CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

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

(Stock Code : 1800)

WE ARE BUILDING A CONNECTED WORLD

INTERIM REPORT 2008

Contents

Financial Highlights

(RMB million, except per share data)	For the six months ended 30 June **2008**	2007	Change (%)
Revenue	**75,749**	58,674	29.1
Profit for the period[1]	**2,861**	3,451	(17.1)
Profit attributable to equity holders of the Company[1]	**2,200**	2,744	(19.8)
Earnings per share[1]	**0.15**	0.19	(19.8)

(RMB million, except per share data)	As at **30 June 2008**	31 December 2007	Change (%)
Total assets	**194,860**	167,397	16.4
Total liabilities	**144,444**	113,435	27.3
Total equity	**50,416**	53,962	(6.6)
Equity attributable to equity holders of the Company per share	**2.79**	3.05	(8.3)

Note:

1. *Excluding the income from compensation for cost of relocation of RMB636 million for the six months ended 30 June 2007 and RMB123 million for the six months ended 30 June 2008, tax effected where appropriate, profit for the period, profit attributable to equity holders of the Company and earnings per share would have been as follows:*

(RMB million, except per share data)	*For the six months ended 30 June* ***2008***	*2007*	*Change (%)*
Adjusted profit for the period	***2,753***	*2,815*	*(2.2)*
Adjusted profit attributable to equity holders of the Company	***2,140***	*2,108*	*1.5*
Adjusted earnings per share	***0.14***	*0.14*	*—*

Chairman's Statement

Chairman
Zhou Jichang

Dear Shareholders,

In the first half of 2008, facing various changes in operating environment both domestically and abroad, and unpredictable natural disasters such as the unusual freezing weather and snowstorms in south China and the mega earthquakes in Sichuan province, the employees of the Company strived to handle the various situations and overcome different disadvantageous factors with a positive attitude, and were able to sustain the continuous development of our core businesses. The operating scale of the Company continued to expand with revenue continuing to grow. Revenue for the Company for the six months ended 30 June 2008 was RMB75,749 million, representing a year-on-year increase of 29.1%. The value of new contracts amounted to RMB128,970 million, representing a year-on-year increase of 27.2%. The Company's overall economic efficiency and our earnings per share have excelled our peers in the domestic market, despite the slight decline in our profitability as a result of the strengthening of domestic macro-economic austerity measures, inflationary pressure, in particular, the price hikes of construction materials such as stone, sand and steel, and energy resources, and escalating labour costs.

In the first half of the year, the Company maintained a satisfactory growth momentum for our business operations, having made continued breakthroughs in market expansion and becoming more competitive in markets we compete. For our traditional business segments in port construction, road and bridge construction, dredging and port machinery manufacturing, we continued to maintain our dominant market position with stable growth in our business. As to new business expansion and market penetration, the Company continued to achieve encouraging results with our railway construction and overseas businesses maintaining rapid growth momentum and with our investment business progressing at a steady pace, which generated new potential for the business development of the Company. In the first half of the year, the Company successfully won the tender of JHTJ-6 bid of the civil engineering for Beijing-Shanghai High-Speed PDL Project with a contract value of approximately RMB13,700 million, marking our successful penetration into the high-speed railway construction market in China. The value of newly signed overseas contracts amounted to US$3,920 million. More of the Company's new overseas contracts are large projects and we remain optimistic with the future outlook of our overseas project market.

As a result of our reforms and developments in the last few years, the Company has strengthened our overall capabilities multifoldedly and our enterprise ranking has improved both domestically and abroad. In the first half of 2008, for the first time the Company became one of the top 500 global enterprises in the 2008 edition of the FORTUNE magazine of the U.S. and was ranked the 426th. Our Company was also ranked the 18th among the 225 largest international contractors in the world for 2008 by ENR of the U.S. and was also the highest-ranking Chinese contractor in that list. In addition, we were ranked the 27th among the top 500 enterprises in PRC in 2008.

As a renowned listed company, while focusing on corporate development, we also pay great attention to our social responsibilities. We run our business operations legally, honestly and in good faith. We also conserve resources, protect environment, object to unfair competition and distance ourselves from corrupted commercial behaviors. The Company also participated enthusiastically in post-earthquake relief activities. Immediately after the mega earthquake in Wenchuan district on 12 May 2008, the Company regarded human lives and properties as priority and carried out emergency plans by despatching many staff, provisions, supplies and construction equipment to the disaster-stricken regions, actively participating in life saving and disaster combating activities, and making urgent repairs for transportation facilities. We organised quake combating donation campaigns within our Group and were able to raise RMB58.7648 million in cash and provisions and supplies with a donation value of RMB2.23 million to help support quake combating and post-earthquake re-construction activities. Our outstanding performance during the quake combating activities was highly appreciated and recognised by the Chinese government and disaster victims.

In the second half of 2008, facing the uncertainties in economic outlook both domestically and abroad, the Company will continue to experience pressure from escalating costs and shortage of funds. Against these headwinds, the Company will strive to focus on economic efficiency by implementing effective measures, while building on the foundation of stable growth in our core businesses, in order to overcome disadvantageous factors and maintain a stable improvement in our overall business performance. The Company plans to adopt the following measures:

1. *Continue to drive our market development and maintain a stable growth in our core businesses.* While solidifying our positions in traditional markets, we will also strive to explore and develop new markets and new fields with high profitability and promising development outlook, thus providing more market potential for our future development.

2. *Strengthen our receivables collection efforts by setting up a receivable collection system in each subsidiary.* With clearly defined objectives and target for performance evaluation, respective staff will be accountable for ensuring effective receivables collections, which will improve our liquidity position.

3. *Manage our funds prudently with effective corporate control in financial risks.* We will strengthen our control in fund management, improve fund utilisation efficiency, and tighten our control in projects where capital advances and contributions are required. We will enhance our settlement efforts and lower both the inventory level and products quantity. We plan to issue corporate bonds in order to improve our capital structure, further reduce our finance costs and improve our returns of net assets.

4. *Strengthen our cost management and improve efficiency while lowering costs.* We will allocate cost control responsibility to individuals and stringently control various production costs. We will implement measures in improving revenues and reducing costs to mitigate the pressures from price hikes in raw materials and fuel. We will continue to adopt practices of centralised procurement in reducing purchasing costs, and strive to improve economic efficiency and achieve a better gross margin in the second half of the year.

5. *Strengthen our management in tender pricing and set up dedicated price-negotiating teams to enhance communications with customers.* We will adopt all practical measures to negotiate with customers to obtain material cost escalation reimbursements and thereby reducing risks of price hikes in production materials.

6. *Further intensify our development efforts in railway market, enhance our project management standard and improve overall profitability.*

7. *Continue to expand our overseas business.* Through effective rationalisation of production resources, we plan to speed up project implementation and enhance revenue contribution from overseas business. At the same time, we will conduct various analyses in respect of changes in exchange rates with the objective of minimising foreign exchange losses.

8. *Strengthen our management in investment business.* We expect our investment business to lead to further development of our core businesses. We plan to focus on returns on investment and control investment risks.

9. *Accelerate the construction and upgrade of our dredging vessels and equipment, improve utilisation rates of our dredging vessels and equipment, and gradually increase our dredging capacity.* With these measures, we plan to reduce the sub-contracting volume and improve the profitability of our dredging business.

10. *Continue to develop and solidify our dominant position in the port machinery market, while expanding our market share in the offshore heavy machinery equipment market, leading to a significant change in our capacity and profitability.*

11. E*xplore the setting up of an efficient profit-sharing system to actively promote co-operations among inter-business segments and companies within the Group.* We expect such a system to bring out fully the integrated, one-stop solution advantages of the Company thereby creating better efficiency.

I believe, with the understanding and support of our shareholders and the relentless efforts of all our employees, through persistently implementing appropriate measures, the Company will be able to accomplish our various business performance targets of 2008, achieve outstanding results, and provide satisfactory returns to our shareholders.

Zhou Jichang
Chairman

Business Review

As a leading transportation infrastructure company in China, the Company is an industry leader in each of its four core businesses, namely Infrastructure Construction, Infrastructure Design, Dredging and Port Machinery Manufacturing. By leveraging on its extensive operating experience, expertise and know-how accumulated in projects undertaken across a wide range of sectors in the past five decades, the Company is capable of providing integrated solutions throughout each stage of an infrastructure project for its customers.

The Company operates its business throughout China and is especially active in three most rapidly growing economic regions — the Bohai Bay, the Yangtze River Delta and the Pearl River Delta. At the same time, the Company has established its global business presence in 70 countries and regions, with major developments primarily in Southeast Asia, the Middle East, Africa, Commonwealth of Independence States and South America.

In the first half of 2008, affected by the strengthening of domestic macro-economic austerity measures, natural disasters including snowstorms in south China and earthquakes in Sichuan province, and the impact of overall international environment, the growth rate of the Chinese economy began to slow down while commodity prices sustained at high levels. The Company has strived to overcome these disadvantageous external factors, as evidenced by the continued expansion of the Company's business scale, the steady progress of the Company's market development, and the continued growth in the Company's revenue. However, price hikes of construction materials such as stone, sand and steel, coupled with escalating labour costs, have led to an increase of operating costs over the corresponding period last year.

In the second half of 2008, building on the foundation of its sustainable, stable growth in market development, the Company will pro-actively tackle the pressure from rising costs. The Company will strive to control the cost rising trend of its principal businesses through measures such as negotiating with clients to obtain material cost escalation reimbursements, adopting centralised or regionally centralised raw material procurement, and enhancing the utilisation rate of raw materials. In addition, the Company will stringently control administrative expenses with the objective of maintaining sustainable, stable growth in its business performance.

In the first half of 2008, revenue for the Company was RMB75,749 million, representing a year-on-year increase of 29.1%. Out of the total revenue, revenue from Hong Kong, Macau, and other countries and regions outside Mainland China was RMB14,204 million, representing a year-on-year increase of 34.3%. The value of new contracts amounted to RMB128,970 million, representing a year-on-year increase of 27.2%. As at 30 June 2008, backlog for the Company was RMB268,102 million, representing an increase of 12.5% compared to the end of 2007.

Shekou Container Terminals

Infrastructure Construction Business

INFRASTRUCTURE CONSTRUCTION BUSINESS

During the first half of 2008, the Company completed infrastructure construction projects with total revenue of RMB49,204 million, representing a year-on-year increase of 25.3%. The value of new infrastructure construction contracts reached RMB93,818 million, representing a year-on-year increase of 31.9%. As at 30 June 2008, backlog for the infrastructure construction business was RMB200,403 million, representing an increase of 15.1% compared to the end of 2007.

The Company's on-going key projects in the PRC were progressed smoothly during the first half of 2008, including the Tangshan Caofeidian Port Area, the Yangtze River Estuary Deepwater Channel Regulation Project, the Zhejiang Jintang Bridge, the Harbin-Dalian PDL and the Beijing-Shanghai High-Speed PDL.

The Company's infrastructure construction business consists of:

1. Port Construction

During the first half of 2008, by focusing on the five port areas located at the Bohai Bay, the Yangtze River Delta, the coastal area in south-eastern China, the Pearl River Delta and the coastal area in south-western China, the Company grew its port construction business steadily and maintained its dominant position in domestic port construction. With respect to its traditional business segments, by emphasising on technology enhancement and innovative management, the Company further integrated its design and research to perfect the system for managing technological innovation.

New contracts of the Company for the domestic port construction business during the first half of 2008 amounted to RMB14,939 million, maintaining steady growth, including national key projects such as the construction of the No. 1 terminal of Tianjin Harbor Industrial Zone and the turnkey EPC project of Offshore Outfitting Quay Phase I in Panjin Shipbuilding Base.

(Phase IV and V of Beilun Container Terminal project of Ningbo Port, totalling 10 berths accommodating over 10,000 DWT with throughput capacity of 10 million TEUs by 2010.)

INFRASTRUCTURE CONSTRUCTION BUSINESS (CONTINUED)

2. Road and Bridge Construction

During the first half of 2008, the value of newly signed domestic road and bridge contracts of the Company amounted to RMB22,719 million. As at 30 June 2008, the Company completed the construction of high-class expressways of approximately 201.5 kilometres. With Sutong Bridge and Hangzhou Bay Bridge officially opened for traffic, the main bridges of Jintang Bridge, Xiamen Jimei Bridge and Rui'an Bridge smoothly closed up, the Company demonstrated its world-class capabilities and standards in building of mega river and sea bridges with sophisticated technicality and technology.

(Construction of Xiamen Jimei Bridge, using some of the most advanced domestic construction technology such as short-line prefabrication and cantilever assembly technique, has overcome a series of technical problems).

INFRASTRUCTURE CONSTRUCTION BUSINESS (CONTINUED)

3. *Railway Construction*

During the first half of 2008, the value of newly signed domestic railway contracts of the Company amounted to RMB13,719 million. The Company successfully won projects including the Beijing-Shanghai High-Speed PDL, while progressing smoothly with its on-going projects in the PRC, including the Taiyuan-Zhongwei-Yinchuan Railway, Harbin-Dalian PDL and Beijing-Shanghai High-Speed PDL. As at 30 June 2008, the Company undertook 20 railway projects with a total length of approximately 1,058 kilometres. With regard to railway construction projects, the Company performed in-depth studies on contract terms and the technological specifications required and also strengthened its management control and cost control during the construction process in order to optimise resource allocation and project management and achieve the best outcome of the projects.

