中 國 交 通 建 設 股 份 有 限 公 司

CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

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

(Stock Code: 1800)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

Revenue of the Group in 2010 amounted to RMB272,734 million, representing an increase of RMB45,814 million, or 20.2%, from RMB226,920 million in 2009.

Profit for the year 2010 amounted to RMB9,901 million, representing an increase of RMB1,897 million, or 23.7%, from RMB8,004 million in 2009.

Profit attributable to equity holders of the Company in 2010 amounted to RMB9,863 million, representing an increase of RMB2,663 million, or 37.0%, from RMB7,200 million in 2009.

Earnings per share for 2010 amount to RMB0.67, as compared with RMB0.49 in 2009.

As at 31 December 2010, the backlog for the Group was RMB512,103 million, representing an increase of 20.2% from RMB426,027 million in 2009.

The Board recommended the payment of a final dividend of approximately RMB2,372 million, or RMB0.16 per share for the year in 2010.

The Board of Directors (the "**Board**") of China Communications Construction Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") prepared in accordance with International Financial Reporting Standards ("**IFRS**") for the year ended 31 December 2010.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	2010 *RMB million*	2009 *RMB million*
Revenue	**272,734**	226,920
Cost of sales	**(249,261)**	(205,215)
Gross profit	**23,473**	21,705
Other income	**1,824**	2,119
Other gains, net	**527**	299
Selling and marketing expenses	**(570)**	(491)
Administrative expenses	**(10,115)**	(9,673)
Other expenses	**(1,014)**	(1,435)
Operating profit	**14,125**	12,524
Interest income	**708**	660
Finance costs, net	**(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	**(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	**0.67**	0.49
– diluted	**0.67**	0.49
Dividends	**2,372**	1,720

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	RMB million	*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

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	2010	2009
		(Restated)
	RMB million	*RMB million*
ASSETS		
Non-current assets		
Property, plant and equipment	**52,438**	47,351
Lease prepayments	**4,583**	3,689
Investment properties	**370**	332
Intangible assets	**15,906**	10,075
Investments in jointly controlled entities	**857**	758
Investments in associates	**2,826**	2,650
Available-for-sale financial assets	**15,402**	17,650
Deferred income tax assets	**2,221**	1,944
Trade and other receivables	**22,176**	15,142
	116,779	99,591
Current assets		
Inventories	**21,473**	18,835
Trade and other receivables	**86,424**	69,158
Amounts due from customers for contract work	**43,458**	41,843
Derivative financial instruments	**48**	36
Other financial assets at fair value through profit or loss	**67**	80
Restricted cash	**719**	698
Cash and cash equivalents	**38,826**	33,817
	191,015	164,467
Total assets	**307,794**	264,058

CONSOLIDATED BALANCE SHEET (continued)

As at 31 December 2010

	2010	2009 (Restated)
	RMB million	*RMB million*
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**14,825**	14,825
Share premium	**13,853**	13,853
Other reserves	**29,092**	24,216
Proposed final dividend	**2,372**	1,720
	60,142	54,614
Non-controlling interests	**10,938**	11,615
Total equity	**71,080**	66,229
LIABILITIES		
Non-current liabilities		
Borrowings	**38,569**	34,694
Deferred income	**554**	405
Deferred income tax liabilities	**2,362**	3,420
Early retirement and supplemental benefit obligations	**2,184**	2,460
Trade and other payables	**1,929**	1,166
	45,598	42,145
Current liabilities		
Trade and other payables	**131,625**	105,017
Amounts due to customers for contract work	**14,204**	12,567
Current income tax liabilities	**2,091**	1,678
Borrowings	**42,760**	36,043
Derivative financial instruments	**71**	77
Early retirement and supplemental benefit obligations	**214**	197
Provisions	**151**	105
	191,116	155,684
Total liabilities	**236,714**	197,829
Total equity and liabilities	**307,794**	264,058
Net current (liabilities)/assets	**(101)**	8,783
Total assets less current liabilities	**116,678**	108,374

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to equity holders of the Company						
	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Balance at 1 January 2009	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	–	–	178	(178)	–	–	–
Appropriations to safety reserve	–	–	298	(298)	–	–	–
Balance at 31 December 2009	14,825	13,853	9,371	16,565	54,614	11,615	66,229

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2010

	Attributable to equity holders of the Company						
	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Balance at 1 January 2010	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 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	–	–	269	(269)	–	–	–
Appropriations to safety reserve	–	–	184	(184)	–	–	–
Balance at 31 December 2010	14,825	13,853	7,209	24,255	60,142	10,938	71,080

