,565	54,614	11,615	66,229

The notes on pages 82 to 185 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2010

		Attributable to equity holders of the Company						
	Note	Share Capital RMB million	Share Premium RMB million	Other Reserves RMB million	Retained Earnings RMB million	Total RMB million	Non-controlling Interests RMB million	Total Equity RMB million
Balance at 1 January 2010	*22*	14,825	13,853	9,371	16,565	54,614	11,615	66,229
Comprehensive income								
Profit for the year		—	—	—	9,863	9,863	38	9,901
Other comprehensive (expenses)/income								
Changes in fair value of available-for-sale financial assets, net of deferred tax		—	—	(2,301)	—	(2,301)	82	(2,219)
Fair value revaluation reserve transferred to income statement, net of deferred tax		—	—	(286)	—	(286)	(1)	(287)
Currency translation differences		—	—	(27)	—	(27)	(12)	(39)
Total other comprehensive (expenses)/income		—	—	(2,614)	—	(2,614)	69	(2,545)
Total comprehensive (expenses)/income		—	—	(2,614)	9,863	7,249	107	7,356
2009 final dividend		—	—	—	(1,720)	(1,720)	—	(1,720)
Dividends paid to non-controlling interests		—	—	—	—	—	(125)	(125)
Contribution from non-controlling interests		—	—	—	—	—	111	111
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries		—	—	(1)	—	(1)	(770)	(771)
Transfer to statutory surplus reserve	*22*	—	—	269	(269)	—	—	—
Appropriations to safety reserve	*22*	—	—	184	(184)	—	—	—
Balance at 31 December 2010		14,825	13,853	7,209	24,255	60,142	10,938	71,080

The notes on pages 82 to 185 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	**2010 RMB million**	2009 RMB million
Cash flows from operating activities			
Cash generated from operations	*41*	**17,797**	19,563
Interest paid		**(2,867)**	(2,547)
Income tax paid		**(2,289)**	(2,417)
Net cash generated from operating activities		**12,641**	14,599
Cash flows from investing activities			
Purchase of property, plant and equipment ("PPE")		**(8,402)**	(13,673)
Increase in lease prepayments		**(1,062)**	(596)
Purchase of intangible assets		**(4,939)**	(3,915)
Purchases of investment properties		**(1)**	—
Proceeds from disposal of PPE	*41*	**822**	364
Proceeds from disposal of lease prepayments		**132**	38
Proceeds from disposal of intangible assets		**1**	—
Proceeds from disposal of investment properties		**7**	10
Additional investments in jointly controlled entities		**(72)**	(37)
Additional investments in associates		**(42)**	(104)
Additional investments in subsidiaries		**(771)**	(137)
Acquisition of a subsidiary	*44*	**(678)**	—
Purchases of available-for-sale financial assets		**(1,668)**	(791)
Purchase of other financial assets at fair value through profit or loss		**(64)**	(24)
Proceeds from disposal of other short-term investments		**—**	735
Proceeds from disposal of jointly controlled entities		**5**	35
Proceeds from disposal of associates		**113**	344
Proceeds from disposal of equity interest in subsidiaries		**—**	55
Proceeds from disposal of available-for-sale financial assets		**548**	110
Proceeds from disposal of held-to-maturity financial assets		**—**	2
Proceeds from disposal of other financial assets at fair value through profit or loss		**72**	31
Interest received		**294**	293
Dividends received		**329**	370
Net cash used in investing activities		**(15,376)**	(16,890)
Cash flows from financing activities			
Proceeds from borrowings		**55,543**	77,583
Repayments of borrowings		**(45,953)**	(66,223)
Contribution from non-controlling interests		**111**	60
Dividends paid to the Company's shareholders		**(1,720)**	(1,453)
Dividends paid to non-controlling interests of subsidiaries		**(125)**	(145)
Net cash generated from financing activities		**7,856**	9,822
Net increase in cash and cash equivalents		**5,121**	7,531
Cash and cash equivalents at beginning of the year	*19(b)*	**33,817**	26,278
Exchange (losses)/gains on cash and cash equivalents		**(112)**	8
Cash and cash equivalents at end of the year	*19(b)*	**38,826**	33,817

The notes on pages 82 to 185 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

1. General information

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 9 March 2011.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amendments to standards and interpretations mandatory for the financial year beginning 1 January 2010 and relevant to the Group

The following amendments and interpretations are mandatory for the financial year beginning 1 January 2010:

	Effective for accounting periods beginning on or after
IFRS 2 (Amendment), "Share-based payment — Scope of IFRS 2 and IFRS 3 (Revised)"	1 July 2009
IFRS 3 (Revised), "Business combinations" (and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in Associates" and IAS 31, "Interests in Joint Ventures")	1 July 2009
IFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and consequential amendment to IFRS 1 "First-time adoption")	1 July 2009
IAS 38 (Amendment), "Intangible assets"	1 July 2009
IAS 39 (Amendment), "Eligible Hedge Items"	1 July 2009
IFRIC 17, "Distribution of non-cash assets to owners"	1 July 2009
IFRS 2 (Amendment), "Group cash-settled share-based payment transactions"	1 January 2010
IFRS 5 (Amendment), "Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations"	1 January 2010
IFRS 8 (Amendment), "Operating Segments"	1 January 2010
IAS 1 (Amendment), "Presentation of Financial Statements"	1 January 2010
IAS 7 (Amendment), "Statement of cash flows"	1 January 2010
IAS 17 (Amendment), "Lease"	1 January 2010
IAS 36 (Amendment), "Impairment of Asssets"	1 January 2010
IAS 39 (Amendment), "Financial instruments: Recognition and measurement"	1 January 2010

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

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) *Amendments to standards and interpretations mandatory for the financial year beginning 1 January 2010 and relevant to the Group* (Continued)

- IFRS 3 (Revised), "Business combinations", and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  The revised standard was applied to the acquisition of 100% equity interest in Friede Goldman United, Ltd. ("F&G") on 9 August 2010. Please refer to Note 44 for details of the business combination that occurred in 2010.

  As the Group has adopted IFRS 3 (Revised), it is required to adopt IAS 27 (Revised), "Consolidated and separate financial statements", at the same time. IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the income statement. The Group adopted "economic entity model" for all transactions with non-controlling interests in the past, so the adoption of this amendment did not have any material impact on the Group's consolidated financial statements;

- IAS 38 (Amendment), "Intangible assets". The amendment clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. This amendment was applied to the acquisition of 100% equity interest in F&G on 9 August 2010. Please refer to Note 44 for details of the business combination that occurred in 2010;

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) *Amendments to standards and interpretations mandatory for the financial year beginning 1 January 2010 and relevant to the Group* (Continued)

- IFRS 2 (Amendments), "Group cash-settled share-based payment transactions". In addition to incorporating IFRIC 8, "Scope of IFRS 2", and IFRIC 11, "IFRS 2 — Group and treasury share transactions", the amendments expand on the guidance in IFRIC 11 to address the accounting in the separate financial statements of a subsidiary when its suppliers/employees will receive cash payments from the parent that are linked to the price of the equity instruments of an entity in the group. The parent, and not the entity, has the obligation to deliver cash. The amendments state that the entity shall account for the transaction with its suppliers/employees as equity-settled, and recognise a corresponding increase in equity as a contribution from its parent. The subsidiary shall remeasure the cost of the transaction subsequently for any changes resulting from non-market vesting conditions not being met in accordance with paragraphs 19—21. This differs from the measurement of the transaction as cash-settled in the consolidated financial statements of the group. No share-based payment transaction was occurred prior to 2010. This amendment was applied to the Share Appreciation Rights granted by the Company on 8 August 2010. Please refer to Note 21 for details;

- IAS 17 (Amendment), "Lease". The amendment removes the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of IAS 17. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Lease prepayments", and amortised over the lease term.

  IAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified leasehold land with an aggregate carrying amount of RMB25 million as at 31 December 2010 (31 December 2009: RMB27 million) from operating lease to finance lease, and the land is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful lives of the asset and the lease term; and

- IAS 36 (Amendment), "Impairment of assets". The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, "Operating segments" (that is, before the aggregation of segments with similar economic characteristics). Entities use aggregated operating segments to determine their cash-generating units should disaggregate. The Group adopted this amendment from 1 January 2010. The amendment did not have any material impact on the Group's consolidated financial statements.

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Amendments and interpretations mandatory for the financial year beginning 1 January 2010 but not relevant to the Group

- IFRS 1 (Amendment), "First-time adoption of IFRS" — "Additional exemptions for first-time adopters"

- IFRIC 9, "Reassessment of embedded derivatives"

- IFRIC 16, "Hedges of a net investment in a foreign operation"

- IFRIC 18, "Transfer of assets from customers"

(c) Amendment to existing standard which is not yet effective but early adopted by the Group

- IAS 24 (Revised), "Related party disclosures" (effective from 1 January 2011). The Group early adopted this amendment and simplified the disclosures for related party transactions and balances with government-related entities (refer to details in Note 45).

(d) Standard, amendments and interpretations to existing standards which are not yet effective and have not been early adopted by the Group

	Effective for accounting periods beginning on or after
IAS 32 (Amendment), "Financial instruments: Presentation" — "Classification of right issues"	1 February 2010
IFRS 1 (Amendment), "Limited exemption from comparative IFRS 7 disclosures for first-time adopters"	1 July 2010
IFRIC 19, "Extinguishing financial liabilities with equity instruments"	1 July 2010
IFRIC 14 (Amendment), "Payments of a minimum funding requirement"	1 January 2011
IFRS 9, "Financial instruments"	1 January 2013

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(d) Standard, amendments and interpretations to existing standards which are not yet effective and have not been early adopted by the Group (Continued)

The Group will apply the above standard, amendments and interpretations from 1 January 2011 or later period. Except for the following standard as described below, other amendments and interpretations are not relevant to the Group's operations.

- IFRS 9, "Financial instruments". The standard addresses the classification and measurement of financial assets. IFRS 9 includes a single model that has only two classification categories: amortised cost and fair value. To qualify for amortised cost accounting, the instrument must meet two criteria: (1) the objective of the business model is to hold the financial asset for the collection of the cash flows; and (2) all contractual cash flows represent only principal and interest on that principal. All other instruments are mandatorily measured at fair value. The classification is determined at inception.

  IFRS 9 requires all equity investments to be measured at fair value. However an entity may make an irrevocable election at initial recognition to present all fair value changes for non-trading equity investments in other comprehensive income. There is no subsequent recycling of fair value gains and losses to profit or loss; there is therefore no impairment. The standard also requires recognition of dividends received from these investments in profit or loss.

  IFRS prohibits reclassifications between fair value and amortised cost except in rare circumstances when the entity's business model changes. All reclassifications are accounted for prospectively. Any difference between the carrying amount and fair value on a reclassification is recognised in a separate line in profit or loss. To ensure full transparency, the standard requires additional disclosures for any reclassifications.

  IFRS 9 continues to allow entities the option to designate assets at fair value through profit or loss at initial recognition where this significantly reduces an accounting mismatch. The designation at fair value through profit or loss is irrevocable.

  IFRS 9 removes the exemption allowing unquoted equities and derivatives on unquoted equities to be measured at cost. Such investments are required to be measured at fair value through profit or loss. IFRS 9 provides guidance on when cost may be an appropriate estimate of fair value. Any difference between the previous carrying amount in accordance with IAS 39 and fair value (IFRS 9) should be recognised in the opening retained earnings of the reporting period that includes the date of initial application.

  The Group is assessing the expected impact in detail and will apply this amendment from 1 January 2013.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(d) *Standard, amendments and interpretations to existing standards which are not yet effective and have not been early adopted by the Group* (Continued)

The following amendments and interpretations to existing standards are part of the International Accounting Standards Board ("IASB")'s third annual improvement project (2010) published in May 2010.

	Effective for accounting periods beginning on or after
IFRS 3 (Revised), "Business combinations"	1 July 2010
IFRS 1 (Amendment), "First time adoption of international financial reporting standards" — "Accounting policy changes in the year of adoption"	1 January 2011
IFRS 1 (Amendment), "First time adoption of international financial reporting standards" — "Revaluation basis as deemed cost"	1 January 2011
IFRS 1 (Amendment), "First time adoption of international financial reporting standards" — "Use of deemed cost for operation subject to rate regulation"	1 January 2011
IFRS 7 (Amendment), "Financial instruments: Disclosures"	1 January 2011
IAS 1 (Amendment), "Presentation of financial statements"	1 January 2011
IAS 27 (Amendment), "Consolidated and separate financial statements"	1 January 2011
IAS 34 (Amendment), "Interim financial reporting"	1 January 2011
IFRIC 13 (Amendment), "Customer loyalty programmes"	1 January 2011

The Group will apply the above improvements to IFRS from 1 January 2011. Except for the following amendments and interpretations to existing standards as described below, other amendments and interpretations are not relevant to the Group's operations.

- IFRS 3 (Revised), "Business combinations". The amendment clarifies that entities should apply the rules in IFRS 3 (not IFRS 7, IAS 32 or IAS 39) to contingent consideration that arises from a business combination with acquisition dates that precede the application of IFRS 3 (Revised). The amendment also clarifies that only entities with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interest at fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets. In addition, IFRS 3 (Revised) clarifies that the application guidance in IFRS 3 (Revised) applies to all unexpired share-based payment awards that form part of a business combination, regardless of whether the acquirer is obliged to replace the award. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2011;

- IFRS 1 (Amendment), "First time adoption of international financial reporting standards" — " Revaluation basis as deemed cost". The amendment clarifies that entities may employ the "deemed cost" exemption not only when the "deemed cost" is measured before the date of transition to IFRS, but also if the "deemed cost" is measured during the first IFRS reporting period. The Group will be able to take advantage of this exemption such that the revalued amount can become deemed costs and the difference between IFRS and Accounting Standard for Business Enterprises of PRC can be eliminated. The Group is assessing the expected impact in detail and will apply this amendment from 1 January 2011;

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(d) *Standard, amendments and interpretations to existing standards which are not yet effective and have not been early adopted by the Group* (Continued)

- IFRS 7 (Amendment), "Financial instruments: Disclosures". The amendment clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures. The Group will prospectively apply the amendment from 1 January 2011;

- IAS 1 (Amendment), "Presentation of financial statements". The amendment confirms that entities may present either in the statement of changes in equity or within the notes, an analysis of the components of other comprehensive income by item. The Group currently present the analysis of the components of other comprehensive income by item in the statement of changes in equity and will consistently apply IAS 1 (Amendment) from 1 January 2011;

- IAS 27 (Amendment), "Consolidated and separate financial statements". The amendment clarifies that the amendments as a result of IAS 27 made to IAS 21, IAS 28 and IAS 31 require prospective application. The Group will prospectively apply IAS 27 (Amendment) from 1 January 2011; and

- IAS 34 (Amendment), "Interim financial reporting". The amendment clarifies the meaning of "significant events and transactions" by providing examples of the events or transactions that would require disclosure. Greater emphasis has been placed on the disclosure principles in IAS 34 involving significant events and transactions, including changes to fair value measurements, and the need to update relevant information from the most recent annual report. The Group will prospectively apply IAS 34 (Amendment) from 1 January 2011.