(Harbin-Dalian PDL, the first girder casting ceremony).

INFRASTRUCTURE CONSTRUCTION BUSINESS (CONTINUED)

4. *Investment Business*

In 2007, the Company set up CCCC Investment Company Limited to mainly engage in the development and operation regarding the investment projects in infrastructure through BOT and BT models and land development. This business unit is gradually becoming the new profit generating source of the Company.

During the first half of 2008, new contracts of the Company in the domestic investment business amounted to RMB6,535 million. The Company set up and streamlined its management system for BOT and BT projects, strengthened the execution capabilities of these projects and improved risks control measures. More specifically on risk management measures, the Company selected those projects that meet investment criteria after carrying out adequate research, analysis and assessment.

(Chongqing Chaotianmen Yangtze River Bridge, The main body of the bridge is 1,741 metres long. A steel truss girder tier-bar arch bridge with the longest span in the world of its type.)

INFRASTRUCTURE CONSTRUCTION BUSINESS (CONTINUED)

5. Overseas Business

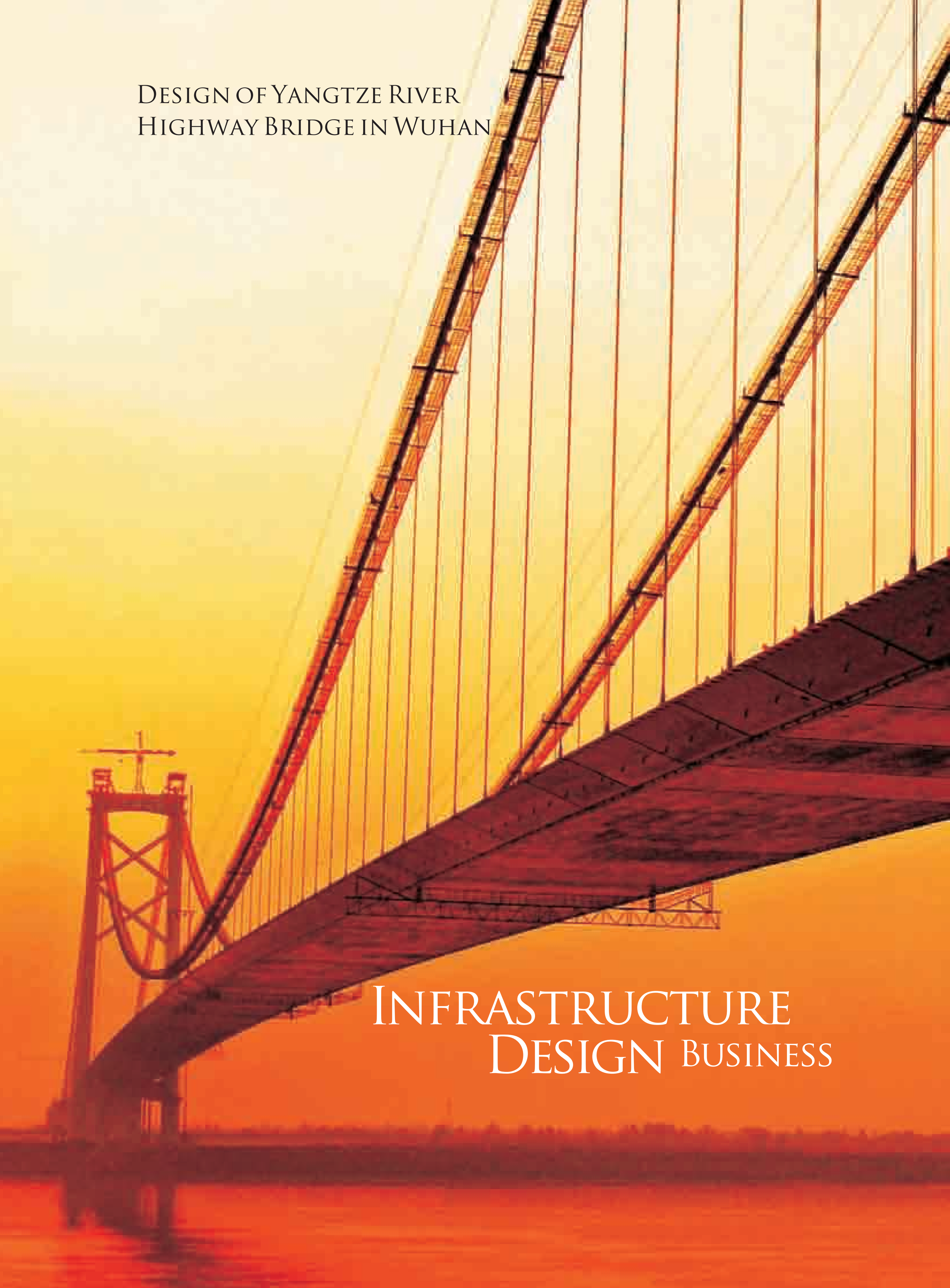
During the first half of 2008, leveraging on its overall strengths, the Company actively pursued the Going Out strategy and achieved effective expansion of its business arena. Overseas projects under construction progressed smoothly with a stable increase in the value of newly signed contracts, demonstrating Company's continued achievements in overseas business operations.

During the first half of 2008, the value of newly signed overseas contracts amounted to US$3,920 million. These projects included the Ma'aden Port and the EPC project of the Raz AZ Zawr Port in Saudi Arabia. More of the Company's new overseas contracts are large projects which are mainly located in Africa and the Middle East. The Company also penetrated into new markets such as Libya and Malawi during the first half of 2008.

(Khalid Lagoon Edge Wall-Sharjah project in UAE. Phase II of Khalid Lagoon edge Wall-Sharjah project is an important component of coastal line extension program, which receives a great deal of attention from the local government.)

6. Other Projects

During the first half of 2008, apart from enhancing its market share in the established domestic market and maintaining a leading position in the industry, the Company actively explored new businesses beyond the traditional scope by participating in projects of water conservancy, hydropower construction and civil works.



Design of Yangtze River Highway Bridge in Wuhan

Infrastructure Design Business

INFRASTRUCTURE DESIGN BUSINESS

During the first half of 2008, revenue for the Company's completed infrastructure design business was RMB3,238 million, representing a year-on-year increase of 14.2%. The value of new infrastructure design contracts reached RMB4,471 million, representing a year-on-year decrease of 6.3%. As at 30 June 2008, backlog for the infrastructure design business was RMB9,778 million, representing an increase of 2.5% compared to the end of 2007.

During the first half of 2008, affected by the Chinese government's austerity measures towards the scale of infrastructure construction investments, growth of infrastructure design business slowed down. Despite this challenge, while maintaining its leading position in the established domestic market, the Company actively expanded its international markets through the success of greater amount of construction contracts which include the design contract also in overseas projects and developing new businesses and new fields, in order to establish a more diversified design business. The Company has already expanded beyond a traditional survey and design business into business sectors covering urban development, railways, bridge inspection and reinforcement, EPC, and project management.

The newly signed infrastructure design contracts of the Company during the first half of 2008 included the survey and design project of Pingnan Expressway, the survey and design project of Yunnan Section of Hangzhou-Lijiang Expressway (the 12th horizontal expressway of China's National Expressway Network), and the survey and design project of Phase I of Sri Lanka Hambantota Port.

(Hangzhou Bay Bridge. The design department overcame various technical difficulties in survey, design and construction, comprising of nine series of self developed core technologies, and six key technologies exceeding even the leading international standards.)

THE 10,028M³ SELF-PROPELLED TRAILING SUCTION HOPPER DREDGER "WAN QING SHA"

DREDGING BUSINESS

DREDGING BUSINESS

During the first half of 2008, revenue for the Company's dredging business amounted to RMB8,681 million, representing a year-on-year increase of 41.3%. The value of new dredging contracts reached RMB10,956 million, representing a year-on-year increase of 27.6%. As at 30 June 2008, backlog for the dredging business was RMB16,030 million, representing an increase of 6.6% compared to the end of 2007.

During the first half of 2008, the Company completed approximately 395 million cubic metres in terms of dredging volume, representing 75% of the total domestic dredging volume in the PRC. Out of the Company's total dredging volume, approximately 241 million cubic metres were for capital and maintenance dredging and approximately 154 million cubic metres were for reclamation dredging. In the first half of 2008, four new professional mega sized dredgers, with annual capacity of 45 million cubic metres under standard conditions, started operation. It is expected that six more mega sized professional dredgers, with an additional annual capacity of 58.18 million cubic metres under standard conditions, will commence their operations in the second half of 2008.

(Phase I of Channel Expansion Project of Tianjin Port, with an engineering capacity of 9,150,000 cubic metres to accommodate the navigation of vessels of 150,000 to 200,000 DWT.)

ZPMC's Vessels for Shipment of Complete Container Gantry Cranes

Port Machinery Manufacturing Business

PORT MACHINERY MANUFACTURING BUSINESS

The Company is the largest manufacturer of container cranes in the world. The Company conducts its port machinery and related product manufacturing business through its subsidiaries, ZPMC and SPMP. During the first half of 2008, revenue for the Company's port machinery manufacturing business was RMB11,991 million, representing a year-on-year increase of 17.5%. The value of new port machinery contracts reached RMB16,729 million, representing a year-on-year increase of 2.0%. As at 30 June 2008, backlog for the port machinery manufacturing business was RMB37,890 million, representing an increase of 9.4% compared to the end of 2007.

During the first half of 2008, ZPMC completed the installation of 359 units of container cranes, representing a year-on-year increase of 16.9%. New products such as offshore heavy machinery equipment and steel structured bridge were fully introduced to the market. The 7,500-ton full-rotary floating crane completed its hoist and anchoring testing and was delivered for use. The New Bay Bridge of the U.S. entered its actual production and full assembly process. The complete Waigaoqiao Gantry Crane was unloaded smoothly, achieving a new record of the movement of complete gantry crane.

("Lan Jing" — 7,500 tons full-rotary floating crane with lifting capacity of 7,500 tons. It is the largest craning vessel in the world which is researched and developed by China with qualification certificate of navigation worldwide.)

Technological Innovation

Since the beginning of the year, despite the challenges of inflation, the Company has been focusing on improving efficiency and on-going development of technological innovation, increasing additional value of its products, and enhancing its core competitiveness. The Company's Construction and Maintenance Technique of Highway Projects in Permafrost Areas of Qinghai-Tibet Plateau was nominated for the Special Prize for National Science and Technology Progress. The Company's four other programs, namely the Research and Development and Industrialisation of Advanced Dredging Technology and Essential Equipment, Establishment of Key Technique Development of ZPMC's New Generation Container Crane, Research on Key Construction Technique of Runyang Yangtze River Highway Bridge and Construction and Operation Technique Application of Large Highway Tunnel in High Elevation Area, were nominated for the Second Prize for National Science and Technology Progress. In addition, the Company has 21 construction methods that have been categorised as State level construction methods by the Ministry of Housing and Urban-Rural Construction, of which, the three anchors and five cables construction method which when applied to cutter suction dredgers could enhance the wind protection capabilities and equipment utilisation rate during dredging engineering is unprecedented in China.

Through improving the mechanism of technological innovation, optimising the new technological innovation system, and strengthening self-innovative capabilities, the Company further excelled on its critical core technology, pushed the limit beyond its existing technological know-how, and continued to construct, manage and upgrade of its key laboratories. The Company evaluated and chose to undertake 18 technology research and development projects, which will further solidify the technology foundation to help the Company to become a world class construction enterprise with international competitiveness.

(The construction and maintenance technique of highway projects in permafrost areas of Qinghai-Tibet Plateau. Through a series of researches on frozen soil technique, the Company has generalized a set of technology and standard for building highway in permafrost areas.)


CHEC

Management's Discussion and Analysis

Management's Discussion and Analysis

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

Overview

For the six months ended 30 June 2008, revenue of the Group amounted to RMB75,749 million, representing an increase of 29.1% from the corresponding period in 2007; revenue from Hong Kong, Macau and countries and regions outside Mainland China amounted to RMB14,204 million, representing an increase of 34.3% from the corresponding period in 2007.

For the six months ended 30 June 2008, profit attributable to equity holders of the Company amounted to RMB2,200 million, representing a decrease of 19.8% from the corresponding period in 2007. Excluding the income from compensation for cost of relocation of RMB123 million for the six months ended 30 June 2008 and RMB636 million for the six months ended 30 June 2007 which the port machinery manufacturing business recognised ("the relocation compensation"), profit attributable to equity holders of the Company would have been RMB2,140[(1)] million and RMB2,108[(1)] million for the six months ended 30 June 2008 and 2007, respectively. For the six months ended 30 June 2008, earnings per share of the Group was RMB0.15, compared with RMB0.19 in the corresponding period in 2007. Excluding the relocation compensation, earnings per share of the Group would have been RMB0.14 for both periods.

The following is a comparison of financial results between the six months ended 30 June 2008 and 2007.

