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

Annual Report 2008

Contents

Corporate Profile

China Communications Construction Company Limited ("CCCC" or the "Company") was incorporated on 8 October 2006 and its H shares were listed on the Main Board of Hong Kong Stock Exchange with stock code of 1800.HK on 15 December 2006. The Company (including all of its subsidiaries except where the content otherwise requires) is the first large state-owned transportation infrastructure group entering the overseas capital market, and its stock has been selected as a component stock of Morgan Stanley Capital International Index and Hang Seng China Enterprises Index. CCCC has been included in the list of "Global 500" by Fortune Magazine in July 2008.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in the construction and design of transportation infrastructure, dredging and port machinery manufacturing business. It is the largest port construction and design company in China, a leading company in road and bridge construction and design, a leading railway construction company, the largest dredging company in China and the second largest dredging company (in terms of dredging capacity) in the world. The Company is also the world's largest container crane manufacturer. The Company currently has 36 wholly-owned or controlled subsidiaries.

Through participation in state level engineering construction projects, the Company has made significant contribution to the transportation infrastructure in the PRC, and has set many records recognised as the "first", the "best" and the "most" in the history of port and bridge construction not only in the PRC but also the rest of Asia and around the world. The Company has been involved in the design and construction of a significant number of large and medium-sized ports and navigation channels along China's coast and inland rivers, and infrastructure construction projects such as major first-class expressways, as well as large and mega bridges, tunnels in China. The Company's container crane business accounted for more than 78% of the global market share in terms of units ordered in 2008, with products spreading across 73 countries and regions.

The Company has actively participated in and competed for the international construction projects. It has established an eminent reputation in Asia, Africa, Middle East and South America for the past 20 years. It has been included in the Engineering News Records' ("ENR") list of the world's top 225 international contractors since 1992 consecutively and remains ranked the first among the Chinese enterprises in ENR in 2008 in terms of revenue from overseas projects.

The Company has been committed to its brand development strategy and technology innovation, which has enabled it to successfully attract talent. The Company retains three members of the Chinese Academy of Engineering, one National Reconnaissance Master, 14 National Design Masters and many other national senior engineers and experts. The Company also possesses advanced technologies, research and development capabilities and equipment as well as 10 national level design institutes, two national level science and research centres and six key laboratories holding various scientific achievements and self-developed intellectual property rights with international standards. In the past 10 years, the Company has won more than 160 awards including "National Award for Scientific and Technical Progress", "China Civil Engineering Zhantianyou Award", "China Construction Project Luban Award" and "National High Quality Prize".

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

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

Financial Highlights

	2008	2007	2007–2008 change (%)
For the year ended 31 December (RMB million)			
Revenue	**178,889**	150,601	18.8
Gross profit	**17,858**	15,568	14.7
Profit for the year	**7,876**	7,574	4.0
Profit attributable to equity holders of the Company	**6,075**	6,032	0.7
As at 31 December (RMB million)			
Total assets	**218,098**	167,397	30.3
Total liabilities	**165,929**	113,435	46.3
Capital and reserves attributable to equity holders of the Company	**41,171**	45,145	(8.8)
Minority interests	**10,998**	8,817	24.7
Per share (RMB)			
Earnings per share	**0.410**	0.407	0.7
Equity attributable to equity shareholders per share	**2.78**	3.05	(8.8)

Chairman's Statement

Zhou Jichang *Chairman*

Dear Shareholders,

I am pleased to present to you the annual report of the Company for the year 2008 on behalf of the Board.

2008 was a very unusual year for China Communications Construction Company Limited since its listing. During the year, tremendous changes occurred in the business environment within and outside China, which brought unprecedented challenges and difficulties to the Company. Faced with the spreading and intensifying impact brought by global financial crisis, the intricate economic situations within and outside China, the market that had been fluctuating and volatile, significant increase in prices of oil and construction raw materials, appreciation in Renminbi and the policies of the PRC government to tighten the money supply, we still firmly focused on the overall development, by remaining prudent but proactive at the same time and implemented a series of timely measures to secure the development of the Company. Owing to these appropriate measures implemented and our continued efforts, despite the unfavorable environment, the Company was still able to accomplish all its economic performance indicators for the year 2008, sustained a continued and stable growth in our results and brought a relatively satisfactory return across our large shareholders base.

1. Financial Results

The Company continued to expand its scale of operations in 2008 with revenue growing relatively fast and economic efficiency maintaining a steady growth. The value of new contracts amounted to RMB283,040 million, representing a year-on-year increase of 20.8%. Revenue amounted to RMB178,889 million, representing a year-on-year increase of 18.8%. Profit attributable to the shareholders of the Company amounted to RMB6,075 million, representing a year-on-year of 0.7%.

Chairman's Statement *(Continued)*

2. Business Development

Each business segment of the Company continued to maintain rapid growth momentum and our core competitiveness was further strengthened.

Competitive advantages of the Company's core businesses, namely infrastructure construction, infrastructure design, dredging and port machinery manufacturing, were more evident, making more concrete the Company's position as the industry leader. A number of bridges, roads and port projects designed and constructed by the Company with leading international standards such as Suzhou-Nantong Yangtze River Highway Bridge, Hangzhou Bay Cross-sea Bridge, Yangtze River Estuary Deepwater Channel and Yangshan Deepwater Port were completed successfully. The Company has developed into the second largest dredging company in the world through enhancement of its total power output and total dredging capacity of the dredging vessels. In addition, the Company maintained its leading number one position in respect of its port machinery and heavy marine machinery manufacturing operations in which its port machinery manufacturing operation had a global market share of 78%.

The Company's overseas business maintained a fast pace growth despite the downturn taken by the global market. The growth of the Company's overseas business has made the Company become more internationally integrated.

We continued to explore new businesses and achieved new results. The investment business relating to our core businesses developed in a relatively rapid pace, with number of projects operated increasing continuously, beginning to bring economies of scale to our operation. Overall capabilities of the railway construction business were further strengthened, leading to a relatively fast increase in railway construction market share as the Company became a dominant player in railway construction in China.

3. Management

In 2008, the Company placed more emphasis on corporate management, in particular faced with various unfavorable factors such as a tremendous increase in the prices of raw materials and fuel, a significant increases in trade receivables and inventories and tightened money supply during the first half of the year, the Company strengthened management over each aspects in a timely manner, which proved to be relatively effective and secured realisation of the Company's performance target for the full year. We imposed "the Year of Efficient Management" further to lower costs and improve efficiency; strengthening effort to trade receivables collection and management in tender pricing achieved initial success; increased capital raising channel by successfully issuing medium term notes of RMB5 billion, releasing capital pressure; strengthened its efforts in operation coordination to minimise or eradicate intra-group competition to realise maximisation of the interests of the Company as a whole; financial management was reinforced to lower operating costs of core businesses; implemented detailed management across the board and imposed strict execution of the overall budget management system; reviewed its investment projects on a scientific basis with a focus on subsequent tracking and dynamic control and ensured investments were effectively monitored; strengthened control on corporate risks and conducted thorough search of any financial derivatives. Reverse hedging measures were adopted and avoided loss; implemented strategic restructuring in the port machinery manufacturing business as to resolve intra-group competition; meanwhile, we enhanced our safety management with an aim to prevent severe and large accidents leading to a continued safe production environment; and reinforced on quality management with a focus in process control to ensure an overall improvement in the standard of engineering quality.

On the other hand, technology innovations, which are among our Company's competitive strengths, saw a remarkable progress. Impressive results were achieved in area of research and development and technological level continued to improve. During the year, the Company was awarded various science and technology progress prizes by the State as well as different provinces and ministries and received Zhantianyou Civil Engineering Science and Technology Award and Civil Engineering Award in Memorial of Luban for its engineering construction.

Chairman's Statement *(Continued)*

As our Company continued relatively rapid development consecutively in the last few years, this has benefited the Company's position within and outside China to advance. In 2008, the Company successfully entered the league of "Global 500" by Fortune Magazine, ranking the 426th; the Company was also ranked by ENR as the 18th largest international contractors in the world, which is the top ranking for a Chinese enterprise and the 34th among the top 150 design companies in the world, which is also the top ranking for a Chinese enterprise; the 12th among the "2008 Top 100 PRC Listed Companies" by Fortune Magazine; the 14th among the PRC enterprises and top ranking among the PRC construction enterprises under the "2008 Top 2000 Listed Companies in the World" by Forbes Magazine.

The performance results achieved by the Company in 2008 was hard earned. It was the fruit of the Company's management leading the entire employee force to strive forward and proactively combat to overcome the challenges faced. It was their continuous effort and selfless devotion that managed to enable the Company to sustain a healthy development in each business and ensure that we do not let down the trust and care from each of our shareholders.

4. Outlook

In 2009, in an effort to mitigate the impact arising from the global financial crisis and sustain a stable yet relatively rapid economic development, the PRC government will implement proactive fiscal policies and relatively relaxed money supply policy. The 4 trillion Renminbi domestic demand economic stimulus plan outlined by the PRC government will be implemented in a speedy manner. New rounds of opportunities will arise for the transportation basic infrastructure construction as the government increases investment in basic infrastructure such as roads, railways and airports as a whole, resulting in the continued pipeline of a large number of basic infrastructure projects. As the leading transportation construction enterprise in China, the Company expects to fully benefit from this economic stimulus plan in China.

As to the international market, economic growth in global economy evidently slowed down due to impacts caused by the global financial market crisis. To combat the financial market crisis, many countries, in particular the developed western countries, have rolled out large-scale economic stimulus packages consecutively, but the outlook of global economic development is not optimistic. According to some forecasts, the construction markets of some developed countries may experience a negative growth; with a reduction in the volume of global trade, there will be a decrease in new port construction projects and a decline in demands for port machinery equipments. However, Asia, Africa, the Middle East and eastern Europe will be the four regions with relatively rapid growth in infrastructure construction market. The Company's focus markets in overseas, such as Malaysia, Saudi Arabia, Nigeria, Algeria, and Ethiopia will continue to demonstrate growth trend in their basic infrastructure construction market and provide tremendous opportunities to the development of our overseas business.

In view of the complex and fast changing economic situations within and outside China, the macroeconomic environment have both favourable and unfavourable elements, with overall effect being a favourable one; there are opportunities and challenges side by side, with overall more opportunities. In 2009, the Company will capture opportunities, readily face the challenges and develop each business to our best effort.

In 2009, we will act according to our motto of speedy but steady and healthy development, reinforce our adjustment efforts to the portfolio of assets, markets and businesses. We insist on production as the basis of our operation with the support of capital operation. Operations are classified into different business segments; and investment used to facilitate growth of our principal operations, to gradually establish business model with long lasting stable revenue business model for promoting the sound and rapid development of the Company. As such, we plan to adopt the following measures:

(i) We will increase our efforts in developing new businesses to further adjust and improve the proportion of traditional conventional businesses and new businesses. Continue to increase investments in new businesses appropriately, especially in railways and metropolitan subway and light-weight truck transportation to enhance and improve our equipments capability and the level of mechanical operation and labor efficiency.

Chairman's Statement *(Continued)*

(ii) We will further strengthen our management to prevent and overcome extensive growth and will continue to adhere to improving our profitability.

— We insist on preventing and overcome extensive growth. Subcontracting only for expanding the scale of operation without taking into account operational efficiency must be eliminated.

— We will further draw from the advanced management experience and management model of our subsidiaries and speed up the improvement and enhancement of overall management standards of the Group. With corporate management and improved efficiency as objectives, we will continue to carry out activities of the "Year of Efficient Management", further promote achievements and experience under the "Year of Efficient Management".

— We will further strengthen our capital management with an aim to reduce interest expenses and lower finance costs.

— We will strengthen our receivable collection efforts and reduce inventories to improve the timing and frequency of turnover of capital.

— We will reinforce internal coordination and management to adjust the intra group allocation of benefits and resolve any intra group conflicts as to maximize the performance for Group as a whole.

(iii) We will continue to reinforce the growth capability and profitability of each business segments. Not only do we demand increase in the scale of each business segment, we also demand higher standards and more importantly the profitability of each business segment. We will continue to implement our segment specific strategies and strengthen the development of each business segments, constantly thrive to improve growth capability and profitability of each business segment and improve ability to realise synergies between business segments.

(iv) We will continue to increase our investment effort and size in BT projects in an appropriate manner to help meet continued requirement for profit growth.

(v) We will further strengthen effort in developing our overseas business by expanding scale, further enhancing efficiency and accelerate the adjustment of market portfolio.

As long as we concentrate all our efforts to the development as the first priority of all work, set the development as the main objective and direction in every single task, place the development as our long-term fundamental strategy and corporate motto, seize opportunities and take all measures that contribute towards our development, I believe we can achieve a better performance results and create greater value for our shareholders in 2009.

Zhou Jichang
Chairman

Beijing, the PRC
20 April 2009

Business Overview

As a leading transportation infrastructure group in the PRC, the Company is an industry leader in each of its four core businesses, namely infrastructure construction, infrastructure design, dredging and port machinery manufacturing. 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 businesses throughout China, and in particular, in three most prosperous and rapidly growing economic regions, namely the Bohai Bay, the Yangtze River Delta and the Pearl River Delta. Meanwhile, the Company has established its global presence in 73 countries and regions, including South East Asia, the Middle East, Africa, Commonwealth of Independent States and South America.

The Company maintained growth in its business in 2008 and achieved a solid performance from its operations in 2008. Revenue for the Company was RMB178,889 million, representing a year-on-year increase of 18.8%. Out of the total revenue, revenue from Hong Kong, Macau, and other countries and regions outside Mainland China was RMB38,916 million, representing a year-on-year increase of 17.9%. The value of new contracts amounted to RMB283,040 million, representing a year-on-year increase of 20.8%. As at 31 December 2008, the backlog for the Company was RMB334,300 million, representing a year-on-year increase of 40.3%.

A. Market Review

2008 was a transition year for the economic development globally as well as for China. The worsening of sub-prime mortgage crisis in the United States triggered the global financial tsunami, which rapidly spread to other economies. Growth in global economy was slowing down as a whole, and the World Bank estimated the global GDP growth to be only 3.6% in 2008. Affected by the slowing global economy, China's GDP growth in 2008 was 9.0%, representing a decrease in growth of 2.9 percentage point, as compared with that of last year. The volume of China's exports trading, which increased 17.2% on a year-on-year basis, continued to decrease, representing a decrease in growth of 7.6 percentage point.

In 2008, the PRC government's selective macro-economic policy continued to focus on the development of the transportation industry and infrastructure construction, which is critical to the nation's overall economic development. The PRC government maintained a relatively high level of fixed assets investment in infrastructure facilities, with focuses on further improving road network and ports construction, accelerating construction of railways and urban rail transits, and enhancing the quality of infrastructure facilities to withstand natural disasters. Of which, the construction of specialised mega terminals for coal, oil, ore and container as well as deepwater channels for ports continued to expand; the establishment of near port industrial zones and the carrying-out of projects such as land reclamation and dredging were further accelerated; the scale of investment into railway construction market reached its new heights;

Business Overview *(Continued)*

and the construction market for urban civil works, such as urban roads and subways, continued to grow. As at 31 December 2008, China invested RMB75.9 billion in the construction of costal ports, representing a year-on-year increase of 5.5%. In addition, RMB18.1 billion was invested in the construction of river works, representing a year-on-year increase of 9.0%. The investment in road constructions throughout the country reached RMB664.5 billion, representing a year-on-year increase of 2.4%. Over RMB330 billion was invested in railway constructions throughout the country, representing a year-on-year increase of 86%.

In 2008, the U.S. sub-prime mortgage crisis led to the slowdown of the global economic growth. However, the global construction market maintained its moderate growth, particularly in markets such as Asia, Africa and South America, where some of the countries were still enjoying rapid development at a great scale, with their scale of infrastructure construction market expanding rapidly, at a rate higher than the average of the world. This was particularly true in China, where economic growth was faster than other economies, with larger investments in infrastructure and overseas economic cooperation, resulting in a significant growth in projects under government framework agreement.

Therefore, the steady development of the infrastructure construction market in China and around the world lay a solid foundation for the rapid and sustainable development of the Company in 2008. However, the construction market in China also faced its unprecedented challenges in 2008. During the first half of the year, the prices of construction raw materials and fuels were extremely volatile. The price hikes of construction materials such as stone, sand and steel, and energy resources, and escalating labour costs throughout the year posed extra difficulty for construction enterprises to control cost upon huge range of price fluctuation. In addition, during the first half of 2008, the PRC government implemented tight monetary policy, which resulted in delay in financing for some construction projects. The financing delay resulted in deferred recognition of revenue and progress payments for projects under construction delayed from the original construction schedule. Furthermore, industry-wide working capital was tight with constrained liquidity.