(e) *Amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2010 and not relevant to the Group*

- IAS 32 (Amendment), "Financial instruments: Presentation" — "Classification of right issues" (effective from 1 February 2010)

- IFRS 1 (Amendment), "Limited exemption from comparative IFRS 7 disclosures for first-time adopters" (effective from 1 July 2010)

- IFRIC 19, "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2010)

- IFRS 1 (Amendment), "First time Adoption of International financial Reporting Standards" — "Accounting policy changes in the year adoption" (effective from 1 January 2011)

- IFRS 1 (Amendment), "First time Adoption of International financial Reporting Standards" — "Use of deemed cost for operation subject to rate regulation" (effective from 1 January 2011)

- IFRIC 13 (Amendment), "Customer loyalty programmes" (effective from 1 January 2011)

- IFRIC 14 (Amendment), "Payments of a minimum funding requirement" (effective from 1 January 2011)

2. Summary of significant accounting policies (Continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. If the Group has less than one half of the voting rights but has de facto control in an entity, such entity is also considered as subsidiary of the Group. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(c) *Jointly controlled entities*

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

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

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

(d) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies (Continued)

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

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

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

2.5 Property, plant and equipment

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

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

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

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

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

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

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

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

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

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

2.6 Investment properties

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

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

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

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

2.7 Lease prepayments

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

2.8 Intangible assets

(a) Trademark, patent and proprietary technologies

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

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

(c) Concession assets

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

(d) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

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

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

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

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies (Continued)

2.10 Financial assets

2.10.1 Classification

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

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

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

(b) Loans and receivables

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

(c) Held-to-maturity financial assets

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

(d) Available-for-sale financial assets

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

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

2.10.2 Recognition and measurement

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

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

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

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

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

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

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies (Continued)

2.11 Impairment of financial assets

(a) *Assets carried at amortised cost*

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

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

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

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

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

The Group first assesses whether objective evidence of impairment exists.

2. Summary of significant accounting policies (Continued)

2.11 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

(b) Assets classified as available for sale

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

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of a particular risk associated with a recognised assets or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

2. Summary of significant accounting policies (Continued)

2.12 Derivative financial instruments and hedging activities (Continued)

Movements on the hedging reserve in equity are shown in Note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within other gains — net.

Amounts accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging foreign currency denominated trade receivables generated from export sales is recognised in the consolidated income statement within other gains— net. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within other gains — net.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within other gains — net.

(b) Derivatives at fair value through profit or loss

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

2.13 Inventories

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

2. Summary of significant accounting policies (Continued)

2.14 Trade and other receivables

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

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

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.16 Share capital

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

2.17 Trade payables

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

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

2.18 Borrowings

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

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

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2. Summary of significant accounting policies (Continued)

2.19 Current and deferred income tax

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

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

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

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

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

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

2.20 Employee benefits

(a) Pension obligations

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

2. Summary of significant accounting policies (Continued)

2.20 Employee benefits (Continued)

(a) Pension obligations (Continued)

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

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

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

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

(b) Other post-employment obligations

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

(c) Termination benefits

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

2. Summary of significant accounting policies (Continued)

2.20 Employee benefits (Continued)

(d) Housing funds

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

(e) Bonus entitlements

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

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

(f) Share-based payments

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

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

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

2.21 Provisions

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

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

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

2. Summary of significant accounting policies (Continued)

2.22 Government grants

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

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

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

2.23 Contract work

Contract costs are recognised when incurred.

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

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.24 Revenue recognition

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

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

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

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

(b) Services rendered

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

(c) Sales of products

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

(d) Rental income

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

(e) Interest income

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

(f) Dividend income

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

2. Summary of significant accounting policies (Continued)

2.25 Leases

2.25.1 *Operating leases*

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

(a) As a lessee

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

(b) As a lessor

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

2.25.2 *Finance leases*

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

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

2.26 Research and development

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

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

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

2.27 Dividend distribution

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

3. Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

Details of the Group's trade and other receivables, cash and bank balances, trade and other payables and borrowings as at 31 December 2010, denominated in foreign currencies, mainly United States Dollars ("US$"), Euro ("EUR"), Japanese Yen ("JPY") and Hong Kong Dollars ("HK$"), are disclosed in Notes 15, 19, 23 and 24, respectively.

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses its exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments when management considers necessary. During the year ended 31 December 2010, certain subsidiaries of the Group used forward foreign exchange contracts transacted with domestic and overseas registered banks, to hedge the exposure to foreign currency risk on individual transactions primarily vis-à-vis US$, EUR, JPY and Korea Won.

As at 31 December 2010, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB177 million higher/lower (2009: 5%, RMB384 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. The change in profit is less significant in 2010 than 2009 primarily because of the decreased amount of US$ denominated borrowings, which is partially offset by increase of US$ denominated receivables.

As at 31 December 2010, if RMB had strengthened/weakened by 10% against EUR with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB106 million higher/lower (2009: 10%, RMB254 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. The change in profit is less significant in 2010 than 2009 primarily because of the decreased amount of EUR denominated borrowings and payables.

(All amounts in RMB unless otherwise stated)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2010, if RMB had strengthened/weakened by 10% against JPY with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been approximately RMB37 million higher/lower (2009: 10%, RMB38 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents and borrowings. Profit is less sensitive to movements in RMB/JPY exchange rates in 2010 than 2009 primarily because of the decreased amount of JPY denominated borrowings.

As at 31 December 2010, if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, equity attributable to the equity holders of the Company would have been approximately RMB18 million lower/higher (2009: RMB21 million lower/higher), arising mainly from foreign exchange losses/gains on translation of HK$ denominated equity securities classified as available-for-sale. Equity is less sensitive to movements in RMB/HK$ exchange rate in 2010 than 2009 because of the decreased amount of HK$ denominated equity securities classified as available-for-sale.

(ii) Interest rate risk

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

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2010, approximately RMB44,519 million (2009: RMB40,851 million) of the Group's borrowings were at variable rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 24.

If interest rates on borrowings had been 0.25 percentage-point higher/lower with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been RMB49 million lower/higher (2009: 0.27 percentage-point, RMB84 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

(All amounts in RMB unless otherwise stated)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

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

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

	2010	2009
Change in equity price	**10%**	5%

	2010 RMB million	2009 RMB million
Increase/decrease in profit attributable to equity holders of the Company for the year as a result of increase/decrease in equity price	**7**	6
Increase/decrease in equity attributable to equity holders of the Company for the year as a result of increase/decrease in equity price	**1,378**	818

(b) Credit risk

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

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

The Group's major customers are PRC Government agencies at the national, provincial and local levels, and other state-owned enterprises, which accounted for significant amount of the Group's total operating revenue during the year. The Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluation of its customers. With regard to overseas companies of inadequate creditworthiness, the Group usually demands letters of guarantee or letters of credit. No single customer accounted for more than 10% of the Group's total revenue during the year (2009: None).

(All amounts in RMB unless otherwise stated)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

(c) Liquidity risk

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

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

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

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

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

(All amounts in RMB unless otherwise stated)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk* (Continued)

Group

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
As at 31 December 2010				
Borrowings (excluding finance lease liabilities)	**43,588**	**7,351**	**15,118**	**24,752**
Finance lease liabilities	**705**	**666**	**862**	**71**
Derivative financial instruments — held for trading	**11**	**6**	**16**	**6**
Trade and other payables	**131,625**	**1,929**	**—**	**—**
Financial guarantee contracts	**638**	**—**	**—**	**—**
	176,567	**9,952**	**15,996**	**24,829**
As at 31 December 2009				
Borrowings (excluding finance lease liabilities)	37,510	9,695	14,156	20,170
Finance lease liabilities	310	303	577	—
Derivative financial instruments — held for trading	9	5	11	7
Trade and other payables	105,017	1,166	—	—
Financial guarantee contracts	722	—	—	—
	143,568	11,169	14,744	20,177

Company

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
As at 31 December 2010				
Borrowings	**11,441**	**651**	**3,834**	**9,540**
Derivative financial instruments — held for trading	**4**	**4**	**11**	**3**
Trade and other payables	**14,391**	**116**	**—**	**—**
Financial guarantee contracts	**16,742**	**—**	**—**	**—**
	42,578	**771**	**3,845**	**9,543**
As at 31 December 2009				
Borrowings	4,412	5,922	4,036	10,058
Derivative financial instruments — held for trading	3	3	6	4
Trade and other payables	13,920	27	—	—
Financial guarantee contracts	8,923	—	—	—
	27,258	5,952	4,042	10,062

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

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

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

Group

	Less than 1 year RMB million	**Between 1 and 2 years** RMB million	**Between 2 and 5 years** RMB million
As at 31 December 2010			
Forward foreign exchange contracts — held for trading			
Outflow	**(4,181)**	**(96)**	**—**
Inflow	**4,173**	**96**	**—**
As at 31 December 2009			
Forward foreign exchange contracts — held for trading			
Outflow	(5,281)	(270)	—
Inflow	5,272	246	—

Company

	Less than 1 year RMB million	**Between 1 and 2 years** RMB million	**Between 2 and 5 years** RMB million
As at 31 December 2010			
Forward foreign exchange contracts — held for trading			
Outflow	**—**	**—**	**—**
Inflow	**—**	**—**	**—**
As at 31 December 2009			
Forward foreign exchange contracts — held for trading			
Outflow	(295)	—	—
Inflow	314	—	—

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) *Capital risk management*

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

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

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

	2010 **RMB million**	2009 RMB million
Total borrowings *(Note 24)*	**81,329**	70,737
Less: Cash and cash equivalents *(Note 19)*	**(38,826)**	(33,817)
Net debt	**42,503**	36,920
Total equity	**71,080**	66,229
Total capital	**113,583**	103,149
Gearing ratio	**37%**	36%

The gearing ratio as at 31 December 2010 has no significant change as compared with that in 2009.

(e) *Business environment in emerging economies*

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

(All amounts in RMB unless otherwise stated)

3. Financial risk management (Continued)

3.2 Fair value estimation

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

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

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	80	—	—	80
Derivative financial instruments — held for trading	—	36	—	36
Available-for-sale financial assets — Equity securities	11,568	4,802	—	16,370
Total assets	11,648	4,838	—	16,486
Liabilities				
Derivative financial instruments — held for trading	—	(77)	—	(77)
Total liabilities	—	(77)	—	(77)

(All amounts in RMB unless otherwise stated)

3. Financial risk management (Continued)

3.2 Fair value estimation (Continued)

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

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

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

Specific valuation techniques used to value financial instruments include:

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

4. Critical accounting estimates, assumptions and judgments

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

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

4.1 Income taxes and deferred tax

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

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

4.2 Fair value of financial instruments

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

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

4. Critical accounting estimates, assumptions and judgments (Continued)

4.3 Construction contracts

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

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

4.4 Pension benefits

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

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

Were the discount rate used to increase/decrease by 10% from management's estimates with all other variables held constant, the carrying amount of pension obligations as at balance sheet date would have been RMB82 million (2009: RMB60 million) lower or RMB87 million (2009: RMB57 million) higher.

4.5 Impairment assessment on concession assets

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

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

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

5. Segment information

Management has determined the operating segments based on the reports reviewed by the President Office that are used to make strategic decisions.

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

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

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

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

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

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

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

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

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

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

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

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

(All amounts in RMB unless otherwise stated)

5. Segment information (Continued)

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

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy Machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Total gross segment revenue	212,962	11,264	28,113	17,221	7,329	(4,155)	272,734
Inter-segment revenue	(883)	(199)	(2,558)	(76)	(439)	4,155	—
Revenue	212,079	11,065	25,555	17,145	6,890	—	272,734
Segment result	9,058	1,770	3,780	(955)	343	—	13,996
Unallocated income							129
Operating profit							14,125
Interest income							708
Finance costs, net							(2,496)
Share of profit of jointly controlled entities							38
Share of profit of associates							78
Profit before income tax							12,453
Income tax expense							(2,552)
Profit for the year							9,901

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

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy Machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Other segment items							
Depreciation	2,840	142	947	1,265	54	—	5,248
Amortisation	92	12	10	82	7	—	203
(Reversal of write-down)/ write-down of inventories	(1)	—	—	77	—	—	76
Provision for foreseeable losses on construction contracts	220	—	218	106	—	—	544
(Reversal of)/provision for impairment of trade and other receivables	(485)	62	(18)	39	(2)	—	(404)

(All amounts in RMB unless otherwise stated)

5. Segment information (Continued)

The segment information for the year ended 31 December 2009 is as follows:

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy Machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Total gross segment revenue	165,563	8,874	24,506	27,070	5,471	(4,564)	226,920
Inter-segment revenue	(701)	(254)	(2,953)	(551)	(105)	4,564	—
Revenue	164,862	8,620	21,553	26,519	5,366	—	226,920
Segment result	6,839	1,273	2,925	1,441	193	—	12,671
Unallocated costs							(147)
Operating profit							12,524
Interest income							660
Finance costs, net							(2,973)
Share of profit of jointly controlled entities							55
Share of profit of associates							48
Profit before income tax							10,314
Income tax expense							(2,310)
Profit for the year							8,004

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

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy Machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Other segment items							
Depreciation	2,327	123	825	1,076	65	—	4,416
Amortisation	56	11	3	49	9	—	128
(Reversal of write-down)/ write-down of inventories	(2)	—	—	13	—	—	11
Provision for foreseeable losses on construction contracts	227	1	2	66	—	—	296
Provision for/(reversal of) impairment of trade and other receivables	502	67	32	16	(3)	—	614

(All amounts in RMB unless otherwise stated)

5. Segment information (Continued)

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

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

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy Machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Segment assets	**180,383**	**9,696**	**34,367**	**46,758**	**3,581**	**(3,839)**	**270,946**
Investments in jointly controlled entities							**857**
Investments in associates							**2,826**
Unallocated assets							**33,165**
Total assets							**307,794**
Segment liabilities	**124,582**	**3,946**	**16,772**	**7,420**	**1,647**	**(3,839)**	**150,528**
Unallocated liabilities							**86,186**
Total liabilities							**236,714**
Capital expenditure	**11,682**	**250**	**3,052**	**2,216**	**49**	**—**	**17,249**

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

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	**270,946**	**150,528**
Investments in jointly controlled entities	**857**	**—**
Investments in associates	**2,826**	**—**
Unallocated:		
Deferred income tax assets/liabilities	**2,221**	**2,362**
Current income tax liabilities	**—**	**2,091**
Current borrowings	**—**	**42,760**
Non-current borrowings	**—**	**38,569**
Available-for-sale financial assets	**15,402**	**—**
Other financial assets at fair value through profit or loss	**67**	**—**
Derivative financial instruments	**48**	**71**
Cash and other corporate assets/corporate liabilities	**15,427**	**333**
Total	**307,794**	**236,714**

(All amounts in RMB unless otherwise stated)

5. Segment information (Continued)

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy Machinery RMB million	Others RMB million	Elimination RMB million	Total RMB million
Segment assets	139,847	6,360	30,052	51,664	3,642	(3,593)	227,972
Investments in jointly controlled entities							758
Investments in associates							2,650
Unallocated assets							32,678
Total assets							264,058
Segment liabilities	97,893	2,643	14,889	7,740	2,054	(3,593)	121,626
Unallocated liabilities							76,203
Total liabilities							197,829
Capital expenditure	9,982	253	4,199	4,781	140	—	19,355

Segment assets and liabilities at 31 December 2009 are reconciled to group assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	227,972	121,626
Investments in jointly controlled entities	758	—
Investments in associates	2,650	—
Unallocated:		
Deferred income tax assets/liabilities	1,944	3,420
Current income tax liabilities	—	1,678
Current borrowings	—	36,043
Non-current borrowings	—	34,694
Available-for-sale financial assets	17,650	—
Other financial assets at fair value through profit or loss	80	—
Derivative financial instruments	36	77
Cash and other corporate assets/corporate liabilities	12,968	291
Total	264,058	197,829

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

	2010 RMB million	2009 RMB million
PRC (excluding Hong Kong and Macau)	**245,583**	204,962
Other regions	**27,151**	21,958
	272,734	226,920

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

(All amounts in RMB unless otherwise stated)