Consolidated Results of Operations

Revenue

Revenue for the six months ended 30 June 2008 amounted to RMB75,749 million, representing an increase of RMB17,075 million, or 29.1%, from RMB58,674 million in the same period in 2007. Revenue increase from all of the Group's business segments, namely the infrastructure construction business, infrastructure design business, dredging business, port machinery manufacturing business and other businesses, amounted to RMB9,941 million, RMB403 million, RMB2,539 million, RMB1,785 million and RMB3,307 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 25.3%, 14.2%, 41.3%, 17.5% and 498.0%, respectively, over the same period in 2007. For the six months ended 30 June 2008, the RMB3,307 million of increase in revenue from the Group's other businesses was primarily attributable to the revenue from Zhenhua Logistics Group ("Zhenhua Logistics"). For the six months ended 30 June 2007, Zhenhua Logistics was a jointly controlled entity and therefore the Group did not consolidate the revenue of Zhenhua Logistics.

(1) Relocation compensations of RMB123 million for the six months ended 30 June 2008 and RMB1 million for the six months ended 30 June 2007 were subject to income tax, while the relocation compensation of RMB635 million for the six months ended 30 June 2007 was not subject to income tax.

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Cost of Sales and Gross Profit

Cost of sales for the six months ended 30 June 2008 amounted to RMB68,289 million, representing an increase of RMB16,089 million, or 30.8%, from RMB52,200 million in the same period in 2007. Increases in cost of sales from the infrastructure construction business, infrastructure design business, dredging business, port machinery manufacturing business and other businesses amounted to RMB9,564 million, RMB390 million, RMB2,442 million, RMB1,550 million and RMB3,043 million (all before elimination of inter-segment transactions), respectively, representing an increase of 26.4%, 19.1%, 48.0%, 17.8% and 487.7%, respectively, over the same period in 2007. For the six months ended 30 June 2008, the RMB3,043 million of increase in cost of sales from the Group's other businesses was primarily due to the cost of sales from Zhenhua Logistics. For the six months ended 30 June 2007, Zhenhua Logistics was a jointly controlled entity and therefore the Group did not consolidate the cost of sales of Zhenhua Logistics.

For the six months ended 30 June 2008, cost of raw materials and consumables used increased by 29.8% to RMB27,829 million from RMB21,433 million in the corresponding period in 2007; employee benefits increased by 32.9% to RMB5,968 million from RMB4,491 million in the corresponding period in 2007 and a significant portion of employee benefits was accounted for in cost of sales.

As a result, gross profit for the six months ended 30 June 2008 amounted to RMB7,460 million, representing an increase of RMB986 million, or 15.2%, from RMB6,474 million in the same period in 2007. Gross profit margin decreased to 9.8% for the six months ended 30 June 2008 from 11.0% in the same period in 2007.

Operating Profit

Operating profit for the six months ended 30 June 2008 amounted to RMB4,174 million, representing a decrease of RMB619 million, or 12.9%, from RMB4,793 million in the same period in 2007. The decline was mainly because the Group's port machinery manufacturing business recognised a relocation compensation of RMB636 million for the six months ended 30 June 2007, while the relocation compensation was RMB123 million for the six months ended 30 June 2008. In addition, the Group recorded other losses of RMB307 million, including RMB251 million from the port machinery manufacturing business, due to decrease in fair value of foreign exchange forward contracts recorded for the six months ended 30 June 2008. For the corresponding period in 2007, the Group recorded other gains of RMB213 million, including RMB181 million from the port machinery manufacturing business, due to increase in fair value of foreign exchange forward contracts.

Excluding the relocation compensation, operating profit from the port machinery manufacturing business decreased by RMB442 million (before elimination of inter-segment transactions) to RMB975 million for the six months ended 30 June 2008 from RMB1,417 million in the same period in 2007. For the six months ended 30 June 2008, operating profit from the infrastructure design business and other business decreased by RMB19 million and RMB8 million (before elimination of inter-segment transactions), respectively, from the same period in 2007. These decreases were partially offset by the increase in operating profit from the infrastructure construction business and dredging business of RMB96 million and RMB77 million (before elimination of inter-segment transactions), or 5.7% and 10.2%, respectively, from the same period in 2007.

As a result, operating profit margin decreased to 5.5% for the six months ended 30 June 2008 from 8.2% for the same period in 2007. Excluding the relocation compensation, operating margin would have been 5.3% and 7.1% for the six months ended 30 June 2008 and 2007, respectively.

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Interest Income

Interest income for the six months ended 30 June 2008 amounted to RMB296 million, representing an increase of RMB93 million from RMB203 million for the same period in 2007.

Finance Costs, net

Net finance costs for the six months ended 30 June 2008 amounted to RMB826 million, representing an increase of RMB210 million, or 34.1%, from RMB616 million for the same period in 2007. This change was due to the increase of RMB525 million in interest expenses, primarily as a result of increase in interest rate and the Group's total borrowings, which was offset by the increase of RMB286 million in net foreign exchange gains on borrowings and the decrease of RMB29 million in other finance costs from the same period in 2007.

Share of (Loss)/Profit of Jointly Controlled Entities

Share of loss from jointly controlled entities for the six months ended 30 June 2008 amounted to RMB78 million, compared with share of profit of RMB9 million in corresponding period in 2007.

Share of (Loss)/Profit of Associates

Share of the loss of associates for the six months ended 30 June 2008 amounted to RMB11 million, compared with share of profit of RMB36 million in corresponding period in 2007.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax for the six months ended 30 June 2008 amounted to RMB3,555 million, representing a decrease of RMB870 million or 19.7% from RMB4,425 million during the same period in 2007. Excluding the relocation compensation, profit before income tax would have been RMB3,432 million and RMB3,789 million for the six months ended 30 June 2008 and 2007, respectively.

Income Tax Expense

Income tax expense for the six months ended 30 June 2008 amounted to RMB694 million, representing a decrease of RMB280 million, or 28.7%, from RMB974 million in the same period in 2007. Effective tax rate for the Group for the six months ended 30 June 2008 decreased to 19.5% from 22.0% in the same period in 2007, mainly due to the change of PRC statutory corporate tax rate from 33% to 25% in accordance with the Corporate Income Tax Law which became effective on 1 January 2008.

Minority Interests

Minority interests for the six months ended 30 June 2008 amounted to RMB661 million, a decrease of RMB46 million, or 6.5%, from RMB707 million in the same period in 2007.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company for the six months ended 30 June 2008 amounted to RMB2,200 million, a decrease of RMB544 million, or 19.8%, from RMB2,744 million in the same period in 2007. Excluding the relocation compensation of RMB123 million for the six months ended 30 June 2008 and RMB636 million for the six months ended 30 June 2007, profit attributable to equity holders of the Company would have been RMB2,140 million and RMB2,108 million for the six months ended 30 June 2008 and 2007, respectively.

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Profit Attributable to Equity Holders of the Company (Continued)

Profit margin with respect to profit attributable to equity holders of the Company was 2.9% for the six months ended 30 June 2008, as compared to 4.7% in the same period in 2007. Excluding the relocation compensation, profit margin with respect to profit attributable to equity holders of the Company would have been 2.8% and 3.6% for the six months ended 30 June 2008 and 2007, respectively.

DISCUSSION OF SEGMENT OPERATIONS

The following table sets forth the revenue, gross profit and operating profit of the Group for the six months ended 30 June 2008 and 2007.

	Revenue		Gross Profit		Gross Profit Margin		Operating Profit [1][2]		Operating Profit Margin [2]	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
Business	**2008 (RMB million)**	2007 (RMB million)	**2008 (RMB million)**	2007 (RMB million)	**2008 (%)**	2007 (%)	**2008 (RMB million)**	2007 (RMB million)	**2008 (%)**	2007 (%)
Infrastructure Construction	**49,204**	39,263	**3,477**	3,100	**7.1**	7.9	**1,785**	1,689	**3.6**	4.3
% of total	**63.8**	66.4	**46.6**	47.9			**42.9**	34.0		
Infrastructure Design	**3,238**	2,835	**806**	793	**24.9**	28.0	**395**	414	**12.2**	14.6
% of total	**4.2**	4.8	**10.8**	12.2			**9.5**	8.3		
Dredging	**8,681**	6,142	**1,150**	1,053	**13.2**	17.1	**831**	754	**9.6**	12.3
% of total	**11.3**	10.4	**15.4**	16.3			**20.0**	15.2		
Port Machinery Manufacturing	**11,991**	10,206	**1,723**	1,488	**14.4**	14.6	**1,098**	2,053	**9.2**	20.1
% of total	**15.6**	17.3	**23.1**	23.0			**26.4**	41.3		
Other businesses	**3,971**	664	**304**	40	**7.7**	6.0	**50**	58	**1.3**	8.7
% of total	**5.1**	1.1	**4.1**	0.6			**1.2**	1.2		
Subtotal	**77,085**	59,110	**7,460**	6,474			**4,159**	4,968		
Intersegment elimination and unallocated profit/(costs)	**(1,336)**	(436)	**—**	—			**15**	(175)		
Total	**75,749**	58,674	**7,460**	6,474	**9.8**	11.0	**4,174**	4,793	**5.5**	8.2

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

(2) Includes relocation compensation of RMB636 million for the six months ended 30 June 2007 and RMB123 million for the six months ended 30 June 2008 for the port machinery manufacturing business.

DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the six months ended 30 June 2008 and 2007.

	Six months ended 30 June	
	2008 (RMB million)	2007 (RMB million)
Revenue	**49,204**	39,263
Cost of sales	**(45,727)**	(36,163)
Gross profit	**3,477**	3,100
Selling and marketing expenses	**(14)**	(23)
Administrative expenses	**(1,683)**	(1,451)
Other income, net	**5**	63
Segment result	**1,785**	1,689
Depreciation and amortisation	**757**	548

Revenue. Revenue from the infrastructure construction business for the six months ended 30 June 2008 was RMB49,204 million, an increase of RMB9,941 million, or 25.3%, as compared with RMB39,263 million in the same period in 2007, primarily due to an increase in the aggregate value of projects undertaken by the Group, driven by demand for the Group's services as a result of the continuous growth in infrastructure expenditure by the Group's domestic and overseas customers. The value of new contracts entered into for the infrastructure construction business for the six months ended 30 June 2008 was RMB93,818 million, an increase of RMB22,691 million, or 31.9%, compared with RMB71,127 million the same period in 2007. No single project accounted for more than 5% of the Group's total revenue for the six months ended 30 June 2008 or 2007.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business for the six months ended 30 June 2008 was RMB45,727 million, an increase of RMB9,564 million, or 26.4%, as compared with RMB36,163 million in the same period in 2007. Cost of sales as a percentage of revenue increased from 92.1% for the six months ended 30 June 2007 to 92.9% in the same period in 2008, primarily as a result of increase in the costs of raw materials and employee benefits.

Gross profit from the infrastructure construction business for the six months ended 30 June 2008 grew by RMB377 million, or 12.2%, to RMB3,477 million from RMB3,100 million over the same period in 2007. Gross profit margin decreased to 7.1% for the six months ended 30 June 2008 from 7.9% in the same period in 2007.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business for the six months ended 30 June 2008 were RMB14 million, a decrease of RMB9 million, or 39.1%, as compared with RMB23 million in the same period in 2007.

DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Infrastructure Construction Business (Continued)

Administrative expenses. Administrative expenses for the infrastructure construction business for the six months ended 30 June 2008 were RMB1,683 million, an increase of RMB232 million, or 16.0%, as compared with RMB1,451 million in the same period in 2007, primarily due to the increase in employee benefits. Administrative expenses as a percentage of revenue decreased to 3.4% for the six months ended 30 June 2008 from 3.7% in the same period in 2007 because of the increased economies of scale.

Other income, net. Other income, net for the infrastructure construction business decreased by RMB58 million to RMB5 million for the six months ended 30 June 2008 from RMB63 million in the same period in 2007.

Segment result. As a result of the above, segment result for the infrastructure construction business for the six months ended 30 June 2008 was RMB1,785 million, an increase of RMB96 million, or 5.7%, as compared with RMB1,689 million in the corresponding period in 2007. Segment result margin decreased to 3.6% for the six months ended 30 June 2008 from 4.3% in the same period in 2007.

Infrastructure Design Business

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

The following table sets out the principal profit and loss information for infrastructure design business for the six months ended 30 June 2008 and 2007.

	Six months ended 30 June	
	2008 (RMB million)	2007 (RMB million)
Revenue	**3,238**	2,835
Cost of sales	**(2,432)**	(2,042)
Gross profit	**806**	793
Selling and marketing expenses	**(43)**	(35)
Administrative expenses	**(373)**	(347)
Other income, net	**5**	3
Segment result	**395**	414
Depreciation and amortisation	**65**	57

Revenue. Revenue from the infrastructure design business for the six months ended 30 June 2008 was RMB3,238 million, an increase of RMB403 million, or 14.2%, as compared with RMB2,835 million in the same period in 2007. This growth was primarily attributable to an 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 for the six months ended 30 June 2008 was RMB4,471 million, a decrease of RMB299 million, or 6.3%, as compared with RMB4,770 million in the same period in 2007.

DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Infrastructure Design Business (Continued)

Cost of sales and gross profit. Cost of sales for the infrastructure design business for the six months ended 30 June 2008 was RMB2,432 million, an increase of RMB390 million, or 19.1%, as compared with RMB2,042 million in the same period in 2007. Cost of sales as a percentage of revenue increased from 72.0% for the six months ended 30 June 2007 to 75.1% in the same period in 2008, primarily due to the increase in subcontracting costs and employee benefits.