Infrastructure Construction Business

Dalian 300,000t Crude Oil Terminal

Business Overview *(Continued)*

B. Business Review

In 2008, the Company increased its efforts in optimising resource allocation and integrating businesses to adapt to the new dynamics of the domestic and international construction industry. To maintain steady growth in its principal operations, the Company actively explored and pursued opportunities in domestic railway construction and international engineering market. Besides, the Company devoted more resources to its dredging and port machinery manufacturing businesses and accelerated the replacement and upgrade of its dredging vessels and equipment as well as the construction of production base. The production capacity of the Company's dredging business was increased by nearly 100 million cubic meters under standard conditions. The pace for the integration of port machinery manufacturing business was accelerated. ZPMC made substantial progress in private placement and the issue of horizontal competition was resolved successfully. The Company has also put in significant effort to cultivate and develop new investment business, finalise investment plans, and enhance monitoring over projects in progress and risk control.

Moreover, the Company put in place mitigation measures to overcome the impact arising from the adverse operating environment attributed by China's macro-economic control measures, the tight monetary policy and the drastic fluctuation in the prices of construction raw materials. The Company further centralised the treasury function to enhance its capital management capability and its ability to control the financial risks. The Company established designated teams to improve the collection and management of account receivables and enhance working capital turnover. The Company also established price management units to focus on developing measures to enhance bid-tactics, and to minimise risks from the rising material prices by better communications and negotiations with project owners. Leveraging on its bunker fuel central procurement experience, the Company further extended centralised purchasing of bulk construction supplies and key equipment such as asphalt, steel, cement, and large construction equipment. Through capitalising on the competitive advantages of the Company as a one-stop solution provider for design, construction and management, construction arrangement plans were optimised to improve the profitability of the Company.

To sum up from the above measures, the Company continued to expand its scale of operation in 2008, and steadily enhanced its economic efficiency. Various performance indicators reached their new heights.

1. Infrastructure Construction Business

In 2008, the Company completed infrastructure construction projects with a total revenue of RMB122,107 million, representing a year-on-year increase of 20.1%. The value of new infrastructure construction contracts reached RMB212,048 million, representing a year-on-year increase of 25.0%. As at 31 December 2008, the backlog for infrastructure construction was RMB265,550 million, representing a year-on-year increase of 52.5%.

In 2008, the Company participated in a large number of infrastructure construction projects including construction of ports, roads and bridges. The results achieved in domestic railway construction and overseas construction were particularly encouraging. The Company's on-going key projects in the PRC were progressed smoothly, including the Harbin-Dalian PDL and the Beijing-Shanghai High-Speed PDL. Phase II of Shanghai Luojing Port and Artificial Island Project of Nanpu Oilfield have successfully passed testing and examination. The constructions of Sutong Bridge and Hangzhou Bay Bridge have been completed and officially opened for traffic. Zhoushan Islands-Connection Project has successfully closed up.

Business Overview *(Continued)*

(1) Port Construction

In 2008. new contracts of the Company for the domestic port construction projects reached RMB38,246 million, maintaining steady growth. Focusing on the port constructions for the five port areas located at the coastal area in China, the Company undertook construction projects of container terminals, bulk and special cargo terminals for coal, ore, oil, chemicals, natural gas, iron and steel and grain, and maintained its absolute advantage and dominant position in domestic port construction in 2008. On the other hand, the Company actively pursued for the development of pilot modification of coastal terminals and pushed for the technology upgrade of old ports and usage adjustment for old coastal areas, so as to minimise the impact arising from the lack of major port construction projects.

Four deepwater container berths of Phase III of Yangshan Deepwater Port have passed test and examination and commenced operation

In 2008, the Company completed 102 units of 10,000-ton deepwater berths. National key construction projects, including Phase II of Luojing Port and Artificial Island Project of Nanpu Oilfield have been completed and passed testing and examination. Other key construction projects such as Yangshan Deepwater Port, Caofeidian Port Project, Phase III of the Yangtze River Estuary Deepwater Channel Regulation Project and the Longxue Shipbuilding Base for China Shipbuilding Industry Corporation all made satisfactory progresses.

Business Overview *(Continued)*

(2) Road and Bridge Construction

In 2008, new contracts of the Company for the domestic road and bridge projects reached RMB46,713 million. In 2008, under the impact of the macro-economic control measures, the restrictions on the grant of land use rights and the implementation of additional environmental policies by the PRC government resulted in slowing down of growth in the investment of fixed assets for road infrastructure in the PRC. Therefore, on the one hand, the Company devoted to broaden its conventional business arena, constantly strengthen its marketing ability and emphasize on soliciting high-end projects. On the other hand, the Company took proactive measures to adjust its resource allocation and developed production capabilities to tap into new market, so as to ensure the sustainable growth in the performance indicators for the road and bridge construction business.

Xinjiang Guozigou Mega Bridge, the first domestic cable-stayed highway bridge with tall tower and steel trussed girder

In 2008, the Company completed the construction of high-grade roads of approximately 1,200 kilometers and constructed 45 bridges. Key projects included the successful completion of expressway between Nanjing and Hangzhou and the expressway between Shanghai and Xi'an, the operation of Sutong Bridge and Hangzhou Bay Bridge, the respective joining of Jintang Bridge and Tianxingzhou Bridge, and the satisfactory progresses on projects including Jiangsu Taizhou Yangtze Bridge and Qingdao Bay Bridge.

Business Overview *(Continued)*

(3) Railway Construction

In 2008, new contracts of the Company for the domestic railway projects reached RMB31,500 million. The Company continued to devote additional efforts in the development of railway construction market. With rapid acquisition of railway expertise, the overall competence of the Company's railway construction business was further enhanced. In 2008, the Company was successively awarded with the bid in national key construction projects such as Beijing-Shanghai High-Speed PDL, Shanghai-Nanjing Intercity Railway, Shijiazhuang–Wuhan PDL and the Guiyang-Guangzhou Railway.

Girder Erection Site of Harbin-Dalian PDL

Since the Company commenced its business of railway construction in China in 2006, the Company undertook 29 railway projects in total for the past three years with a total length of approximately 917 kilometers. Contracts for projects under construction amounted to RMB60,200 million. Of which, the Beijing-Shanghai High-Speed PDL was kicked off in a rapid manner, commenced earlier than scheduled, and achieved the objectives of "High-standard Commencement", "High-quality Constructing" and "High-efficiency Progressing". The Harbin-Dalian PDL strictly focused on beams and frames of the key lines and the construction work has been being implemented in a sophisticated manner, where the progress achieved during the year was ahead of schedule.

In 2008, the Company first entered into the railway design market, and established an institute dedicated to railway design. During the year, survey and design contracts were signed for Taran Gaole Coal Mine Special Line ("Taran Line"), and Ganqi Maodu-Wanshuiquan Railway ("Ganquan Line").

Business Overview *(Continued)*

(4) Investment Business

In 2008, new contracts of the Company for the domestic investment business amounted to RMB20,680 million. In light of the complex macro-economic dynamic and challenging investment environment in 2008, the Company remained highly alert and pragmatic of the risks arisen and placed risk control as its top priority. For all the investment projects, the Company would assess risks thoroughly and would only pursue medium-long term investment projects that involve low execution and investment risks. The investment selection criteria emphasised on thoroughness of the business case and the expected return on the investments. The Company also formulated "Provisional Measures on Investment Management in BOT/BT Projects" and "Measures on Evaluation and Review of Investment Projects". An "Expert Database for Project Investment and Evaluations" was compiled to provide basis for making scientific business decisions.

BT projects for Fengxiang Road and Qingqi Road in Wuxi were completed and open for traffic

The Company has been making good progress in its 27 BOT and BT projects. Of which the operations of Yicheng-Houma Expressway and Fuling Lidu Yangtze Bridge were in good condition. The BT projects for Fengxiang Road and Qingqi Road in Wuxi were completed and open for traffic. Yueyang Chenglingji Port in Hunan was completed and commenced operation. Progress of Longlin-Baise Expressway in Guangxi, Guiyang-Duyun Expressway, Qiezixi Terminal in Chongqing and the Fifth Xiangjiang Bridge in Zhuzhou were satisfactory.

Business Overview *(Continued)*

(5) Overseas Business

In 2008, new contracts of the Company for the overseas infrastructure construction projects amounted to US$8,685 million. Of which, port construction projects accounted for approximately 42%, road and bridge construction projects accounted for approximately 23%, and civil works, house construction and other projects accounted for approximately 35%.

Indonesia Suramadu Bridge with the main bridge of cable-stayed bridge, is expected to be completed in 2009

In 2008, the Company continued to implement its aggressive overseas strategy at an accelerated pace. Under the joint efforts of the Company and its subsidiaries, key operating performance indicators grew in a leapfrog manner for three consecutive years and achieved the goal of rapid development. Notwithstanding the adverse factors such as global financial tsunami, the Company's overseas business continuously grew against the adverse economic environment and maintained its rapid growth.

In 2008, the new contracts of the Company from overseas business were featured by large contract amount and large construction scale at a per contract basis. The Company had a total of 28 over-US$100-million-projects under construction. With respect to development of markets in terms of geographical regions, the Company successfully tapped into new markets such as Egypt, Togoland, Malawi, Oman and Congo(B). Projects under construction included Madura Bridge in Indonesia, Hambantota Port in Sri Lanka, Jeddah Port in Saudi Arabai, and the Tawu Highway in Tajikistan, all having been implemented smoothly.

Business Overview *(Continued)*

(6) Other Projects

While strengthening its market share in the established domestic market and maintaining a leading position in the industry, the Company has been actively exploring new businesses beyond the traditional scope by undertaking construction projects in relation to water conservancy, hydropower and civil works. The number of these new types of projects continued to increase, which led to the breakthrough in the scale of related businesses in 2008.

Infrastructure Design Business

Design of Shenzhen Bay
Highway Bridge

Business Overview *(Continued)*

2. Infrastructure Design Business

In 2008, revenue for the Company's completed infrastructure design business reached RMB7,655 million, representing a year-on-year increase of 15.8%. The value of new infrastructure design contracts reached RMB9,808 million, representing a year-on-year increase of 15.0%. Of which new contacts for overseas business was US$136 million. As at 31 December 2008, the backlog for the infrastructure design business was RMB10,965 million, representing a year-on-year increase of 14.9%.

16 container berths, the main project of North Port Area in Yangshan Deepwater Port, designed and built by CCCC, have been commenced operation

In 2008, the scale of domestic market for design of hydraulic projects was stable. Due to the economic situation within and outside China as well as the rapid fall in the volume of trading goods, the growth of the market for hydraulic project design slowed down in the second half of the year. Since the implementation of macro-economic control measures by the PRC government, the market for road and bridge design gradually contracted. However, with the introduction of stimulus policies by the State to boost domestic demand, the approval process of new construction projects were accelerated, and the market gradually recovered. This has provided room to the Company for expansion of its market share in the exploration and design of road and bridge.

In 2008, the Company made dynamic adjustments to business development and internal administration during different phases according to the various attributes of market operation. While maintaining its leading position in the established domestic conventional business arena, the Company has actively explored the overseas market and developed new businesses and new arenas, through export of technology via construction works, so as to establish a more diversified design business. In 2008, the Company established an institute for railway design and signed contracts for the survey and design projects of Taran Line and Ganquan Line, which marked the success of the Company to make its first move into the railway design market.

In 2008, the Company also signed survey and design contracts for Phase VI of Waigaoqiao Port Area in Shanghai Port, Deepwater Channel and Beach Regulation Project of Yangpu Port Area in Hainan, and Shenjiahu Expressway Project in Zhejiang, etc.

Dredging Business

Caofeidian Industrial Zone
Reclamation Project

Business Overview *(Continued)*

3. Dredging Business

In 2008, revenue for the Company's dredging business reached RMB18,986 million, representing a year-on-year increase of 30.5%. The value of new dredging contracts reached RMB24,356 million, representing a year-on-year increase of 33.7%. Of which new contacts for overseas business was US$382 million. As at 31 December 2008, the backlog for the dredging business was RMB18,920 million, representing a year-on-year increase of 25.8%.

In 2008, the Company completed approximately 766 million cubic meters in terms of dredging volume, representing 85% of the total domestic dredging volume in the PRC. Of which approximately 418 million cubic meters were for infrastructure and maintenance dredging and approximately 348 million cubic meters were for reclamation dredging.

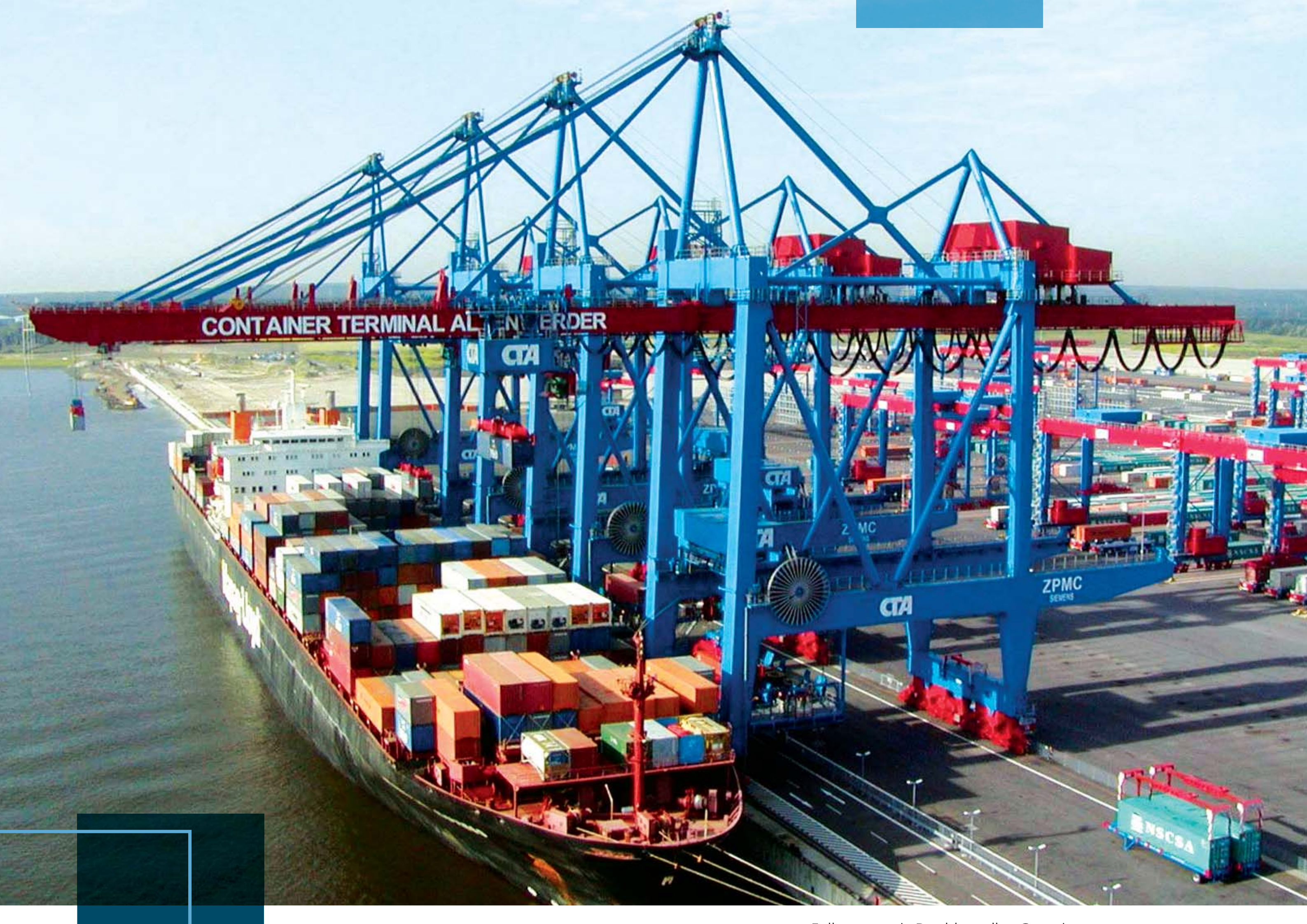
Completion of Basin and Channel dredging of Coal Terminal at Initial Stage in Caofeidian, with dredging volume of 17,400,000 cubic metres

A number of the Company's dredging vessels with leading domestic and world-class standards have been put into operation in 2008, including "Tong Xu" and "Xin Hai Feng". There were a total of 10 special purpose large vessels that have been put into operation, with production capacity increased of nearly 100 million cubic meters under standard conditions. With these dredgers and equipment put into operation, the Company increased its production capacity, improved its competitiveness in dredging business and enhanced the level of the Company's overall technological standards. The Company has become the second largest player in the dredging business in the world in terms of total vessel horse power and total vessel capacity.