6. Property, plant and equipment

Group

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2009						
Cost as previously reported	9,525	9,700	22,545	2,657	8,573	53,000
Effect of adoption of IAS 17 (Amendment)	38	—	—	—	—	38
Cost as restated	9,563	9,700	22,545	2,657	8,573	53,038
Accumulated depreciation, as previously reported	(1,819)	(3,890)	(8,620)	(1,466)	—	(15,795)
Effect of adoption of IAS 17 (Amendment)	(10)	—	—	—	—	(10)
Accumulated depreciation, as restated	(1,829)	(3,890)	(8,620)	(1,466)	—	(15,805)
Net book amount, as restated	7,734	5,810	13,925	1,191	8,573	37,233
Year ended 31 December 2009						
Opening net book amount, as previously reported	7,706	5,810	13,925	1,191	8,573	37,205
Effect of adoption of IAS 17 (Amendment)	28	—	—	—	—	28
Opening net book amount, as restated	7,734	5,810	13,925	1,191	8,573	37,233
Additions	193	2,779	1,836	1,151	9,014	14,973
Disposals *(Note 41)*	(18)	(54)	(186)	(24)	—	(282)
Disposal of a subsidiary	—	(135)	—	—	—	(135)
Transfer	1,532	1,202	4,825	114	(7,673)	—
Transfer to investment properties *(Note 8)*	(47)	—	—	—	—	(47)
Depreciation *(Note 31)*	(403)	(1,225)	(1,937)	(826)	—	(4,391)
Closing net book amount	8,991	8,377	18,463	1,606	9,914	47,351
At 31 December 2009						
Cost as previously reported	11,170	13,284	28,521	3,694	9,914	66,583
Effect of adoption of IAS 17 (Amendment)	38	—	—	—	—	38
Cost as restated	11,208	13,284	28,521	3,694	9,914	66,621
Accumulated depreciation, as previously reported	(2,206)	(4,907)	(10,058)	(2,088)	—	(19,259)
Effect of adoption of IAS 17 (Amendment)	(11)	—	—	—	—	(11)
Accumulated depreciation, as restated	(2,217)	(4,907)	(10,058)	(2,088)	—	(19,270)
Net book amount, as restated	8,991	8,377	18,463	1,606	9,914	47,351

(All amounts in RMB unless otherwise stated)

6. Property, plant and equipment (Continued)

Group

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
Year ended 31 December 2010						
Opening net book amount	8,964	8,377	18,463	1,606	9,914	47,324
Effect of adoption of IAS 17 (Amendment)	27	—	—	—	—	27
Opening net book amount, as restated	8,991	8,377	18,463	1,606	9,914	47,351
Additions	378	1,904	2,500	1,848	4,352	10,982
Disposals *(Note 41)*	(32)	(341)	(217)	(40)	—	(630)
Acquisition of a subsidiary *(Note 44)*	2	—	—	—	—	2
Transfer	1,296	195	2,798	98	(4,387)	—
Transfer to investment properties *(Note 8)*	(34)	—	—	—	—	(34)
Depreciation *(Note 31)*	(443)	(1,459)	(2,170)	(1,161)	—	(5,233)
Closing net book amount	10,158	8,676	21,374	2,351	9,879	52,438
At 31 December 2010						
Cost	12,704	14,563	32,857	5,290	9,879	75,293
Accumulated depreciation	(2,546)	(5,887)	(11,483)	(2,939)	—	(22,855)
Net book amount	10,158	8,676	21,374	2,351	9,879	52,438

(All amounts in RMB unless otherwise stated)

6. Property, plant and equipment (Continued)

Company

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2009						
Cost	11	33	43	94	—	181
Accumulated depreciation	(4)	(16)	(24)	(70)	—	(114)
Net book amount	7	17	19	24	—	67
Year ended 31 December 2009						
Opening net book amount	7	17	19	24	—	67
Additions	—	—	11	7	1	19
Disposals	—	—	(1)	—	—	(1)
Depreciation	—	(17)	(8)	(11)	—	(36)
Closing net book amount	7	—	21	20	1	49
At 31 December 2009						
Cost	11	33	46	101	1	192
Accumulated depreciation	(4)	(33)	(25)	(81)	—	(143)
Net book amount	7	—	21	20	1	49
Year ended 31 December 2010						
Opening net book amount	**7**	**—**	**21**	**20**	**1**	**49**
Additions	**13**	**—**	**9**	**3**	**—**	**25**
Disposals	**—**	**—**	**(3)**	**—**	**—**	**(3)**
Depreciation	**(1)**	**—**	**(7)**	**(7)**	**—**	**(15)**
Closing net book amount	**19**	**—**	**20**	**16**	**1**	**56**
At 31 December 2010						
Cost	**23**	**32**	**51**	**100**	**1**	**207**
Accumulated depreciation	**(4)**	**(32)**	**(31)**	**(84)**	**—**	**(151)**
Net book amount	**19**	**—**	**20**	**16**	**1**	**56**

(All amounts in RMB unless otherwise stated)

6. Property, plant and equipment (Continued)

(a) Depreciation of the Group's property, plant and equipment of RMB4,649 million (2009: RMB3,987 million) has been charged in cost of sales, RMB447 million (2009: RMB358 million) in administrative expenses and RMB137 million (2009: RMB46 million) in selling and marketing expenses.

(b) Bank borrowings are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB1,700 million (2009: RMB1,824 million) (Note 24).

(c) As at 31 December 2010, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties with an aggregate book carrying amount of approximately RMB3,358 million (2009: RMB2,562 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

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

	2010 RMB million	2009 RMB million
Cost — Capitalised finance leases	**2,907**	1,203
Accumulated depreciation	**(329)**	(49)
Net book amount	**2,578**	1,154

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

(All amounts in RMB unless otherwise stated)

7. Lease prepayments

	Group RMB million
At 1 January 2009	
Cost as previously reported	3,641
Effect of adoption of IAS 17 (Amendment)	(38)
Cost as restated	3,603
Accumulated amortisation, as previously reported	(235)
Effect of adoption of IAS 17 (Amendment)	10
Accumulated amortisation, as restated	(225)
Net book amount, as restated	3,378
Year Ended 31 December 2009	
Opening net book amount, as previously reported	3,406
Effect of adoption of IAS 17 (Amendment)	(28)
Opening net book amount, as restated	3,378
Additions	478
Disposals	(80)
Amortisation charge *(Note 31)*	(87)
Closing net book amount	3,689
At 31 December 2009	
Cost as previously reported	4,037
Effect of adoption of IAS 17 (Amendment)	(38)
Cost as restated	3,999
Accumulated amortisation, as previously reported	(321)
Effect of adoption of IAS 17 (Amendment)	11
Accumulated amortisation, as restated	(310)
Net book amount, as restated	3,689
Year ended 31 December 2010	
Opening net book amount, as previously reported	**3,716**
Effect of adoption of IAS 17 (Amendment)	**(27)**
Opening net book amount, as restated	**3,689**
Additions	**1,062**
Disposals	**(75)**
Amortisation charge *(Note 31)*	**(93)**
Closing net book amount	**4,583**
At 31 December 2010	
Cost	**4,970**
Accumulated amortisation	**(387)**
Net book amount	**4,583**

7. Lease prepayments (Continued)

	Company 2010 RMB million	2009 RMB million
At beginning of the year		
Cost	**225**	—
Accumulated amortisation	**(4)**	—
Net book amount	**221**	—
For the year		
Opening net book amount	**221**	—
Additions	**—**	225
Amortisation charge	**(5)**	(4)
Closing net book amount	**216**	221
At end of the year		
Cost	**225**	225
Accumulated amortisation	**(9)**	(4)
Net book amount	**216**	221

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

	Group 2010 RMB million	2009 RMB million
Outside Hong Kong (primarily in Mainland China), held on:		
Leases of over 50 years	**663**	352
Leases of between 10 to 50 years	**3,920**	3,337
	4,583	3,689

(a) Amortisation of the Group's lease prepayments of RMB15 million (2009: RMB15 million) has been charged in cost of sales and RMB78 million (2009: RMB72 million) in administrative expenses.

(b) As at 31 December 2010, the Group is in the process of applying for or changing registration of the title certificates for certain of its land use rights with an aggregate carrying value of approximately RMB420 million (2009: RMB140 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

(All amounts in RMB unless otherwise stated)

8. Investment properties

	Group 2010 RMB million	2009 RMB million
At beginning of the year		
Cost	**451**	433
Accumulated depreciation	**(119)**	(113)
Net book amount	**332**	320
For the year		
Opening net book amount	**332**	320
Transfer from property, plant and equipment *(Note 6)*	**34**	47
Additions	**26**	—
Disposals	**(7)**	(10)
Depreciation *(Note 31)*	**(15)**	(25)
Closing net book amount	**370**	332
At end of the year		
Cost	**553**	451
Accumulated depreciation	**(183)**	(119)
Net book amount	**370**	332
Fair value at end of the year (a)	**1,616**	1,251

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

(b) Depreciation of the Group's investment properties of RMB15 million (2009: RMB25 million) has been charged to other expenses in the consolidated income statement.

(All amounts in RMB unless otherwise stated)

9. Intangible assets

Group

	Trademark, patent and proprietary technologies RMB million	Computer software RMB million	Concession assets RMB million	Goodwill RMB million	Others RMB million	Total RMB million
At 1 January 2009						
Cost	21	87	6,172	5	19	6,304
Accumulated amortisation	(10)	(52)	(20)	—	(4)	(86)
Net book amount	11	35	6,152	5	15	6,218
Year ended at 31 December 2009						
Opening net book amount	11	35	6,152	5	15	6,218
Additions	2	16	3,886	—	—	3,904
Disposals	—	—	—	—	(6)	(6)
Amortisation charge *(Note 31)*	(1)	(12)	(27)	—	(1)	(41)
Closing net book amount	12	39	10,011	5	8	10,075
At 31 December 2009						
Cost	20	93	10,058	5	11	10,187
Accumulated amortisation	(8)	(54)	(47)	—	(3)	(112)
Net book amount	12	39	10,011	5	8	10,075
Year ended at 31 December 2010						
Opening net book amount	**12**	**39**	**10,011**	**5**	**8**	**10,075**
Additions	**7**	**37**	**5,132**	**—**	**3**	**5,179**
Acquisition of a subsidiary *(Note 44)*	**211**	**—**	**—**	**296**	**256**	**763**
Disposals	**—**	**(1)**	**—**	**—**	**—**	**(1)**
Amortisation charge *(Note 31)*	**(13)**	**(15)**	**(65)**	**—**	**(17)**	**(110)**
Closing net book amount	**217**	**60**	**15,078**	**301**	**250**	**15,906**
At 31 December 2010						
Cost	**283**	**134**	**15,189**	**301**	**269**	**16,176**
Accumulated amortisation	**(66)**	**(74)**	**(111)**	**—**	**(19)**	**(270)**
Net book amount	**217**	**60**	**15,078**	**301**	**250**	**15,906**

(All amounts in RMB unless otherwise stated)

9. Intangible assets (Continued)

Company

	Computer software RMB million
At 1 January 2009	
Opening net book amount	4
Additions	4
Amortisation charge	(1)
Closing net book amount	7
At 31 December 2009	
Cost	14
Accumulated amortisation	(7)
Net book amount	7
At 1 January 2010	
Opening net book amount	**7**
Additions	**19**
Amortisation charge	**(3)**
Closing net book amount	**23**
At 31 December 2010	
Cost	**33**
Accumulated amortisation	**(10)**
Net book amount	**23**

(a) As at 31 December 2010, concession assets, representing assets under "Build-Operate-Transfer" service concession arrangements and mainly toll roads in the PRC, with cost of RMB6,663 million (2009: RMB6,392 million) were generating revenue, while the balance of RMB8,526 million (2009: RMB3,666 million) were under construction.

(b) Amortisation of the Group's intangible assets of RMB65 million (2009: RMB27 million) has been charged in cost of sales, and RMB45 million (2009: RMB14 million) in administrative expenses.

(c) Certain bank borrowings are secured by concession assets with carrying amount of approximately RMB5,168 million (2009: RMB2,885 million) (Note 24).

(d) Goodwill is allocated to the Group's cash-generated units ("CGU") identified according to operating segment. The goodwill related primarily to the Group's acquisition of 100% equity interest in F&G in August 2010 (Note 44).

10. Investments in and loans to subsidiaries — Company

	2010 RMB million	2009 RMB million
Listed investments, at cost	**8,028**	8,028
Unlisted investments, at cost	**50,082**	48,547
	58,110	56,575
Quoted market value of listed investments	**11,605**	15,916
Current assets		
Loans to subsidiaries *(Note a)*	**10,127**	8,289
Amounts due from subsidiaries *(Note b)*	**6,999**	4,958
Current liabilities		
Amounts due to subsidiaries *(Note c)*	**21,204**	15,695

(a) The loans to subsidiaries are unsecured, repayable within 1 year, and bear interest at rates ranging from 1.82% to 4.78% (2009: 4.37% to 4.78%) per annum.

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

(c) The amounts due to subsidiaries are unsecured, repayable within 1 year and bear interest at rates ranging from zero to 2.25% (2009: zero to 2.25%) per annum.

(d) Details of the principal subsidiaries as at 31 December 2010 are shown in Note 46(a) to the consolidated financial statements.

11. Investments in jointly controlled entities

	Group	
	2010 RMB million	2009 RMB million
Share of net assets	**899**	800
Less: Provision for impairment	**(42)**	(42)
	857	758

	Company	
	2010 RMB million	2009 RMB million
Investment cost	**104**	104
Less: Provision for impairment	**(42)**	(42)
	62	62

(All amounts in RMB unless otherwise stated)

11. Investments in jointly controlled entities (Continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Beginning of the year	**758**	651	**62**	62
Additions	**72**	113	**—**	—
Acquisition of a subsidiary *(Note 44)*	**2**	—	**—**	—
Disposals	**(5)**	(53)	**—**	—
Share of profit	**38**	55	**—**	—
Dividend distribution	**(8)**	(8)	**—**	—
End of the year	**857**	758	**62**	62

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

	2010	2009
	RMB million	RMB million
Assets:		
Non-current assets	**1,238**	1,082
Current assets	**1,144**	833
	2,382	1,915
Liabilities:		
Non-current liabilities	**(550)**	(526)
Current liabilities	**(933)**	(589)
	(1,483)	(1,115)
Net assets	**899**	800

	Year ended 31 December	
	2010	2009
	RMB million	RMB million
Income	**1,251**	880
Expenses	**(1,200)**	(806)
Profit before income tax	**51**	74
Income tax expense	**(13)**	(19)
Profit after tax	**38**	55

(All amounts in RMB unless otherwise stated)

11. Investments in jointly controlled entities (Continued)

(c) The particulars of the Group's principal jointly controlled entities are set out in Note 46(b).

(d) The Group and the Company act as the guarantors for various external borrowings made by certain jointly controlled entities (refer to details in Note 45). There are no material contingent liabilities of the jointly controlled entities themselves.

12. Investments in associates

	Group	
	2010	2009
	RMB million	RMB million
Share of net assets	**2,831**	2,655
Less: Provision for impairment	**(5)**	(5)
	2,826	2,650

	Company	
	2010	2009
	RMB million	RMB million
Investment cost	**2,004**	2,004
Less: Provision for impairment	**—**	—
	2,004	2,004

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Beginning of the year	**2,650**	3,146	**2,004**	2,004
Additions	**42**	104	**—**	—
Gain on deemed partial disposal of interest in an associate *(Note 29)*	**102**	—	**—**	—
Disposals	**(27)**	(364)	**—**	—
Share of profit	**78**	48	**—**	—
Dividend distribution	**(10)**	(253)	**—**	—
Exchange reserve	**(9)**	(31)	**—**	—
End of the year	**2,826**	2,650	**2,004**	2,004

(All amounts in RMB unless otherwise stated)

12. Investments in associates (Continued)

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

	2010 RMB million	2009 RMB million
Assets:		
Non-current assets	**6,788**	5,579
Current assets	**1,386**	1,230
	8,174	6,809
Liabilities:		
Non-current liabilities	**(3,883)**	(1,963)
Current liabilities	**(1,460)**	(2,191)
	(5,343)	(4,154)
Net assets	**2,831**	2,655

	Year ended 31 December	
	2010 RMB million	2009 RMB million
Income	**2,253**	1,650
Expenses	**(2,148)**	(1,585)
Profit before income tax	**105**	65
Income tax expense	**(27)**	(17)
Profit after tax	**78**	48

(c) The particulars of the Group's principal associates are set out in Note 46(c).