Gross profit from the infrastructure design business for the six months ended 30 June 2008 was RMB806 million, an increase of RMB13 million, or 1.6%, as compared with RMB793 million in the same period in 2007. Gross profit margin decreased to 24.9% for the six months ended 30 June 2008 from 28.0% in the corresponding period in 2007.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business for the six months ended 30 June 2008 were RMB43 million, an increase of RMB8 million, or 22.9%, as compared with RMB35 million in the corresponding period in 2007.

Administrative expenses. Administrative expenses for the infrastructure design business for the six months ended 30 June 2008 were RMB373 million, a moderate increase of RMB26 million, or 7.5%, as compared with RMB347 million during the corresponding period in 2007. Administrative expenses as a percentage of revenue decreased to 11.5% for the six months ended 30 June 2008 from 12.2% in the corresponding period in 2007, as the scale of the business increases.

Other income, net. Other income, net for the infrastructure design business for the six months ended 30 June 2008 was RMB5 million, an increase of RMB2 million from the corresponding period in 2007.

Segment result. As a result of the above, segment result for the infrastructure design business for the six months ended 30 June 2008 was RMB395 million, a decrease of RMB19 million, or 4.6%, as compared with RMB414 million in the corresponding period in 2007. Segment result margin decreased to 12.2% for the six months ended 30 June 2008 from 14.6% in the corresponding period in 2007.

DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Dredging Business

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

The following table sets out the principal profit and loss information for the dredging business for the six months ended 30 June 2008 and 2007.

	Six months ended 30 June	
	2008 (RMB million)	2007 (RMB million)
Revenue	**8,681**	6,142
Cost of sales	**(7,531)**	(5,089)
Gross profit	**1,150**	1,053
Selling and marketing expenses	**(8)**	(7)
Administrative expenses	**(369)**	(287)
Other income/(expense), net	**58**	(5)
Segment result	**831**	754
Depreciation and amortisation	**243**	199

Revenue. Revenue from the dredging business for the six months ended 30 June 2008 was RMB8,681 million, an increase of RMB2,539 million, or 41.3%, as compared with RMB6,142 million in the same period in 2007. The revenue growth was primarily attributable to increased port development activities and coastal line reclamation activities in the PRC, which led to higher demand for the Group's dredging services. The value of new contracts entered into for the Dredging Business for the six months ended 30 June 2008 was RMB10,956 million, an increase of RMB2,370 million, or 27.6%, compared with RMB8,586 million during the same period in 2007.

Cost of sales and gross profit. Cost of sales for the dredging business for the six months ended 30 June 2008 was RMB7,531 million, an increase of RMB2,442 million, or 48.0%, as compared with RMB5,089 million in the corresponding period in 2007. Cost of sales as a percentage of revenue for the dredging business for the six months ended 30 June 2008 was 86.8%, an increase of 3.9% from 82.9% in the corresponding period in 2007, which primarily resulted from heavier reliance on subcontracting by the Group's dredging subsidiaries over the same period in 2007 and the increase in the costs of raw materials and employee benefits.

Gross profit from the dredging business for the six months ended 30 June 2008 was RMB1,150 million, an increase of RMB97 million or 9.2%, as compared with RMB1,053 million in the same period in 2007. Gross profit margin for the dredging business decreased to 13.2% for the six months ended 30 June 2008 from 17.1% in the corresponding period in 2007.

DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Dredging Business (Continued)

Selling and marketing expenses. Selling and marketing expenses for the dredging business for the six months ended 30 June 2008 were RMB8 million, an increase of RMB1 million from RMB7 million the corresponding period in 2007.

Administrative expenses. Administrative expenses for the dredging business for the six months ended 30 June 2008 were RMB369 million, an increase of RMB82 million, or 28.6%, as compared with RMB287 million in the corresponding period in 2007. Administrative expenses as a percentage of revenue decreased from 4.7% for the six months ended 30 June 2007 to 4.3% in the same period of 2008, primarily due to the Group's increasing economies of scale.

Other income/(expenses), net. Other income, net for the dredging business for the six months ended 30 June 2008 was RMB58 million, as compared with other expenses, net of RMB5 million in the corresponding period in 2007.

Segment result. As a result of the above, segment result for the dredging business for the six months ended 30 June 2008 was RMB831 million, an increase of RMB77 million, or 10.2%, as compared with RMB754 million in the corresponding period in 2007. Segment result margin decreased to 9.6% for the six months ended 30 June 2008 from 12.3% in the corresponding period in 2007.

Port Machinery Manufacturing Business

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

The following table sets out the principal profit and loss information for the port machinery manufacturing business for the six months ended 30 June 2008 and 2007.

	Six months ended 30 June	
	2008 (RMB million)	2007 (RMB million)
Revenue	**11,991**	10,206
Cost of sales	**(10,268)**	(8,718)
Gross profit	**1,723**	1,488
Selling and marketing expenses	**(33)**	(22)
Administrative expenses	**(469)**	(270)
Other (expense)/income, net	**(123)**	857
Segment result	**1,098**	2,053
Depreciation and amortisation	**400**	265

DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Port Machinery Manufacturing Business (Continued)

Revenue. Revenue from the port machinery manufacturing business for the six months ended 30 June 2008 was RMB11,991 million, an increase of RMB1,785 million, or 17.5%, as compared with RMB10,206 million in the corresponding period in 2007. This increase was primarily attributable to growth in global container transportation and increasing market demand for the Group's products. The value of new contracts entered into for the port machinery manufacturing business for the six months ended 30 June 2008 was RMB16,729 million, an increase of RMB329 million, or 2.0%, compared with RMB16,400 million in the same period in 2007.

Cost of sales and gross profit. Cost of sales for the port machinery manufacturing business for the six months ended 30 June 2008 was RMB10,268 million, an increase of RMB1,550 million, or 17.8%, as compared with RMB8,718 million in the corresponding period in 2007, primarily due to increases in revenue and raw material costs. Cost of sales as a percentage of revenue increased from 85.4% for the six months ended 30 June 2007 to 85.6% in the same period of 2008, primarily due to the increase in cost of sales from SPMP.

Gross profit from the port machinery manufacturing business for the six months ended 30 June 2008 was RMB1,723 million, an increase of RMB235 million, or 15.8%, as compared with RMB1,488 million in the corresponding period in 2007. Gross profit margin decreased to 14.4% for the six months ended 30 June 2008 from 14.6% in the corresponding period in 2007.

Selling and marketing expenses. Selling and marketing expenses for the port machinery manufacturing business for the six months ended 30 June 2008 were RMB33 million, an increase of RMB11 million from the corresponding period in 2007.

Administrative expenses. Administrative expenses for the port machinery manufacturing business for the six months ended 30 June 2008 were RMB469 million, an increase of RMB199 million, or 73.7%, as compared with RMB270 million in the corresponding period in 2007, primarily resulted from the increased spending on research and development activities. Administrative expenses as a percentage of revenue for the port machinery manufacturing business increased to 3.9% for the six months ended 30 June 2008 from 2.6% in the corresponding period in 2007.

Other (expenses)/income, net. Other expenses, net for the port machinery manufacturing business for the six months ended 30 June 2008 was RMB123 million, compared with other income, net of RMB857 million in the corresponding period in 2007. The port machinery manufacturing business recognised income from relocation compensation of RMB123 million for the six months ended 30 June 2008, while the relocation compensation recognised was RMB636 million for the six months ended 30 June 2007. In addition, the port machinery manufacturing business recorded losses of RMB251 million from decrease in fair value of foreign exchange forward contracts for the six months ended 30 June 2008, as compared with gains of RMB181 million from increase in fair value of foreign exchange forward contracts in the corresponding period in 2007.

Segment result. As a result of the above, segment result for the port machinery manufacturing business for the six months ended 30 June 2008 was RMB1,098 million, a decrease of RMB955 million, or 46.5%, as compared with RMB2,053 million in the corresponding period in 2007. Excluding the relocation compensation, segment result for the port machinery manufacturing business would have been RMB975 million and RMB1,417 million for the six months ended 30 June 2008 and 2007, respectively. Segment result margin decreased to 9.2% for the six months ended 30 June 2008 from 20.1% in the corresponding period in 2007. Excluding the relocation compensation, segment result margin would have been 8.1% and 13.9% for the six months ended 30 June 2008 and 2007, respectively.

Discussion of Segment Operations (Continued)

Other Businesses

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

The following table sets out the revenue, cost of sales and gross profit information for the other businesses for the six months ended 30 June 2008 and 2007.

	Six months ended 30 June	
	2008 (RMB million)	2007 (RMB million)
Revenue	**3,971**	664
Cost of sales	**(3,667)**	(624)
Gross profit	**304**	40

Revenue. Revenue from the other businesses for the six months ended 30 June 2008 was RMB3,971 million, an increase of RMB3,307 million, or 498.0%, as compared with RMB664 million in the corresponding period in 2007. This revenue growth was primarily attributable to the revenue from Zhenhua Logistics. For the six months ended 30 June 2007, Zhenhua Logistics was a jointly controlled entity and therefore the Group did not consolidate the revenue of Zhenhua Logistics.

Cost of sales and gross profit. Cost of sales for the other businesses for the six months ended 30 June 2008 was RMB3,667 million, an increase of RMB3,043 million, or 487.7%, as compared with RMB624 million in the corresponding period in 2007, primarily due to the cost of sales from Zhenhua Logistics. For the six months ended 30 June 2007, Zhenhua Logistics was a jointly controlled entity and therefore the Group did not consolidate the cost of sales of Zhenhua Logistics. Cost of sales as a percentage of revenue decreased from 94.0% for the six months ended 30 June 2007 to 92.3% in the same period of 2008.

Gross profit from the other businesses for the six months ended 30 June 2008 was RMB304 million, an increase of RMB264 million, or 660.0%, as compared with RMB40 million in the corresponding period in 2007. Gross profit margin increased to 7.7% for the six months ended 30 June 2008 from 6.0% in the corresponding period in 2007.

LIQUIDITY AND CAPITAL RESOURCES

The Group's business requires a significant amount of working capital to finance the purchase of raw materials and the performance of engineering, construction and other work on projects before payment is received from clients. The Group historically met its working capital and other capital requirements principally from cash provided by operations, while financing the remainder of the Group's requirements primarily through borrowings. As at 30 June 2008, the Group had unutilised credit facilities in the amount of RMB119,659 million. The Group has also supplemented its financial resources with proceeds raised from issuing medium term notes in April and June 2008 and from its initial public offering in December 2006. 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 Company's unaudited condensed consolidated interim cash flow statements for the six months ended 30 June 2008 and 2007.

	Six months ended 30 June	
	2008 (RMB million)	2007 (RMB million)
Net cash used in operating activities	**(9,329)**	(62)
Net cash used in investing activities	**(10,340)**	(5,103)
Net cash generated from/(used in) financing activities	**19,894**	(1,803)
Net increase/(decrease) in cash and cash equivalents	**225**	(6,968)
Cash and cash equivalents at beginning of period	**22,473**	30,793
Exchange losses on cash and cash equivalents	**(42)**	(162)
Cash and cash equivalents at end of period	**22,656**	23,663

Cash flow from operating activities

During the six months ended 30 June 2008, net cash used in operating activities increased by RMB9,267 million to RMB9,329 million from RMB62 million during the corresponding period in 2007, which primarily resulted from the increase in changes in working capital, particularly increase in trade and other receivables and inventories. Addition to trade and other receivables for the six months ended 30 June 2008 primarily resulted from the Group's increased prepayments for steel and other raw materials of over RMB5,700 million and the increase in BT projects of over RMB1,700 million. Addition to inventories for the six months ended 30 June 2008 amounted to over RMB 3,500 million, which resulted from the increase in steel required by ZPMC and certain subsidiaries of the Group's infrastructure construction business.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Cash Flow Data (Continued)

Cash flow from investing activities

Net cash used in investing activities for the six months ended 30 June 2008 was RMB10,340 million as compared with RMB5,103 million in the corresponding period in 2007. The increase of RMB5,237 million, or 102.6%, was primarily due to increases in purchases of property, plant and equipment, lease prepayments, additional investments in jointly controlled entities and associates and purchase of available-for-sale financial assets.

For the six months ended 30 June 2008, the Group's purchases of property, plant and equipment, including purchase of equipment and vessels for ZPMC and the Group's dredging business and infrastructure construction business, amounted to RMB8,606 million, an increase of RMB3,820 million from the corresponding period in 2007. Lease prepayments for the six months ended 30 June 2008 amounted to RMB531 million, an increase of RMB529 million from the corresponding period in 2007, primarily due to land purchases by the Group's port machinery manufacturing business. Additional investments in jointly controlled entities and associates, in aggregate, for the six months ended 30 June 2008 were RMB498 million, which primarily resulted from the Group's investment in a joint venture in the other businesses segment and additional investment in TaiYuan-ZhongWei-YinChuan Railway Co., Ltd., an associate of the Group. Additional investments in jointly controlled entities and associates represented an increase of RMB426 million from the corresponding period in 2007. The Group's purchase of available-for-sale financial assets for the six months ended 30 June 2008 amounted to RMB1,181 million, which included the Group's structured investment deposit and other strategic investments, representing an increase of RMB1,114 million from the corresponding period in 2007.