The market demand for dredging in China remained buoyant in 2008. The rapid development of the Company's dredging business has been supported by maintenance, expansion and deepening of navigation channels, especially reclamation projects for the new industrial parks adjacent to ports. As to the international market, after three years of dedicated efforts, the Company has successfully tapped into various geographical regions. A relatively stable market position has been established in South America and South East Asia. The Company's successful entrance into the Middle East market was also recognition of the Company's effective development strategy into the overseas dredging market.

Major dredging projects completed by the Company in 2008 included LNG Channel Dredging in Yangshan Port, Coastal Recreation Reclamation Project in Caofeidian Industrial Base, Phase II of 250,000-ton Channel Expansion Project of Tianjin Port, and Sub-channel and Basin Dredging Project of Bayuquan Basin A in Yingkou .

Port Machinery Manufacturing Business



Full-automatic Double-trolley Container Quay Cranes

Business Overview *(Continued)*

4. Port Machinery Manufacturing Business

In 2008, revenue for the Company's port machinery manufacturing business reached RMB26,327 million, representing a year-on-year increase of 10.7%. The value of new port machinery contracts reached RMB30,935 million, representing a year-on-year increase of 2.9%. As at 31 December 2008, the backlog for the port machinery manufacturing business was RMB35,565 million, representing a year-on-year increase of 2.6%.

"Lan Jing", the world's largest 7,500-ton full-rotary floating crane, developed by ZPMC, completed its first hoist smoothly as delivered for use

The Company conducted its port machinery and related product manufacturing business through its subsidiary ZPMC. In 2008, the Company undertook a restructuring on the business of ZPMC. In March 2009, ZPMC successfully completed private placement by way of asset injection. The 100% equity interests in SPMP and 60% equity interests in Jiangtian Industrial held by the Company were injected into ZPMC to satisfy the capital increase of ZPMC. This exercise realised the integration of technology research and development with production operation resources. The competitiveness of ZPMC was further enhanced, and the issue of horizontal competition was resolved.

ZPMC continued to maintain its leading advantage in the industry, and accounted for 78% market share of container cranes business in the world. Products were exported to 73 countries and regions. In addition, ZPMC responded to the change in port machinery market in the world positively through exploration of new business arena, and successfully entered into offshore heavy machinery equipment and steel structured bridge market. "Lan Jing", the world's largest 7,500-ton full-rotary floating crane, completed its hoist and anchoring testing and was delivered for use in 2008. 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 unloading gantry crane in one piece.

Business Overview *(Continued)*

C. Technology Innovation

The Company formulated and improved various mechanisms and measures such as "Mechanism for Technology Work", "Measures for Expert Employment", "Measures for Recognition and Evaluation of Key Laboratories", and "Measures for Expert Consultation" to strengthen its technology innovation capability and optimise its technology innovation system. The Company inaugurated an evaluation system for technology improvement and innovation, which was the first system implemented in China by ultra-large construction enterprises to quantify and standardise technology evaluation. The system laid a solid foundation to migrate the evaluation process for technology improvement and technology innovation from a quality-oriented basis to a quantity-oriented basis.

"Construction and Maintenance Technique of Highway Projects in Permafrost Areas of Qinghai-Tibet Plateau", a scientific research program undertaken by CCCC, won the First Prize for National Science and Technology Progress

In 2008, the Company placed emphasis on the research and development of critical technologies in design and construction with respect to cross-sea bridges, cross-sea tunnels, and offshore deepwater ports. More resources were also devoted to scientific research and development in order to enhance its research and development platform, continuously improve its technology level, and consistently take lead in technology advancement. As a result of our effort, numerous results from scientific research were attained. In 2008, the Company won five National Awards for Science and Technology Progress, of which the project of the "Construction and Maintenance Technique of Highway Projects in Permafrost Areas of Qinghai-Tibet Plateau" won the First Prize for National Science and Technology Progress; whilst four other projects namely "Research on Key Construction Technique of Runyang Yangtze River Highway Bridge", "Establishment of Key Technique Development of ZPMC's New Generation Container Crane", "Research and Development and Industrialisation of Advanced Dredging Technology and Essential Equipment", and "Construction and Operation Technique Application of Large Highway Tunnel in High Elevation Area" won the Second Prize for National Science and Technology Progress. In addition, the Company won five China Civil Engineering Zhantianyou Awards, three Civil Engineering Luban Awards, nine National Outstanding Engineering Design Awards, nine National Outstanding Engineering Consultation Awards, and 53 awards on Science and Technology Progress at provincial level.

In 2008, the Company approved and funded 11 ultra large technology research and development projects and 7 key scientific research and development projects. Of which, the Company had eight projects that were selected as the projects under the national "863 Program", five projects that were selected as the projects under national key technology support program, and 12 projects that were undertaken from the Ministry of Communication as the scientific research project for western China.

Business Overview *(Continued)*

D. Business Prospect

In order to mitigate the impact arising from the financial crisis, the PRC government is expected to implement proactive fiscal policies and relaxed monetary policy in 2009. The investment plan of "RMB4 trillion for Stimulation of Domestic Demand" will speed up the investment in infrastructure including railways, highways and airports. In 2009, the scale of investment in fixed assets for transportation and communication purpose in China is likely to reach approximately RMB1 trillion. Planned investment for railway construction is RMB600 billion in 2009. As the leading communication construction enterprise in China, the Company is well-positioned to benefit from the economic stimulus plan of China.

As to the international market, growth in global economy has clearly slowed down during 2008. In order to improve the worsening global economic environment, many countries are planning immediate introduction of large-scale economic stimulus plans. It is forecasted that countries such as Malaysia, Saudi Arabia, Angola, Nigeria, Algeria and Ethiopia will be able to maintain their GDP growth at a rate of between 3% to 8% and the infrastructure construction market in these countries will continue to demonstrate robust growth momentum. These countries are the focused markets for the Company's overseas business. However, the growth in global trade volume in 2009 is expected to be, for the first time since 1982, negative; this may lead to a decline in new port construction projects, less demand for port machinery and equipment, or a contracted volume of dredging works globally.

In 2009, while facing the complicated and changing economic situation within and outside China, as well as the opportunities and challenges ahead, the Company will, with the core mission of expanding its scope of operation and enhancing its profitability, minimising risks in connection to foreign exchange rates and fluctuations in prices of raw materials, capturing the development opportunities arising from the domestic railway market and overseas construction market, constantly exploring new markets and new businesses of good prospects and profitability, leveraging its economies of scale and de-bottlenecking business segment with insufficient production capacity, consolidate its position as a Global Top 500 Enterprise, move ahead as a world-class construction enterprise, and deliver excellent return to its shareholders.

Management's Discussion and Analysis

Overview

For the year ended 31 December 2008, revenue of the Group amounted to RMB178,889 million, representing a year-on-year increase of 18.8%. Profit attributable to equity holders of the Company amounted to RMB6,075 million, representing a year-on-year increase of 0.7%. Earnings per share remained unchanged in 2008 as compared to 2007 at RMB0.41.

The following is a comparison of financial results between the years ended 31 December 2008 and 2007 and unaudited financial results for the six months ended 30 June 2008.

Consolidated Results of Operations

Revenue

Revenue in 2008 amounted to RMB178,889 million, representing an increase of RMB28,288 million, or 18.8%, from RMB150,601 million in 2007. The growth was mainly attributable to the increase in revenue in all of the Group's business segments, namely the infrastructure construction business, infrastructure design business, dredging business, port machinery manufacturing business and other businesses, amounting to RMB20,402 million, RMB1,046 million, RMB4,433 million, RMB2,548 million and RMB1,181 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 20.1%, 15.8%, 30.5%, 10.7% and 16.7%, respectively.

Cost of Sales and Gross Profit

Cost of sales in 2008 amounted to RMB161,031 million, representing an increase of RMB25,998 million, or 19.3%, from RMB135,033 million in 2007. The growth was mainly attributable to the increase in cost of sales in all of the Group's business segments, namely the infrastructure construction business, infrastructure design business, dredging business, port machinery manufacturing business and other businesses, amounting to RMB18,815 million, RMB757 million, RMB4,295 million, RMB2,525 million and RMB922 million (all before elimination of inter-segment transactions), respectively, representing an increase of 19.9%, 15.7%, 35.8%, 12.4% and 14.1%, respectively.

For 2008, cost of sales consisted mainly of cost of raw materials and consumables used as well as subcontracting cost. Cost of raw materials and consumables used in 2008 amounted to RMB66,528 million, representing an increase of RMB10,618 million, or 19.0%, from RMB55,910 million in 2007; subcontracting cost in 2008 amounted to RMB46,806 million, representing an increase of RMB6,643 million, or 16.5%, from RMB40,163 million in 2007.

As a result, gross profit in 2008 amounted to RMB17,858 million, representing an increase of RMB2,290 million, or 14.7%, from RMB15,568 million in 2007. Gross profit margin decreased from 10.3% in 2007 to 10.0% in 2008 primarily due to lower gross profit margin of 9.8% in the six months ended 30 June 2008.

Management's Discussion and Analysis

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

Operating Profit

Operating profit in 2008 amounted to RMB11,887 million, representing an increase of RMB1,301 million, or 12.3%, from RMB10,586 million in 2007. The growth was mainly attributable to the increase in operating profit in all of the Group's business segments, namely the infrastructure construction business, infrastructure design business, dredging business, port machinery manufacturing business and other businesses, amounting to RMB557 million, RMB234 million, RMB325 million, RMB24 million and RMB40 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 12.9%, 28.0%, 17.1%, 0.7% and 14.7%, respectively.

Operating profit margin decreased from 7.0% in 2007 to 6.6% in 2008 primarily due to lower operating profit margin of 5.5% in the six months ended 30 June 2008.

Interest Income

Interest income in 2008 amounted to RMB657 million, representing an increase of RMB166 million, or 33.8%, from RMB491 million in 2007, primarily due to increase in interest income related to Build-Transfer projects.

Finance Costs, net

Net finance costs in 2008 amounted to RMB2,636 million, representing an increase of RMB1,091 million, or 70.6%, from RMB1,545 million in 2007. This change was largely due to an increase in interest expenses by RMB1,096 million, or 73.2%, from RMB1,497 million in 2007, primarily as a result of increase in the Group's total borrowings, and was partially offset by the increase in net foreign exchange gains on borrowings amounting to RMB26 million.

Share of Loss of Jointly Controlled Entities

Share of loss of jointly controlled entities in 2008 amounted to RMB88 million, representing an additional loss of RMB47 million, or 114.6% as compared to share of loss of RMB41 million in 2007.

Share of Profit of Associates

Share of the profit of associates in 2008 amounted to RMB11 million, representing a decrease of RMB121 million, or 91.7%, from RMB132 million in 2007, primarily due to decrease in operating profit of certain associates of the Group.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax in 2008 amounted to RMB9,831 million, representing an increase of RMB208 million, or 2.2%, from RMB9,623 million in 2007.

Income Tax Expense

Income tax expense in 2008 amounted to RMB1,955 million, representing a decrease of RMB94 million, or 4.6%, from RMB2,049 million in 2007. Effective tax rate for the Group in 2008 decreased to 19.9% from 21.3% 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.

Management's Discussion and Analysis *(Continued)*

Minority Interests

Minority interests in 2008 amounted to RMB1,801 million, representing an increase of RMB259 million, or 16.8%, from RMB1,542 million 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 in 2008 amounted to RMB6,075 million, representing an increase of RMB43 million, or 0.7%, from RMB6,032 million in 2007.

Profit margin with respect to profit attributable to equity holders of the Company decreased from 4.0% in 2007 to 3.4% in 2008, primarily due to lower profit margin attributable to equity holders of the Company of 2.9% in the six months ended 30 June 2008.

Discussion of Segment Operations

The following table sets forth the revenue, gross profit and operating profit of the Group for the years ended 31 December 2008 and 2007.

	Revenue Year ended December 31,		Gross profit Year ended December 31,		Gross profit margin Year ended December 31,		Operating profit[1] Year ended December 31,		Operating profit margin Year ended December 31,	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million	**2008 %**	2007 %	**2008 RMB million**	2007 RMB million	**2008 %**	2007 %
Business										
Infrastructure Construction	**122,107**	101,705	**8,890**	7,303	**7.3**	7.2	**4,863**	4,306	**4.0**	4.2
% of total	**66.6**	66.1	**49.8**	46.9			**40.5**	39.8		
Infrastructure Design	**7,655**	6,609	**2,081**	1,792	**27.2**	27.1	**1,071**	837	**14.0**	12.7
% of total	**4.2**	4.3	**11.7**	11.5			**8.9**	7.7		
Dredging	**18,986**	14,553	**2,708**	2,570	**14.3**	17.7	**2,223**	1,898	**11.7**	13.0
% of total	**10.4**	9.5	**15.2**	16.5			**18.5**	17.6		
Port Machinery Manufacturing	**26,327**	23,779	**3,366**	3,343	**12.8**	14.1	**3,523**	3,499	**13.4**	14.7
% of total	**14.4**	15.5	**18.8**	21.5			**29.4**	32.4		
Others	**8,252**	7,071	**813**	554	**9.9**	7.8	**313**	273	**3.8**	3.9
% of total	**4.4**	4.6	**4.5**	3.6			**2.7**	2.5		
Subtotal	**183,327**	153,717	**17,858**	15,562			**11,993**	10,813		
Inter-segment elimination and unallocated costs	**(4,438)**	(3,116)	**—**	6			**(106)**	(227)		
Total	**178,889**	150,601	**17,858**	15,568	**10.0**	10.3	**11,887**	10,586	**6.6**	7.0

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

Management's Discussion and Analysis *(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 years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Revenue	**122,107**	101,705
Cost of sales	**(113,217)**	(94,402)
Gross profit	**8,890**	7,303
Selling and marketing expenses	**(29)**	(22)
Administrative expenses	**(3,996)**	(3,301)
Other (expense)/income, net	**(2)**	326
Segment result	**4,863**	4,306
Depreciation and amortization	**1,737**	1,300

Revenue. Revenue from the infrastructure construction business in 2008 was RMB122,107 million, representing an increase of RMB20,402 million, or 20.1%, from RMB101,705 million in 2007, primarily due to an increase in the aggregate value of projects undertaken by the Group, driven by the strong 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 in 2008 was RMB212,048 million, representing an increase of RMB42,396 million, or 25.0%, from RMB169,652 million in 2007. No single project accounted for more than 5% of the Group's total revenue in 2008 or 2007.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2008 was RMB113,217 million, representing an increase of RMB18,815 million, or 19.9%, from RMB94,402 million in 2007. Cost of sales as a percentage of revenue decreased from 92.8% in 2007 to 92.7% in 2008.

Gross profit from the infrastructure construction business in 2008 was RMB8,890 million, representing an increase of RMB1,587 million, or 21.7%, from RMB7,303 million in 2007. Gross profit margin increased from 7.2% in 2007 to 7.3% in 2008.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2008 were RMB29 million, representing an increase of RMB7 million, or 31.8%, from RMB22 million in 2007.

Management's Discussion and Analysis *(Continued)*

Administrative expenses. Administrative expenses for the infrastructure construction business in 2008 were RMB3,996 million, representing an increase of RMB695 million, or 21.1%, from RMB3,301 million in 2007, primarily due to the increased spending on research and development activities by the Group's subsidiaries. Administrative expenses as a percentage of revenue increased from 3.2% in 2007 to 3.3% in 2008.

Other (expenses)/income, net. Other expenses, net, for the infrastructure construction business in 2008 were RMB2 million, representing a decrease of RMB328 million, from other income, net, of RMB326 million in 2007, primarily due to foreign exchange losses from operating activities and fair value loss of forward foreign exchange contracts by the Group.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2008 was RMB4,863 million, representing an increase of RMB557 million, or 12.9%, from RMB4,306 million in 2007. Segment result margin decreased from 4.2% in 2007 to 4.0% in 2008 primarily due to lower segment result margin of 3.6% in the six months ended 30 June 2008.