(All amounts in RMB unless otherwise stated)

13. Financial instruments by category

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

Group

	Loans and receivables RMB million	Assets at fair value through profit or loss RMB million	Available for-sale financial assets RMB million	Total RMB million
Assets as per consolidated balance sheet				
31 December 2010				
Available-for-sale financial assets *(Note 14)*	**—**	**—**	**15,402**	**15,402**
Derivative financial instruments *(Note 18)*	**—**	**48**	**—**	**48**
Other financial assets at fair value through profit or loss	**—**	**67**	**—**	**67**
Trade and other receivables excluding prepayments *(Note 15)*	**94,429**	**—**	**—**	**94,429**
Cash and bank balances *(Note 19)*	**—**	**39,545**	**—**	**39,545**
Total	**94,429**	**39,660**	**15,402**	**149,491**
31 December 2009				
Available-for-sale financial assets *(Note 14)*	—	—	17,650	17,650
Derivative financial instruments *(Note 18)*	—	36	—	36
Other financial assets at fair value through profit or loss	—	80	—	80
Trade and other receivables excluding prepayments *(Note 15)*	71,272	—	—	71,272
Cash and bank balances *(Note 19)*	—	34,515	—	34,515
Total	71,272	34,631	17,650	123,553

(All amounts in RMB unless otherwise stated)

13. Financial instruments by category (Continued)

Group

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Liabilities as per consolidated balance sheet			
31 December 2010			
Borrowings (excluding finance lease liabilities) *(Note 24)*	**—**	**79,243**	**79,243**
Finance lease liabilities *(Note 24)*	**—**	**2,086**	**2,086**
Derivative financial instruments *(Note 18)*	**71**	**—**	**71**
Trade and other payables excluding statutory liabilities *(Note 23)*	**—**	**128,977**	**128,977**
Total	**71**	**210,306**	**210,377**
31 December 2009			
Borrowings (excluding finance lease liabilities) *(Note 24)*	—	69,682	69,682
Finance lease liabilities *(Note 24)*	—	1,055	1,055
Derivative financial instruments *(Note 18)*	77	—	77
Trade and other payables excluding statutory liabilities *(Note 23)*	—	102,388	102,388
Total	77	173,125	173,202

Company

	Loans and receivables RMB million	Assets at fair value through profit or loss RMB million	Available for-sale financial assets RMB million	Total RMB million
Assets as per balance sheet				
31 December 2010				
Available-for-sale financial assets *(Note 14)*	**—**	**—**	**8,362**	**8,362**
Trade and other receivables excluding prepayments *(Note 15)*	**7,575**	**—**	**—**	**7,575**
Loans to subsidiaries *(Note 10)*	**10,127**	**—**	**—**	**10,127**
Amounts due from subsidiaries *(Note 10)*	**6,999**	**—**	**—**	**6,999**
Cash and bank balances *(Note 19)*	**—**	**15,301**	**—**	**15,301**
Total	**24,701**	**15,301**	**8,362**	**48,364**
31 December 2009				
Available-for-sale financial assets *(Note 14)*	—	—	10,334	10,334
Derivative financial instruments *(Note 18)*	—	19	—	19
Trade and other receivables excluding prepayments *(Note 15)*	6,299	—	—	6,299
Loans to subsidiaries *(Note 10)*	8,289	—	—	8,289
Amounts due from subsidiaries *(Note 10)*	4,958	—	—	4,958
Cash and bank balances *(Note 19)*	—	14,175	—	14,175
Total	19,546	14,194	10,334	44,074

(All amounts in RMB unless otherwise stated)

13. Financial instruments by category (Continued)

Company

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Liabilities as per balance sheet			
31 December 2010			
Borrowings *(Note 24)*	**—**	**21,461**	**21,461**
Amounts due to subsidiaries *(Note 10)*	**—**	**21,204**	**21,204**
Derivative financial instruments *(Note 18)*	**23**	**—**	**23**
Trade and other payables excluding statutory liabilities *(Note 23)*	**—**	**14,234**	**14,234**
Total	**23**	**56,899**	**56,922**
31 December 2009			
Borrowings *(Note 24)*	—	19,402	19,402
Amounts due to subsidiaries *(Note 10)*	—	15,695	15,695
Derivative financial instruments *(Note 18)*	16	—	16
Trade and other payables excluding statutory liabilities *(Note 23)*	—	13,643	13,643
Total	16	48,740	48,756

14. Available-for-sale financial assets

	Group		Company	
	2010 RMB million	2009 RMB million	**2010 RMB million**	2009 RMB million
Beginning of the year	**17,650**	6,733	**10,334**	3,202
Fair value (losses)/gains	**(3,755)**	10,189	**(2,377)**	7,133
Additions	**1,668**	791	**405**	—
Disposals	**(161)**	(63)	**—**	(1)
End of the year	**15,402**	17,650	**8,362**	10,334

Available-for-sale financial assets include the following:

	Group		Company	
	2010 RMB million	2009 RMB million	**2010 RMB million**	2009 RMB million
Listed equity securities, at fair value *(Note a)*				
— Mainland China	**13,422**	15,948	**8,169**	10,103
— Hong Kong	**361**	422	**168**	174
Unlisted equity investments, at cost *(Note b)*	**1,619**	1,280	**25**	57
Total	**15,402**	17,650	**8,362**	10,334
Market value of listed securities	**13,920**	17,397	**8,348**	11,168

(All amounts in RMB unless otherwise stated)

14. Available-for-sale financial assets (Continued)

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

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

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
RMB	**15,002**	17,188	**8,194**	10,160
HK$	**400**	462	**168**	174
	15,402	17,650	**8,362**	10,334

15. Trade and other receivables

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Trade and bills receivables	**49,306**	40,075	**4,309**	4,660
Less: Provision for impairment	**(2,117)**	(2,640)	**(3)**	(437)
Trade and bills receivables — net	**47,189**	37,435	**4,306**	4,223
Prepayments	**14,171**	13,028	**3,916**	3,563
Retentions	**19,350**	12,073	**2,540**	1,767
Deposits	**10,588**	8,725	**68**	43
Other receivables	**4,162**	3,259	**311**	262
Staff advances	**651**	548	**4**	4
Long-term receivables	**12,489**	9,232	**346**	—
	108,600	84,300	**11,491**	9,862
Less: non-current portion				
— Retentions	**(12,006)**	(6,867)	**(2,037)**	(1,766)
— Deposits	**(680)**	(797)	**—**	—
— Long-term receivables	**(8,914)**	(6,359)	**(346)**	—
— Prepayments for land use rights and equipment	**(576)**	(1,119)	**—**	(4)
	(22,176)	(15,142)	**(2,383)**	(1,770)
Current portion	**86,424**	69,158	**9,108**	8,092

Refer to the Note 45 for receivables due from related parties.

15. Trade and other receivables (Continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Less than 6 months	**39,840**	32,464	**2,152**	4,196
6 months to 1 year	**5,122**	2,691	**2,137**	13
1 year to 2 years	**2,374**	2,695	**18**	16
2 years to 3 years	**1,051**	900	**1**	1
Over 3 years	**919**	1,325	**1**	434
	49,306	40,075	**4,309**	4,660

Majority of the Group's revenues are generated through construction projects 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, new or short-term customers are normally expected to be settled shortly after provision of services or delivery of goods.

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Trade and bills receivables	**47,189**	37,435	**4,306**	4,223
Retentions	**18,783**	12,322	**2,711**	1,787
Deposits	**10,594**	8,725	**68**	43
Other receivables	**4,162**	3,259	**311**	262
Staff advances	**651**	548	**4**	4
Long-term receivables	**12,277**	9,264	**346**	—
	93,656	71,553	**7,746**	6,319

The carrying amounts of the current trade and other receivables approximate their fair value.

The fair values of non-current trade and other receivables are based on projected cash flows discounted using a rate based on current market interest rate ranging from 5.85% to 6.40% per annum as at 31 December 2010 (2009: ranging from 5.40% to 5.94%) available to the Group for similar financial instruments.

(All amounts in RMB unless otherwise stated)

15. Trade and other receivables (Continued)

(c) Retentions receivable represented amounts due from customers upon completion of the free maintenance period of the construction work, which normally last from one to two years. Deposits represented tender and performance bonds due from customers. Long-term receivables represented amounts due from customers for "Build-Transfer" projects and certain construction work with payment periods over one year. As of 31 December 2010, these receivables totalling RMB41,959 million (2009: RMB29,650 million) were neither past due nor impaired, and RMB816 million (2009: RMB678 million) were impaired and a provision of RMB348 million (2009: RMB298 million) was made. These receivables of the Company amounting to RMB2,954 million (2009: RMB1,810 million) was neither past due nor impaired.

(d) As at 31 December 2010, trade receivables amounting to RMB731 million were transferred to certain banks with recourse in exchange for cash (2009: RMB1,197 million). Such transactions did not qualify for derecognition and have been accounted for as secured borrowings (Note 24). In addition, as at 31 December 2010, trade receivables of RMB4,336 million transferred to certain banks were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition (2009: RMB2,698 million).

(e) As at 31 December 2010, bill receivables amounting to RMB358 million, representing bank acceptance notes discounted with certain banks of RMB11 million and endorsed to suppliers of RMB347 million, respectively, were derecognised. The Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition (2009: RMB287 million).

(f) As of 31 December 2010, trade receivables of RMB3,344 million (2009: RMB1,211 million) were neither past due nor impaired. Trade receivables of the Company amounting to RMB2,017 million were neither past due nor impaired as of 31 December 2010 (2009: nil).

(g) As of 31 December 2010, trade receivables of RMB37,957 million (2009: RMB31,434 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2010 RMB million	2009 RMB million	**2010 RMB million**	2009 RMB million
Less than 6 months	**34,377**	29,639	**2,166**	4,185
6 months to 1 year	**2,642**	893	**107**	13
1 year to 2 years	**712**	641	**2**	3
2 years to 3 years	**162**	185	**—**	—
Over 3 years	**64**	76	**—**	—
	37,957	31,434	**2,275**	4,201

(All amounts in RMB unless otherwise stated)

15. Trade and other receivables (Continued)

(h) As of 31 December 2010, trade receivables of RMB8,005 million (2009: RMB7,430 million) were impaired and provided for. The amount of the provision was RMB2,117 million as of 31 December 2010 (2009: RMB2,640 million), of which RMB647 million (2009: RMB583 million) were individually impaired with the provision of RMB587 million (2009: RMB570 million). The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The ageing analysis of these receivables (net of impairment provision) is as follows:

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Less than 6 months	**2,361**	1,764	**—**	9
6 months to 1 year	**1,991**	1,419	**—**	—
1 year to 2 years	**1,085**	1,247	**13**	13
2 years to 3 years	**346**	352	**1**	—
Over 3 years	**105**	8	**—**	—
	5,888	4,790	**14**	22

Included in the individually impaired trade receivables as at 31 December 2009 was an amount of RMB434 million (equivalent of USD63.5 million) relating to overdue receivables from the Iraq Government for certain construction projects in the 1980s ("Iraq Receivables"). Since the Gulf War in 1990, the Iraq Receivables were not settled. The balance has been fully provided for impairment as management considers collectability to be remote. In 2010, the China and the Iraq Governments entered into a bilateral agreement for the settlement of the long overdue receivables, together with interest resulted from delay in payment, owed by the Iraq Government to Chinese enterprises (the "Bilateral Agreement"), under which a portion of the receivables would be repaid by the Iraq Government by 34 semi-annual installments through 2028. On this basis, the provision for impairment in respect of the expected collection of RMB346 million has been reversed and credited to the consolidated income statement for the year ended 31 December 2010. The expected unrecoverable portion has been written off against the related impairment provision.

(All amounts in RMB unless otherwise stated)

15. Trade and other receivables (Continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**2,640**	2,152	**437**	464
Provision for the year	**771**	1,004	**—**	3
Receivables written off during the year as uncollectible	**(195)**	(8)	**(75)**	—
Reversal of impairment of Iraq Receivables (Note h)	**(346)**	—	**(346)**	—
Unused amount released	**(753)**	(508)	**(13)**	(30)
At 31 December	**2,117**	2,640	**3**	437

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

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
RMB	**91,013**	69,097	**7,007**	6,620
US$	**9,432**	9,716	**139**	805
EUR	**1,153**	1,529	**4**	53
JPY	**629**	1,108	**—**	—
United Arab Emirates Dirham	**443**	350	**—**	—
Rupiah	**421**	209	**214**	188
HK$	**383**	556	**—**	—
Other currencies	**5,126**	1,735	**4,127**	2,196
	108,600	84,300	**11,491**	9,862

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

16. Inventories

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Raw materials	**15,454**	14,376	**2**	4
Work in progress	**5,634**	4,116	**—**	131
Finished goods	**385**	343	**—**	—
	21,473	18,835	**2**	135

(All amounts in RMB unless otherwise stated)

17. Contract work-in-progress

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Contract cost incurred plus recognised profit less recognised losses	**709,207**	533,388	**69,420**	55,081
Less: Progress billings	**(679,953)**	(504,112)	**(64,576)**	(50,870)
Contract work-in-progress	**29,254**	29,276	**4,844**	4,211
Representing:				
Amounts due from customers for contract work	**43,458**	41,843	**5,253**	4,457
Amounts due to customers for contract work	**(14,204)**	(12,567)	**(409)**	(246)
	29,254	29,276	**4,844**	4,211

	Year ended 31 December			
	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Contract revenue recognised as revenue in the year	**244,295**	207,002	**16,932**	28,855

18. Derivative financial instruments

Group

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	**RMB million**	RMB million	RMB million
Interest rate swaps — held for trading	**—**	**—**	—	(1)
Forward foreign exchange contracts — held for trading	**48**	**(71)**	36	(76)
Total	**48**	**(71)**	36	(77)

Company

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	**RMB million**	RMB million	RMB million
Forward foreign exchange contracts — held for trading	**—**	**(23)**	19	(16)

(All amounts in RMB unless otherwise stated)

18. Derivative financial instruments (Continued)

(a) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2010 were RMB5,599 million (2009: RMB8,020 million).

(b) Interest rate swaps

The interest rate swap contracts outstanding as at 31 December 2009 have been settled by the Group during the year, and there were no interest swap contracts held by the Group as at 31 December 2010 (2009: the notional principal amounts of the outstanding interest rate swap contracts were RMB182 million).

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

19. Cash and bank balances

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Restricted cash (a)	**719**	698	**3**	3
Cash and cash equivalents (b)	**38,826**	33,817	**15,298**	14,172
	39,545	34,515	**15,301**	14,175

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

(b) Cash and cash equivalents

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Cash on hand	**170**	154	**3**	1
Bank deposits				
— Term deposits with initial term of over three months	**56**	1,078	**—**	5
— Other bank deposits	**38,600**	32,585	**15,295**	14,166
Cash and cash equivalents	**38,826**	33,817	**15,298**	14,172
Maximum exposure to credit risk	**38,826**	33,817	**15,298**	14,172

The weighted average effective interest rate on bank deposits was 1.59% per annum as at 31 December 2010 (2009: 2.76% per annum).

19. Cash and bank balances (Continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
— RMB	**30,106**	27,525	**13,608**	12,303
— US$	**4,905**	3,763	**954**	1,237
— EUR	**876**	700	**516**	368
— HK$	**401**	338	**175**	199
— JPY	**45**	81	**6**	21
— Others	**3,212**	2,108	**42**	47
	39,545	34,515	**15,301**	14,175

(d) As at 31 December 2010, less than 4% of the cash and bank balances denominated in other foreign currencies held by the Group are deposited with banks in countries which have foreign exchange control and are not freely convertible into other currencies or remitted out of those countries (2009: less than 4%).

The Group's cash and bank balances denominated in RMB are deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC Government.

20. Share capital and premium

	2010		2009	
	Number of shares (thousands)	**Nominal value (RMB'000)**	Number of shares (thousands)	Nominal value (RMB'000)
Registered, issued and fully paid				
Domestic shares of RMB1.00 each	**10,397,500**	**10,397,500**	10,397,500	10,397,500
H shares of RMB1.00 each	**4,427,500**	**4,427,500**	4,427,500	4,427,500
As at 31 December	**14,825,000**	**14,825,000**	14,825,000	14,825,000

(a) The Company was incorporated on 8 October 2006, with an initial registered share capital of RMB10,800 million, divided into 10,800,000,000 domestic shares with a nominal value of RMB1.00 each. These shares were issued to CCCG in consideration for the transfer of the principal operations and businesses of CCCG to the Company pursuant to the Reorganisation as referred to in Note 1 to the consolidated financial statements.