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	2010	2009
	RMB million	*RMB million*
Cash flows from operating activities		
Cash generated from operations	**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	**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	**(74)**	(37)
Additional investments in associates	**(42)**	(104)
Additional investments in subsidiaries	**(771)**	(137)
Acquisition of subsidiaries	**(678)**	–
Purchases of available-for-sale financial assets	**(1,666)**	(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 associat	**113**	344
Proceeds from disposal of equity interest in subsidiaries	**–**	55
Proceeds from disposal of available-for-sale financial assets	**548**	110
Proceeds from disposal of held-to-maturity financial assets	**–**	2
Proceeds from disposal of other financial assets at fair value through profit or loss	**72**	31
Interest received	**294**	293
Dividends received	**329**	370
Net cash used in investing activities	**(15,376)**	(16,890)
Cash flows from financing activities		
Proceeds from borrowings	**55,543**	77,583
Repayments of borrowings	**(45,953)**	(66,223)
Contribution from non-controlling interests	**111**	60
Dividends paid to the Company's shareholders	**(1,720)**	(1,453)
Dividends paid to non-controlling interests of subsidiaries	**(125)**	(145)
Net cash generated from financing activities	**7,856**	9,822
Net increase in cash and cash equivalents	**5,121**	7,531
Cash and cash equivalents at beginning of the year	**33,817**	26,278
Exchange (losses)/gains on cash and cash equivalents	**(112)**	8
Cash and cash equivalents at end of the year	**38,826**	33,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

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

  The revised standard was applied to the acquisition of 100% equity interest in Friede Goldman United, Ltd. ("F&G") on 9 August 2010.

  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;

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;

- 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.

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, "Transer 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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

3. 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 and operating cash. They exclude deferred taxation, investments and derivative financial instruments.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and borrowings.

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

3. SEGMENT INFORMATION (continued)

The segment 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)

3. SEGMENT INFORMATION (continued)

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

	Construction	Design	Dredging	Heavy Machinery	Others	Elimination	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*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	Design	Dredging	Heavy Machinery	Others	Elimination	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*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

3. **SEGMENT INFORMATION (continued)**

The amounts provided to the President Office with respect to total assets and total liabilities are measured in a manner consistent with that of the 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	Design	Dredging	Heavy Machinery	Others	Elimination	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*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	Liabilities
	RMB million	*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**

3. 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

3. SEGMENT INFORMATION (continued)

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

	2010	2009
	RMB million	*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.

4. EXPENSES BY NATURE

	2010	2009
	RMB million	*RMB million*
Raw materials and consumables used	**99,051**	89,906
Subcontracting costs	**72,468**	59,806
Employee benefits	**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	**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	**93**	87
Amortisation of intangible assets	**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

5. TAXATION

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.

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

	2010	2009
	RMB million	*RMB million*
Current income tax		
– PRC enterprise income tax	**2,582**	2,162
– Others	**121**	286
	2,703	2,448
Deferred income tax	**(151)**	(138)
Income tax expense	**2,552**	2,310

6. 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.

7. DIVIDENDS

	2010	2009
	RMB million	*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.

BUSINESS OVERVIEW

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

1. Infrastructure Construction Business

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

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

(1) Port Construction

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

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

(2) Road and Bridge Construction

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

The decrease in the number of newly kicked off road and bridge construction projects in the first half of 2010 caused some difficulties for the Company's market expansion efforts. Regionally, more funding went to projects in western China, where both the amount and growth rate of investment exceeded those in eastern and central China. To adapt to the changing market, the Company managed to consolidate its share in traditional market areas on one hand and expanded its business to the western region to seize more opportunities on the other. In the second half of 2010, the Group won a series of road construction projects in Xinjiang and Chongqing, driving the value of new contracts for road construction projects to new high level from 2009. In terms of large-scale bridge construction market segment, the number of newly kicked off projects decreased in 2010 year-on-year after a peak in 2009.

(3) Railway Construction

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

To profit from the buoyant tendering activities in railway construction market in 2010, the Company aggressively deployed and integrated resources with selected focuses, and thus more and more subsidiaries scoring over RMB10 billion in the value of new contracts, which contributed to a significant year-on-year growth for the Group. While exploring railway market, the Company took efforts in production control in strict accordance with the management requirements of the Ministry of Railways to combine the safety, quality, term, economic return, environment protection and innovation in the railway construction. Standardised management was earnestly promoted under the framework structure pattern to ensure smooth operation of projects.