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 years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Revenue	**7,655**	6,609
Cost of sales	**(5,574)**	(4,817)
Gross profit	**2,081**	1,792
Selling and marketing expenses	**(87)**	(81)
Administrative expenses	**(952)**	(887)
Other income, net	**29**	13
Segment result	**1,071**	837
Depreciation and amortization	**123**	111

Management's Discussion and Analysis *(Continued)*

Revenue. Revenue from the infrastructure design business in 2008 was RMB7,655 million, representing an increase of RMB1,046 million, or 15.8%, from RMB6,609 million in 2007. This growth was primarily attributable to increase in the aggregate value of design 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 more demand for the Group's specialised design skills and experience in complex projects. The value of new contracts entered into for the infrastructure design business in 2008 was RMB9,808 million, representing an increase of RMB1,280 million, or 15.0%, from RMB8,528 million in 2007.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2008 was RMB5,574 million, representing an increase of RMB757 million, or 15.7%, from RMB4,817 million in 2007. Cost of sales as a percentage of revenue decreased from 72.9% in 2007 to 72.8 % in 2008.

Gross profit from the infrastructure design business in 2008 was RMB2,081 million, representing an increase of RMB289 million, or 16.1%, from RMB1,792 million in 2007. Gross profit margin increased from 27.1% in 2007 to 27.2% in 2008 primarily due to better cost control.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2008 were RMB87 million, representing an increase of RMB6 million, or 7.4%, from RMB81 million in 2007.

Administrative expenses. Administrative expenses for the infrastructure design business in 2008 were RMB952 million, representing an increase of RMB65 million, or 7.3%, from RMB887 million in 2007. Administrative expenses as a percentage of revenue decreased from 13.4% in 2007 to 12.4% in 2008 primarily due to the Group's increasing economies of scale and better cost control.

Other income, net. Other income, net, for the infrastructure design business in 2008 was RMB29 million, representing an increase of RMB16 million, or 123.1%, from RMB13 million in 2007.

Segment result. As a result of the above, segment result for the infrastructure design business in 2008 was RMB1,071 million, representing an increase of RMB234 million, or 28.0%, from RMB837 million in 2007. Segment result margin increased from 12.7% in 2007 to 14.0% in 2008.

Management's Discussion and Analysis *(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 years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Revenue	**18,986**	14,553
Cost of sales	**(16,278)**	(11,983)
Gross profit	**2,708**	2,570
Selling and marketing expenses	**(21)**	(18)
Administrative expenses	**(697)**	(741)
Other income, net	**233**	87
Segment result	**2,223**	1,898
Depreciation and amortisation	**607**	450

Revenue. Revenue from the dredging business in 2008 was RMB18,986 million, representing an increase of RMB4,433 million, or 30.5%, from RMB14,553 million in 2007. The revenue growth was primarily attributable to increased port development 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 in 2008 was RMB24,356 million, representing an increase of RMB6,142 million, or 33.7%, from RMB18,214 million in 2007.

Cost of sales and gross profit. Cost of sales for the dredging business in 2008 was RMB16,278 million, representing an increase of RMB4,295 million, or 35.8%, from RMB11,983 million in 2007. Cost of sales as a percentage of revenue for the dredging business increased from 82.3% in 2007 to 85.7% in 2008, primarily due to higher fuel price, heavier reliance on subcontracting by the Group's dredging subsidiaries and increase of other costs related to dredging business in 2008.

Gross profit from the dredging business in 2008 was RMB2,708 million, representing an increase of RMB138 million, or 5.4%, from RMB2,570 million in 2007. Gross profit margin for the dredging business decreased from 17.7% in 2007 to 14.3% in 2008, primarily due to lower gross profit margin of 13.2% in the six months ended 30 June 2008.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2008 were RMB21 million, representing an increase of RMB3 million, or 16.7%, from RMB18 million in 2007.

Administrative expenses. Administrative expenses for the dredging business in 2008 were RMB697 million, representing a decrease of RMB44 million, or 5.9%, from RMB741 million in 2007. Administrative expenses as a percentage of revenue decreased from 5.1% in 2007 to 3.7% in 2008, primarily due to the Group's increasing economies of scale and better cost control.

Management's Discussion and Analysis *(Continued)*

Other income, net. Other income, net, for the dredging business in 2008 was RMB233 million, representing an increase of RMB146 million, or 167.8%, from RMB87 million in 2007, primarily due to gain from disposal of lease prepayments in relation to the land use rights owned by the Group's subsidiary.

Segment result. As a result of the above, segment result for the dredging business in 2008 was RMB2,223 million, representing an increase of RMB325 million, or 17.1%, from RMB1,898 million in 2007. Segment result margin decreased from 13.0% in 2007 to 11.7% in 2008, primarily due to lower segment profit margin of 9.6% in the six months ended 30 June 2008.

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 years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Revenue	**26,327**	23,779
Cost of sales	**(22,961)**	(20,436)
Gross profit	**3,366**	3,343
Selling and marketing expenses	**(73)**	(57)
Administrative expenses	**(1,393)**	(694)
Other income, net	**1,623**	907
Segment result	**3,523**	3,499
Depreciation and amortisation	**959**	521

Revenue. Revenue from the port machinery manufacturing business in 2008 was RMB26,327 million, representing an increase of RMB2,548 million, or 10.7%, from RMB23,779 million in 2007. This increase was primarily attributable to the Group's new series of products, 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 in 2008 was RMB30,935 million, representing an increase of RMB867 million, or 2.9%, from RMB30,068 million in 2007.

Cost of sales and gross profit. Cost of sales for the port machinery manufacturing business in 2008 was RMB22,961 million, representing an increase of RMB2,525 million, or 12.4%, from RMB20,436 million in 2007, primarily due to increase in sales volume. Cost of sales as a percentage of revenue increased from 85.9% in 2007 to 87.2% in 2008, primarily due to higher cost of raw materials in SPMP during 2008.

Management's Discussion and Analysis *(Continued)*

Gross profit from the port machinery manufacturing business in 2008 was RMB3,366 million, representing an increase of RMB23 million, or 0.7%, from RMB3,343 million in 2007. Gross profit margin decreased from 14.1% in 2007 to 12.8% in 2008. Revenue from the port machinery manufacturing business was primarily recognised from contracts denominated in foreign currencies such as the U.S. dollar and Euro while a substantial portion of the cost of sales associated with such contracts were incurred in Renminbi. The appreciation of Renminbi against foreign currencies translated into depressed revenue in Renminbi terms of these contracts thereby affecting the gross profit margin negatively. In addition, SPMP had a lower gross profit margin in 2008 as compared to 2007 lowering the overall gross profit margin of the port machinery manufacturing business in 2008.

Selling and marketing expenses. Selling and marketing expenses for the port machinery manufacturing business in 2008 were RMB73 million, representing an increase of RMB16 million, or 28.1%, from RMB57 million in 2007.

Administrative expenses. Administrative expenses for the port machinery manufacturing business in 2008 were RMB1,393 million, representing an increase of RMB699 million, or 100.7%, from RMB694 million in 2007, primarily due to the increased spending on research and development activities by ZPMC. Administrative expenses as a percentage of revenue for the port machinery manufacturing business increased from 2.9% in 2007 to 5.3% in 2008.

Other income, net. Other income, net, for the port machinery manufacturing business in 2008 was RMB1,623 million, representing an increase of RMB716 million, or 78.9%, from RMB907 million in 2007, primarily due to the increase in fair value gains of forward foreign exchange contracts of ZPMC.

Segment result. As a result of the above, segment result for the port machinery manufacturing business in 2008 was RMB3,523 million, representing an increase of RMB24 million, or 0.7%, from RMB3,499 million in 2007. Segment result margin decreased from 14.7% in 2007 to 13.4% in 2008, primarily due to lower segment result margin of 9.2% in the six months ended 30 June 2008.

Management's Discussion and Analysis *(Continued)*

Other Businesses

The financial information for the other businesses 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 other businesses for the years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Revenue	**8,252**	7,071
Cost of sales	**(7,439)**	(6,517)
Gross profit	**813**	554
Selling and marketing expenses	**(280)**	(231)
Administrative expenses	**(209)**	(180)
Other (expense)/income, net	**(11)**	130
Segment result	**313**	273
Depreciation and amortisation	**74**	71

Revenue. Revenue from the other businesses in 2008 was RMB8,252 million, representing an increase of RMB1,181 million, or 16.7%, from RMB7,071 million in 2007. This revenue growth was primarily attributable to the revenue increase from Zhenhua Logistics Group ("Zhenhua Logistics") and Beijing United Development Co., Ltd. ("United Development").

Cost of sales and gross profit. Cost of sales for the other businesses in 2008 was RMB7,439 million, representing an increase of RMB922 million, or 14.1%, from RMB6,517 million in 2007, primarily due to the increase in cost of sales from Zhenhua Logistics. Cost of sales as a percentage of revenue decreased from 92.2% in 2007 to 90.1% in 2008.

Gross profit from the other businesses in 2008 was RMB813 million, representing an increase of RMB259 million, or 46.8%, from RMB554 million in 2007. Gross profit margin increased from 7.8% in 2007 to 9.9% in 2008, primarily due to contribution from the higher margin business of United Development.

Selling and marketing expenses. Selling and marketing expenses for the other businesses in 2008 were RMB280 million, representing an increase of RMB49 million, or 21.2%, from RMB231 million in 2007, primarily attributable to Zhenhua Logistics.

Administrative expenses. Administrative expenses for the other businesses in 2008 were RMB209 million, representing an increase of RMB29 million, or 16.1%, from RMB180 million in 2007. Administrative expenses as a percentage of revenue for the other business remained constant in 2007 and 2008 at 2.5%.

Other (expenses)/income, net. Other expenses, net, for the other businesses in 2008 was RMB11 million, representing a decrease of RMB141 million from other income, net, of RMB130 million in 2007.

Management's Discussion and Analysis *(Continued)*

Segment result. As a result of the above, segment result for the other businesses in 2008 was RMB313 million, representing an increase of RMB40 million, or 14.7%, from RMB273 million in 2007. Segment result margin decreased from 3.9% in 2007 to 3.8% in 2008, primarily due to lower segment result margin at 1.3% in the six months ended 30 June 2008.

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 generated from operating activities, while financing the remainder of the Group's requirements primarily through borrowings. As at 31 December 2008, the Group had unutilised credit facilities in the amount of RMB101,197 million. The Group has also supplemented its financial resources with proceeds raised from issuing short-term financing bonds in January 2008 and 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 Group's consolidated cash flow statements for 2008 and 2007.

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Net cash (used in)/generated from operating activities	**(1,195)**	1,597
Net cash used in investing activities	**(16,731)**	(15,556)
Net cash generated from financing activities	**21,887**	5,762
Net increase/(decrease) in cash and cash equivalents	**3,961**	(8,197)
Cash and cash equivalents at beginning of the year	**22,473**	30,793
Exchange losses on cash and cash equivalents	**(156)**	(123)
Cash and cash equivalents at end of the year	**26,278**	22,473

Cash flow from operating activities

In 2008, net cash used in operating activities was RMB1,195 million as compared to net cash generated from operating activities of RMB1,597 million in 2007. This decrease of RMB2,792 million, was primarily due to the decrease in cash generated from operations, increase in interest paid and increase in income tax paid in 2008.

Cash generated from operations amounted to RMB2,767 million in 2008, representing a decrease of RMB1,462 million, or 34.6%, from RMB4,229 million in 2007. Cash generated from operations before changes in working capital in 2008 amounted to RMB13,860 million, representing an increase of RMB1,818 million, or 15.1%, from RMB12,042 million in 2007. Changes in working capital in 2008 amounted to RMB11,093 million, representing an increase of RMB3,280 million, or 42.0%, from RMB7,813 million in 2007. This substantial increase in working capital was primarily due to substantial increase in inventories, primarily attributable to the increase in steel required by ZPMC and certain subsidiaries of the Group's infrastructure construction business. The effect from the increase in trade and other receivables and contract work-in-progress were mostly offset by the increase in trade and other payables.

Management's Discussion and Analysis *(Continued)*

Cash flow from investing activities

Net cash used in investing activities in 2008 was RMB16,731 million as compared with RMB15,556 million in 2007. The increase of RMB1,175 million, or 7.6%, in 2008 was primarily due to increases in purchases of property, plant and equipment and strategic investments as included in available-for-sale financial assets. Such increases were partially offset by a smaller increase in both lease prepayments and additional investments in associates. In 2008, the Group's purchase of property, plant and equipment, primarily for Group's port machinery manufacturing business, infrastructure construction business (inclusive of BOT projects) and dredging business amounted to RMB14,960 million, representing an increase of RMB5,305 million, or 54.9%, from RMB9,655 million in 2007. Net increase in Group's strategic investments as included in available-for-sale financial assets amounted to RMB489 million in 2008.

Cash flow from financing activities

Net cash generated from financing activities in 2008 amounted to RMB21,887 million as compared to RMB5,762 million in 2007. The increase of RMB16,125 million was primarily due to the proceeds from borrowings of RMB55,067 million during 2008, which was partially offset by repayments of borrowings of RMB31,571 million. The proceeds from borrowings also included medium-term notes of RMB2,500 million each issued by the Company in April and June 2008, and short-term financing bonds of RMB2,300 million issued by ZPMC in January 2008.

Capital Expenditure

The Group's capital expenditure principally comprises expenditure from the building of plants, purchases of property, vessels and equipment and investments in BOT projects. The following table set forth the Group's capital expenditure by business for the years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Infrastructure Construction Business	**6,393**	5,774
— BOT projects	**1,786**	2,580
Infrastructure Design Business	**250**	237
Dredging Business	**4,015**	2,401
Port Machinery Manufacturing Business	**6,557**	5,473
Other Businesses	**335**	437
Total	**17,550**	14,322

Capital expenditure in 2008 was RMB17,550 million, as compared to RMB14,322 million in 2007. The increase of RMB3,228 million or 22.5% was primarily due to purchase of additional dredgers to increase the Group's dredging capacity, purchase of equipment for the Group's infrastructure construction business and port machinery manufacturing business.

Management's Discussion and Analysis *(Continued)*

Working Capital

Trade and bills receivables and trade and bills payables

The following table sets forth the turnover of the Group's average trade and bills receivables and average trade and bills payables for the years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008 Number of Days	2007 Number of Days
Turnover of average trade and bills receivables[1]	**59**	53
Turnover of average trade and bills payables[2]	**98**	85

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

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

The Group's turnover of trade and bills receivables lengthened in 2008 as compared to 2007 primarily due to overall economic recession. In line with lengthening in turnover of trade and bills receivables, turnover of trade and bills payables also lengthened. However, the Group's turnover of trade and bills receivables in the year ended 31 December 2008 achieved an improvement as compared to that in the six months ended 30 June 2008 due to the implementation of strengthened working capital management by the Group.

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

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Less than 6 months	**29,446**	20,397
6 months to 1 year	**2,709**	2,634
1 year to 2 years	**1,594**	1,924
2 years to 3 years	**793**	699
Over 3 years	**1,213**	1,047
Total	**35,755**	26,701

The Group's credit terms with its customers in 2008 remained the same as 2007. Management closely monitors the recovery of the Group's overdue trade and bills receivables on a regular basis, and, when appropriate, makes for impairment provision for these trade and bills receivables. As at 31 December 2008, the Group had a provision for impairment of RMB2,152 million, as compared with RMB2,054 million as at 31 December 2007.

Management's Discussion and Analysis *(Continued)*

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

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Within 1 year	**46,955**	34,935
1 year to 2 years	**2,162**	1,449
2 years to 3 years	**409**	295
Over 3 years	**149**	173
Total	**49,675**	36,852

The Group's credit terms with its suppliers in 2008 remained the same as 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 carrying amounts of the retentions as at 31 December 2008 and 2007.

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Current	**4,107**	2,469
Non-current	**3,692**	2,513
Total	**7,799**	4,982

Management's Discussion and Analysis *(Continued)*

Indebtedness

Borrowings

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

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Within 1 year	**37,878**	21,828
Between 1 year and 2 years	**6,016**	3,621
Between 2 years and 5 years	**10,070**	5,873
Wholly repayable within 5 years	**53,964**	31,322
Over 5 years	**3,910**	3,139
Total borrowings	**57,874**	34,461

The Group's borrowings are primarily denominated in Renminbi, the 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 31 December 2008 and 2007.