The Company's H shares were listed on the Hong Kong Stock Exchange on 15 December 2006 and 4,025,000,000 new H shares with a nominal value of RMB1.00 each were issued at HK$4.6 (equivalent to approximately RMB4.63) each. The Company raised net proceeds of approximately RMB17,878 million (HK$17,772 million) from the issuance of 4,025,000,000 new shares, of which paid-up share capital was RMB4,025 million and share premium was approximately RMB13,853 million.

Upon the issuance of new shares by the Company, 402,500,000 domestic shares (10% of the number of new shares issued) were converted into H shares and transferred to the National Social Security Fund.

As a result, the registered share capital of the Company increased from 10,800,000,000 shares to 14,825,000,000 shares, comprising 10,397,500,000 domestic shares and 4,427,500,000 H shares, representing approximately 70.1% and 29.9% of the registered capital respectively.

The domestic shares rank pari passu, in all material respects, with the H shares. Nonetheless, the transfer of domestic shares is subject to certain restrictions imposed by the PRC law from time to time.

(All amounts in RMB unless otherwise stated)

21. Cash-settled share-based payments

The Group has adopted a cash-settled shared-based payment arrangement, also known as SAR plan (the "Plan"), which was approved by the annual general meeting on 18 June 2010.

The Plan entitles persons who are granted such rights to receive cash payments when the Company's share price rises above the exercise price specified in the Plan in a certain predetermined period, subject to certain terms and conditions of the SAR Plan. Upon exercise of the SAR, the grantee will receive cash payment, subject to any applicable withholding tax, equal to the product of the number of SAR exercised and the difference between the exercise price and market price of H Share at the time of exercise.

The eligible grantees under the SAR Plan include certain directors, senior management officers of the Company and other personnel determined by the board of directors of Company. The total amount of the SAR granted under the Plan shall not exceed 10% of the total share capital of the Company, and the SAR granted to any eligible participants in any 12 months period shall not exceed 1% of the total issued share capital. The exercise period of all SAR commences after a vesting period and ends on a date which is not later than 5 years from the date of grant of the SAR. A person granted SAR may not exercise his or her rights in the first year after the date of grant. As of each of the last day of the second, third and fourth anniversary of the date of grant, the total number of SAR exercisable in a particular year shall not exceed one-third of the total number of SAR granted to the respective eligible participants.

Movements in the number of SAR granted by the Company during the year ended 31 December 2010 are set out as follows:

	For the year ended 31 December 2010 Number of units of SAR					
Category	**Exercise price**	**Outstanding as at 1 January 2010**	**Granted during the year**	**Exercised during the year**	**Expired during the year**	**Outstanding as at 31 December 2010**
Directors and key management of the Company	HK$7.43	—	18,999,310	—	—	18,999,310
Management of subsidiaries of the Company	HK$7.43	—	43,834,373	—	—	43,834,373
At 31 December		—	62,833,683	—	—	62,833,683

The fair values of SAR as at 31 December 2010 as determined using the binomial valuation model ranged from RMB1.5890 per unit to RMB2.1615 per unit. The significant inputs into the model were spot price of HK$6.80 (equivalent to approximately RMB5.79) as at 31 December 2010, vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and early exercise factor. The expected volatility of 50% is estimated based on past H Shares share prices of the Company at year end.

The amount, that was recognised in the consolidated income statement and included in staff costs for the year in relation to the above SAR transactions, was RMB14 million (2009: nil).

As at 31 December 2010, the total carrying amount of the liabilities arising from SAR transactions included in other payables in the consolidated balance sheet amounted to RMB14 million (2009: nil) and there were no exercisable SARs (2009: nil).

As at 31 December 2010, the weighted average remaining contractual life was 5 years (2009: nil).

22. Other reserves

Group

	Capital Reserve *(Note a)* RMB million	Statutory Surplus Reserve RMB million	Investment Revaluation Reserve RMB million	Hedging Reserve RMB million	Safety Reserve RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million
At 1 January 2009	(3,061)	317	3,666	5	259	8	11,299	12,493
Profit for the year	—	—	—	—	—	—	7,200	7,200
Currency translation differences	—	—	—	—	—	75	—	75
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	7,659	—	—	—	—	7,659
Fair value revaluation reserve transferred to income statement, net of deferred tax	—	—	(16)	—	—	—	—	(16)
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries	(12)	—	—	—	—	—	(5)	(17)
Cash flow hedges reserve transferred to income statement, net of deferred tax	—	—	—	(5)	—	—	—	(5)
2008 final dividend	—	—	—	—	—	—	(1,453)	(1,453)
Transfer to statutory surplus reserve *(Note b)*	—	178	—	—	—	—	(178)	—
Appropriations to safety reserve *(Note c)*	—	—	—	—	298	—	(298)	—
At 31 December 2009	(3,073)	495	11,309	—	557	83	16,565	25,936

	Capital Reserve *(Note a)* **RMB million**	**Statutory Surplus Reserve RMB million**	**Investment Revaluation Reserve RMB million**	**Safety Reserve RMB million**	**Exchange Reserve RMB million**	**Retained Earnings RMB million**	**Total RMB million**
At 1 January 2010	**(3,073)**	**495**	**11,309**	**557**	**83**	**16,565**	**25,936**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**9,863**	**9,863**
Currency translation difference	**—**	**—**	**—**	**—**	**(27)**	**—**	**(27)**
Changes in fair value of available-for-sale financial assets, net of deferred tax	**—**	**—**	**(2,301)**	**—**	**—**	**—**	**(2,301)**
Fair value revaluation reserve transferred to income statement, net of deferred tax	**—**	**—**	**(286)**	**—**	**—**	**—**	**(286)**
Transaction with non-controlling interests resulting from acquisition of equity interests in certain subsidiaries	**3**	**(4)**	**—**	**—**	**—**	**—**	**(1)**
2009 final dividend	**—**	**—**	**—**	**—**	**—**	**(1,720)**	**(1,720)**
Transfer to statutory surplus reserve *(Note b)*	**—**	**269**	**—**	**—**	**—**	**(269)**	**—**
Appropriations to safety reserve *(Note c)*	**—**	**—**	**—**	**184**	**—**	**(184)**	**—**
At 31 December 2010	**(3,070)**	**760**	**8,722**	**741**	**56**	**24,255**	**31,464**

(All amounts in RMB unless otherwise stated)

22. Other reserves (Continued)

Company

	Capital Reserve RMB million	Statutory Surplus Reserve RMB million	Investment Revaluation Reserve RMB million	Safety Reserve RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million
At 1 January 2009	21,172	317	1,981	6	—	1,564	25,040
Profit for the year	—	—	—	—	—	1,797	1,797
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	5,349	—	—	—	5,349
Currency translation differences	—	—	—	—	(1)	—	(1)
2008 final dividend	—	—	—	—	—	(1,453)	(1,453)
Transfer to statutory surplus reserve *(Note b)*	—	178	—	—	—	(178)	—
At 31 December 2009	21,172	495	7,330	6	(1)	1,730	30,732
At 1 January 2010	**21,172**	**495**	**7,330**	**6**	**(1)**	**1,730**	**30,732**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**2,679**	**2,679**
Changes in fair value of available-for-sale financial assets, net of deferred tax	**—**	**—**	**(1,783)**	**—**	**—**	**—**	**(1,783)**
Currency translation differences	**—**	**—**	**—**	**—**	**1**	**—**	**1**
2009 final dividend	**—**	**—**	**—**	**—**	**—**	**(1,720)**	**(1,720)**
Transfer to statutory surplus reserve *(Note b)*	**—**	**269**	**—**	**—**	**—**	**(269)**	**—**
At 31 December 2010	**21,172**	**764**	**5,547**	**6**	**—**	**2,420**	**29,909**

22. Other reserves (Continued)

(a) Capital reserve

Capital reserve primarily arose upon incorporation of the Company on 8 October 2006 when the Company took over the assets and liabilities relating to the principal operations and businesses (the "Core Operations") of CCCG. The net value of the Core Operations transferred to the Company from CCCG was converted into the Company's share capital of RMB10,800,000,000 of RMB1.00 each with the then existing reserves eliminated and the resulting difference dealt with in the capital reserve of the Group.

(b) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2010, the Board of Directors proposed appropriation of 10% of profit after tax as determined under the PRC GAAP, of RMB269 million (2009: RMB178 million) to the statutory surplus reserve.

(c) Safety reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount to a safety reserve from construction contracts signed after 2007 at the rate ranging from 1% to 2% of the total construction contract revenue recognised for the year. The reserve can be utilised for improvements of safety on the construction work, and the amounts utilised are charged to the consolidated income statement as incurred. Appropriations to safety reserve represent the amounts so set aside net of the amounts utilised during the year.

(All amounts in RMB unless otherwise stated)

23. Trade and other payables

	Group		Company	
	2010 RMB million	2009 RMB million	**2010 RMB million**	2009 RMB million
Trade and bills payables	**78,570**	58,898	**5,960**	6,073
Advances from customers	**38,955**	34,623	**5,509**	5,294
Deposits from suppliers	**7,288**	5,088	**2,568**	1,735
Other taxes	**3,821**	3,035	**263**	297
Social security	**756**	760	**10**	7
Accrued expenses	**405**	313	**—**	—
Accrued payroll	**185**	474	**16**	3
Share appreciation rights *(Note 21)*	**14**	—	**—**	—
Other payables	**3,560**	2,992	**181**	538
	133,554	106,183	**14,507**	13,947
Less: non-current portion				
— Deposits from suppliers	**(1,929)**	(1,166)	**(116)**	(27)
Current portion	**131,625**	105,017	**14,391**	13,920

Refer to Note 45 for payables due to related parties.

At 31 December 2010 and 2009, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading nature) was as follows:

	Group		Company	
	2010 RMB million	2009 RMB million	**2010 RMB million**	2009 RMB million
Within 1 year	**74,455**	55,620	**5,820**	5,836
1 year to 2 years	**3,159**	2,607	**59**	174
2 years to 3 years	**710**	451	**63**	54
Over 3 years	**246**	220	**18**	9
	78,570	58,898	**5,960**	6,073

The carrying amount of trade and other payables are denominated in the following currencies:

	Group		Company	
	2010 RMB million	2009 RMB million	**2010 RMB million**	2009 RMB million
RMB	**106,535**	87,718	**11,843**	8,885
US$	**18,070**	11,489	**209**	1,829
EUR	**1,613**	1,986	**1,307**	1,454
HK$	**847**	613	**—**	2
Other currencies	**6,489**	4,377	**1,148**	1,777
	133,554	106,183	**14,507**	13,947

Other currencies mainly consists of Libyan Dinar, JPY, Malaysian Ringgit and Central African Finan-Coop Franc.

24. Borrowings

	Note	Group 2010 RMB million	Group 2009 RMB million	Company 2010 RMB million	Company 2009 RMB million
Non-current					
Long-term bank borrowings					
— secured	*(a)*	**15,639**	9,617	**—**	—
— unsecured	*(b)*	**8,950**	6,789	**477**	592
		24,589	16,406	**477**	592
Other borrowings					
— secured	*(a)*	**400**	400	**—**	—
Corporate bonds	*(c)*	**9,922**	9,913	**9,922**	9,913
Medium term notes	*(d)*	**2,179**	7,172	**—**	5,000
Finance lease liabilities	*(m)*	**1,479**	803	**—**	—
Total non-current borrowings		**38,569**	34,694	**10,399**	15,505
Current					
Current portion of long-term bank borrowings					
— secured	*(a)*	**2,333**	1,583	**—**	—
— unsecured	*(b)*	**2,343**	4,148	**126**	127
		4,676	5,731	**126**	127
Short-term bank borrowings					
— secured	*(a)*	**12,699**	11,777	**—**	—
— unsecured		**15,593**	12,583	**1,917**	2,237
		28,292	24,360	**1,917**	2,237
Other borrowings					
— unsecured	*(f)*	**1,241**	1,176	**1,141**	1,176
Corporate bonds	*(c)*	**187**	187	**187**	187
Medium term notes	*(d)*	**5,236**	236	**5,170**	170
Debentures	*(e)*	**2,521**	4,101	**2,521**	—
Finance lease liabilities	*(m)*	**607**	252	**—**	—
Total current borrowings		**42,760**	36,043	**11,062**	3,897
Total borrowings		**81,329**	70,737	**21,461**	19,402

(a) As at 31 December 2010 and 2009, these borrowings were secured by the Group's property, plant and equipment (Note 6), concession assets (Note 9), trade receivables and receivables to be recognised in the future according to sales and construction contracts (Note 15), and guarantees provided by certain subsidiaries of the Group (Note 42).

(All amounts in RMB unless otherwise stated)

24. Borrowings (Continued)

(b) Unsecured long-term bank borrowings included loans of approximately RMB372 million (equivalent of JPY4,572 million) (2009: RMB397million, equivalent of JPY5,376 million) payable to the Export-Import Bank of China ("EIBOC") at 31 December 2010. Prior to the incorporation of the Company on 8 October 2006, these loans were used by the predecessor operations of CCCG to finance the acquisition of machinery. Such loans were originally borrowed from Ministry of Foreign Trade and Economic Cooperation ("MOFTEC") via EIBOC, which in turn borrowed such loans from the Japanese Government. All these loans were denominated in Japanese Yen, bore interest at rates ranging from 2.5% to 3.5% per annum, repayable semi-annually by equal installments up to 2019, and were stated at amortised cost.

In July 2006, the Group signed a revised loan agreement with EIBOC in which the overdue part of the loans were interest free and repayable semi-annually by equal installments over 3 years from January 2007. The Group has not been demanded to pay any penalty arising from the non-settlement in the past. As of 31 December 2010, all the overdue part has been paid off.

(c) As approved by China Securities Regulatory Commission document [2009] No. 761, the Company issued domestic corporate bonds with an aggregate principal amount of RMB10 billion in August 2009. The corporate bonds are guaranteed by CCCG. RMB2,100 million of such bonds was issued with a maturity of five years from issuance and bears interest at a rate of 4.7% per annum, and RMB7,900 million with a maturity of ten years and bears interest at a rate of 5.2% per annum. The Company raised totally net proceeds of RMB9,910 million from the issuance.

The corporate bonds are stated at amortised cost. Interest is payable once a year. Accrued interest is included in current borrowings.

(d) The Group issued the following medium term notes as approved by National Association of Financial Market Institutional Investors of the PRC:

— two tranches of medium term notes issued in April 2008 and June 2008, with a total nominal value of RMB5,000 million, and with maturities of three years. The interest rate for both tranches of the medium term notes is 5.3% per annum;

— medium term notes at a nominal value of RMB2,200 million issued in April 2009, with a maturity of five years. RMB1,800 million of such notes bears interest at a rate of 4.1% per annum, and the remaining RMB400 million bears interest at 4.0% per annum.

The medium term notes are stated at amortised cost. Interest is payable once a year. Accrued interest is included in current borrowings.

(e) As approved by the People's Bank of China, the Group issued debentures in November 2009 with a maturity of one year from issuance, bearing interest at a rate of 3.14% per annum. The debentures with a principal of RMB4,100 million were issued at a discount of RMB16 million. The debentures were stated at amortised cost. Such debentures have been fully paid off in 2010.

As approved by the People's Bank of China, the Group issued debentures in September 2010 with a maturity of one year from issuance, bearing interest at a rate of 2.97% per annum. The debentures were issued at a principal of RMB2,500 million and were stated at amortised cost.

24. Borrowings (Continued)

(f) Other current borrowings as at 31 December 2010 included loans of approximately RMB1,141 million (2009: RMB1,176 million) payable to China Orient Assets Management Corporation ("COAMC") (the "Iraq Loans"). Prior to the incorporation of the Company on 8 October 2006, these loans were borrowed by the predecessor operations of CCCG from Bank of China to finance certain construction projects in Iraq in the 1980s. Since the Gulf War in 1990, because the Iraq Government did not settle the outstanding receivables for the related construction projects, the Group has not repaid any principal or interest according to the original loan agreements. According to regulations issued by the General Office of State Council of the PRC in 1997, the Group was not demanded to pay outstanding principal, interest and penalties resulting from the non-settlement. In 2000, Bank of China transferred the Iraq Loans to COAMC.

