

Independent Auditor's Report



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.

Independent Auditor's Report (continued)

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		Company	
		2010	2009 (Restated)	2010	2009
		RMB million	RMB million	RMB million	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	2010	2009
	Note	RMB million	(Restated) 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	Attributable to equity holders of the Company					Non-controlling Interests RMB million	Total Equity RMB million
		Share Capital RMB million	Share Premium RMB million	Other Reserves RMB million	Retained Earnings RMB million	Total RMB million		
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

	Note	Attributable to equity holders of the Company					Non-controlling Interests RMB million	Total Equity RMB million
		Share Capital RMB million	Share Premium RMB million	Other Reserves RMB million	Retained Earnings RMB million	Total 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			
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. ("CCCCG") 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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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 Assets"	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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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;

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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;

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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)

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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).

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(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).

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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	—	—

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(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)

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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).

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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).

Notes to the Consolidated Financial Statements (continued)

(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)

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

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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

Notes to the Consolidated Financial Statements (continued)

(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).

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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

Notes to the Consolidated Financial Statements (continued)

(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 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 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 RMB million	2009 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

Notes to the Consolidated Financial Statements (continued)

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

	Company	2009
	2010	RMB million
	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

Notes to the Consolidated Financial Statements (continued)

(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).

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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 determined 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 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 RMB million	2010 RMB million	2009 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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

15. Trade and other receivables (Continued)

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

	Group		Company	
	2010 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 RMB million	2010 RMB million	2009 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.

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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 RMB million	2009 RMB million	2010 RMB million	2009 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.

Notes to the Consolidated Financial Statements (continued)

(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 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 RMB million	2010 RMB million	2009 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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

17. Contract work-in-progress

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

Notes to the Consolidated Financial Statements (continued)

(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 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 RMB million	2010 RMB million	2009 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).

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

19. Cash and bank balances (Continued)

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

	Group		Company	
	2010 RMB million	2009 RMB million	2010 RMB million	2009 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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

21. Cash-settled share-based payments

The Group has adopted a cash-settled share-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:

Category	For the year ended 31 December 2010					
	Number of units of SAR					
	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).

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

22. Other reserves (Continued)

Company

	Capital Reserve	Statutory Surplus Reserve	Investment Revaluation Reserve	Safety Reserve	Exchange Reserve	Retained Earnings	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

24. Borrowings

	Note	Group		Company	
		2010 RMB million	2009 RMB million	2010 RMB million	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).

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 RMB million	2010 RMB million	2009 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

Notes to the Consolidated Financial Statements (continued)

(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 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 RMB million	2010 RMB million	2009 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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

24. Borrowings (Continued)

(l) The Group has the following undrawn borrowing facilities:

	Group		Company	
	2010 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 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

Notes to the Consolidated Financial Statements (continued)

(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 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 RMB million	2010 RMB million	2009 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)

Notes to the Consolidated Financial Statements (continued)

(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)

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

25. Deferred income tax (Continued)

(b) (Continued)

Deferred Tax Assets:

	Group						
	Provision for impairment of assets	Depreciation and amortisation	Provision for foreseeable contract losses	Provision for employee benefits	Tax losses	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	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	Depreciation and amortisation	Provision for employee benefits	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
	RMB million	RMB million	RMB million	RMB million	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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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

Notes to the Consolidated Financial Statements (continued)

(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 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 RMB million	2010 RMB million	2009 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%

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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
Net foreign exchange (gains)/losses on borrowings (Note 36)	2,182 (627)	2,323 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.

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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

Notes to the Consolidated Financial Statements (continued)

(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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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 RMB million	2009 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 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 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.

Notes to the Consolidated Financial Statements (continued)

(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
	RMB million	Amount
		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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

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.

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(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

Notes to the Consolidated Financial Statements (continued)

(All amounts in RMB unless otherwise stated)

45. Related-party transactions (Continued)

(c) Year-end balances with related parties (Continued)

	Group		Company	
	2010 RMB million	2009 RMB million	2010 RMB million	2009 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 RMB million	2009 RMB million
Transactions with other government-related entities		
— Interest income from bank deposits	188	236
— Interest expenses on bank borrowings	1,109	1,929

Notes to the Consolidated Financial Statements (continued)

(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		Company	
	2010 RMB million	2009 RMB million	2010 RMB million	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		Principal activities and place of operation
				Directly held	Indirectly held	
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.

Notes to the Consolidated Financial Statements (continued)

(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		Principal activities and place of operation
				Directly held	Indirectly held	
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

Notes to the Consolidated Financial Statements (continued)

(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		Principal activities and place of operation
				Directly held	Indirectly held	
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		Principal activities and place of operation
				Directly held	Indirectly held	
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

Notes to the Consolidated Financial Statements (continued)

(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		Principal activities and place of operation
				Directly held	Indirectly held	
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.