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Renminbi	**40,881**	19,933
U.S. dollar	**13,875**	10,659
Hong Kong dollar	**247**	506
Japanese yen	**960**	1,108
Euro	**1,855**	2,219
Others	**56**	36
Total borrowings	**57,874**	34,461

The Group's gearing ratio, calculated as net debt divided by capitalisation, in 2008 was 37.7%, compared with 18.2% as at 31 December 2007.

Management's Discussion and Analysis *(Continued)*

Contingent Liabilities

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

	Year ended 31 December	
	2008 (RMB million)	2007 (RMB million)
Pending lawsuits[1]	**481**	309
Outstanding loan guarantees[2]	**149**	196
	630	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 31 December 2008, approximately RMB26,642 million of the Company's borrowings were at fixed rates, as compared to that of RMB17,144 million in 2007.

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, Euro and Japanese Yen. Renminbi is not freely convertible into other foreign currencies and conversion of the Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against the U.S. dollar. As at 31 December 2008, Renminbi had appreciated by approximately 15.7% 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 two years ended 31 December 2008 and 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 the U.S. dollar, Euro and Japanese Yen.

Profile of Directors, Supervisors and Senior Management

Board of Directors

Directors:	Zhou Jichang, Meng Fengchao, Fu Junyuan, Lu Hongjun, Yuan Yaohui, Chao Tien Yo, Koo Fook Sun, Louis, Zhang Changfu and Zou Qiao
Independent Directors:	Lu Hongjun, Yuan Yaohui, Chao Tien Yo, Koo Fook Sun, Louis and Zou Qiao
Chairman:	Zhou Jichang
Vice-chairman:	Meng Fengchao

Zhou Jichang, aged 58, has been serving as the Chairman and executive Director of the Company since 29 September 2006.Mr. Zhou also serves as the chairman of the board of ZPMC, one major subsidiary of the Company listed on the Shanghai Stock Exchange. Mr. Zhou has in-depth knowledge of the industries in which the Company operates and extensive operational and managerial experience. Mr. Zhou joined the Company in January 1977 and has been working with the Company for nearly 33 years. The most recent positions he held with the Company include the general manager of the China Road and Bridge Corporation from November 1997 to December 2005. Before that, Mr. Zhou once served as deputy general manager of The First Highway Survey & Design Institute of the former China Road and Bridge Corporation (which is one of the predecessors of the Company) from August 1987 to May 1992 and general manager and chairman of China Road and Bridge Construction Company (the predecessor of China Road and Bridge Corporation) from August 1995 to November 1997. From December 2005 to present, Mr. Zhou serves as the chairman of CCCG and since August 2006 he has also served as the president of CCCG. Mr. Zhou graduated from Tongji University with a major in bridge, road and tunnel construction. He is now a doctoral candidate of Beijing Jiaotong University for industry economics study. Mr. Zhou is a Senior Engineer.

Meng Fengchao, aged 50, has been serving as the Vice Chairman and executive Director and the President of the Company since 29 September 2006. Mr. Meng has worked for nearly 28 years in the industry of transportation infrastructure construction and has extensive managerial and operational experience. From January 2000 to December 2004, Mr. Meng was a vice president of China Railway Engineering Company, which is one of the largest railway infrastructure contractors in China, and also served as the chairman of China Zhongtie Major Bridge Engineering Group Co. Ltd. From January 1982 to May 1998, he served in various positions at the Ministry of Railways and its engineering affiliates. Mr. Meng joined us as the president of China Harbour Engineering Company (Group) in January 2005 and subsequently served as a director and the president of CCCG from December 2005 to August 2006. He currently serves as a non-executive director of CCCG. Mr. Meng graduated from Southwest Jiaotong University with a bachelor's degree in tunnel and subway engineering. Mr. Meng is a professor equivalent Senior Engineer.

Fu Junyuan, aged 47, has been serving as an executive Director and the Chief Financial Officer of the Company since 29 September 2006. Mr. Fu also serves as a director of ZPMC. Mr. Fu joined the Company in September 1996 and has been working with the Company for over 10 years and has extensive operational and financial management experience. The most recent positions he held with us include chief accountant of China Harbour Engineering Company (Group) from October 1998 to December 2005. Before that, Mr. Fu once worked for over 10 years at the financial bureau and auditing bureau of the Ministry of Communications. From December 2005 to August 2006, he was the chief accountant of CCCG from December 2005 to August 2006 and a non-executive director of CCCG from August 2006 to November 2006. He is also a non-executive director of China Merchants Bank Co., Ltd., which is listed on the Main Board of the Hong Kong Stock Exchange and on the Shanghai Stock Exchange. Mr. Fu holds a doctor's degree in business administration from Beijing Jiaotong University. Mr. Fu is a Senior Accountant.

Profile of Directors, Supervisors and Senior Management *(Continued)*

Lu Hongjun, aged 59, has been serving as an independent non-executive Director of the Company since 29 September 2006.Mr. Lu is the president and a professor of Shanghai Institute of International Finance. He set up China's Human Resource Assessment Program in the 1980's and had conducted extensive research on assessment centre and corporate leadership development. Over the course of many years, Mr. Lu had lectured on this topic at Shanghai Jiaotong University and Shanghai Institute of International Finance. In 1999, he completed the Wharton CEO Circle Program conducted by the Wharton School of the University of Pennsylvania. He was also visiting scholar at Stanford University and Japan's Waseda University. Since June 2002, Mr. Lu serves as an independent non-executive director of Shanghai Dragon Corporation and Shanghai New Huang Pu Real Estate Co. Ltd., both of which are listed on the Shanghai Stock Exchange.

Yuan Yaohui, aged 63, has been serving as an independent non-executive Director of the Company since 29 September 2006. Mr. Yuan has extensive experience in both public policy making and corporate administration. He was the head of the policy and regulation department of the General Administration of Civil Aviation of China (being China's national aviation regulatory body) from January 2001 to his retirement in May 2006, when he was charged with formulating national aviation policy. He had also served as the head of the Economic and Trade Commission of Jiangxi Province from 1995 to 1997 during which time he was in charge of the local economic development of that province. Mr. Yuan was the deputy president of Air China International Corporation (now known as Air China Limited) from December 1998 to December 2000, with primary responsibility for business planning and human resource management. Mr. Yuan also served as a deputy general manager and the general manager, respectively, of Changhe Aircraft Industries Group, a major aircraft manufacturer in China, for ten years since 1984. Mr. Yuan graduated from the Beijing Institute of Technology. Mr. Yuan is a professor equivalent Senior Engineer and is entitled to government special allowance as awarded by the State Council.

Chao Tien Yo, aged 54, has been serving as an independent non-executive Director of the Company since 29 September 2006. Mr. Chao is a partner in the international law firm Morrison & Foerster. Mr. Chao has practised law in Hong Kong since 1984, focusing on capital markets, mergers and acquisitions and private equity investments, particularly involving companies operating in the PRC and Hong Kong. Mr. Chao holds bachelor's degrees from the University of Hong Kong and the University of Manchester and a master of arts degree from the University of Keele, and qualified as a solicitor in England and Wales in 1983 and in Hong Kong in 1984.

Koo Fook Sun, Louis, aged 52, has been serving as an independent non-executive Director of the Company since 29 September 2006. Mr. Koo is the founder and managing director of Hercules Capital Limited, a corporate finance advisory firm. He has many years of experience in investment banking and professional accounting. He was the managing director and head of corporate finance department of a major international bank, and served as a director and chief executive officer of a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Koo currently acts as an independent non-executive director of Li Ning Company Limited, Weichai Power Company Limited, Xingda International Holdings Limited, Midland Holdings Limited and Good Friend International Holdings Inc., all of which are listed on the Main Board of the Hong Kong Stock Exchange, and of Richfield Group Holdings Limited, which is listed on the Growth Enterprise Market of the Hong Kong Stock Exchange. He is also vice chairman and chief financial officer of 2020 ChinaCap Acquirco, Inc., a company listed on the New York Stock Exchange Amex. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley and is a certified public accountant and an associate member of the Hong Kong Institute of Certified Public Accountants.

Profile of Directors, Supervisors and Senior Management *(Continued)*

Zhang Changfu, aged 63, has been serving as a non-executive Director of the Company since 18 June 2008. Mr. Zhang has extensive experience in corporate administration. Prior to joining the Company, he worked at No. 19 Metallurgical Construction Corporation for 28 years from 1968 to 1996, and served as the head of the Bureau Office and the Service Bureau of State Bureau of Metallurgical Industry from 1998 to 2000. He served as the deputy head and head of Service Administration Bureau (Administration Bureau of the Former and Retired Staff) of State Economic and Trade Commission from 2000 to 2003. He subsequently became the head of Service Administration Bureau under the SASAC until 2004. He has been serving as the vice chairman of China Iron and Steel Association and have been appointed as an external director of China Metallurgical Group Corporation since 2006. Mr. Zhang graduated from Beijing Iron and Steel Institute with a major in engineering studies. Mr. Zhang is a Senior Economist.

Zou Qiao, aged 62, has been serving as an independent non-executive Director of the Company since 18 June 2008. Mr. Zou has extensive experience in corporate administration. Prior to joining the Company, he worked at No. 16 Metallurgy Corporation of the Ministry of Metallurgy for various positions from 1970 to 1990. He served as deputy head of the infrastructure department and the head of the investment and operation department, respectively, at China National Nonferrous Metals Industry Corporation. Mr. Zou is also the former director of Industry Administration Division of State Nonferrous Metal Industry Bureau between 1998 and 2000. He served as the deputy general manager of China Nonferrous Metals Construction Group Co., Ltd. in 2000 before serving as the deputy general manager of China Nonferrous Metal Mining and Construction (Group) Co., Ltd. in 2003. Between 2003 and 2007, he acted as the deputy general manager of China Nonferrous Metal Mining (Group) Co.,Ltd. Mr. Zou graduated from Xian Metallurgy and Construction Institute with a major in industrial and civil construction studies. Mr. Zou is a professor equivalent Senior Engineer.

Supervisory Committee

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

Liu Xiangdong, aged 50, has been serving as a Supervisor of the Company since 29 September 2006. Prior to joining CCCG, Mr. Liu served as an inspector of the Enterprises Reform Bureau of SASAC from May 2003 to December 2005. From January 1995 to May 2003, Mr. Liu held a number of positions at the former State Economy and Trade Commission and the former Ministry of Domestic Trade of the PRC. Mr. Liu holds a master of science degree from Hunan University, China.

Xu Sanhao, aged 54, has been serving as a Supervisor of the Company since 29 September 2006. Mr. Xu was deputy general manager of China Road and Bridge Corporation from March 2001 to September 2005. Mr. Xu graduated from Jilin Industry University with a major in automobile appliance and maintenance. Mr. Xu is a Senior Engineer.

Wang Yongbin, aged 43, has been serving as a Supervisor of the Company since 29 September 2006. Mr. Wang is the head of the auditing department of our Company. Mr. Wang joined China Harbour Engineering Company (Group) in July 2001 and has been working with us for about nine years. Mr. Wang graduated from Changsha Communications University with a bachelor's degree in project finance and accounting. Mr. Wang is a Senior Accountant.

Profile of Directors, Supervisors and Senior Management *(Continued)*

Senior Management

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

Chen Yun, aged 45, is a Vice President of the Company. Mr. Chen joined the Company in September 1998 and has extensive operational experience. The most recent positions he held with us include deputy general manager of China Harbour Engineering Company (Group) from December 2001 to December 2005. Before that, Mr. Chen once served as the general manager of assets management division of China Harbour Engineering Company (Group) from September 1999 to February 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from East China Institute of Water Conservancy with a bachelor's degree in harbour and channel engineering. Mr. Chen also holds a master's degree in business administration from Tsinghua University. Mr. Chen is a Senior Engineer.

Chen Yusheng, aged 53, is a Vice President of the Company. Mr. Chen also serves as a director of CRBC International. Mr. Chen joined the Company in June 1999 and has extensive operational experience. The most recent positions he held with us include deputy general manager of China Road and Bridge Corporation from March 2001 to December 2005 and assistant president of China Road and Bridge Corporation from March 2000 to March 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from Distance Learning College of Central Party School with a major in politics and law. Mr. Chen is a Senior Economist.

Hou Jinlong, aged 56, is a Vice President of the Company. Mr. Hou joined us in September 1970 and has been working with the Company for nearly 39 years and has extensive operational experience. The most recent positions he held with us include general manger of The First Highway Engineering Bureau of CRBC Group from July 2001 to December 2005 and chief engineer of The Second Highway Engineering Bureau of the CRBC Group from October 1995 to January 2001. From September 2005 to August 2006, he was a vice president of CCCG. Mr. Hou graduated from Chongqing Construction Engineering College with a major in bridge and tunnel. Mr. Hou also holds a master's degree in road and railway engineering from Southeast University of China. Mr. Hou is a professor equivalent Senior Engineer and is entitled to governmental special allowance as awarded by the State Council. He is a member of the Expert Commission of the Ministry of Communications and a member of the Technical Expert Commission of the Ministry of Construction.

Chen Fenjian, aged 46, is a Vice President of the Company. Mr. Chen joined the Company in August 1983 and has been working with us for over 22 years and has extensive operational experience. The most recent positions he held with us include general manager of Fourth Navigational Engineering Bureau of the former China Harbour Engineering Company (Group) (which is one of the predecessors of the Company) from September 2002 to December 2005 and deputy general manager of Fourth Navigational Engineering Bureau of CHEC Group from July 2000 to September 2002. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from Changsha Communications University with a bachelor's degree in harbour and channel engineering. He holds a master's degree in business administration from Guanghua Management School of Peking University. Mr. Chen is a professor equivalent Senior Engineer.

Profile of Directors, Supervisors and Senior Management *(Continued)*

Zhu Bixin, aged 43, is a Vice President of the Company. Mr. Zhu joined us in April 1995 and has been working with the Company for over 13 years. The most recent positions he held with us include secretary of the discipline commission of the Chinese Communist Party committee of China Road and Bridge Corporation and head of trade union of China Road and Bridge Corporation from March 2001 to December 2005. He was a vice president of CCCG from December 2005 to August 2006.Mr. Zhu graduated from Chongqing Jiaotong College (now known as Chongqing Jiaotong University) with a bachelor's degree in transportation management. Mr. Zhu also holds a master's degree in business administration from Peking University. Mr. Zhu is a Senior Economist.

Yang Liqiang, aged 52, is a Vice President and head of trade union of the Company. Mr. Yang was the head of trade union of China Harbour Engineering Company (Group) from April 2002 to December 2005. He was the head of the trade union of CCCG from January 2006 to August 2006. He worked with the Ministry of Communications for ten years before joining us. Mr. Yang holds a master's degree in business administration from Honolulu University, Hawaii, USA.

Liu Wensheng, aged 48, is the Secretary of the Board, the Joint Company Secretary and the Chief Economist of the Company. He also serves as a director of ZPMC. Mr. Liu has been working with us for nearly 28 years and has extensive operational experience. The most recent positions Mr. Liu held with the Company include deputy chief economist of China Harbour Engineering Company (Group) and general manager of its corporate planning department from March 2003 to November 2005 and deputy general manager of CHEC Tianjin Dredging Corp., a major subsidiary of the Company, from June 1999 to March 2003. He was the chief economist of CCCG from December 2005 to August 2006. Mr. Liu graduated from Dalian Maritime University with a bachelor's degree in engineering. He is a Senior Engineer.

Kam Mei Ha, Wendy, aged 41, is the Joint Company Secretary of the Company. She is a senior manager of the corporate services division of Tricor Services Limited ("Tricor"). Prior to joining Tricor, Ms. Kam served as manager of the company secretarial department of Tricor Tengis Limited and Ernst & Young. Ms. Kam has more than 17 years of experience in company secretarial industry, and provided services to clients ranging from private companies to public companies listed on the Main Board of the Hong Kong Stock Exchange (including H share companies). Ms. Kam is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She graduated from the City Polytechnic of Hong Kong (currently the City University of Hong Kong).

Report of the Board of Directors

The Board of Directors (the "Board") of the Company is pleased to present its report together with the audited financial statements of the Group prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2008.

Principal Business

We are a leading transportation infrastructure group in China primarily engaged in the infrastructure construction, infrastructure design, dredging and port machinery manufacturing businesses.

Results

Results of the Group for the year ended 31 December 2008 and the financial position of the Company and the Group as at 31 December 2008 are set out in the audited financial statements in this annual report.