In 2010, the China and the Iraq Governments entered into the Bilateral Agreement for the Iraq Government to settle overdue amounts owed to Chinese enterprises (see Note 15(h)). In response to the Bilateral Agreement, in November 2010, the Ministry of Finance of the PRC issued a guideline relating to the settlement of the Iraq Loans (the "Guideline"). As set out in the Guideline, 80% of the Iraq Loans balance (principal and accrued interest) as at 31 December 2004 would be waived, and the remaining balance together with interest would have to be settled. As at 31 December 2010, the Group was in discussion with COAMC for the settlement arrangements. As the Group has not entered into definite agreement with COAMC for the terms of settlement, accordingly the Group has not recognised any potential gain in respect of waiver of part of the outstanding Iraq Loans as at 31 December 2010.

(g) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Total borrowings				
— 6 months or less	**53,619**	17,429	**9,608**	—
— 6 - 12 months	**12,248**	19,851	**1,141**	3,414
— 1 - 5 years	**7,036**	17,618	**2,317**	7,613
— Over 5 years	**8,426**	15,839	**8,395**	8,375
	81,329	70,737	**21,461**	19,402

(h) The maturities of the Group's total borrowings are set out as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Total borrowings				
— Within 1 year	**42,760**	36,043	**11,062**	3,897
— Between 1 and 2 years	**6,561**	8,379	**123**	123
— Between 2 and 5 years	**12,308**	11,338	**2,381**	7,451
Wholly repayable within 5 years	**61,629**	55,760	**13,566**	11,471
— Over 5 years	**19,700**	14,977	**7,895**	7,931
	81,329	70,737	**21,461**	19,402

(All amounts in RMB unless otherwise stated)

24. Borrowings (Continued)

(i) The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Total borrowings				
— RMB	**64,061**	50,691	**19,300**	16,769
— US$	**15,706**	16,415	**1,558**	1,914
— EUR	**153**	2,881	**231**	322
— JPY	**541**	524	**372**	397
— HK$	**864**	226	**—**	—
— Others	**4**	—	**—**	—
	81,329	70,737	**21,461**	19,402

(j) The weighted average effective interest rates (per annum) of borrowings, excluding corporate bonds, medium term notes, debentures and finance lease liabilities which are all denominated in RMB, at the balance sheet date are set out as follows:

	Group		Company	
	2010	2009	**2010**	2009
Bank borrowings				
— RMB	**4.95%**	4.85%	**4.78%**	4.25%
— US$	**2.22%**	1.41%	**1.82%**	1.82%
— EUR	**3.79%**	3.04%	**5.63%**	5.63%
— JPY	**2.32%**	2.51%	**2.51%**	2.51%
— HK$	**1.88%**	3.31%	**—**	—
— Others	**2.46%**	—	**—**	—
Other borrowings				
— RMB	**5.00%**	5.00%	**—**	—
— US$	**7.00%**	7.00%	**7.00%**	7.00%

(k) The carrying amounts of current portion of long-term borrowings and short-term borrowings approximate their fair values.

The carrying amount and fair value of the non-current borrowings are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Carrying amount	**38,569**	34,694	**10,399**	15,505
Fair value	**34,961**	33,967	**9,744**	15,090

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

(All amounts in RMB unless otherwise stated)

24. Borrowings (Continued)

(l) The Group has the following undrawn borrowing facilities:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Floating rate				
— Expiring within one year	**76,570**	42,108	**17,624**	12,687
— Expiring beyond one year	**63,581**	118,728	**22,939**	24,077
	140,151	160,836	**40,563**	36,764

(m) Finance lease liabilities:

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2010	2009
	RMB million	RMB million
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**705**	310
Later than 1 year and no later than 5 years	**1,528**	880
Later than 5 years	**71**	—
	2,304	1,190
Future finance charges on finance leases	**(218)**	(135)
Present value of finance lease liabilities	**2,086**	1,055
The present value of finance lease liabilities is as follows:		
No later than 1 year	**607**	252
Later than 1 year and no later than 5 years	**1,410**	803
Later than 5 years	**69**	—
	2,086	1,055

(All amounts in RMB unless otherwise stated)

25. Deferred income tax

(a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Deferred tax assets:				
— Deferred tax assets to be recovered after more than 12 months	**1,891**	1,583	**146**	141
— Deferred tax assets to be recovered within 12 months	**330**	361	**—**	—
	2,221	1,944	**146**	141
Deferred tax liabilities:				
— Deferred tax liabilities to be settled after more than 12 months	**(2,355)**	(3,414)	**(1,857)**	(2,460)
— Deferred tax liabilities to be settled within 12 months	**(7)**	(6)	**—**	—
	(2,362)	(3,420)	**(1,857)**	(2,460)
Deferred tax liabilities (net)	**(141)**	(1,476)	**(1,711)**	(2,319)

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Beginning of the year	**(1,476)**	928	**(2,319)**	(507)
Recognised in the income statement *(Note 35)*	**151**	138	**14**	(28)
Acquisition of a subsidiary *(Note 44)*	**(65)**	—	**—**	—
Recognised in equity	**1,249**	(2,542)	**594**	(1,784)
End of the year	**(141)**	(1,476)	**(1,711)**	(2,319)

(All amounts in RMB unless otherwise stated)

25. Deferred income tax (Continued)

(b) The movement in deferred tax assets and liabilities during the year, without taking into account the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax Liabilities

	Group		
	Available-for-sale financial assets RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2009	(1,204)	(281)	(1,485)
Credited to the income statement	—	96	96
(Charged)/credited directly to equity	(2,562)	2	(2,560)
At 31 December 2009	**(3,766)**	**(183)**	**(3,949)**
Charged to the income statement	**—**	**(74)**	**(74)**
Credited directly to equity	**1,240**	**—**	**1,240**
Acquisition of a subsidiary *(Note 44)*	**—**	**(65)**	**(65)**
At 31 December 2010	**(2,526)**	**(322)**	**(2,848)**

	Company		
	Available-for-sale financial assets RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2009	(654)	(27)	(681)
Credited to the income statement	—	5	5
Charged directly to equity	(1,784)	—	(1,784)
At 31 December 2009	**(2,438)**	**(22)**	**(2,460)**
Credited to the income statement	**—**	**9**	**9**
Credited directly to equity	**594**	**—**	**594**
At 31 December 2010	**(1,844)**	**(13)**	**(1,857)**

(All amounts in RMB unless otherwise stated)

25. Deferred income tax (Continued)

(b) (Continued)

Deferred Tax Assets:

	Group						
	Provision for impairment of assets RMB million	Depreciation and amortisation RMB million	Provision for foreseeable contract losses RMB million	Provision for employee benefits RMB million	Tax losses RMB million	Others RMB million	Total RMB million
At 1 January 2009	386	869	59	708	79	312	2,413
Credited/(charged) to the income statement	90	(96)	(7)	(116)	44	127	42
Credited to equity	—	—	—	—	—	18	18
At 31 December 2009	**476**	**773**	**52**	**592**	**123**	**457**	**2,473**
Credited/(charged) to the income statement	**30**	**(112)**	**74**	**(101)**	**182**	**152**	**225**
Credited to equity	**—**	**—**	**—**	**—**	**—**	**9**	**9**
At 31 December 2010	**506**	**661**	**126**	**491**	**305**	**618**	**2,707**

	Company				
	Provision for impairment of assets RMB million	Depreciation and amortisation RMB million	Provision for employee benefits RMB million	Others RMB million	Total RMB million
At 1 January 2009	18	1	44	111	174
Charged to the income statement	—	—	(20)	(13)	(33)
At 31 December 2009	**18**	**1**	**24**	**98**	**141**
(Charged)/credited to the income statement	**(4)**	**(1)**	**(2)**	**12**	**5**
At 31 December 2010	**14**	**—**	**22**	**110**	**146**

25. Deferred income tax (Continued)

(c) As at 31 December 2010, the Group did not recognise deferred tax assets in relation to the Group's subsidiaries amounting to RMB147 million (2009: RMB147 million) because it is probable that the temporary difference will not reverse in the foreseeable future. These amounts mainly comprised:

(i) Deemed disposal of the Group's share in net assets of Shanghai Zhenhua Heavy Industry Co., Ltd. ("ZPMC") arising from the issuance of shares by ZPMC in connection with its initial public offering on the Shanghai Stock Exchange during the year ended 31 December 1997 and the subsequent changes in its equity interest therein. During the years ended 31 December 2000 and 2004, ZPMC issued additional shares and as a result, the Group's interest in ZPMC was decreased to 50.3% as at 31 December 2005. In addition, pursuant to the share reform scheme undertaken by ZPMC, the Group's interest in ZPMC was decreased to 43.3% as at 31 December 2006. Moreover, ZPMC issued additional shares in the year ended 31 December 2007 and the Group subscribed for the shares in proportion to retain the Group's interest in ZPMC at 43.3% as at 31 December 2007. In 2008, ZPMC acquired all the equity interests in two subsidiaries, namely Shanghai Port Machinery Plant Co., Ltd. And Shanghai Jiangtian Industrial Co., Ltd., from the Company. The Group's interest in ZPMC has been increased from 43.3% to 46.1%; and

(ii) Deemed disposal of the Group's share in net assets of Road and Bridge International Co., Ltd. ("CRBCI") arising from the issuance of shares by CRBCI in connection with its initial public offering on the Shanghai Stock Exchange during the year ended 31 December 2000. In addition, pursuant to the share reform scheme undertaken by CRBCI, the Group's interest in CRBCI was decreased to 64.1% as at 31 December 2006. The Group disposed of a 2.67% equity interest in CRBCI to third party non-controlling shareholders during the year ended 31 December 2007 and the Group's interest in CRBCI has been decreased to 61.4% thereafter.

(d) In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of RMB501 million (2009: RMB251 million) in respect of tax losses amounting to RMB2,003 million (2009: RMB1,004 million) as at 31 December 2010 as management believes it is more likely than not that such tax losses would not be utilised before they expire.

As at 31 December 2010, the tax losses with no deferred tax assets recognised carried forward are as follows:

	2010 **RMB million**	2009 RMB million
Year of expiry of tax losses		
2011	**—**	—
2012	**13**	14
2013	**15**	50
2014	**908**	940
2015	**1,067**	—
	2,003	1,004

(All amounts in RMB unless otherwise stated)

26. Early retirement and supplemental benefit obligations

The Group paid supplementary pension subsidies and medical benefits to its retired employees in Mainland China who retired prior to 1 January 2006. In addition, the Group has committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 1 January 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in Mainland China who retired on or after 1 January 2006.

The amount of early retirement and supplemental benefit obligations recognised in the balance sheet are determined as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Present value of defined benefits obligations	**2,432**	2,513	**45**	56
Unrecognised actuarial (losses)/gains	**(34)**	144	**4**	1
Liability on the balance sheet	**2,398**	2,657	**49**	57
Less: current portion	**(214)**	(197)	**(7)**	(5)
	2,184	2,460	**42**	52

The movement of early retirement and supplemental benefit obligations in the balance sheet is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
At beginning of the year	**2,657**	3,053	**57**	59
During the year				
— Payment	**(283)**	(320)	**(7)**	(4)
— Interest cost	**110**	110	**4**	2
— Actuarial losses/(gains)	**23**	(186)	**(5)**	—
— Effect of settlement	**(109)**	—	**—**	—
At the end of the year	**2,398**	2,657	**49**	57

The above obligations were determined based on actuarial valuation performed by an independent actuary, Towers Watson, Hong Kong, using the projected unit credit method, and the following data:

(a) Discount rates adopted (per annum):

	2010	2009
	4.00%	3.75%

(All amounts in RMB unless otherwise stated)

26. Early retirement and supplemental benefit obligations (Continued)

(b) Early-retirees' salary and supplementary benefits inflation rate: 10% (2009: 4.5%);

(c) Medical cost trend rate: 4%-8% (2009: 4%-8%);

(d) Mortality: Average life expectancy of residents in the PRC;

(e) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

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

	2010 RMB million	2009 RMB million
Interest cost	**110**	110
Actuarial losses/(gains)	**23**	(186)
Effect of settlement	**(109)**	—
Total, included in staff costs *(Note 32)*	**24**	(76)

Total charge was included in administrative expenses.

27. Provisions for other liabilities and charges

Group

	Guarantee RMB million	**Pending Lawsuits** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2009	40	50	—	90
Charged to the income statement:				
— Additional provisions	—	2	17	19
Utilised/reversed during the year	—	(4)	—	(4)
At 31 December 2009	**40**	**48**	**17**	**105**
Charged to the income statement:				
— Additional provisions	**—**	**47**	**7**	**54**
Utilised/reversed during the year	**—**	**(4)**	**(4)**	**(8)**
At 31 December 2010	**40**	**91**	**20**	**151**

Company

	Guarantee RMB million	**Pending Lawsuits** RMB million	**Others** RMB million	**Total** RMB million
At 31 December 2009 and 2010	40	—	—	40

(All amounts in RMB unless otherwise stated)

28. Other income

	2010 RMB million	2009 RMB million
Rental income	**334**	365
Income from sale of materials	**349**	839
Dividend income on available-for-sale financial assets		
— Listed equity securities	**253**	68
— Unlisted equity investments	**64**	61
Government grants	**169**	276
Others	**655**	510
	1,824	2,119

29. Other gains — net

	2010 RMB million	2009 RMB million
Gain on disposal of property, plant and equipment	**192**	140
Gain on disposal of lease prepayments	**72**	13
Gain on disposal of other financial assets at fair value through profit or loss	**5**	6
Fair value (losses)/gains from other financial assets at fair value through profit or loss	**(10)**	32
Gains/(losses) on derivative financial instruments *(Note 18)*:		
— Foreign exchange forward contracts	**40**	(24)
— Interest rate swap	**—**	9
Gain on disposal of available-for-sale financial assets	**387**	47
Gain on deemed partial disposal of interest in an associate *(Note 12)*	**102**	—
Transfer of cash flow hedge reserve	**—**	13
Net foreign exchange (losses)/gains *(Note 36)*	**(348)**	144
Net gains/(losses) on disposal of subsidiaries, jointly controlled entities and associates	**87**	(81)
	527	299

(All amounts in RMB unless otherwise stated)

30. Other expenses

	2010 RMB million	2009 RMB million
Rental expenses	**261**	240
Cost of sale of materials	**349**	838
Others	**404**	357
	1,014	1,435

31. Expenses by nature

	2010 RMB million	2009 RMB million
Raw materials and consumables used	**99,051**	89,906
Subcontracting costs	**72,468**	59,806
Employee benefits *(Note 32)*	**20,043**	15,504
Rentals	**19,438**	12,495
Business tax and other transaction taxes	**7,379**	5,944
Fuel	**5,860**	4,328
Transportation costs	**5,826**	3,630
Depreciation of property, plant and equipment and investment properties *(Note 6, 8)*	**5,248**	4,416
Cost of goods sold	**2,086**	2,106
Travel	**1,886**	1,431
Research and development costs	**1,575**	1,737
Repair and maintenance expenses	**1,530**	1,620
Utilities	**1,130**	787
Provision for foreseeable losses on construction contracts	**544**	296
Insurance	**503**	382
Amortisation of lease prepayments *(Note 7)*	**93**	87
Amortisation of intangible assets *(Note 9)*	**110**	41
Write-down of inventories	**76**	11
Auditors' remuneration	**38**	38
Advertising	**56**	39
(Reversal of)/provision for impairment of trade and other receivables	**(404)**	614
Other expenses	**15,410**	10,161
Total cost of sales, selling and marketing expenses and administrative expenses	**259,946**	215,379

(All amounts in RMB unless otherwise stated)

32. Employee benefit expense

	2010 RMB million	2009 RMB million
Salaries, wages and bonuses	**13,734**	10,539
Contributions to pension plans *(Note a)*	**1,724**	1,590
Early retirement and supplemental pension benefits *(Note 26)*	**24**	(76)
Housing benefits *(Note c)*	**872**	638
Share appreciation rights *(Note 21)*	**14**	—
Welfare, medical and other expenses	**3,675**	2,813
	20,043	15,504

(a) The employees of the subsidiaries in the Mainland China participate in various retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China under which the Group is required to make monthly contributions to these plans at rates ranging from 12% to 30% (2009: 12% to 30%), depending on the applicable local regulations, of the employees' basic salary for the year.