Cash flow from financing activities

Net cash generated from financing activities for the six months ended 30 June 2008 was RMB19,894 million, as compared with net cash used of RMB1,803 million in the corresponding period in 2007. The increase of RMB21,697 million was primarily due to borrowings of RMB30,047 million during the six months ended 30 June 2008, which was partially offset by repayments of borrowings of RMB9,806 million. The Group issued medium-term notes of RMB2,500 million each in April and June 2008, and ZPMC issued short-term financing bonds of RMB2,300 million in January 2008.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Capital Expenditure

The Group's capital expenditure principally comprises expenditure from the building of plants, purchases of property, vessels and equipment and investment in BOT projects. The following table set forth the Group's capital expenditure by business for the six months ended 30 June 2008 and 2007.

	Six months ended 30 June	
	2008 (RMB million)	2007 (RMB million)
Infrastructure Construction Business	**2,029**	1,787
Infrastructure Design Business	**98**	140
Dredging Business	**2,601**	700
Port Machinery Manufacturing Business	**3,551**	2,616
Other	**117**	66
Total	**8,396**	5,309

Capital expenditure for the six months ended 30 June 2008 was RMB8,396 million, compared with RMB5,309 million in the corresponding period in 2007. The increase of RMB3,087 million or 58.1% was primarily due to the purchase of additional dredgers to increase the Group's dredging capacity and the capital expenditure for purchase of equipment for the Group's infrastructure construction business and port machinery manufacturing business, land purchases for the Group's port machinery manufacturing business and further investments in BOT projects by the Group's infrastructure construction business.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Working Capital

Trade and bills receivables and trade and bills payables

The following table sets forth the turnover of the Group's average trade and bills receivable and average trade and bills payable for the six months ended 30 June 2008 and twelve months ended 31 December 2007.

	As at	
	Six months ended 30 June 2008 (Unaudited) (Number of days)	Twelve months ended 31 December 2007 (Audited) (Number of days)
Turnover of average trade and bills receivables[(1)]	**64**	53
Turnover of average trade and bills payables[(2)]	**98**	85

(1) *For the six months ended 30 June 2008, average trade and bills receivables equals trade and bills receivables net of provisions at the beginning of the six-month period plus trade and bills receivables net of provisions at the end of the six-month period divided by 2. Turnover of average trade and bills receivables (in days) equals average trade and bills receivables divided by revenue and multiplied by 180. For the twelve months ended 31 December 2007, average trade and bills receivables equals trade and bills receivables net of provisions at the beginning of the year plus trade and bills receivables net of provisions at the end of the year divided by 2. Turnover of average trade and bills receivables (in days) equals average trade and bills receivables divided by revenue and multiplied by 365.*

(2) *For the six months ended 30 June 2008, average trade and bills payables equals trade and bills payables at the beginning of the six-month period plus trade and bills payables at the end of the six-month period divided by 2. Turnover of average trade and bills payables (in days) equals average trade and bills payables divided by cost of sales and multiplied by 180. For the twelve months ended 31 December 2007, average trade and bills payables equals trade and bills payables at the beginning of the year plus trade and bills payables at the end of the year divided by 2. Turnover of average trade and bills payables (in days) equals average trade and bills payables divided by cost of sales and multiplied by 365.*

The following table sets forth an ageing analysis of trade and bills receivables as at 30 June 2008 and 31 December 2007.

	As at	
	30 June 2008 (Unaudited) (RMB million)	31 December 2007 (Audited) (RMB million)
Less than 6 months	**24,391**	20,397
6 months to 1 year	**2,880**	2,634
1 year to 2 years	**1,843**	1,924
2 years to 3 years	**871**	699
Over 3 years	**1,082**	1,047
Total	**31,067**	26,701

The Group's credit terms with its customers for the six months ended 30 June 2008 remained the same as that in the year ended 31 December 2007. Management closely monitors the recovery of the Group's overdue trade and bills receivables on a regular basis, and, when appropriate, provides for impairment of these trade and bills receivables. As at 30 June 2008, the Group had a provision for impairment of RMB2,097 million, as compared with RMB2,054 million as at 31 December 2007.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Working Capital (Continued)

Trade and bills receivable and trade and bills payable (Continued)

The following table sets forth an ageing analysis of trade and bills payables as at 30 June 2008 and 31 December 2007.

	As at	
	30 June 2008 (Unaudited) (RMB million)	31 December 2007 (Audited) (RMB million)
Within 1 year	**35,415**	34,935
1 year to 2 years	**1,285**	1,449
2 years to 3 years	**353**	295
Over 3 years	**140**	173
Total	**37,193**	36,852

The Group's credit terms with its suppliers for the six months ended 30 June 2008 remained the same as that in the year ended 31 December 2007. 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 30 June 2008 and 31 December 2007.

	As at	
	30 June 2008 (Unaudited) (RMB million)	31 December 2007 (Audited) (RMB million)
Current	**2,856**	2,469
Non-current	**3,027**	2,513
Total	**5,883**	4,982

INDEBTEDNESS

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 30 June 2008 and 31 December 2007.

	As at	
	30 June 2008 (Unaudited) (RMB million)	31 December 2007 (Audited) (RMB million)
Within 1 year	**34,955**	21,828
Between 1 year and 2 years	**3,779**	3,621
Between 2 years and 5 years	**11,683**	5,873
Wholly repayable within 5 years	**50,417**	31,322
Over 5 years	**3,668**	3,139
Total borrowings	**54,085**	34,461

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Euro, Hong Kong dollars and Japanese Yen. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 30 June 2008 and 31 December 2007.

	As at	
	30 June 2008 (Unaudited) (RMB million)	31 December 2007 (Audited) (RMB million)
Renminbi	**36,620**	19,933
U.S. dollar	**13,987**	10,659
Hong Kong dollar	**554**	506
Japanese yen	**968**	1,108
Euro	**1,956**	2,219
Others	**—**	36
Total borrowings	**54,085**	34,461

The Group's gearing ratio, calculated as net debt divided by capitalisation, as at 30 June 2008 was 38.4%, compared with 18.2% as at 31 December 2007.

INDEBTEDNESS (CONTINUED)

Contingent Liabilities

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

	As at	
	30 June 2008 (Unaudited) (RMB million)	31 December 2007 (Audited) (RMB million)
Pending lawsuits [(1)]	**311**	309
Outstanding loan guarantees [(2)]	**144**	196
	455	505

(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 normal 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 due to the Group's borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 30 June 2008 and 31 December 2007, approximately RMB31,192 million and RMB17,144 million of the Company's borrowings were at fixed rates.

MARKET RISKS (CONTINUED)

Foreign exchange risk

The Group's functional currency of a majority of the entities within the Group is Renminbi with most of the Group's transactions settled in Renminbi. The Group uses, however, foreign currencies to settle the Group's invoices from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. In addition, the Group generates revenue from certain construction contracts denominated in foreign currencies and a significant proportion of the Group's bank borrowings are denominated in foreign currencies, particularly the U.S. dollar, the Euro and the Japanese Yen. Renminbi is not freely convertible into other foreign currencies and conversion of the Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against the U.S. dollar. As at 30 June 2008, Renminbi had appreciated by approximately 20.7% against the U.S. dollar since July 2005. The PRC government may in the future make further adjustments to the exchange rate system. When Renminbi appreciates, the value of foreign currency denominated assets will decline against Renminbi.

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

During the six month ended 30 June 2008 and the year ended 31 December 2007, certain subsidiaries within the Group used foreign currency forward contracts for transactions with domestic and overseas registered banks, to hedge the Group's exposure to foreign currency risk on individual transactions primarily vis-à-vis U.S. dollar, the Euro and Japanese Yen.

Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2008

	Note	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	5	**31,647**	26,129
Lease prepayments		**3,399**	2,979
Investments properties		**333**	374
Intangible assets		**5,005**	4,873
Investments in jointly controlled entities		**519**	370
Investments in associates		**3,390**	3,222
Available-for-sale financial assets	6	**10,959**	16,621
Held-to-maturity financial assets		**2**	2
Deferred income tax assets		**2,205**	2,251
Trade and other receivables	7	**10,322**	7,744
Other non-current assets		**88**	83
		67,869	64,648
Current assets			
Inventories		**9,390**	5,863
Trade and other receivables	7	**58,329**	44,782
Amounts due from customers for contract work	8	**34,628**	28,488
Available-for-sale financial assets	6	**630**	—
Derivative financial instruments	9	**310**	508
Other financial assets at fair value through profit or loss		**91**	160
Restricted cash		**512**	475
Cash and cash equivalents		**22,655**	22,473
		126,545	102,749
Assets classified as held for sale	21	**446**	—
		126,991	102,749
Total assets		**194,860**	167,397
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	18	**12,728**	15,162
Dividend proposed	19	**—**	1,305
		41,406	45,145
Minority interests		**9,010**	8,817
Total equity		**50,416**	53,962

Unaudited Condensed Consolidated Interim Balance Sheet (continued)

As at 30 June 2008

	Note	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
LIABILITIES			
Non-current liabilities			
Borrowings	10	**19,130**	12,633
Deferred income		**344**	246
Deferred income tax liabilities		**2,033**	3,817
Early retirement and supplemental benefit obligations		**3,076**	3,153
		24,583	19,849
Current liabilities			
Trade and other payables	11	**71,432**	62,099
Amounts due to customers for contract work	8	**11,100**	7,627
Current income tax liabilities		**1,153**	1,562
Borrowings	10	**34,955**	21,828
Derivative financial instruments	9	**794**	158
Early retirement and supplemental benefit obligations		**156**	202
Provisions		**86**	89
Other current liabilities		**8**	21
		119,684	93,586
Liabilities directly associated with assets classified as held for sale	21	**177**	—
		119,861	93,586
Total liabilities		**144,444**	113,435
Total equity and liabilities		**194,860**	167,397
Net current assets		**7,130**	9,163
Total assets less current liabilities		**74,999**	73,811

The notes on pages 49 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Revenue	4	**75,749**	58,674
Cost of sales	12	**(68,289)**	(52,200)
Gross profit		**7,460**	6,474
Other (losses)/gains, net	13	**(549)**	7
Selling and marketing expenses	12	**(239)**	(97)
Administrative expenses	12	**(3,072)**	(2,436)
Other income	14	**1,081**	1,257
Other expenses		**(507)**	(412)
Operating profit		**4,174**	4,793
Interest income		**296**	203
Finance costs, net	15	**(826)**	(616)
Share of (loss)/profit of jointly controlled entities		**(78)**	9
Share of (loss)/profit of associates		**(11)**	36
Profit before income tax		**3,555**	4,425
Income tax expense	16	**(694)**	(974)
Profit for the period		**2,861**	3,451
Attributable to:			
— equity holders of the Company		**2,200**	2,744
— minority interests		**661**	707
		2,861	3,451
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
— basic	17	**0.15**	0.19
— diluted	17	**0.15**	0.19
Dividends	19	**—**	—

The notes on pages 49 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Statement of Changes In Equity

For the six months ended 30 June 2008

	Note	Share Capital RMB million	Share Premium RMB million	Capital Reserve RMB million	Statutory Reserve Fund RMB million	Investment Revaluation Reserve RMB million	Safety Fund RMB million	Hedging Reserve RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million	Minority Interests RMB million	Total equity RMB million
		For the six months ended 30 June 2008 (Unaudited)											
		Attributable to equity holders of the Company											
At 1 January 2008		14,825	13,853	(2,234)	154	11,506	83	81	9	6,868	45,145	8,817	53,962
Changes in fair value of available-for-sale financial assets, net of deferred tax		—	—	—	—	(4,662)	—	—	—	—	(4,662)	(2)	(4,664)
Cash flow hedge reserve transferred to income statement, net of deferred tax		—	—	—	—	—	—	(49)	—	—	(49)	(64)	(113)
Currency translation differences		—	—	—	—	—	—	—	47	—	47	(3)	44
Net income/(expense) recognised directly in equity		—	—	—	—	(4,662)	—	(49)	47	—	(4,664)	(69)	(4,733)
Profit for the period		—	—	—	—	—	—	—	—	2,200	2,200	661	2,861
Total recognised income/(expense) for the period		—	—	—	—	(4,662)	—	(49)	47	2,200	(2,464)	592	(1,872)
2007 final dividend		—	—	—	—	—	—	—	—	(1,305)	(1,305)	—	(1,305)
Dividends paid to minority shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	—	(347)	(347)
Transaction with minority shareholders resulting from acquisition of equity interests in certain subsidiaries		—	—	30	—	—	—	—	—	—	30	(52)	(22)
Transfer to statutory reserve fund	18	—	—	—	8	—	—	—	—	(8)	—	—	—
Appropriations to safety fund	18	—	—	—	—	—	114	—	—	(114)	—	—	—
At 30 June 2008		14,825	13,853	(2,204)	162	6,844	197	32	56	7,641	41,406	9,010	50,416

Unaudited Condensed Consolidated Interim Statement of Changes In Equity (Continued)

For the six months ended 30 June 2008

For the six months ended 30 June 2007 (Unaudited)