Dividends

On 14 April 2009, the Board proposed a final dividend of RMB0.098 per share (totaling approximately RMB1,453 million) for the year ended 31 December 2008. The dividend proposal will be submitted for shareholders' approval at the annual general meeting to be held on 18 June 2009. If approved, the final dividends are expected to be paid to shareholders whose names appear on the register of members of the Company on 18 June 2009. The register of members will be closed from 19 May to 18 June 2009 (both days inclusive), during which period no transfers will be registered. Dividends will be denominated and declared in Renminbi. Dividends on domestic shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate will be the mean of the middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the period between 19 May 2009 (being the date for closure of the Company's register of members) and the date of the annual general meeting.

Pursuant to the "Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividend to Foreign Non-resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation of the PRC, when the Company distributes annual dividends for 2008 and future dividends, the Company shall withhold enterprise income tax at a uniform tax rate of 10% on dividends paid to foreign non-resident enterprises as shareholders of H shares.

Report of the Board of Directors *(Continued)*

Share Capital

The share capital of the Company in issue as fully paid or credited as fully paid as at 31 December 2008 was RMB14,825,000,000 divided into 14,825,000,000 shares with a nominal value of RMB1.00 each. As at 31 December 2008, the share capital structure of the Company was as follows:

	As at 31 December 2008	
Class of shares	**Number of shares**	**Percentage of total issued share capital**
Domestic shares	10,397,500,000	70.1%
H shares	4,427,500,000	29.9%

Use of Proceeds from the Company's Initial Public Offering

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in December 2006 amounted to approximately HK$17,878 million. Approximately RMB16,243 million (HK$18,418 million, calculated at the rate of RMB0.8819 to HK$1.00, being the middle exchange rate as announced by the People's Bank of China on 31 December 2008) had been applied by 31 December 2008 in accordance with the proposed applications set out in the Company's listing prospectus.

Public Float

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

Report of the Board of Directors *(Continued)*

Directors, Supervisors and Senior Management of the Company

The following table sets out certain information concerning the Directors and senior management of the Company as at the date of this Report:

Name	Age	Position in the Company	Date of Appointment
ZHOU Jichang	58	Chairman of the Board and Executive Director	29 September 2006
MENG Fengchao	50	Vice Chairman of the Board, Executive Director and President	29 September 2006
FU Junyuan	47	Executive Director and Chief Financial Officer	29 September 2006
LU Hongjun	59	Independent Non-executive Director	29 September 2006
YUAN Yaohui	63	Independent Non-executive Director	29 September 2006
CHAO Tien Yo	54	Independent Non-executive Director	29 September 2006
KOO Fook Sun, Louis	52	Independent Non-executive Director	29 September 2006
ZHANG Changfu	63	Non-executive Director	18 June 2008
ZOU Qiao	62	Independent Non-executive Director	18 June 2008
CHEN Yun	45	Vice President	29 September 2006
CHEN Yusheng	53	Vice President	29 September 2006
HOU Jinlong	56	Vice President	29 September 2006
CHEN Fenjian	46	Vice President	29 September 2006
ZHU Bixin	43	Vice President	29 September 2006
YANG Liqiang	52	Vice President	29 September 2006
LIU Wensheng	48	Secretary of the Board, Joint Company Secretary and Chief Economist	29 September 2006
KAM Mei Ha, Wendy	41	Joint Company Secretary	14 April 2009

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

Name	Age	Position in the Company	Date of Appointment
LIU Xiangdong	50	Chairman of the Supervisory Committee	29 September 2006
XU Sanhao	54	Supervisor	29 September 2006
WANG Yongbin	43	Supervisor (representative of our employees)	29 September 2006

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

Independence of the Independent Non-executive Directors

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

Report of the Board of Directors *(Continued)*

Board Committees

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

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

As at 31 December 2008, the interests or short positions of every person (other than Directors, Supervisors and chief executive of the Company) who had an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed by the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (the "SFO") are as follows:

Name of shareholder	Number of shares held	Type of shares	Percentage of the respective type of shares (%)	Percentage of the total number of shares in issue (%)	Capacity in which the shares are held
China Communications Constructions Group (Limited)	10,397,500,000	Domestic shares	100	70.13	Beneficial owner
National Council for Social Security Fund of the PRC	352,491,000	H shares	7.96	2.38	Beneficial owner
JPMorgan Chase & Co.	265,399,096	H shares	5.99	1.79	Beneficial owner for long position in 67,634,624 shares and investment manager for long position in 20,861,000 shares
	33,131,220 (short position)	H shares	0.75	0.22	Beneficial owner
	176,903,472 (lending pool)	H shares	4.00	1.19	Custodian corporation approved lending agent
Barclays PLC	311,032,000	H shares	7.02	2.10	Corporate interest
	6,884,000 (short position)	H shares	0.16	0.05	Corporate interest
Barclays Global investors UK Holdings Limited	311,032,000	H shares	7.02	2.10	Corporate interest
	6,884,000 (short position)	H shares	0.16	0.05	Corporate interest
Merrill Lynch (Asia Pacific) Limited	525,000,000	H shares	11.86	3.54	Corporate interest
	528,912,000 (short position)	H shares	11.95	3.57	Corporate interest
Merrill Lynch Far East Limited	525,000,000	H shares	11.86	3.54	Interest held jointly with another person
	528,912,000 (short position)	H shares	11.95	3.57	Interest held jointly with another person
Merrill Lynch International Holdings Inc.	525,000,000	H shares	11.86	3.54	Corporate interest
	528,912,000 (short position)	H shares	11.95	3.57	Corporate interest
Merrill Lynch International Incorporated	525,000,000	H shares	11.86	3.54	Corporate interest
	528,912,000 (short position)	H shares	11.95	3.57	Corporate interest

Report of the Board of Directors *(Continued)*

Material Interests and Short Positions in Shares and Underlying Shares of the Company *(Continued)*

Save as stated above, as at 31 December 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.

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

As at 31 December 2008, none of our Directors or Supervisors had any interest or short position in the shares, underlying shares of equity derivatives or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 31 December 2008, the Company had not granted its Directors or Supervisors, or their respective spouses or children below the age of 18, any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them had ever exercised any such right to subscribe for shares or debentures.

Competing Business

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

Directors Financial, Business and Family Relations

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

Directors and Supervisors Interests in Contracts and Service Contracts

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years and may be re-elected upon expiry of the term.

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

Apart from the service contracts with the Company or its subsidiaries (if applicable), in the year ended 31 December 2008, none of the Directors and Supervisors of the Company was materially interested, whether directly or indirectly, in any contract of significance to which the Company, its subsidiary or holding company or a subsidiary of the Company's holding company is a party.

Report of the Board of Directors *(Continued)*

Emoluments of Directors and Supervisors

Please refer to note 40 to the audited financial statements for details of the emoluments of the Directors and Supervisors of the Company in 2008.

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

Purchase, Sale and Redemption of Shares

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

Summary of Financial Information for the Last Five Years

The tables below set out a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2008.

Consolidated Income Statement

	Year ended 31 December				
	2008 RMB million	2007 RMB million	2006 RMB million	2005 RMB million	2004 RMB million
Revenue	**178,889**	150,601	114,881	83,265	65,912
Gross profit	**17,858**	15,568	11,815	8,155	6,334
Profit before income tax	**9,831**	9,623	5,514	3,563	1,854
Profit for the year	**7,876**	7,574	4,286	2,971	1,397
Attributable to:					
Equity holders of the Company	**6,075**	6,032	3,199	2,195	1,071
Minority interests	**1,801**	1,542	1,087	776	326
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)					
— basic	**0.41**	0.41	0.29	0.20	N/A
— diluted	**0.41**	0.41	0.29	0.20	N/A
Dividends	**1,453**	1,305	74	N/A	N/A

Report of the Board of Directors *(Continued)*

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

Consolidated Balance Sheet

	As at 31 December				
	2008 RMB million	2007 RMB million	2006 RMB million	2005 RMB million	2004 RMB million
Total assets	**218,098**	167,397	126,952	79,059	64,389
Total liabilities	**165,929**	113,435	90,225	66,612	55,140
Capital and reserves attributable to equity holders of the Company	**41,171**	45,145	31,825	8,942	6,542
Minority interests	**10,998**	8,817	4,092	3,505	2,707

Bank Loans and Other Borrowings

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

Fixed Assets

Please refer to note 6 to the audited financial statements for movements in the property, plant and equipment of the Group for the year ended 31 December 2008.

Capitalised Interest

Please refer to note 34 to the audited financial statements for details of the capitalised interest of the Group for the year ended 31 December 2008.

Reserves

Please refer to note 22 to the audited financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2008.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2008 amounted to approximately RMB1,471 million.

Donations

For the year ended 31 December 2008, the Group made charitable and other donations in a total amount of approximately RMB37 million.

Subsidiaries, Jointly Controlled Entities and Associated Companies

Please refer to note 11, 12 and 45 to the audited financial statements for details of the Company's subsidiaries and the Group's interests in jointly controlled entities and associated companies as at 31 December 2008.

Report of the Board of Directors *(Continued)*

Change in Equity

Please refer to note 21 and 22 to the audited financial statement for detail of changes in equity.

Retirement Benefits

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

Pre-emptive Rights

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

Major Customers and Suppliers

For the year ended 31 December 2008, sales to the five largest customers of the Group represented an amount not exceeding 30% of the operating revenue of the Group.

For the year ended 31 December 2008, purchases from the five largest suppliers of the Group represented an amount not exceeding 30% of the total annual purchases of the Group.

Connected Transactions

Below are the details of connected transactions of the Group in year 2008 which are not exempt under Rule 14A.33 of the Listing Rules.

I. Continuing Connected Transactions with Xi'an Tongrui Road Construction Company

Xi'an Tongrui Road Construction Company ("Xi'an Tongrui") owns approximately 18% of the share capital of Eastern Alliance Construction Engineering Co., Ltd, which is one of our subsidiaries. Therefore Xi'an Tongrui, as a substantial shareholder of one of the Group's subsidiaries, is a connected person of the Company under the Listing Rules and transactions between the Group and Xi'an Tongrui and/or its associates constitute connected transactions.

In the ordinary and usual course of business, Eastern Alliance Construction Engineering Co., Ltd. engages Xi'an Tongrui as its subcontractor for some road and bridge construction work from time to time. The subcontracting transactions between the Group and Xi'an Tongrui are conducted on normal commercial terms at arm's length. The transaction terms we offered to Xi'an Tongrui are generally on a back-to-back basis corresponding to the terms that project owners offer to the Group in the main contract (such as standards of quality, payment schedule, liquidated damages for delay, etc.) and are no more favourable than those the Group offers to independent third parties.

Xi'an Tongrui, though a substantial shareholder of Eastern Alliance Construction Engineering Co., Ltd, has no influence over Eastern Alliance Construction Engineering Co., Ltd during the course of negotiations. Despite the subcontracting agreements, the Group, as the main contractor engaged by the project owners, will remain responsible to project owners for the timely completion and quality of the construction work. Under the terms of our subcontracting agreements with Xi'an Tongrui, however, the Group is generally able to seek indemnities from Xi'an Tongrui for losses arising from its performance of its contractual obligations.

There was no construction subcontracting connected transaction occurred between the Group and Xi'an Tongrui in 2008.

Report of the Board of Directors *(Continued)*

Connected Transactions *(Continued)*

II. Continuing Connected Transactions with Macao Tourism and Amusement Company

Macao Tourism and Amusement Company ("MTAC") is the ultimate holding company of SJM — Investment Limited, which is a substantial shareholder with 49% interest in the share capital of Zhen Hwa Harbour Construction Co. Ltd., an indirect subsidiary of the Company. Accordingly, MTAC, as the ultimate holding company of a substantial shareholder of one of the Company's subsidiaries, is a connected person of the Company under the Listing Rules and transactions between the Group and MTAC and/or its associates will constitute connected transactions.

In the ordinary and usual course of business, Zhen Hwa Harbour Construction Co. Ltd. and other subsidiaries of the Company provide certain services to MTAC, including, among other things, construction, project designing, and property renovation services. The above services are provided to MTAC on normal commercial terms at arm's length. The price for these services is usually determined through a bidding process with reference to prevailing market prices of labour, materials, equipment and other things and taking into account the complexity of projects as well. MTAC has no influence over the Group's pricing process.

The cap permitted by the Stock Exchange and the revenue for the above mentioned continuing connected transactions for the year ended 31 December 2008 are set out below:

Transaction	**Cap for Year 2008**	**Actual Amount**
	RMB million	RMB million
Construction and construction-related transactions between the Group and MTAC	650	417*

Note:

* *This amount is higher than the amount (i.e. RMB363 million) as disclosed in the announcement made by the Company on 6 January 2009 which was calculated according to the unaudited management accounts of Zhen Hwa Harbour Construction Co. Ltd.*

As indicated in the table above, the annual cap for the year of 2008 is RMB650 million. Due to part of the construction work performed is still subject to the inspection and certification of the construction work by the relevant project supervisor and some ancillary work to be performed in 2009, the Group only recognised revenue of RMB417 million from MTAC in 2008. Pursuant to the relevant construction agreements of the above mentioned continuing connected transactions, MTAC has made construction payments for the phases for which the relevant project supervisor had inspected and certified the completion of construction work. Unsettled amount representing construction work not yet certified has not been recognised as the Group's revenue for the year of 2008.

The Group estimates to recognise revenue of RMB287 million from the above mentioned continuing connected transactions in 2009. The total actual amount recognised in 2008 and estimated to be recognised in 2009 would reach RMB704 million, which is higher than the annual cap for the year of 2008, namely RMB650 million. The increase is caused by the variation orders made on the project design and construction plans for the relevant projects by MTAC in 2008.

Report of the Board of Directors *(Continued)*

Connected Transactions *(Continued)*

II. Continuing Connected Transactions with Macao Tourism and Amusement Company *(Continued)*

The Company has arrived at an annual cap for the above mentioned continuing connected transactions with MTAC for the year of 2009 as follows pursuant to Listing Rules14A.35(2).

Transaction	**Cap for Year 2009**
Construction and construction-related transactions between the Group and MTAC	RMB341 million

The Company is required to comply with the reporting, announcement and independent shareholders' approval requirements as applicable pursuant to Listing Rules 14A.35. As the relevant ratios are more than 0.1% but less than 2.5%, the connected transactions between MTAC and our Group are subject to the announcement and reporting requirements but exempted from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

III. Confirmation from Independent Non-executive Directors

The Independent Non-executive Directors of the Company have confirmed that all continuing connected transactions for the year ended 31 December 2008 to which the Group was a party:

1. had been entered into, and the agreements governing those transactions were entered into, by the Group in the ordinary and usual course of business;

2. had been entered into either:

   (i) on normal commercial terms; or

   (ii) where there was no available comparison to judge whether they are on normal commercial terms, on terms no less favourable than those available to or (if applicable) from independent third parties; and

3. had been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable so far as the overall interests of the independent shareholders of the Company are concerned.

Report of the Board of Directors *(Continued)*

Connected Transactions *(Continued)*

IV. Confirmation from the Auditors

The auditors of the Company have performed certain agreed-upon procedures on such transactions and have provided a letter to the Directors of the Company stating that:

1. the transactions had been approved by the Board;

2. selected samples of transactions were entered into in accordance with the pricing policies of the Group and its subsidiaries as disclosed in note 44 to the audited financial statements;

3. selected samples of transactions were entered into in accordance with the terms of the agreements governing such transactions; and

4. the Company's continuing connected transactions did not exceed the relevant annual limits as set out in the prospectus dated 1 December 2006 and the announcement dated 8 April 2008 respectively.

Employees

As at 31 December 2008, the Group had 93,019 employees illustrated as follows:

	Number of Employees	**Percentage**
Infrastructure Construction Business	59,658	64.2%
Infrastructure Design Business	9,479	10.2%
Dredging Business	10,734	11.5%
Port Machinery Manufacturing Business	8,958	9.6%
Other Businesses	4,190	4.5%
Total	93,019	100.0%

As at 31 December 2008, approximately 1,703 employees were located overseas.

In accordance with applicable regulations, the Group makes contributions to the employees' pension plan, medical insurance plan, unemployment insurance plan, maternity insurance plan and personal injury insurance plan. The amount of contributions is based on the specified percentages of employees' aggregate salaries as provided for by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides voluntary benefits to current employees and retired employees. These benefits include reimbursement for medical costs not covered by medical insurance plans. Current employees of the Group are also entitled to performance-based annual bonuses.

Report of the Board of Directors *(Continued)*

Compliance with Code on Corporate Governance Practices

Please see the "Corporate Governance Report" set out on page 60 of this annual report for details of our compliance with the Code on Corporate Governance Practices.