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

(b) Certain employees of the Group retired early in the past. Early retirement benefits are recognised in the consolidated income statement in the year in which the Group entered into an agreement specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. These specific terms vary among the early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplementary pension subsidies to retired employees who retired prior to 1 January 2006. The costs of providing these pension subsidies are charged to the consolidated income statement so as to spread the service cost over the average service lives of the retirees. Employees who retire after 1 January 2006 are no longer entitled to such pension subsidies.

(c) These represent contributions to the government-sponsored housing funds in Mainland China, at rates ranging from 5% to 25% of the employees' basic salary.

33. Interest income

	2010 RMB million	2009 RMB million
Interest income:		
— Bank deposits	**242**	259
— Unwinding of discount of long-term receivables	**412**	344
Others	**54**	57
	708	660

(All amounts in RMB unless otherwise stated)

34. Finance costs, net

	2010 **RMB million**	2009 RMB million
Interest expense incurred	**3,038**	2,882
Less: Capitalised interest expense	**(856)**	(559)
Net interest expense	**2,182**	2,323
Representing:		
— Bank borrowings	**1,066**	1,655
— Other borrowings	**94**	116
— Corporate bonds	**518**	190
— Medium term notes	**340**	338
— Debentures	**98**	20
— Finance lease liabilities	**66**	4
	2,182	2,323
Net foreign exchange (gains)/losses on borrowings *(Note 36)*	**(627)**	5
Others	**941**	645
	2,496	2,973

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 RMB856 million (2009: RMB559 million) were capitalised in 2010, of which approximately RMB381 million (2009: RMB234 million) is charged to contract work-in-progress, approximately RMB241 million (2009: RMB86 million) is included in cost of concession assets, and approximately RMB234 million (2009: RMB239 million) is included in cost of property, plant and equipment as at 31 December 2010. A capitalisation rate of 4.99% (2009: 4.51%) was used, representing the borrowing costs of the borrowings used to finance the qualifying assets.

35. Taxation

(a) Income tax expense

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

Most of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (2009: 25%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for a few subsidiaries of the Company, which were exempted from tax or taxed at preferential rates of 7.5% to 22% (2009: 7.5% to 20%).

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

(All amounts in RMB unless otherwise stated)

35. Taxation (Continued)

(a) Income tax expense (Continued)

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

	2010 RMB million	2009 RMB million
Current income tax		
— PRC enterprise income tax	**2,582**	2,162
— Others	**121**	286
	2,703	2,448
Deferred income tax *(Note 25)*	**(151)**	(138)
Income tax expense	**2,552**	2,310

The difference between the actual income tax expense in the consolidated income statement and the amounts which would result from applying enacted tax rate to profit before income tax can be reconciled as follows:

	2010 RMB million	2009 RMB million
Profit before income tax	**12,453**	10,314
Less: Share of profits of jointly controlled entities and associates	**116**	103
	12,337	10,211
Tax calculated at PRC statutory tax rate of 25% (2009: 25%)	**3,084**	2,553
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(424)**	(263)
Income not subject to tax	**(463)**	(348)
Expenses not deductible for tax purposes	**93**	119
Utilisation of previously unrecognised tax losses	**(5)**	(30)
Tax losses for which no deferred income tax asset was recognised	**267**	279
Income tax expense	**2,552**	2,310

35. Taxation (Continued)

(a) Income tax expense (Continued)

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2010			2009		
	Before tax RMB million	**Tax credit RMB million**	**After tax RMB million**	Before tax RMB million	Tax (charge)/ credit RMB million	After tax RMB million
Fair value (losses)/gains:						
— Available-for-sale financial assets	**(3,755)**	**1,249**	**(2,506)**	10,189	(2,544)	7,645
Cash flow hedges	**—**	**—**	**—**	(13)	2	(11)
Currency translation differences	**(39)**	**—**	**(39)**	97	—	97
Other comprehensive (expenses)/income	**(3,794)**	**1,249**	**(2,545)**	10,273	(2,542)	7,731

(b) Business tax ("BT") and related taxes

Certain revenue of the Group are subject to BT at rates ranging from 3% to 5% of the service fee income received and receivable. In addition, the Group is subject to city construction tax ("CCT") and educational surcharge ("ES") based on 1% to 7% and 3% of BT payable, respectively.

(c) Value-added tax ("VAT") and related taxes

Certain revenue of the Group are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. Certain products of the subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The subsidiaries are also subject to CCT and ES based on 1% to 7% and 3% of net VAT payable, respectively.

36. Net foreign exchange gains

The exchange differences credited/(charged) to the consolidated income statement are included as follows:

	2010 RMB million	2009 RMB million
Finance costs *(Note 34)*	**627**	(5)
Other gains — *net (Note 29)*	**(348)**	144
	279	139

(All amounts in RMB unless otherwise stated)

37. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB2,679 million (2009: RMB1,797 million).

38. Earnings per share

(a) Basic

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

	2010	2009
Profit attributable to equity holders of the Company (RMB million)	**9,863**	7,200
Weighted average number of ordinary shares in issue (million)	**14,825**	14,825
Basic earnings per share (RMB per share)	**0.67**	0.49

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2010 and 2009.

39. Dividends

	2010 RMB million	2009 RMB million
Final, proposed, of RMB0.16 per ordinary share (2009: RMB0.116)	**2,372**	1,720

At the board meeting held on 9 March 2011, the Directors recommended the payment of a final dividend of RMB0.16 per ordinary share, totalling approximately RMB2,372 million. Such dividend is to be approved by the shareholders at the Extraordinary General Meeting to be held on 25 March 2011. This recommended dividend has not been reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

40. Directors', supervisors' and senior management's emoluments

(a) Directors' and supervisors' emoluments

	2010 RMB'000	2009 RMB'000
Directors and supervisors		
— Basis salaries, housing allowances and other allowances	**3,243**	3,900
— Contributions to pension plans	**169**	156
— Discretionary bonuses	**1,897**	1,871
	5,309	5,927

The emoluments of every Director and supervisor for the year ended 31 December 2010 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
Mr. Zhou Jichang	538	29	349	916
Mr. Meng Fengchao[1]	461	24	334	819
Mr. Fu Junyuan	461	29	332	822
Non-executive director				
Mr. Zhang Changfu	110	—	—	110
Independent non-executive directors				
Mr. Lu Hongjun	112	—	—	112
Mr. Yuan Yaohui	127	—	—	127
Mr. Zou Qiao	110	—	—	110
Mr. Liu Zhangmin	134	—	—	134
Supervisors				
Mr. Liu Xiangdong	461	29	332	822
Mr. Xu Sanhao	462	29	333	824
Mr. Wang Yongbin	267	29	217	513
	3,243	169	1,897	5,309

40. Directors', supervisors' and senior management's emoluments (Continued)

(a) Directors' and supervisors' emoluments (Continued)

(1) Mr. Meng Fengchao resigned in 30 November 2010. The Board has resolved to appoint Mr. Liu Qitao as the President of the Company with effect from 1 December 2010, with a term of 3 years. Mr. Liu Qitao has also been appointed as an executive director of the Company pursuant to the resolution passed by the shareholders of the Company at the Extraordinary General Meeting held on 24 January 2011.

(2) Mr. Leung Chong Shun has been appointed as the independent non-executive director of the Company pursuant to the resolution passed by the shareholders of the Company at the Extraordinary General Meeting held on 24 January 2011.

The emoluments of every Director and supervisor for the year ended 31 December 2009 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
Mr. Zhou Jichang	533	26	372	931
Mr. Meng Fengchao	532	26	372	930
Mr. Fu Junyuan	456	26	317	799
Non-executive director				
Mr. Zhang Changfu	200	—	—	200
Independent non-executive directors				
Mr. Lu Hongjun	200	—	—	200
Mr. Yuan Yaohui	200	—	—	200
Mr. Zou Qiao	200	—	—	200
Mr. Liu Zhangmin	—	—	—	—
Mr. Chao Tien Yo(3)	200	—	—	200
Mr. Koo Fook Sun(3)	200	—	—	200
Supervisors				
Mr. Liu Xiangdong	457	26	317	800
Mr. Xu Sanhao	457	26	317	800
Mr. Wang Yongbin	265	26	176	467
	3,900	156	1,871	5,927

40. Directors', supervisors' and senior management's emoluments (Continued)

(a) Directors' and supervisors' emoluments (Continued)

(3) These directors retired in December 2009.

The emoluments of the Directors and supervisors of the Company fall within the following bands:

	2010	2009
Directors and supervisors		
— Nil to HK$1,000,000 (equivalent to approximately RMB850,900)	**10**	11
— HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB850,901 to RMB1,276,350)	**1**	2

During the year, no Directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the Directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

None of the Directors' emoluments as disclosed in Note 40(a) above was included in the emoluments paid to the five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2010 RMB'000	2009 RMB'000
Basic salaries, housing allowances, and other allowances	**1,730**	1,478
Contributions to pension plans	**540**	430
Discretionary bonuses	**5,129**	5,355
	7,399	7,263

The emoluments of the above individuals fall within the following bands:

	2010	2009
— HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB850,901 to RMB1,276,350)	**2**	2
— HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,276,351 to RMB1,701,800)	**2**	2
— HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,701,801 to RMB2,552,700)	**1**	1
	5	5

(All amounts in RMB unless otherwise stated)

41. Cash generated from operations

	2010 RMB million	2009 RMB million
Profit for the year	**9,901**	8,004
Adjustments for:		
— Income tax expense	**2,552**	2,310
— Depreciation of property, plant and equipment and investment properties	**5,248**	4,416
— Amortisation of intangible assets and lease prepayments	**203**	128
— Net gain on disposal of property, plant and equipment	**(192)**	(140)
— Share-based payment *(Note 21)*	**14**	—
— Fair value losses on derivative financial instruments	**23**	41
— Recycling of cash flow hedge reserve	**—**	(13)
— Fair value losses/(gains) on other financial assets at fair value through profit or loss	**10**	(32)
— Gain on disposal of a subsidiary	**(1)**	(10)
— Net gain on disposal of lease prepayments	**(72)**	(15)
— Gain on disposal of available-for-sale financial assets	**(387)**	(47)
— Gain on disposal of other financial assets at fair value through profit or loss	**(5)**	(6)
— (Gains)/losses on disposal of associates	**(86)**	92
— Gain on disposal of jointly controlled entities	**—**	(1)
— Gain on deemed partial disposal of an associate	**(102)**	—
— Write-down of inventories	**76**	11
— (Reversal of)/provision for impairment of trade and other receivables	**(404)**	614
— Provision for foreseeable losses on construction contracts	**544**	296
— Dividend income from available-for-sale financial assets	**(317)**	(129)
— Interest income	**(708)**	(660)
— Interest expenses	**2,182**	2,323
— Share of profit of jointly controlled entities	**(38)**	(55)
— Share of profit of associates	**(78)**	(48)
— Exchange (gains)/losses on borrowings	**(627)**	5
	17,736	17,084
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Inventories	**(2,806)**	(2,866)
— Trade and other receivables	**(23,954)**	(9,498)
— Contract work-in-progress	**(147)**	(3,842)
— Restricted cash	**(21)**	(36)
— Early retirement and supplemental benefit obligations	**(259)**	(396)
— Trade and other payables	**27,094**	18,353
— Derivative financial instruments	**(41)**	657
— Provisions	**46**	15
— Deferred income	**149**	92
— Other current liabilities	**—**	—
Cash generated from operations	**17,797**	19,563

(All amounts in RMB unless otherwise stated)

41. Cash generated from operations (Continued)

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2010 RMB million	2009 RMB million
Net book amount *(Note 6)*	**630**	282
Less: Non-cash transactions	**—**	3
	630	279
Gain on disposal of property, plant and equipment	**192**	85
Proceeds from sale of property, plant and equipment	**822**	364

Non-cash transactions represented the property, plant and equipment used for the investment in jointly controlled entities during the year ended 31 December 2009.

42. Contingencies

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

	Group		**Company**	
	2010 RMB million	2009 RMB million	**2010 RMB million**	2009 RMB million
Pending lawsuits *(Note a)*	**510**	555	**—**	—
Outstanding loan guarantees *(Note b)*	**598**	682	**16,702**	8,883
	1,108	1,237	**16,702**	8,883

(a) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision as set out in Note 27 has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for above pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.

(b) The Group and the Company act as the guarantors for various external borrowings made by certain subsidiaries, jointly controlled entities and associates of the Group (refer to details in Note 45) and certain third party entities.

43. Commitments

(a) Capital commitments

Capital expenditure approved but not contracted for at the balance sheet date is as follows:

	Group		**Company**	
	2010 RMB million	2009 RMB million	**2010 RMB million**	2009 RMB million
Property, plant and equipment	**17**	720	**17**	720

(All amounts in RMB unless otherwise stated)

43. Commitments (Continued)

(a) Capital commitments (Continued)

Capital expenditure contracted for but not yet incurred at the balance sheet date is as follows:

	Group	
	2010	2009
	RMB million	RMB million
Property, plant and equipment	**2,655**	2,804
Intangible assets — concession assets	**9,517**	13,343
	12,172	16,147

(b) Operating lease commitments — where the Group is the lessee

The Group leases various offices, warehouses, residential properties, machinery and vessels under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
No later than 1 year	**846**	1,041	**—**	1
Later than 1 year and no later than 5 years	**1,021**	1,445	**—**	—
Later than 5 years	**237**	176	**—**	—
	2,104	2,662	**—**	1

(c) Lease payments receivable

The Group rents out various offices under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payment receivable under non-cancelable operating leases are as follows:

Group

	2010	2009
	RMB million	RMB million
No later than 1 year	**83**	68
Later than 1 year and no later than 5 years	**170**	67
Later than 5 years	**89**	26
	342	161

The Company has no lease payments receivable.

(All amounts in RMB unless otherwise stated)

44. Business combinations

On 9 August 2010, the Group completed the acquisition of a 100% equity interest in F&G, a company incorporated in the Cayman Islands and primarily engaged in the provision of design services and equipment for offshore drilling rigs, for a total consideration of US$125,000,000.

At that date, the fair value of the net assets and liabilities in F&G amounted to RMB530 million. The goodwill of RMB296 million arising from the acquisition is attributable to acquired assembled workforce and synergies expected from combining the operations of the group and F&G.

The following table summarises the consideration paid for F&G and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	At 9 August 2010	
	Fair Value	**Carrying Amount**
	RMB million	RMB million
Cash and cash equivalents	17	17
Property, plant and equipment *(Note 6)*	2	2
Intangible assets *(Note 9)*	467	84
Investment in jointly controlled entities *(Note 11)*	2	2
Inventories	4	4
Amounts due from customers for contract work	107	107
Trade and other receivables	80	80
Trade and other payables	(83)	(83)
Current income tax liabilities	(1)	(1)
Deferred income tax liabilities *(Note 25)*	(65)	(1)
Total identifiable net assets	530	211
Goodwill *(Note 9)*	296	
Total purchase consideration	826	

Net cash outflow in respect of the acquisition of a subsidiary is analysed as follows:

Purchase consideration	826
Less: Consideration payable	(131)
Purchase consideration paid in cash during the year	695
Less: Cash and cash equivalents in acquired subsidiary	(17)
Net cash outflow on acquisition	678

44. Business combinations (Continued)

Acquisition-related costs of RMB30 million was included in administrative expenses in the consolidated income statement for the year ended 31 December 2010.

The fair value of trade and other receivables is RMB80 million and includes trade receivables with a fair value of RMB75 million. The gross contractual amount for trade receivables due is RMB108 million, of which RMB33 million is expected to be uncollectible.