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

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

In 2010, the Company carried out comprehensive review and assessment on 40 major investment projects in progress. The findings indicated that such projects achieved satisfactory results as expected in terms of economic return, asset structure optimisation and contribution to principal operations.

(5) Overseas Business

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

In 2010, the Company steadily and persistently implemented its "Overseas Business Expansion" strategy to optimise organisational structure and integrate internal resources, resulting in a healthy and sustainable growth in overseas business. According to our assessment, the approximately 440 projects currently under construction were in sound progress as a whole and have produced satisfactory returns.

(6) Other Projects

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

2. Infrastructure Design Business

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

The rapid growth in the value of new infrastructure design contracts in 2010 was attributable to survey and design business, project supervision business and general contracts as to 54%, 6% and 37% respectively.

3. Dredging Business

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

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

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

During the "Eleventh Five-year Plan" period, the Group invested a total of approximately RMB10,400 million for building 43 dredging vessels. As of the end of 2010, the Group's own annual capacity amounted to over 584 million cubic meters under the standard conditions.

4. Heavy Machinery Manufacturing Business

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

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

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

BUSINESS OUTLOOK

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview

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

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

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

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

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

Consolidated Results of Operations

Revenue

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

Cost of Sales and Gross Profit

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

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

As a result, gross profit for 2010 amounted to RMB23,473 million, representing an increase of RMB1,768 million, or 8.1%, from RMB21,705 million in 2009. Gross profit margin decreased to 8.6% in 2010 from 9.6% in 2009, primarily due to the decrease of gross profit margin of the heavy machinery manufacturing business.

Operating Profit

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

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

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

Interest Income

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

Finance Costs, net

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

Share of Profit of Jointly Controlled Entities

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

Share of Profit of Associates

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

Profit before Income Tax

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

Income Tax Expense

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

Non-controlling Interests

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

Profit Attributable to Equity Holders of the Company

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

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

Discussion of Segment Operations

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

	Revenue		Gross Profit		Gross Profit Margin		Operating Profit/(loss)[1]		Operating Profit Margin	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
Business	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	(RMB million)	*(RMB million)*	***(RMB million)***	*(RMB million)*	***(%)***	*(%)*	***(RMB million)***	*(RMB million)*	***(%)***	*(%)*
Infrastructure Construction	**212,962**	165,563	**14,924**	12,276	**7.0**	7.4	**9,058**	6,839	**4.3**	4.1
% of total	**76.9**	71.5	**63.6**	56.6	**–**	–	**64.7**	54.0	**–**	–
Infrastructure Design	**11,264**	8,874	**3,164**	2,376	**28.1**	26.8	**1,770**	1,273	**15.7**	14.3
% of total	**4.1**	3.8	**13.5**	10.9	**–**	–	**12.6**	10.0	**–**	–
Dredging	**28,113**	24,506	**4,219**	3,650	**15.0**	14.9	**3,780**	2,925	**13.4**	11.9
% of total	**10.2**	10.6	**18.0**	16.8	**–**	–	**27.0**	23.1	**–**	–
Heavy Machinery Manufacturing	**17,221**	27,070	**477**	2,915	**2.8**	10.8	**(955)**	1,441	**(5.5)**	5.3
% of total	**6.2**	11.7	**2.0**	13.4	**–**	–	**(6.8)**	11.4	**–**	–
Other businesses	**7,329**	5,471	**678**	488	**9.3**	8.9	**343**	193	**4.7**	3.5
% of total	**2.6**	2.4	**2.9**	2.2	**–**	–	**2.5**	1.5	**–**	–
Subtotal	**276,889**	231,484	**23,462**	21,705	**–**	–	**13,996**	12,671	**–**	–
Intersegment elimination and unallocated income/(costs)	**(4,155)**	(4,564)	**11**	–	**–**	–	**129**	(147)	**–**	–
Total	**272,734**	226,920	**23,473**	21,705	**8.6**	9.6	**14,125**	12,524	**5.2**	5.5

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

Infrastructure Construction Business

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

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

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

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

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

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

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

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

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

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

Infrastructure Design Business

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

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

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

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

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

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

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

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

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

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

Dredging Business

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

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

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

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

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

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

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

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

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

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

Heavy Machinery Manufacturing Business

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

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

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

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

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

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

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

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

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

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

Other Businesses

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

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

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

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

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

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

Liquidity and Capital Resources

The Group's business requires a significant amount of working capital to finance the purchase of raw materials and to finance the engineering, construction and other work on projects before payment is received from clients. The Group historically met its working capital and other capital requirements principally from cash generated from operations, while financing the remainder of the Group's requirements primarily through bank borrowings. As at 31 December 2010, the Group had unutilised credit facilities in the amount of RMB140,151 million. The Group's access to financial markets since its public listing has provided additional financing flexibility.