Material Legal Proceedings

As at 31 December 2008, as far as the Directors are aware, except for those disclosed in note 42 to the audited financial statements, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

Auditors

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were appointed as the international and domestic auditors of the Company for the year ended 31 December 2008. PricewaterhouseCoopers has audited the accompanying financial statements, which have been prepared in accordance with International Financial Reporting Standards. The Company has retained PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company since the date of its listing.

By order of the Board
Zhou Jichang
Chairman of the Board

Beijing, the PRC
20 April 2009

Report of the Supervisory Committee

Dear Shareholders and their respective representatives,

On behalf of the first session of the Supervisory Committee of China Communications Construction Company Limited (the "Company"), I would like to submit to the shareholders' annual general meeting a report on the work of the Supervisory Committee during the reporting period.

The establishment of this session of the Supervisory Committee was approved at the meeting of incorporation held on 29 September 2006. There are three supervisors for the first session of the Supervisory Committee.

1. Meetings convened during the reporting period

1. The fifth meeting of the first session of the Supervisory Committee was held on 8 April 2008 and attended by all members, at which the 2007 Report of the Supervisory Committee was considered and approved and was resolved to be proposed to the Company's shareholders' meeting of 2007 for consideration and approval.

2. The sixth meeting of the first session of the Supervisory Committee was held on 18 August 2008 and attended by all members, at which it was decided that on site inspection would be conducted at works under construction according to the relevant provisions of the Working Rules for the Supervisory Committee of China Communications Construction Company Limited.

2. Work of the Company's Supervisory Committee

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

The Supervisory Committee mainly carried out the following work:

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

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

All members of Director and the senior management of the Company have faithfully performed their duties with due diligence. No violation of any laws or regulations or the Articles of Association nor any act that jeopardizes the interests of the Company's shareholders has occurred in the conduct of the Company's Directors and senior management.

Report of the Supervisory Committee *(Continued)*

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

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

3. Supervision of the Company's daily operating activities

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

4. Supervision of the Company's financial position

The Supervisory Committee reviewed the 2008 financial report audited by PricewaterhouseCoopers, supervised and inspected the Company's consistent implementation of relevant financial policies and legislation as well as details on the Company's assets, financial income and expenditure and connected transactions. The Supervisory Committee is of the opinion that the 2008 financial report truly reflected the financial position and operating results of the Company on an objective basis, and that the Company's accounts are accurate with clear records and complete information.

5. Information disclosure

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

6. Supervision of the use of proceeds

The Supervisory Committee reviewed and inspected the use of proceeds raised by the Company's previous offering. Upon receipt of the proceeds from the listing of the Company's shares, the Board applied effectively the proceeds as committed in the prospectus. The investments of the proceeds have made contribution to the gains and profit for the Company. The Supervisory Committee is confident in the prospect of the Company. In 2009, the Supervisory Committee will continue to perform its duties diligently in strict compliance with the Articles of Association and other relevant regulations, in order to safeguard the shareholders' interests and enhance the Company's competitiveness and strength against keen competition.

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

Beijing, the PRC
20 April 2009

Report on Corporate Governance Practices

The Company is committed to upholding the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. The Board of Directors understands good corporate governance is crucial to enhancing investors' confidence in the Company as well as sustaining continued business growth of the Company. The Company complied with all provisions of the Code in 2008.

The Board of Directors

(1) Composition of the Board of Directors

The Company's Board of Directors consists of nine Directors, including three Executive Directors, one Non-executive Director and five Independent Non-executive Directors. Current members of the Board are as follows:

Chairman of the Board: Zhou Jichang

Vice-chairman of the Board and President: Meng Fengchao

Executive Director: Zhou Jichang, Meng Fengchao, Fu Junyuan

Independent Non-executive Directors: Lu Hongjun, Yuan Yaohui, Chao Tien Yo, Koo Fook Sun, Louis, Zou Qiao

Non-executive Directors: Zhang Changfu

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

The Company has received the confirmation on independence from each of the Independent Non-executive Directors for the year 2008 and the Company considers each Independent Non-executive Director is independent.

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

Report on Corporate Governance Practices *(Continued)*

The Board of Directors *(Continued)*

(2) Board Meetings

In 2008, the Company held 6 board meetings. The table below sets out the details of board meeting attendance of each Director in 2008.

Director	Number of Board Meetings Attended	Attendance Rate
Zhou Jichang	6	100%
Meng Fengchao	6	100%
Fu Junyuan	6	100%
Lu Hongjun	6	100%
Yuan Yaohui	6	100%
Chao Tien Yo	5	83.3%
Koo Fook Sun, Louis	6	100%
Zhang Changfu	3	100%
Zou Qiao	3	100%

Note:

Mr. Zhang and Mr. Zou were appointed as Non-executive Director and Independent Non-executive Director respectively at the annual general meeting held on 18 June 2008.

(3) Responsibilities and Operation of the Board of Directors

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

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

Report on Corporate Governance Practices *(Continued)*

The Board of Directors *(Continued)*

(4) Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by its Directors and Supervisors. After specific enquiries to all Directors and Supervisors of the Company, the Company confirms that the Directors and Supervisors complied with the standards set out in the Model Code for the year ended 31 December 2008.

(5) Committees under the Board

(a) Strategy Committee

The major duties of the Strategy Committee include, among other things, to review proposals and to make recommendations to the Board regarding the Group's strategic development plan, annual budgets, capital allocation plan, significant merger and acquisition, significant financing plan. The Committee consists of Mr. Zhou Jichang, Mr. Meng Fengchao, and Mr. Fu Junyuan, and is chaired by Mr. Zhou Jichang.

The Strategy Committee held one meeting in 2008 to engage BOOZ Allen Hamilton Consulting Company to provide long and medium term strategy evaluation for the Company. All members of the Strategy Committee attended the meeting.

(b) Audit Committee

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

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

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

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

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

Report on Corporate Governance Practices *(Continued)*

The Board of Directors *(Continued)*

(5) Committees under the Board *(Continued)*

(b) Audit Committee *(Continued)*

The Audit Committee consists of Mr. Koo Fook Sun, Louis, Mr. Lu Hongjun and Mr. Chao Tien Yo. All of the members of the Audit Committee are Independent Non-executive Directors. Mr. Koo Fook Sun, Louis, who has many years of experience in investment banking and professional accounting, is the chairperson of the Audit Committee.

The Audit Committee held two meetings in 2008 to review the Company's interim and annual results, as well as effectiveness of the internal control system of the Group. Mr. Chao attended and voted at one meeting in person and voted through proxy at another meeting. Mr. Koo and Mr. Lu attended both meetings in person.

(c) Remuneration and Appraisal Committee

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

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

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

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

The Remuneration and Appraisal Committee consists of Mr. Lu Hongjun, Mr. Koo Fook Sun, Louis and Mr. Yuan Yaohui, and is chaired by Mr. Lu Hongjun. All of the members of the Remuneration and Appraisal Committee are Independent Non-executive Directors.

The Remuneration and Appraisal Committee held two meetings in 2008 to discuss issues and reforms regarding the implementation of the remuneration and appraisal policy for senior management. All members of the Remuneration and Appraisal Committee attended the meetings.

(d) Nomination Committee

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

Except for Mr. Zhang Changfu and Mr. Zou Qiao who were nominated by the Nomination Committee in June 2008, all other current Directors of the Board were nominated by CCCG, being the promoter and then sole shareholder of the Company in September 2006, in preparation of the incorporation of the Company. The Directors were nominated by the criteria such as personal integrity, work experience relating to the Company's core business, track record of performance, professional background, familiarity with corporate governance of listed companies, etc.

Report on Corporate Governance Practices *(Continued)*

The Board of Directors *(Continued)*

(5) Committees under the Board *(Continued)*

(d) Nomination Committee *(Continued)*

The Nomination Committee consists of Mr. Zhou Jichang, Mr. Meng Fengchao and Mr. Fu Junyuan, and is chaired by Mr. Zhou Jichang.

The Nomination Committee held one meeting in 2008 to nominate Mr. Zhang Changfu and Mr. Zou Qiao as Non-executive Director and Independent Non-executive Director respectively. All members of the Nomination Committee attended the meeting.

Supervisory Committee

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

The Supervisory Committee held two meetings in 2008 to consider and approve the 2007 Report of the Supervisory Committee and the plan to conduct on site inspection on relevant projects under construction. All members of the Supervisory Committee attended the meeting.

Auditors' Remuneration

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company are appointed as the international and domestic auditors of the Company, respectively. PricewaterhouseCoopers Zhong Tian CPAs Limited Company is also appointed as the auditors of ZPMC, a subsidiary of the Company. Breakdown of the remuneration to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company for audit services provided and other non-audit service assignments for the year ended 31 December 2008 are as follows:

- ### Audit Services

  The amounts of RMB35,000,000 and RMB3,500,000 were charged for the audit of the Company's interim and annual financial statements as well as the audit of ZPMC's annual financial statements for the year ended 31 December 2008 respectively.

- ### Non-audit Service Assignments

  The amounts of RMB100,000 and RMB1,500,000 were charged for the agreed-upon procedures performed for issuance of medium term notes of the Company and performance improvement consultation service for a subsidiary of the Group, respectively.

The Board proposes to re-appoint the PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the international and domestic auditors of the Company for the year 2009, which is subject to shareholders approval at the forthcoming annual general meeting.

Report on Corporate Governance Practices *(Continued)*

Internal Control

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

Accountability of the Directors in relation to Financial Statements

The Directors are responsible for overseeing the preparation of the financial statements for each fiscal period. In preparing the financial statements for the year ended 31 December 2008, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Group and of the results and cash flow for that fiscal year.

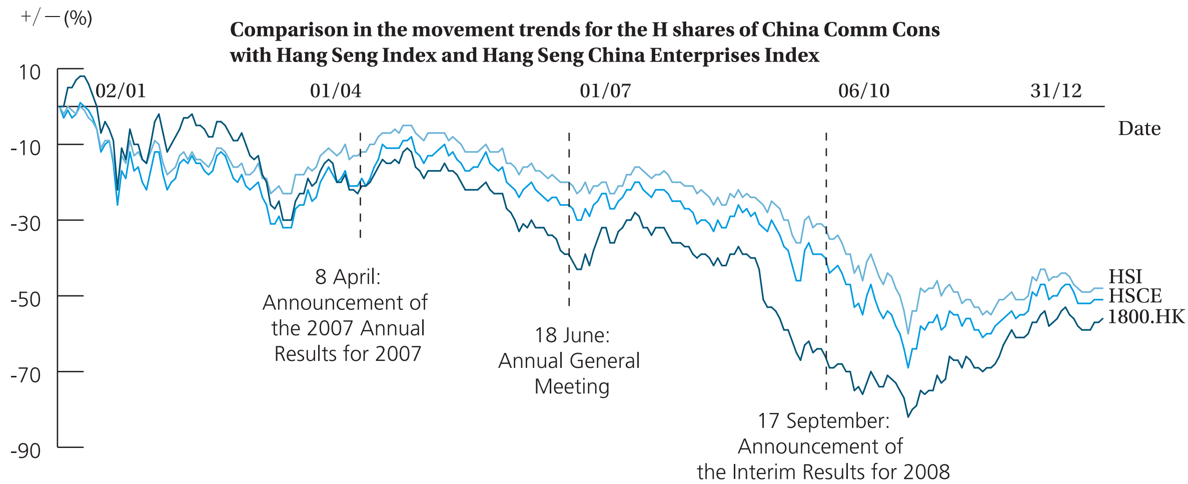
Investor Relations

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

Investor Relations

Capital market review

In 2008, both China and the world underwent substantial fluctuations in economic activities, financial industries and capital markets. The Hang Seng Index and the Hang Seng China Enterprises Index as of 31 December 2008 fell by 48% and 51% respectively as compared with the beginning of the year. Affected by the foregoing factors as well as the effect arising from the challenges and opportunities for the mergers undergoing in the construction industry in China and the international market, our share price first dropped and then recovered, with 56% decrease in the corresponding period. As of 31 December 2008, the total market capitalisation of the Company was HK$141.7 billion, ranking foremost among listed global peers in terms of total market capitalisation.



Comprehensive, timely and interactive investor relations activities

Positioning in an environment that was intricate and complicated during 2008, investors had always wanted to keep in touch with the Company immediately before and after each economic activity, every corporate action and each major policy, so as to understand how the Company would react through its way of operation. As such, the Company maintained close contacts with investors within and outside China through different channels, including press conferences of results announcement, domestic and international roadshows, reverse roadshows, and investors' forums. All of these activities helped the investors to gain a deeper and timely understanding about the Company.

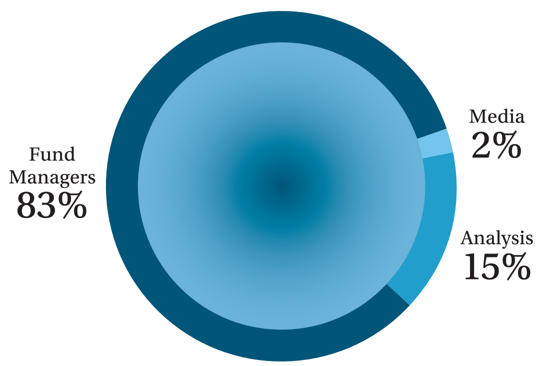
Time	Activities
January 2008	Non-deal roadshow in United States.
April 2008	Press conference on 2007 results announcement Non-deal roadshow in Hong Kong and Singapore.
May 2008	Reverse roadshow at Caofeidian, Hebei Province, China.
June 2008	The Annual General Meeting in Hong Kong.
September 2008	Press conference on 2008 interim results announcement Non-deal roadshow in Hong Kong.

Investor Relations *(Continued)*

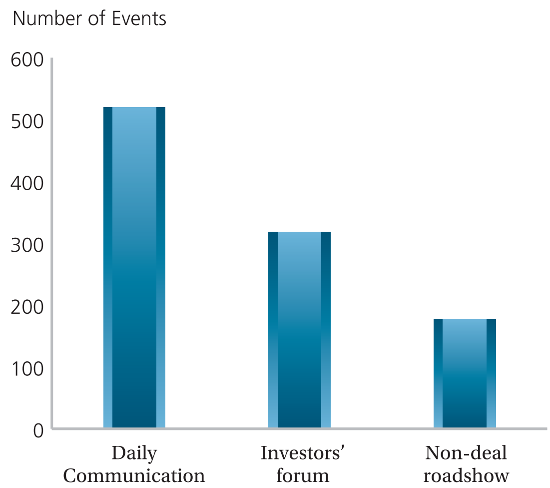
Comprehensive, timely and interactive investor relations activities *(Continued)*

In 2008, the Company participated in 11 global investor conferences in total, and directly communicated with 490 institutional investors. The Company maintained regular communication with investors and conducted daily visits and telephone conferences for 520 times. In addition, the Company assured that each question raised by investors and research analysts were answered within 24 hours by emails and our telephone hotline. Our work received wide recognition and high degree of appreciation by investors.

Types of Investors



Investor Events



Ongoing improvement on investor relations activities

In order to better serve the investors and to ensure the full compliance of information disclosure in an open, fair, timely and effective manner, the Company formulated Administration Measures for Information Disclosure and Administration Measures for Investor Relations. Through approvals at different levels, the Company ensures that all types of information are communicated to external users through appropriate ways in a timely and complete manner.

The Company upgraded its Chinese website and enhanced the information disclosure functions in 2008 by complying with requirements of the capital markets and the best practice of international public companies. As a result, the Company was able to maintain good interactive communication with its investors and shareholders.

The Company compiles Capital Market Weekly Bulletin delivering information about the share price performance of the Company, the latest trend in the capital markets and other important information on the global economic conditions to the Company's management and staff. Additional editions for the Weekly Bulletin were published on an ad-hoc basis to communicate information such as changes in the regulatory policies of the listed company and investors' concerns and recommendations, so as to deliver and feedback to the Company's management in a timely manner.