The revenue included in the consolidated income statement for the period from 9 August 2010 to 31 December 2010 contributed by F&G was RMB28 million. F&G also suffered losses of RMB6 million over the same period.

Had F&G been consolidated from 1 January 2010, the consolidated income statement for the year ended 31 December 2010 would show revenue of RMB121 million and losses of RMB6 million.

45. Related-party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by CCCG, the parent company and a state-owned enterprise established in the PRC. CCCG is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "government-related entities"). In accordance with IAS 24 "Related Party Disclosures", issued by IASB in November 2009, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC Government are regarded as related parties of the Group. On that basis, related parties include CCCG, other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence, and key management personnel of the Company and CCCG, as well as their close family members. For the purpose of the related party transaction disclosures, the Group has early adopted IAS 24 (Revised) (refer to details in Note 2.1(c)), and management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other government-related entities, during the year and balances arising from related party transactions as at 31 December 2010.

(All amounts in RMB unless otherwise stated)

45. Related-party transactions (Continued)

(a) Significant related party transactions

The following transactions were carried out with related parties other than government-related entities:

	Year ended 31 December 2010 RMB million	2009 RMB million
Transactions with CCCG		
Expenses		
— Rental expense	**115**	59
Transactions with jointly controlled entities and associates		
Revenue		
— Revenue from provision of construction services	**2,003**	1,834
— Revenue from sales of machinery	**23**	215
Expenses		
— Subcontracting fees	**505**	1,043
— Purchase of materials	**30**	184
— Services	**80**	20
— Other costs	**31**	5
Transactions with non-controlling interests		
Revenue		
— Revenue from provision of construction services	**254**	156
— Revenue from provision of design services	**2**	1
Expenses		
— Subcontracting fees	**246**	2
— Rental expenses	**2**	2

These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

(b) Key management compensation

	2010 RMB'000	2009 RMB'000
Basis salaries, housing allowances and other allowances	**5,978**	5,949
Contributions to pension plans	**371**	330
Discretionary bonuses	**4,247**	4,059
	10,596	10,338

(All amounts in RMB unless otherwise stated)

45. Related-party transactions (Continued)

(c) Year-end balances with related parties

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Trade and other receivables				
Trade receivables due from				
— Jointly controlled entities and associates	**105**	13	**31**	11
— Subsidiaries	**—**	—	**99**	53
— Non-controlling interests	**35**	96	**—**	—
	140	109	**130**	64
Prepayments				
— Subsidiaries	**—**	—	**3,375**	3,287
— Jointly controlled entities and associates	**196**	—	**—**	—
Other receivables due from				
— Jointly controlled entities and associates	**180**	240	**—**	—
— Non-controlling interests	**10**	10	**—**	—
	190	250	**—**	—
Loans to subsidiaries	**—**	—	**10,127**	8,289
Amounts due from subsidiaries	**—**	—	**6,999**	4,958
	526	359	**20,631**	16,598
Trade and other payables				
Trade and bills payable due to				
— Subsidiaries	**—**	—	**2,606**	5,188
— Jointly controlled entities and associates	**284**	209	**—**	—
— Non-controlling interests	**—**	7	**—**	—
	284	216	**2,606**	5,188
Advances from customers				
— Non-controlling interests	**—**	6	**—**	—
	—	6	**—**	—
Other payables due to				
— Subsidiaries	**—**	—	**457**	362
— Jointly controlled entities and associates	**75**	57	**—**	—
— Non-controlling interests	**1**	38	**—**	—
	76	95	**457**	362
Amount due to subsidiaries	**—**	—	**21,204**	15,695
	360	317	**24,267**	21,245

45. Related-party transactions (Continued)

(c) Year-end balances with related parties (Continued)

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Amounts due from customers for contract work with				
— Jointly controlled entities and associates	**504**	208	**500**	202
Amounts due to customers for contract work with				
— Jointly controlled entities and associates	**—**	2	**—**	—
Outstanding loan guarantees provided by the Group				
— Jointly controlled entities and associates	**548**	632	**—**	—
Outstanding bond guarantees provided by CCCG	**12,101**	10,100	**—**	—

(d) Transactions and year-end balances with other government-related entities

The Group's major customers are PRC Government agencies and other government-related entities. A significant portion of revenue from provision of construction, design, dredging and other services, and sales of heavy machinery is conducted with other government-related entities. The Group also incurred some portion of subcontracting costs, rentals and purchases of materials and services from other government-related entities. These transactions are carried out on terms agreed with the counter parties in the ordinary course of business. As a result, a major portion of the Group's trade and other receivables and payables, as well as amount due from/due to customers for contract work, is with other government-related entities.

In addition, the Group has the following transactions and balances with other government-related entities:

	Group	
	2010	2009
	RMB million	RMB million
Transactions with other government-related entities		
— Interest income from bank deposits	**188**	236
— Interest expenses on bank borrowings	**1,109**	1,929

(All amounts in RMB unless otherwise stated)

45. Related-party transactions (Continued)

(d) Transactions and year-end balances with other government-related entities (Continued)

	Group 2010 RMB million	Group 2009 RMB million	Company 2010 RMB million	Company 2009 RMB million
Balances with other government-related entities				
— Restricted cash	**663**	632	**3**	—
— Cash and cash equivalents	**28,464**	25,172	**12,188**	11,185
	29,127	25,804	**12,191**	11,185
— Borrowings	**38,945**	36,482	**2,072**	3,395

46. Particulars of principal subsidiaries, jointly controlled entities and associates

(a) Subsidiaries

As at 31 December 2010, the Company had direct and indirect interests in the following principal subsidiaries:

Name	Country/Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
Listed —						
Shanghai Zhenhua Heavy Industry Co., Ltd.	PRC	Limited liability company	RMB4,390	28.72%	17.40%	Manufacturing of heavy machinery in PRC
CRBC International Co., Ltd.(1)	PRC	Limited liability company	RMB408	61.06%	0.34%	Infrastructure construction in PRC
Unlisted —						
China Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB1,250	50%	50%	Infrastructure construction in PRC and other regions
CCCC First Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB2,176	100%	—	Infrastructure construction in PRC
CCCC Second Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB1,402	100%	—	Infrastructure construction in PRC
CCCC Third Harbour. Engineering Co., Ltd	PRC	Limited liability company	RMB2,170	100%	—	Infrastructure construction in PRC
CCCC Fourth Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB1,483	100%	—	Infrastructure construction in PRC

(1) Pursuant to the Board meeting held on 30 December 2010, it was resolved that the Company will issue not more than 3,500,000,000 A shares by way of public offering. In addition, the Company and CRBCI entered into a merger agreement on 30 December 2010, under which the Company will issue A shares at the predetermined exchange ratio in exchange for the CRBCI shares held by CRBCI's shareholders, other than the Group, so as to merge CRBCI through share exchange. When the merger is completed, CRBCI will be deregistered and its assets, liabilities and equity interests will be transferred to the Company or a wholly owned subsidiary of the Company.

(All amounts in RMB unless otherwise stated)

46. Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Country/Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
CCCC Tianjin Dredging Co., Ltd.	PRC	Limited liability company	RMB3,489	100%	—	Dredging in PRC
CCCC Shanghai Dredging Co., Ltd.	PRC	Limited liability company	RMB4,890	100%	—	Dredging in PRC
CCCC Guangzhou Dredging Co., Ltd.	PRC	Limited liability company	RMB3,501	100%	—	Dredging in PRC
CCCC Shanghai Equipment. Engineering Co., Ltd	PRC	Limited liability company	RMB10	55%	—	Maintenance and repairing of port machinery in PRC
CCCC Water Transportation Consultants Co., Ltd.	PRC	Limited liability company	RMB200	100%	—	Infrastructure design in PRC
CCCC First Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB238	100%	—	Infrastructure design in PRC
CCCC Second Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB200	100%	—	Infrastructure design in PRC
CCCC Third Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB273	100%	—	Infrastructure design in PRC
CCCC Fourth Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB222	100%	—	Infrastructure design in PRC
China Road and Bridge Engineering Co., Ltd.	PRC	Limited liability company	RMB1,100	96.37%	3.63%	Infrastructure construction in PRC and other regions
CCCC First Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB1,181	100%	—	Infrastructure construction in PRC
CCCC Second Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB1,157	100%	—	Infrastructure construction in PRC
CCCC Third Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB600	100%	—	Infrastructure construction in PRC
CCCC Fourth Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB300	100%	—	Infrastructure construction in PRC
CCCC Tunnel Construction Engineering Co., Ltd.	PRC	Limited liability company	RMB500	99.20%	0.80%	Infrastructure construction in PRC
CCCC Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB257	100%	—	Infrastructure design in PRC
CCCC First Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB343	100%	—	Infrastructure design in PRC
CCCC Second Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB465	100%	—	Infrastructure design in PRC
China Highway Engineering Consulting Co., Ltd.	PRC	Limited liability company	RMB200	100%	—	Infrastructure design in PRC
The Highway & Bridge Technology Consultants Co., Ltd.	PRC	Limited liability company	RMB100	100%	—	Infrastructure design in PRC

(All amounts in RMB unless otherwise stated)

46. Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Country/Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
China Highway Vehicle & Machinery Co., Ltd.	PRC	Limited liability company	RMB101	100%	—	Trading of motor vehicles spare parts in PRC
Chongqing Chaotianmen Yangtze River Bridge Co., Ltd.	PRC	Limited liability company	RMB50	90%	10%	Infrastructure construction in PRC
Shanghai CHEC East Ocean Bridge Project Co., Ltd.	PRC	Limited liability company	RMB10	100%	—	Infrastructure construction in PRC
Zhenhua Logistics Group	PRC	Sino-foreign Joint venture	USD52	37.49%	24.29%	Transportation and logistics in PRC
Xi'an Road Construction Machinery Co., Ltd.	PRC	Limited liability company	RMB328	54.31%	45.69%	Manufacturing of road building machinery in PRC
CCCC Investment Co., Ltd.	PRC	Limited liability company	RMB6,171	100%	—	Investment holding in PRC
Chuwa Bussan Co., Ltd.	Japan	Sino-foreign joint venture	JPY 60	75%	—	Trading of machinery in Japan
Azingo Limited	Hong Kong	Limited liability company	—*	100%	—	Investment holding in PRC
PT China Communications Construction Indonesia	Indonesia	Limited liability company	USD2	100%	—	Coal and peat mining in Indonesia

* *The paid-in capital of this company is HK$1,000*

(b) Jointly controlled entities

As at 31 December 2010, the Company had interests in the following principal jointly controlled entities (all are unlisted):

Name	Country/Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
Beijing Capital Expressway Development Co., Ltd.	PRC	Limited liability company	RMB100	50%	—	Infrastructure construction and operation in PRC
Tianjin Northern Petrochemicals Terminal Co., Ltd	PRC	Limited liability company	RMB227	—	50%	Storage and transportation of oil in PRC
Kawasaki Zhenhua Logistics (Shanghai) Co., Ltd	PRC	Limited liability company	USD29	—	50%	Transportation and Logistics in PRC
Tangshan Dredging Project Co., Ltd	PRC	Limited liability company	RMB67	—	45%	Dredging in PRC
Hohhot City Rainbow Road Construction Limited Liability Company	PRC	Limited liability company	RMB151	—	40%	Highway investment in PRC
Zhuhai Harbour Construction Engineering Co., Ltd.	PRC	Limited liability company	RMB10	45%	20%	Infrastructure construction in PRC

(All amounts in RMB unless otherwise stated)

46. Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(c) Associates

As at 31 December 2010, the Company had interests in the following principal associates (all are unlisted):

Name	Country/Place of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
TaiYuan-ZhongWei-YinChuan Railway Co., Ltd.	PRC	Limited liability company	RMB10,500	19.05%	—	Railway Construction and operation in PRC
Shanghai Jianshe-Luqiao Machinery Co., Ltd.	PRC	Limited liability company	USD10	—	25%	Manufacturing of machinery in PRC
Tianjin Port CIMC-Zhenhua Logistics Co., Ltd	PRC	Limited liability company	RMB1,000	—	34%	Transportation and Logistics in PRC
Tianjin Ganghang Engineering Co., Ltd.	PRC	Limited liability company	RMB260	—	49%	Manufacturing of machinery in PRC
Xi'an Qiyuan Mechanical and Electrical Equipment Co., Ltd.	PRC	Limited liability company	RMB61	—	18.86%	Manufacturing of mechanical and electrical equipment in PRC
Shanghai Third Navigation ASP Pipe Ltd.	PRC	Limited liability company	USD6.32	—	33%	Manufacturing of machinery in PRC

47. Holding company

The Company's directors regard CCCG, a company established in the PRC, as the immediate and ultimate holding company of the Company.

Terms & Glossaries

"BOO"	Building-Owning-Operation
"BOT"	build, operate and transfer
"BT"	build and transfer
"CCCG"	China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds 70.1% interest in the Company
"CHEC"	China Harbour Engineering Co., Ltd., a wholly-owned subsidiary of CCCC incorporated on 8 December 2005
"CRBC"	China Road and Bridge Engineering Corporation, a wholly owned subsidiary of CCCC incorporated on 8 December 2005
"CRBC International"	CRBC International Co., Ltd. (renamed as Road and Bridge International Co., Ltd. in March 2010)
"dock"	for ships, a cargo handling area parallel to the shoreline
"Eleventh Five-Year Plan"	the Eleventh Five-Year Plan for National Economic and Social Development (2006-2010) promulgated by the State Council on the Tenth National People's Congress in 2006
"EPC"	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project
"F&G"	Friede Goldman United, Ltd. a company incorporated in the Cayman Islands and primarily engaged in the provision of design services and equipment for offshore drilling rigs
"GDP"	gross domestic product
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H shares"	overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange

"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standard Board ("IASB"). IFRS includes International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations
"PDL"	passenger dedicated line
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan
"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"terminal"	an assigned area in which containers and cargo are prepared for loading onto a vessel, train, truck or plane or are stacked immediately after discharge from the vessel, train, truck or plane
"Twelfth Five-Year Plan"	the Twelfth Five-Year Plan for National Economic and Social Development (2011-2015) promulgated by the State Council on the Eleventh National People's Congress in 2010
"U.S."	United States of America
"U.S. dollars" or "US$" or "USD"	United States dollars, the lawful currency of the U.S.
"ZPMC"	Shanghai Zhenhua Heavy Industry Co., Ltd (originally named Shanghai Zhenhua Port Machinery Company Limited), a company incorporated on 14 February 1992 in the PRC and listed on the Shanghai Stock Exchange, which the Company owns, directly and indirectly, a controlling equity interest of approximately 46.11%

Note: Any discrepancies between the amounts herein and the amounts set out in the tables herein are due to rounding.

Corporate Information

Registered Office

85 De Sheng Men Wai Street,
Xicheng District, Beijing 100088, China

Hong Kong Representative Office and Principal Place of Business in Hong Kong

19th Floor, China Harbour Building,
370-374 King's Road,
North Point, Hong Kong

Website Address

www.ccccltd.cn

Joint Company Secretaries

LIU Wensheng
KAM Mei Ha, Wendy *(ACS, ACIS)*

Authorised Representatives

FU Junyuan
LIU Wensheng

International Auditors

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
22nd Floor, Prince's Building
Central, Hong Kong

PRC Auditors

PricewaterhouseCoopers Zhong Tian CPAs
Limited Company
Certified Public Accountants, PRC
11th Floor PricewaterhouseCoopers Center
Building 2, Corporate Avenue
202 Hu Bin Road
Luwan District
Shanghai 200021, China

Hong Kong Legal Advisors

Freshfields Bruckhaus Deringer
11/F, Two Exchange Square, Hong Kong

PRC Legal Advisors

Jia Yuan Law Firm
F407, Ocean Plaza,
158 Fuxing Men Nei Avenue,
Beijing 100031, China

H Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

Investor Relations Contact

China Communications Construction Company Limited
Board of Directors' Office
Investor Relations Team
Address: 85 De Sheng Men Wai Street,
Xicheng District, Beijing 100088, China
Tel: (8610) 82016562
Fax: (8610) 82016524
Email: ir@ccccltd.cn

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

19th Floor, China Harbour Building,
370-374 King's Road,
North Point, Hong Kong

www.ccccltd.cn