		Attributable to equity holders of the Company										
	Note	Share Capital RMB million	Share Premium RMB million	Capital Reserve RMB million	Statutory Reserve Fund RMB million	Investment Revaluation Reserve RMB million	Safety Fund RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million	Minority Interests RMB million	Total equity RMB million
At 1 January 2007		14,825	13,853	(2,157)	73	4,166	—	(9)	1,074	31,825	4,902	36,727
Changes in fair value of available-for-sale financial assets, net of deferred tax		—	—	—	—	2,496	—	—	—	2,496	—	2,496
Reversal of deferred tax assets in relation to the assets revaluation surplus arising from the Reorganisation due to change of tax rate		—	—	(270)	—	—	—	—	—	(270)	—	(270)
Reversal of deferred tax liabilities arising from changes in fair value of available-for-sale financial asset due to change of tax rate		—	—	—	—	402	—	—	—	402	—	402
Currency translation differences		—	—	—	—	—	—	17	—	17	(6)	11
Net income/(expense) recognised directly in equity		—	—	(270)	—	2,898	—	17	—	2,645	(6)	2,639
Profit for the period		—	—	—	—	—	—	—	2,744	2,744	707	3,451
Total recognised income/(expense) for the period		—	—	(270)	—	2,898	—	17	2,744	5,389	701	6,090
2006 final dividend		—	—	—	—	—	—	—	(74)	(74)	—	(74)
Dividends paid to minority shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	(346)	(346)
Contribution from minority shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	88	88
Transaction with minority shareholders resulting from disposal of equity interest in a subsidiary		—	—	176	—	—	—	—	—	176	41	217
Reversal of statutory reserve appropriated in prior year	18	—	—	—	(73)	—	—	—	73	—	—	—
Appropriations to safety fund	18	—	—	—	—	—	151	—	(151)	—	—	—
At 30 June 2007		14,825	13,853	(2,251)	—	7,064	151	8	3,666	37,316	5,386	42,702

The notes on pages 49 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2008

	Note	Six months ended 30 June **2008 (Unaudited) RMB million**	 2007 (Unaudited) RMB million
Net cash used in operating activities		**(9,329)**	(62)
Net cash used in investing activities	20(a)	**(10,340)**	(5,103)
Net cash generated from/(used in) financing activities	20(b)	**19,894**	(1,803)
Net increase/(decrease) in cash and cash equivalents		**225**	(6,968)
Cash and cash equivalents at 1 January		**22,473**	30,793
Exchange losses on cash and cash equivalents		**(42)**	(162)
Cash and cash equivalents at 30 June		**22,656**	23,663

Note: Cash and cash equivalents at 30 June 2008 include cash amounting to RMB1 million (2007: Nil) included in the assets classified as held for sale (Note 21).

The notes on pages 49 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

As at 30 June 2008
(All amounts in RMB unless otherwise stated)

1. General Information

China Communications Construction Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 8 October 2006 as a joint stock company with limited liability under the Company Law of the PRC, as part of the group reorganisation ("Reorganisation") of China Communications Construction Group Ltd. ("CCCG") in preparation for a listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The initial registered share capital of the Company is RMB10,800 million, divided into 10,800,000,000 domestic shares with a nominal value of RMB1.00 each.

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

In December 2006, the Company completed its global initial public offering. 4,025,000,000 new H shares with a nominal value of RMB1.00 each were issued to the investors by way of international offering and public offering, and 402,500,000 domestic shares (10% of the new shares issued) were converted into H shares and transferred to National Social Security Fund. As a result, the registered share capital of the Company increased from 10,800,000,000 shares to 14,825,000,000 shares, comprising 10,397,500,000 domestic shares and 4,427,500,000 H shares, representing 70.1% and 29.9% of the registered capital respectively.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2008 was approved for issue by the Board of Directors of the Company on 17 September 2008.

2. Basis of Preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting" promulgated by the International Accounting Standards Board. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

3. Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the Company's annual financial statements for the year ended 31 December 2007.

(a) The following new interpretations are mandatory for financial year ending 31 December 2008 and relevant to the Group:

- IFRIC 12, Service concession arrangements. This interpretation has been early adopted by the Group in 2006; and

- IFRIC 14, IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction. The adoption of this interpretation did not have any significant effect on the unaudited condensed consolidated interim financial information.

3. ACCOUNTING POLICIES (CONTINUED)

(b) The following new interpretation is effective in 2008 but not relevant for the Group's operations:

- IFRIC 11, IFRS 2 — Group and treasury share transactions.

(c) The following new amendment to standard is not effective for 2008 but has been early adopted by the Group:

- IAS 23 (Revised), Borrowing costs (effective from 1 January 2009), was early adopted in 2007.

(d) The following new standards, interpretation and amendments to standards have been issued but are not effective for 2008 and have not been early adopted by the Group.

- IAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). The Group will apply IAS 1 (Revised) from 1 January 2009;

- IFRS 8, "Operating segments" (effective from 1 January 2009). The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management;

- IAS 32 (Amendment), "Financial instruments: presentation", and consequential amendments to IAS 1, "Presentation of financial statements" (effective from 1 January 2009). The Group will apply IAS 32 and IAS 1 Amendments from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements;

- 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", 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 Group will apply the new amendments from 1 January 2010. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation, associates and joint ventures on the Group;

- IFRS 1 and IAS 27 (Amendments) "Cost of an investment in a subsidiary, jointly controlled entity or associate", and consequential amendments to IAS 18 "Revenue", IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 36 "Impairment of Assets" (effective from 1 January 2009). The Group will apply the new amendments from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements;

- IAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The Group will apply IAS 27 (Revised) from 1 January 2010, but it is not expected to have any material impact on the Group's consolidated financial statements; and

- IFRIC 15, "Agreement for the construction of real estate" (effective from 1 January 2009). The Group will apply IFRIC 15 from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements.

3. Accounting Policies (continued)

(e) The following new amendment to existing standard and new interpretations are not yet effective for 2008 and not relevant for the Group:

- IFRS 2 (Amendment), Share-based Payment Vesting Conditions and Cancellations (effective from 1 January 2009);
- IFRIC 13, Customer loyalty programmes (effective from 1 July 2008); and
- IFRIC 16, Hedges of a net investment in a foreign operation (effective from 1 October 2008).

4. Segment Information

4.1 Primary reporting format — business segments

The Group is organised on a worldwide basis into five main business segments:

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

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

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

(4) manufacturing of port machinery (the "Port Machinery Segment"), and

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

Inter-segment revenue was conducted at prices 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, 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.

4. SEGMENT INFORMATION (CONTINUED)

4.1 *Primary reporting format — business segments* *(Continued)*

The segment results for the six months ended 30 June 2008 and other segment items included in the unaudited condensed consolidated interim financial information are as follows:

	For the six months ended 30 June 2008 (unaudited)						
	Construction RMB million	Design RMB million	Dredging RMB million	Port Machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Total gross segment revenue	49,204	3,238	8,681	11,991	3,971	(1,336)	75,749
Inter-segment revenue	(675)	(93)	(249)	(183)	(136)	1,336	—
Revenue	48,529	3,145	8,432	11,808	3,835	—	75,749
Segment profit	1,785	395	831	1,098	50	—	4,159
Unallocated profit							15
Operating profit							4,174
Interest income							296
Finance costs, net							(826)
Share of loss of jointly controlled entities							(78)
Share of loss of associates							(11)
Profit before income tax							3,555
Income tax expense							(694)
Profit for the period							2,861
Other segment items							
Capital expenditure	2,029	98	2,601	3,551	117	—	8,396
Depreciation	747	59	241	379	36	—	1,462
Amortisation	10	6	2	21	4	—	43
(Reversal of)/provision for impairment of inventories	(4)	—	1	10	(1)	—	6
Provision for/(reversal of) foreseeable losses on construction contracts	50	—	(6)	14	—	—	58
Provision for/(reversal of) impairment of trade and other receivables	15	5	40	(9)	(23)	—	28

4. SEGMENT INFORMATION (CONTINUED)

4.1 *Primary reporting format — business segments* *(Continued)*

The segment results for the six months ended 30 June 2007 and other segment items included in the unaudited condensed consolidated interim financial information are as follows:

	For the six months ended 30 June 2007 (unaudited)						
	Construction RMB million	Design RMB million	Dredging RMB million	Port Machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Total gross segment revenue	39,263	2,835	6,142	10,206	664	(436)	58,674
Inter-segment revenue	(91)	(95)	(39)	(207)	(4)	436	—
Revenue	39,172	2,740	6,103	9,999	660	—	58,674
Segment profit	1,689	414	754	2,053	58	—	4,968
Unallocated costs							(175)
Operating profit							4,793
Interest income							203
Finance costs, net							(616)
Share of profit of jointly controlled entities							9
Share of profit of associates							36
Profit before income tax							4,425
Income tax expense							(974)
Profit for the period							3,451
Other segment items							
Capital expenditure	1,787	140	700	2,616	66	—	5,309
Depreciation	537	53	198	261	6	—	1,055
Amortisation	11	4	1	4	1	—	21
Reversal of impairment of inventories	(5)	—	—	(3)	—	—	(8)
Provision for/(reversal of) foreseeable losses on construction contracts	22	(1)	—	2	—	—	23
Provision for impairment of trade and other receivables	24	6	37	23	1	—	91

4. SEGMENT INFORMATION (CONTINUED)

4.1 Primary reporting format — business segments (Continued)

The segment assets and liabilities at 30 June 2008 are as follows:

	As at 30 June 2008 (Unaudited)						
	Construction RMB million	Design RMB million	Dredging RMB million	Port Machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Segment assets	92,285	5,416	19,202	44,496	5,261	(2,571)	164,089
Investments in jointly controlled entities							519
Investments in associates							3,390
Unallocated assets							26,862
Total assets							194,860
Segment liabilities	61,417	2,873	6,989	9,686	3,234	(2,571)	81,628
Unallocated liabilities							62,816
Total liabilities							144,444

The segment assets and liabilities at 31 December 2007 are as follows:

	As at 31 December 2007 (Audited)						
	Construction RMB million	Design RMB million	Dredging RMB million	Port Machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Segment assets	80,409	5,838	14,872	32,376	5,161	(1,738)	136,918
Investments in jointly controlled entities							370
Investments in associates							3,222
Unallocated assets							26,887
Total assets							167,397
Segment liabilities	52,939	3,313	5,588	9,369	3,488	(1,738)	72,959
Unallocated liabilities							40,476
Total liabilities							113,435

4. SEGMENT INFORMATION (CONTINUED)

4.2 Secondary reporting format — geographical segments

(a) Revenue

Revenue is allocated based on the country or jurisdiction in which the customer is located.

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Mainland China	**61,545**	48,095
Hong Kong and Macau	**1,043**	1,348
Other countries	**13,161**	9,231
	75,749	58,674

(b) Total Assets

Total assets are allocated based on where the assets are located.

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Mainland China	**146,994**	124,171
Hong Kong and Macau	**1,924**	2,226
Other countries	**15,171**	10,521
	164,089	136,918
Investment in associates and jointly controlled entities	**3,909**	3,592
Unallocated assets	**26,862**	26,887
	194,860	167,397

4. SEGMENT INFORMATION (CONTINUED)

4.2 *Secondary reporting format — geographical segments* *(Continued)*

(c) Capital expenditures

Capital expenditure is allocated based on where the assets are located.

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Mainland China	**8,207**	5,151
Hong Kong and Macau	**100**	8
Other countries	**89**	150
	8,396	5,309

5. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June 2008 (unaudited)					
	Buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2008						
Opening net book amount	4,161	3,806	10,175	874	7,113	26,129
Additions	107	619	552	351	5,645	7,274
Disposals	(73)	(93)	(112)	(28)	—	(306)
Transfer	214	142	1,534	15	(1,905)	—
Classified as held for sale	—	—	—	(1)	—	(1)
Depreciation	(140)	(377)	(701)	(231)	—	(1,449)
Closing net book amount	4,269	4,097	11,448	980	10,853	31,647
At 30 June 2008						
Cost	5,938	7,759	19,345	3,112	10,853	47,007
Accumulated depreciation	(1,669)	(3,662)	(7,897)	(2,132)	—	(15,360)
Net book amount	4,269	4,097	11,448	980	10,853	31,647

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	For the six months ended 30 June 2007 (unaudited)					
	Buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2007						
Opening net book amount	3,456	3,179	8,631	765	3,489	19,520
Additions	32	330	216	154	3,535	4,267
Disposals	(35)	(14)	(88)	(12)	—	(149)
Transfer	57	144	1,278	9	(1,488)	—
Depreciation	(113)	(271)	(522)	(142)	—	(1,048)
Closing net book amount	3,397	3,368	9,515	774	5,536	22,590
At 30 June 2007						
Cost	4,832	6,513	16,262	1,868	5,536	35,011
Accumulated depreciation	(1,435)	(3,145)	(6,747)	(1,094)	—	(12,421)
Net book amount	3,397	3,368	9,515	774	5,536	22,590

(a) Certain property, plant and equipment with an aggregate carrying value of approximately RMB95 million as at 30 June 2008 (31 December 2007: RMB110 million) have been pledged to secure the Group's bank borrowings (Note 10).