Cash Flow Data

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

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

Cash flow from operating activities

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

Cash flow from investing activities

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

In 2010, the Group's purchases of property, plant and equipment amounted to RMB8,402 million, representing a decrease of RMB5,271 million from RMB13,673 million in 2009, mainly due to the decreased capital expenditure of ZPMC, as well as the decreased capital expenditure of some of the Group's other subsidiaries. The Group's purchases of intangible assets in 2010 amounted to RMB4,939 million, representing an increase of RMB1,024 million as compared with RMB3,915 million in 2009, primarily due to the increase of several BOT projects. The purchases of available-for-sale financial assets was RMB1,666 million in 2010, as compared with RMB791 million in 2009, which mainly consisted of some subsidiaries' participation in the rights issue and private placement of some listed companies in China domestic stock market in 2010.

Cash flow from financing activities

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

Capital Expenditure

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

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

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

Working Capital

Trade and bills receivables and trade and bills payables

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

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

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

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

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

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

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

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

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

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

Retentions

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

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

Indebtedness

Borrowings

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

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

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

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

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

Contingent Liabilities

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

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

(1) The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the probability of loss is remote.

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

Market Risks

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

Interest rate risk

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

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

Foreign exchange risk

The Group's functional currency of a majority of the entities within the Group is Renminbi with most of the Group's transactions settled in Renminbi. The Group uses, however, foreign currencies to settle the Group's invoices from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. In addition, the Group generates revenue from certain construction contracts denominated in foreign currencies and a significant proportion of the Group's bank borrowings are denominated in foreign currencies, particularly the U.S. dollar, the Euro and the Japanese Yen. Renminbi is not freely convertible into other foreign currencies and conversion of the Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against the U.S. dollar. As at 31 December 2010, Renminbi had appreciated by approximately 20.0% against the U.S. dollar since July 2005. The PRC government may in the future make further adjustments to the exchange rate system. When Renminbi appreciates, the value of foreign currency denominated assets will decline against Renminbi.

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

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2010.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company has made specific inquiry with all of its Directors and Supervisors. Each of the Directors and Supervisors has confirmed his compliance with the requirements set out in the Model Code for the year ended 31 December 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2010.

DISTRIBUTIONS AND DIVIDENDS

The Board has recommended a final dividend of RMB0.16 (including tax) per share by cash (totaling approximately RMB2,372 million which represents approximately 25.1349% of the Company's net profit attributable to equity holders of the Company for the year ended 31 December 2010) which is subject to approval by the shareholders of the Company at the Extraordinary General Meeting to be held on 25 March 2011. The final dividends will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 5 May 2011 on the basis of the Company's entire issued share capital of 14,825,000,000 Shares.

In order to determine the Shareholders of the H Shares who are entitled to receive the 2010 cash dividends, the share registrar for H Shares will be closed from 1 May 2011 to 5 May 2011, both days inclusive, during which period no transfer of H Shares will be effected. The holders of H Shares who intend to receive the 2010 cash dividends, must deposit transfer documents together with the relevant share certificates no later than 4:30 p.m. on 29 April 2011, with the share registrar for H Shares, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The 2010 cash dividends is estimated to be paid on or around 6 May 2011.

AUDIT COMMITTEE

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

ANNUAL GENERAL MEETING

The 2010 annual general meeting of the Company will be held on 10 June 2011 in Beijing, the PRC. For further details of the annual general meeting, please refer to the Notice of Annual General Meeting, which will be despatched in due course.

AUDITORS

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 May 2011 to 10 June 2011 (both days inclusive) and during that period no transfer of shares will be registered. In order to be eligible to attend the 2010 annual general meeting of the Company, all transfer documents must be lodged, together with the relevant share certificates, with Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 9 May 2011.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2010 which contains all the information required by the Listing Rules including audited financial statements will be despatched to shareholders by 30 April 2011 and will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk) and on the website of the Company (www.ccccltd.cn).

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

Beijing, the PRC
9 March 2011

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

Independent non-executive Directors