(b) As at 30 June 2008, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties with an aggregate carrying value of approximately RMB125 million (31 December 2007: RMB212 million). The Directors of the Company are of the opinion that the Group is lawfully entitled to occupy or use these properties.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June 2008 (Unaudited) RMB million	Year ended 31 December 2007 (Audited) RMB million
Beginning of the period/year	**16,621**	7,340
Fair value (loss)/gain	**(6,200)**	9,153
Additions	**1,181**	219
Disposals	**(13)**	(91)
End of the period/year	**11,589**	16,621
Less: non-current portion	**10,959**	16,621
Current portion	**630**	—

Available-for-sale financial assets include the following:

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Listed equity securities, at fair value		
— Mainland China	**9,441**	15,606
— Hong Kong	**179**	218
Unlisted equity investments, at fair value	**1,339**	797
Unlisted debt investments, at fair value	**630**	—
	11,589	16,621

7. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Trade and bills receivables	**31,067**	26,701
Less: provision for impairment	**(2,097)**	(2,054)
Trade and bills receivables — net	**28,970**	24,647
Prepayments	**18,758**	11,526
Retentions	**5,883**	4,982
Deposits	**4,871**	4,507
Other receivables	**2,519**	1,453
Staff advances	**642**	591
Long-term receivables	**6,708**	4,520
Loan receivable	**300**	300
	68,651	52,526
Less: non-current portion		
— Retentions and deposits	**(3,027)**	(2,513)
— Long-term receivables *(note)*	**(4,973)**	(4,435)
— Loan receivable	**(300)**	(300)
— Prepayments	**(2,022)**	(496)
	58,329	44,782

Refer to Note 24(c) for receivables due from related parties.

Note: Long-term receivables mainly includes amounts due from customers in relation to "Build and Transfer" projects (the "BT Projects"), which are generally due within one to seven years after the completion and transfer of the relevant BT Projects.

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Less than 6 months	**24,391**	20,397
6 months to 1 year	**2,880**	2,634
1 year to 2 years	**1,843**	1,924
2 years to 3 years	**871**	699
Over 3 years	**1,082**	1,047
	31,067	26,701

The Group's major customers are PRC Government agencies and other state-owned enterprises. Refer to Note 24(c) for trade receivables due from PRC state-owned enterprises.

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

(b) All non-current receivables are due within seven years from the balance sheet date.

(c) The Group transferred certain trade receivables amounting to RMB681 million to certain banks with recourse in exchange for cash during the period ended 30 June 2008 (2007: RMB429 million). Such transactions did not qualify for derecognition of the receivables and the cash received has been accounted for as secured borrowings (Note 10).

8. CONTRACT WORK-IN-PROGRESS

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Contract cost incurred plus recognised profit less recognised losses	**318,787**	265,948
Less: Progress billings	**(295,259)**	(245,087)
Contract work-in-progress	**23,528**	20,861
Representing:		
Amounts due from customers for contract work	**34,628**	28,488
Amounts due to customers for contract work	**(11,100)**	(7,627)
	23,528	20,861

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Contract revenue recognised as revenue in the period	**70,388**	54,714

9. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2008		31 December 2007	
	Assets (Unaudited) RMB million	**Liabilities (Unaudited) RMB million**	Assets (Audited) RMB million	Liabilities (Audited) RMB million
Interest rate swaps	**—**	**(37)**	5	(23)
Forward foreign exchange contracts	**310**	**(757)**	503	(135)
	310	**(794)**	508	(158)

(a) *Forward foreign exchange contracts*

The notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2008 were RMB33,688 million (31 December 2007: RMB14,760 million).

(b) *Interest rate swaps*

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2008 were RMB2,195 million (31 December 2007: RMB2,337 million).

10. BORROWINGS

	Note	As at 30 June 2008 (Unaudited) RMB million	As at 31 December 2007 (Audited) RMB million
Non-current			
Long-term bank borrowings			
— secured	(a)	**4,664**	5,629
— unsecured	(b)	**9,370**	6,923
		14,034	12,552
Other borrowings			
— secured	(a)	**61**	64
— unsecured		**—**	17
		61	81
Debentures	(c)	**5,035**	—
Total non-current borrowings		**19,130**	12,633
Current			
Current portion of long-term bank borrowings			
— secured	(a)	**1,188**	904
— unsecured	(b)	**702**	971
		1,890	1,875
Short-term bank borrowings			
— secured	(a)	**11,111**	6,380
— unsecured		**18,563**	12,463
		29,674	18,843
Other borrowings			
— secured	(a)	**17**	17
— unsecured	(d)	**1,079**	1,093
— debentures — unsecured	(e)	**2,295**	—
		3,391	1,110
Total current borrowings		**34,955**	21,828
Total borrowings		**54,085**	34,461

10. BORROWINGS (CONTINUED)

(a) All these borrowings were secured by the Group's property, plant and equipment, trade receivables and receivables to be recognised in the future according to sales and construction contracts, bank deposits, and guarantees provided by certain subsidiaries of the Group.

(b) Unsecured long-term bank borrowings included loans of approximately RMB857 million (equivalent to JPY 13,295 million) (31 December 2007: RMB1,022 million, equivalent to JPY 15,115 million) payable to the Export-Import Bank of China ("EIBOC") at 30 June 2008. Prior to the incorporation of the Company on 8 October 2006, these loans were used by the predecessor operations of CCCG to finance the acquisition of machinery. Such loans were originally borrowed from Ministry of Foreign Trade and Economic Cooperation via EIBOC, which in turn borrowed such loans from the Japanese Government. All these loans were denominated in Japanese Yen, bore interest at rates ranging from 2.5% to 3.5% per annum, repayable semi-annually by equal instalments up to 2019, and were stated at amortised cost.

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

(c) The Group issued two tranches of debentures in April 2008 and June 2008, respectively, at the same nominal value of RMB2,500 million, totalled to RMB5,000 million, with a maturity of three years from issuance. The debentures are stated at amortised cost, and the interest rate for both tranches of debentures is 5.3% per annum.

(d) Other current borrowings included loans of approximately RMB1,063 million (31 December 2007: RMB1,093 million) payable to the China Orient Assets Management Corporation ("COAMC") at 30 June 2008 (the "Iraq Loans"). Prior to the incorporation of the Company on 8 October 2006, these loans were used by the predecessor operations of CCCG to finance a construction project in Iraq in the 1980s. Such loans were originally borrowed from Bank of China and bore interest at rates ranging from 4.16% to 6.23% per annum. Since the Gulf War in 1990, the Group had not settled any principal and interest to Bank of China in accordance with the original loan agreements. As certain portions of these loans had been overdue, all the balance of these loans was reclassified as current liabilities. In 2000, the Iraq Loans were transferred to COAMC from Bank of China. According to relevant regulations issued by the General Office of State Council of the PRC in 1997, since the construction project in Iraq was supported by the PRC Government, the Group was not demanded to pay any penalty arising from the non-settlement.

(e) As approved by the People's Bank of China, the Group issued debentures in 2008 with a maturity of one year from issuance. The debentures were issued with a discount of RMB9 million, and are stated at amortised cost.

10. BORROWINGS (CONTINUED)

(f) Movements in borrowings is analysed as follows:

	(Unaudited) RMB million
Six months ended 30 June 2007	
As at 1 January 2007	30,689
Proceeds from borrowings	10,850
Repayments of borrowings	(12,395)
Net foreign exchange gains on borrowings	(207)
Accrued interest on Iraq loans	49
As at 30 June 2007	28,986

	(Unaudited) RMB million
Six months ended 30 June 2008	
As at 1 January 2008	**34,461**
Proceeds from borrowings	**30,047**
Repayments of borrowings	**(9,806)**
Net foreign exchange gains on borrowings	**(495)**
Borrowings classified as held for sale *(Note 21)*	**(159)**
Accrued interest on Iraq loans	**37**
As at 30 June 2008	**54,085**

The Group has the following undrawn bank borrowing facilities:

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Floating rate		
— Expiring within one year	**414**	416
Fixed rate		
— Expiring within one year	**48,873**	41,354
— Expiring beyond one year	**70,372**	56,219
	119,659	97,989

11. Trade and Other Payables

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Trade and bills payables	**37,193**	36,852
Advance from customers	**23,276**	15,947
Deposits from suppliers	**2,793**	2,626
Accrued payroll	**757**	899
Social securities	**1,120**	902
Other taxes	**1,558**	1,877
Accrued expenses	**660**	657
Other payables	**2,770**	2,339
Dividend payable	**1,305**	—
	71,432	62,099

Refer to Note 24(c) for payables due to related parties.

At 30 June 2008 and 31 December 2007, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading nature) were as follows:

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Within 1 year	**35,415**	34,935
1 year to 2 years	**1,285**	1,449
2 years to 3 years	**353**	295
Over 3 years	**140**	173
	37,193	36,852

12. EXPENSES BY NATURE

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Raw materials and consumables used	**27,829**	21,433
Subcontracting costs	**18,768**	14,604
Employee benefits	**5,968**	4,491
Transportation costs	**2,705**	154
Equipment usage cost	**2,312**	1,978
Business tax and other transaction taxes	**1,732**	1,422
Rentals	**1,525**	1,299
Depreciation of property, plant and equipment and investment properties	**1,462**	1,055
Fuel	**1,150**	1,028
Repair and maintenance expenses	**873**	740
Travel	**532**	402
Research and development costs	**191**	77
Changes in inventories of finished goods and work in progress	**112**	44
Insurance	**83**	72
Provision for foreseeable losses on construction contracts	**58**	23
Amortisation of lease prepayments	**35**	16
Provision for impairment of trade and other receivables	**28**	91
Advertising	**12**	7
Amortisation of intangible assets	**8**	5
Provision for/(reversal of) impairment of inventories	**6**	(8)
Other expenses	**6,211**	5,800
Total cost of sales, selling and marketing expenses and administrative expenses	**71,600**	54,733

13. OTHER (LOSSES)/GAINS — NET

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Gain on disposal of property, plant and equipment	**48**	30
Gain on disposal of other financial assets at fair value through profit or loss	**25**	—
Fair value loss from other financial assets at fair value through profit or loss	**(68)**	—
Derivative instruments *(Note 9)*:		
— Foreign exchange forward contracts	**(307)**	213
— Interest rate swap	**(30)**	(3)
Gain on disposal of available-for-sale financial assets	**24**	—
Transfer of cash flow hedge reserve	**130**	—
Net foreign exchange losses (excluding those on borrowings)	**(371)**	(233)
	(549)	7

14. OTHER INCOME

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Income from compensation for cost of relocation (note)	**123**	636
Rental income	**81**	93
Income from sale of materials	**330**	246
Dividend income on available-for-sale financial assets:		
— Listed equity securities	**133**	36
— Unlisted equity securities	**127**	10
Government grants	**47**	2
Others	**240**	234
	1,081	1,257

Note: Income from compensation for cost of relocation for the six months ended 30 June 2007 included a one-off gain of RMB635 million on disposal of a parcel of land, buildings and the old production facilities as a result of the relocation of one of the subsidiaries of the Group in connection with World Expo 2010 in Shanghai.

15. FINANCE COSTS, NET

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Interest expenses:		
— Bank borrowings	**1,061**	580
— Other borrowings	**85**	67
— Debentures	**64**	38
	1,210	685
Net foreign exchange gains on borrowings	**(493)**	(207)
Others	**109**	138
	826	616

Borrowing costs of RMB109 million (six months ended 30 June 2007: 90 million), which were directly attributable to the construction and acquisition of qualifying assets, were capitalised, of which approximately RMB77 million was charged to cost of sales (six months ended 30 June 2007: RMB72 million) and approximately RMB32 million was included in cost of construction-in-progress as at 30 June 2008 (six months ended 30 June 2007: RMB18 million). A general capitalisation rate of 6.37% per annum (2007: 5.92%) was used, representing the borrowing costs of the loans used to finance the qualifying assets.

16. 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% (2007: 17.5%) on the estimated assessable profit for the six months ended 30 June 2008.

Certain 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% (2007: 33%) of the assessable income of each of these companies for the period as determined in accordance with the relevant PRC income tax rules and regulations except for certain subsidiaries of the Company, which were exempted from tax or taxed at preferential rates of 10% to 18% (2007: 7.5% to 16.5%).

Taxation of other companies of the Group has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries or jurisdictions in which these companies operate.

16. TAXATION (CONTINUED)

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

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Current income tax		
— Hong Kong profits tax	**1**	1
— PRC enterprise income tax	**863**	713
— Others	**14**	21
	878	735
Deferred income tax	**(184)**	239
	694	974

The difference between the actual income tax expense in the condensed consolidated interim income statement and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Profit before income tax	**3,555**	4,425
Tax calculated at PRC statutory tax rate of 25% (2007: 33%)	**889**	1,460
Income not subject to tax	**(171)**	(349)
Expenses not deductible for tax purposes	**29**	25
Tax losses for which no deferred income tax asset was recognised	**88**	16
Reduction of deferred tax assets and liabilities due to change in tax rate arising from the new CIT Law	**—**	360
Reversal of deferred tax liabilities previously recognised on undistributed profits of domestic subsidiaries, jointly controlled entities and associates due to new CIT Law	**—**	(172)
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(141)**	(366)
Income tax expense	**694**	974

17. 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 period.

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
Profit attributable to equity holders of the Company (RMB million)	**2,200**	2,744
Weighted average number of ordinary shares in issue (millions)	**14,825**	14,825
Basic earnings per share (RMB per share)	**0.15**	0.19

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2008 and 2007.

18. OTHER RESERVES

(a) Statutory reserve fund

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company. For the period ended 30 June 2008, the Company made an appropriation of 10% of profit after tax as determined under the PRC GAAP, amounting to RMB8 million (six months ended 30 June 2007: nil), to the statutory surplus reserve fund.

Pursuant to Interpretation No. 1 to the Accounting Standards for Business Enterprises of the PRC ("Interpretation No. 1") issued by the Ministry of Finance in 2007, investment in subsidiaries on the Company's balance sheet should be stated at cost less provision for impairment losses, which represents a change from the previous equity method of accounting. According to Interpretation No. 1, the cost of investment in subsidiaries on the Company's balance sheet has been retroactively adjusted as if investment in subsidiaries had been stated at cost since the inception. Accordingly, the net profit arising from investment in subsidiaries under the equity method of accounting under PRC GAAP for the period from 8 October 2006 (date of incorporation of the Company) to 31 December 2006 amounting to RMB800 million was reversed, which resulted in an accumulated deficit of RMB546 million on the Company's balance sheet as at 1 January 2007. The statutory surplus reserve fund of RMB73 million as at 31 December 2006, which arose from an appropriation at 10% of the profit after tax as determined in accordance with PRC GAAP in 2006, was reversed accordingly.

18. OTHER RESERVES (CONTINUED)

(b) *Safety fund*

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

19. DIVIDENDS

A 2007 final dividend of 0.88 cents per ordinary share, totalling RMB1,305 million was approved by the Company's shareholders in the annual general meeting on 18 June 2008.

No interim dividend for the six months ended 30 June 2008 was declared by the Board of Directors (six months ended 30 June 2007: Nil).

20. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(a) Major investing activities:

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Purchases of property, plant and equipment	**(8,606)**	(4,786)
Purchases of intangible assets	**(583)**	(897)
Purchases of other financial assets at fair value through profit or loss	**(41)**	(329)
Increase in lease prepayments	**(531)**	(2)
Additional investments in jointly controlled entities	**(228)**	(65)
Purchase of available-for-sale financial assets	**(1,181)**	(67)
Additional investments in associates	**(270)**	(7)
Purchases of investment properties	**(8)**	(1)
Purchases of equity interests in certain subsidiaries	**(22)**	—
Increase in prepayments for acquisition of a subsidiary	**(40)**	—
Proceeds from disposal of other financial assets at fair value through profit or loss	**67**	312
Proceeds from disposal of equity interest in a subsidiary	**—**	217
Interest received	**296**	203
Proceeds from disposal of property, plant and equipment	**342**	169
Proceeds from disposal of lease prepayments	**76**	5
Proceeds from disposal of jointly controlled entities	**1**	55
Dividends received	**272**	46
Proceeds form disposal of available-for-sale financial assets	**37**	29
Proceeds from disposal of investment properties	**36**	8
Proceeds from disposal of associates	**43**	7

20. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Major financing activities:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Proceeds from borrowings	**30,047**	10,850
Contributions from minority shareholders	**—**	88
Repayments of borrowings	**(9,806)**	(12,395)
Dividends paid to minority shareholders	**(347)**	(346)

21. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 30 June 2008, a 100% owned subsidiary of the Group, CCCC Fourth Harbour Engineering Co., Ltd. ("FHEC"), entered into an equity investment transfer agreement with a third party for the proposed transfer of a 60% equity interests in Xiang Tan Fourth Harbor Construction Company Limited ("FHCC"). The remaining 40% equity interest in FHCC will be held by FHEC and accounted for as an investment in associate. FHCC is principally engaged in the construction and operation of a bridge under a "Build-Operate-Transfer" service concession arrangement ("BOT project").

At the shareholder's meeting of FHCC held on 6 August 2008, the directors of FHCC were reappointed, which resulted in the Group's loss of control over FHCC, and the assets and liabilities in relation to the above are classified as held for sale as at 30 June 2008.

21. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	Six months ended 30 June 2008 RMB million (Unaudited)
Assets classified as held for sale:	
— Cash and cash equivalents	**1**
— Trade and other receivables	**1**
— Property, plant and equipment	**1**
— Intangible assets	**443**
	446
Liabilities directly associated with assets classified as held for sale:	
— Trade and other payables	**(18)**
— Current borrowings	**(15)**
— Non-current borrowings	**(144)**
	(177)
	269

22. CONTINGENCIES

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Pending lawsuits *(note a)*	**311**	309
Outstanding loan guarantees *(note b)*	**144**	196
	455	505

22. CONTINGENCIES (CONTINUED)

(a) 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 that the probability of loss is remote.

(b) The Group has acted as the guarantor for various external borrowings made by certain jointly controlled entities and associates of the Group (refer to details in Note 24) and certain third party entities.

(c) The above amounts do not include those items for which provisions have been made in the unaudited condensed consolidated interim financial information.

23. CAPITAL COMMITMENTS

Capital expenditure approved but not contracted for at the balance sheet date is as follows:

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Property, plant and equipment, and intangible assets	**1,895**	4,255

Capital expenditure contracted for but not yet incurred at the balance sheet date is at follows:

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Property, plant and equipment, and intangible assets	**5,667**	5,975

24. RELATED-PARTY TRANSACTIONS AND BALANCES

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the “state-owned enterprises”).

24. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

In accordance with IAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the six months ended 30 June 2008 and balances arising from related party transactions as at 30 June 2008.

(a) *Significant related party transactions*

The following transactions were carried out with related parties:

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Transactions with CCCG		
Expenses		
— Rental expenses	**5**	5
Transactions with fellow subsidiaries		
Expenses		
— Purchase of materials	**5**	16
— Services	**1**	4
— Rental expenses	**3**	—
Transactions with jointly controlled entities and associates		
Revenue		
— Revenue from provision of construction services	**—**	4
— Revenue from sales of port machinery	**42**	1
Expenses:		
— Subcontracting fees	**176**	158
— Purchase of materials	**56**	50
— Services	**32**	24
— Other costs	**1**	—
Others		
— Outstanding loan guarantees provided by the Group	**119**	102

24. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) *Significant related party transactions* *(Continued)*

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Transactions with other state-owned enterprises		
Revenue		
— Revenue from provision of construction services	**22,295**	16,478
— Revenue from provision of design services	**1,306**	1,109
— Revenue from provision of dredging services	**4,162**	3,751
— Revenue from sales of port machinery	**4,773**	3,818
— Revenue from provision of other services	**17**	61
Interest income		
— Interest income from bank deposits	**131**	138
Expenses:		
— Subcontracting fees	**1,232**	774
— Rental expenses	**31**	16
— Purchase of materials	**4,022**	3,211
— Services	**764**	586
— Interest expense on bank borrowings	**668**	509
— Others	**59**	10
Others		
— Outstanding loan guarantees provided by the Group	**50**	50
Transactions with minority interests		
Revenue		
— Revenue from provision of construction services	**113**	386
Expenses		
— Subcontracting fees	**10**	8

These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

24. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2008 (Unaudited) RMB million	2007 (Unaudited) RMB million
Basis salaries, housing allowances, other allowances and benefits-in-kind	**3,329**	2,600
Contributions to pension plans	**167**	143
	3,496	2,743

(c) Balances with related parties

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Trade and other receivables		
Trade receivables due from		
— Jointly controlled entities and associates	**2**	10
— Minority interests	**98**	79
— Other state-owned enterprises	**20,934**	18,563
	21,034	18,652
Prepayments		
— Other state-owned enterprises	**6,741**	5,685
Other receivables due from		
— Fellow subsidiaries	**25**	5
— Jointly controlled entities and associates	**223**	134
— Minority interests	**26**	21
— Other state-owned enterprises	**1,591**	1,007
	1,865	1,167
	29,640	25,504

24. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) *Balances with related parties* *(Continued)*

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Trade and other payables		
Trade payables due to		
— Fellow subsidiaries	**5**	11
— Jointly controlled entities and associates	**297**	297
— Minority interests	**11**	17
— Other state-owned enterprises	**5,965**	5,639
	6,278	5,964
Advances from customers		
— Minority interests	**18**	9
— Other state-owned enterprises	**16,606**	12,754
	16,624	12,763
Other payables due to		
— CCCG	**—**	123
— Fellow subsidiaries	**7**	57
— Jointly controlled entities and associates	**100**	98
— Minority interests	**49**	45
— Other state-owned enterprises	**1,874**	1,314
	2,030	1,637
Dividends payable to CCCG	**915**	—
	25,847	20,364

24. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with related parties *(Continued)*

	As at	
	30 June 2008 (Unaudited) RMB million	31 December 2007 (Audited) RMB million
Amounts due from customers for contract work with		
— Jointly controlled entities and associates	**17**	9
— Other state-owned enterprises	**12,373**	9,995
	12,390	10,004
Amounts due to customers for contract work with		
— Jointly controlled entities and associates	**16**	20
— Other state-owned enterprises	**2,422**	1,611
	2,438	1,631
Other balances with other state-owned enterprises		
— Restricted cash	**484**	382
— Cash and cash equivalents	**17,900**	17,741
— Borrowings	**35,320**	25,726

25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The following events took place subsequent to 30 June 2008 and up to the date of approval of the unaudited condensed consolidated interim financial information.

At the extraordinary general meeting held on 29 August 2008, it was resolved that the Company is authorised to issue domestic corporate bonds in the PRC in the principle amount of no more than RMB15 billion within 30 months from the date of passing the resolution. The terms and conditions of the proposed issue of domestic corporate bonds will be determined by the designated directors of the Company. The application of the proposed issuance was submitted to China Securities Regulatory Commission ("CSRC") in September 2008 and is subject to the approval of CSRC.

Other Information

Purchase, Sale or Redemption of Securities

During the period from 1 January 2008 to 30 June 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company.

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

As at 30 June 2008, none of the Directors or Supervisors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules of the Hong Kong Stock Exchange.

As at 30 June 2008, the Company had not granted its Directors or Supervisors or chief executive, or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for shares or debentures.

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

As at 30 June 2008, the interests or short positions of every person (other than Directors and Supervisors of the Company) in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO are as follows:

No.	Name of Shareholder	Number of share held	Type of shares	Percentage of the respective type of shares (%)	Percentage of the total number of shares in issue (%)	Capacity in which the shares are held
1	China Communications Constructions Group (Limited)	10,397,500,000	Domestic shares	100	70.13	Beneficial owner
2	National Council for Social Security Fund of the PRC	352,491,000 (long position)	H shares	7.96	2.38	Beneficial owner
3	JPMorgan Chase & Co.	342,907,483 (long position)	H shares	7.74	2.31	Beneficial owner for long position in 97,052,811 shares and investment manager for long position in 66,522,000 shares
		57,199,670 (short position)	H shares	1.29	0.39	Beneficial owner
		179,332,672 (lending pool)	H shares	4.05	1.21	Custodian corporation/ approved lending agent

Save as stated above, as at 30 June 2008, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

Compliance with the Code on Corporate Governance Practices

The Company is committed to high standards of corporate governance. The Board of Directors of the Company believes that the Company has complied with all the code provisions of the Code on Corporate Governance Practices for the six months ended 30 June 2008 and there is no material deviation from that Code.

Compliance with Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors of the Company, the Company confirms that the Directors and Supervisors have complied with the Model Code throughout the period from 1 January 2008 to 30 June 2008.

Review by the Audit Committee

The Audit Committee of the Company's Board of Directors currently comprises Mr. Koo Fook Sun, Mr. Lu Hongjun and Mr. Chao Tien Yo, who are all Independent Non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2008. The Audit Committee has also discussed matters such as the accounting policies and practices adopted by the Company and internal control with the senior management of the Company.

Terms & Glossaries

"berth"	a place in which a vessel is moored or secured; place alongside a quay where a ship loads or discharges Cargo
"BT"	build and transfer
"BOT"	build, operate and transfer
"CCCG"	China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds 70.1% interest in the Company
"Company"	China Communications Construction Company Limited (中國交通建設股份有限公司), a joint stock limited company with limited liability incorporated under the laws of the PRC on 8 October 2006, and except where the context requires otherwise all of its subsidiaries
"Group"	the Company itself and all of its subsidiaries
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H shares"	overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standard Board ("IASB"). IFRS includes International Accounting Standards ("IAS") and interpretations
"Ministry of Communications"	the Ministry of Communications of the PRC (中華人民共和國交通運輸部)
"Ministry of Housing and Urban-Rural Construction"	the Ministry of Housing and Urban-Rural Construction of the PRC (中華人民共和國住房和城鄉建設部)
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Ministry of Foreign Trade and Economic Cooperation"	the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易合作部), now called the Ministry of Commerce of the PRC (中華人民共和國商務部)
"PDL"	passenger dedicated line
"PRC" or "China" or "Chinese"	the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan
"RMB" or "Renminbi"	the lawful currency of the PRC

"SPMP"	CCCC Shanghai Port Machinery Company Limited, a company incorporated on 7 July 1988 in the PRC and wholly-owned by the Company
"terminal"	an assigned area in which containers and cargo are prepared for loading onto a vessel, train, truck or plane or are stacked immediately after discharge from the vessel, train, truck or plane
"TEU"	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of 8 feet and 6 inches and width of 8 feet
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"ZPMC"	Shanghai Zhenhua Port Machinery Company Limited, a company incorporated on 14 February 1992 in the PRC and listed on the Shanghai Stock Exchange in which the Company owns a controlling equity interest of approximately 43.3%

Corporate Information

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Joint Company Secretary

LIU Wensheng

Authorised Representative

FU Junyuan

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