The Company also conducted surveys among its shareholders for recommendations to improve the presentation of the annual report. Annual reports are distributed to the shareholders according to the language version and means of distribution they have selected, which are more cost-saving and environmentally friendly. At the same time, the Company gained opinions from the investors about the format, quality and timeliness of information disclosure, so that the Company was able to provide effective feedback based on the understanding of the investors' recognition of the Company.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

To the shareholders of
China Communications Construction Company Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Communications Construction Company Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 73 to 181, which comprise the consolidated and company balance sheets as of 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Independent Auditor's Report *(Continued)*

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2008, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 April 2009

Balance Sheets

As at 31 December 2008

		Group		Company	
	Note	**2008 RMB million**	2007 RMB million	**2008 RMB million**	2007 RMB million
ASSETS					
Non-current assets					
Property, plant and equipment	6	**37,205**	26,129	**67**	103
Lease prepayments	7	**3,406**	2,979	**—**	—
Investment properties	8	**320**	374	**—**	—
Intangible assets	9	**6,218**	4,873	**4**	4
Investments in subsidiaries	10	**—**	—	**51,233**	48,547
Investments in jointly controlled entities	11	**651**	370	**62**	62
Investments in associates	12	**3,146**	3,222	**2,004**	1,736
Available-for-sale financial assets	14	**6,733**	16,621	**3,202**	8,898
Held-to-maturity financial assets		**2**	2	**—**	—
Deferred income tax assets	25	**1,900**	2,251	**174**	107
Trade and other receivables	15	**11,229**	7,744	**1,044**	539
Other non-current assets		**98**	83	**98**	83
		70,908	64,648	**57,888**	60,079
Current assets					
Inventories	16	**16,360**	5,863	**28**	36
Trade and other receivables	15	**63,777**	44,782	**4,652**	2,718
Loans to subsidiaries	10	**—**	—	**5,061**	4,193
Amounts due from subsidiaries	10	**—**	—	**4,192**	3,055
Amounts due from customers for contract work	17	**38,682**	28,488	**2,886**	827
Derivative financial instruments	18	**1,382**	508	**38**	66
Other financial assets at fair value through profit or loss		**49**	160	**—**	—
Restricted cash	19	**662**	475	**—**	—
Cash and cash equivalents	20	**26,278**	22,473	**8,376**	8,273
		147,190	102,749	**25,233**	19,168
Total assets		**218,098**	167,397	**83,121**	79,247
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	**14,825**	14,825	**14,825**	14,825
Share premium	21(b)	**13,853**	13,853	**13,853**	13,853
Other reserves	22	**11,040**	15,162	**23,587**	27,715
Proposed final dividend	39	**1,453**	1,305	**1,453**	1,305
		41,171	45,145	**53,718**	57,698
Minority interests		**10,998**	8,817	**—**	—
Total equity		**52,169**	53,962	**53,718**	57,698

The notes on pages 79 to 181 are an integral part of these financial statements.

Balance Sheets *(Continued)*

As at 31 December 2008

	Note	Group 2008 RMB million	Group 2007 RMB million	Company 2008 RMB million	Company 2007 RMB million
LIABILITIES					
Non-current liabilities					
Borrowings	24	**19,996**	12,633	**5,818**	1,974
Deferred income		**313**	246	**—**	—
Deferred income tax liabilities	25	**972**	3,817	**681**	2,112
Early retirement and supplemental benefit obligations	26	**2,856**	3,153	**55**	49
		24,137	19,849	**6,554**	4,135
Current liabilities					
Trade and other payables	23	**88,031**	62,099	**8,127**	4,481
Amounts due to subsidiaries	10	**—**	—	**7,925**	5,828
Amounts due to customers for contract work	17	**13,224**	7,627	**1,050**	151
Current income tax liabilities		**1,647**	1,562	**15**	103
Borrowings	24	**37,878**	21,828	**5,626**	6,781
Derivative financial instruments	18	**725**	158	**62**	26
Early retirement and supplemental benefit obligations	26	**197**	202	**4**	4
Provisions	27	**90**	89	**40**	40
Other current liabilities		**—**	21	**—**	—
		141,792	93,586	**22,849**	17,414
Total liabilities		**165,929**	113,435	**29,403**	21,549
Total equity and liabilities		**218,098**	167,397	**83,121**	79,247
Net current assets		**5,398**	9,163	**2,384**	1,754
Total assets less current liabilities		**76,306**	73,811	**60,272**	61,833

Zhou Jichang
Director

Fu Junyuan
Director

The notes on pages 79 to 181 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 RMB million	2007 RMB million
Revenue	5	**178,889**	150,601
Cost of sales	31	**(161,031)**	(135,033)
Gross profit		**17,858**	15,568
Other income	28	**2,212**	2,226
Other gains — net	29	**1,171**	243
Selling and marketing expenses	31	**(490)**	(409)
Administrative expenses	31	**(7,447)**	(6,059)
Other expenses	30	**(1,417)**	(983)
Operating profit		**11,887**	10,586
Interest income	33	**657**	491
Finance costs, net	34	**(2,636)**	(1,545)
Share of loss of jointly controlled entities		**(88)**	(41)
Share of profit of associates		**11**	132
Profit before income tax		**9,831**	9,623
Income tax expense	35	**(1,955)**	(2,049)
Profit for the year		**7,876**	7,574
Attributable to:			
Equity holders of the Company	37	**6,075**	6,032
Minority interests		**1,801**	1,542
		7,876	7,574
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
— basic	38	**0.41**	0.41
— diluted	38	**0.41**	0.41
Dividends	39	**1,453**	1,305

The notes on pages 79 to 181 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

		Attributable to equity holders of the Company						
	Note	Share Capital RMB million	Share Premium RMB million	Other Reserves RMB million	Retained Earnings RMB million	Total RMB million	Minority Interests RMB million	Total Equity RMB million
At 1 January 2007	22	14,825	13,853	2,073	1,074	31,825	4,902	36,727
Changes in fair value of available-for-sale financial assets, net of deferred tax		—	—	6,924	—	6,924	2	6,926
Reversal of deferred tax assets in relation to the assets revaluation surplus arising from the Reorganisation due to change of tax rate		—	—	(251)	—	(251)	—	(251)
Reversal of deferred tax liabilities arising from changes in fair value of available-for-sale financial assets due to change of tax rate		—	—	416	—	416	—	416
Cash flow hedges, net of deferred tax		—	—	81	—	81	105	186
Currency translation differences		—	—	18	—	18	(10)	8
Net income recognised directly in equity		—	—	7,188	—	7,188	97	7,285
Profit for the year		—	—	—	6,032	6,032	1,542	7,574
Total recognised income for the year		—	—	7,188	6,032	13,220	1,639	14,859
2006 final dividend		—	—	—	(74)	(74)	—	(74)
Dividends paid to minority shareholders of subsidiaries		—	—	—	—	—	(451)	(451)
Contribution from minority shareholders of subsidiaries		—	—	—	—	—	2,684	2,684
Transaction with minority shareholders resulting from disposal of equity interest of a subsidiary		—	—	176	—	176	41	217
Transactions with minority shareholders resulting from additional capital injection to certain subsidiaries		—	—	(2)	—	(2)	2	—
Transfer to statutory reserve fund		—	—	154	(154)	—	—	—
Reversal of statutory reserve appropriated in prior year	22	—	—	(73)	73	—	—	—
Appropriations to safety fund	22	—	—	83	(83)	—	—	—
At 31 December 2007		14,825	13,853	9,599	6,868	45,145	8,817	53,962

The notes on pages 79 to 181 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2008

		Attributable to equity holders of the Company						
	Note	Share Capital RMB million	Share Premium RMB million	Other Reserves RMB million	Retained Earnings RMB million	Total RMB million	Minority Interests RMB million	Total Equity RMB million
At 1 January 2008	22	14,825	13,853	9,599	6,868	45,145	8,817	53,962
Changes in fair value of available-for-sale financial assets, net of deferred tax		—	—	(7,840)	—	(7,840)	(2)	(7,842)
Cash flow hedges, net of deferred tax		—	—	5	—	5	6	11
Cash flow hedge reserve transferred to income statement, net of deferred tax		—	—	(81)	—	(81)	(105)	(186)
Currency translation differences		—	—	(1)	—	(1)	(25)	(26)
Net expense recognised directly in equity		—	—	(7,917)	—	(7,917)	(126)	(8,043)
Profit for the year		—	—	—	6,075	6,075	1,801	7,876
Total recognised (expense)/ income for the year		—	—	(7,917)	6,075	(1,842)	1,675	(167)
2007 final dividend		—	—	—	(1,305)	(1,305)	—	(1,305)
Dividends paid to minority shareholders of subsidiaries		—	—	—	—	—	(457)	(457)
Contribution from minority shareholders of subsidiaries		—	—	—	—	—	152	152
Transaction with minority shareholders resulting from additional capital injection to certain subsidiaries		—	—	(829)	—	(829)	829	—
Acquisition of additional equity interests in subsidiaries from minority interests		—	—	(3)	—	(3)	(18)	(21)
Acquisition of a subsidiary in stages		—	—	5	—	5	—	5
Transfer to statutory reserve fund	22	—	—	163	(163)	—	—	—
Appropriations to safety fund	22	—	—	176	(176)	—	—	—
At 31 December 2008		14,825	13,853	1,194	11,299	41,171	10,998	52,169

The notes on pages 79 to 181 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	**2008 RMB million**	2007 RMB million
Cash flows from operating activities			
Cash generated from operations	41	**2,767**	4,229
Interest paid		**(2,217)**	(1,538)
Income tax paid		**(1,745)**	(1,094)
Net cash (used in)/generated from operating activities		**(1,195)**	1,597
Cash flows from investing activities			
Purchase of property, plant and equipment ("PPE")		**(14,960)**	(9,655)
Increase in lease prepayments		**(536)**	(1,933)
Purchase of intangible assets		**(1,814)**	(2,613)
Purchase of investment properties		**—**	(62)
Proceeds from disposal of PPE	41	**785**	560
Proceeds from disposal of lease prepayments		**45**	57
Proceeds from disposal of investment properties		**53**	33
Additional investments in jointly controlled entities		**(98)**	(148)
Additional investments in associates		**(272)**	(1,798)
Additional investments in subsidiaries		**(88)**	—
Purchases of available-for-sale financial assets		**(1,192)**	(219)
Purchase of other financial assets at fair value through profit or loss		**(41)**	(3,468)
Increase in other short-term investments		**(705)**	—
Proceeds from disposal of associates		**—**	6
Proceeds from disposal of available-for-sale financial assets		**703**	165
Increase in long-term receivables		**—**	(900)
Proceeds from disposal of other financial assets at fair value through profit or loss		**75**	3,476
Proceeds from disposal of jointly controlled entities		**—**	45
Interest received		**646**	407
Dividends received		**569**	274
Proceeds from disposal of equity interest in subsidiaries		**99**	217
Net cash used in investing activities		**(16,731)**	(15,556)
Cash flows from financing activities			
Proceeds from borrowings		**55,067**	29,124
Repayments of borrowings		**(31,571)**	(25,025)
Additional investments from minority shareholders of subsidiaries		**153**	2,684
Special dividend to CCCG		**—**	(496)
Dividends paid to the Company's shareholders		**(1,305)**	(74)
Dividends paid to minority shareholders of subsidiaries		**(457)**	(451)
Net cash generated from financing activities		**21,887**	5,762
Net increase/(decrease) in cash and cash equivalents		**3,961**	(8,197)
Cash and cash equivalents at beginning of the year	20	**22,473**	30,793
Exchange losses on cash and cash equivalents		**(156)**	(123)
Cash and cash equivalents at end of the year	20	**26,278**	22,473

The notes on pages 79 to 181 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

1. General Information

China Communications Construction Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 8 October 2006 as a joint stock company with limited liability under the Company Law of the PRC, as part of the group reorganisation ("Reorganisation") of China Communications Construction Group Ltd. ("CCCG") in preparation for a listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The 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.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20 April 2009.

2. Summary of Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of Preparation *(Continued)*

(a) Amendment and Interpretations Effective in 2008, and Relevant to the Group

- IAS 39 (Amendment), "Reclassification of financial assets". An amendment to the standard, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The Group has elected not to reclassify such financial assets; as such, this amendment has no impact on the Group's consolidated financial statements;

- IFRIC 12, "Service concession arrangements", effective for annual periods beginning on or after 1 January 2008, was early adopted in 2006. Further details of the accounting treatment are set out in Note 2.8(c) in this section; and

- IFRIC 14, "IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction", provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The adoption of this interpretation does not have any significant effect on the Group's consolidated financial statements.

(b) Interpretation Effective in 2008 but Not Relevant for the Group's Operation

- IFRIC 11, "IFRS 2 — Group and treasury share transactions" provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. As none of the Group entities have share-based transactions, IFRIC 11 is not relevant to the Group's operations.

(c) Amendment to Existing Standard that is Not Yet Effective but Early Adopted by the Group

- IAS 23 (Revised), "Borrowing costs" (effective from 1 January 2009), was early adopted in 2007. The new standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009), was early adopted in 2008. The amendment is part of the IASB's annual improvement project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 "Financial instruments: Recognition and measurement". This eliminates the inconsistency of terms between IAS 39 and IAS 23. Further details of the impact of early adoption of IAS 23 (Revised) are set out in Note 34.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of Preparation *(Continued)*

(d) Standards, Amendments and Interpretations to Existing Standards that are Not Yet Effective and have not been Early Adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- IFRS 8, "Operating segments" (effective from 1 January 2009). IFRS 8 replaces IAS 14, "Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management;

- IAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements;

- IAS 1 (Amendment), "Presentation of financial statements" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, "Financial instruments: Recognition and measurement" are examples of current assets and liabilities respectively. The Group will apply the Amendment from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements;

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of Preparation *(Continued)*

(d) Standards, Amendments and Interpretations to Existing Standards that are Not Yet Effective and have not been Early Adopted by the Group *(Continued)*

- IAS 19 (Amendment), "Employee benefits" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008.

  — The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  — The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  — The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  — IAS 37, "Provisions, contingent liabilities and contingent assets" requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent in this regard.

  The Group will apply the IAS 19 (Amendment) from 1 January 2009. The detailed impact is still being assessed in detail by management;

- IAS 27 (Amendment), "Consolidated and separate financial statements" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, "Financial instruments: recognition and measurement", is classified as held for sale under IFRS 5, "Non-current assets held for sale and discontinued operations", IAS 39 would continue to be applied. The amendment will not have an impact on the Group's operation because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity;

- IAS 27 (Revised) "Consolidated and separate financial statements" (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010, but it is not expected to have any material impact on the Group's consolidated financial statements;

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of Preparation *(Continued)*

(d) Standards, Amendments and Interpretations to Existing Standards that are Not Yet Effective and have not been Early Adopted by the Group *(Continued)*

- IAS 28 (Amendment), "Investments in associates" (and consequential amendments to IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures") (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. An investment in an associate is treated as a single asset for the purposes of impairment testing, and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements;

- IAS 28 (Amendment), "Investments in associates" (and consequential amendments to IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures") (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. Where an investment in an associate is accounted for in accordance with IAS 39 "Financial instruments: recognition and measurement", only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures". The amendment will not have an impact on the Group's operation because it is the Group's policy for an investment in an associate to be equity accounted in the consolidated financial statements;

- IAS 31 (Amendment), "Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures". The amendment will not have an impact on the Group's operation as it is the Group's policy for an investment in a joint venture to be equity accounted in the consolidated financial statements;

- IAS 32 (Amendment), "Financial instruments, Presentation", and IAS 1 (Amendment), "Presentation of financial statements" — "Puttable financial instruments and obligations arising on liquidation" (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity, provided the financial instruments have particular features and meet specific conditions. 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;

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of Preparation *(Continued)*

(d) Standards, Amendments and Interpretations to Existing Standards that are Not Yet Effective and have not been Early Adopted by the Group *(Continued)*

- IAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009;

- IAS 38 (Amendment), "Intangible assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements;

- IAS 39 (Amendment), "Financial instruments: Recognition and measurement" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008.

  — This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  — The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

  — The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, "Operating segments" which requires disclosure for segments to be based on information reported to the chief operating decision maker. Currently, for segment reporting purposes, each subsidiary designates and documents (including effectiveness testing) contracts with group treasury as fair value or cash flow hedges so that the hedges are reflected in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision maker) but the Group will not formally document and test this hedging relationship.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of Preparation *(Continued)*

(d) Standards, Amendments and Interpretations to Existing Standards that are Not Yet Effective and have not been Early Adopted by the Group *(Continued)*

- IAS 39 (Amendment), "Financial instruments: Recognition and measurement" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. *(Continued)*

  — When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

  The Group will apply the IAS 39 (Amendment) from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements;

- IAS 39 (Amendment), "Eligible hedged items" (effective from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Group will apply this amendment from 1 January 2010, but it is not expected to have a material impact on the Group's consolidated financial statements;

- IFRS 1 (Amendment), "First-time adoption of IFRS" and IAS 27 "Consolidated and separate financial statements" (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply the amendment to IAS 27 from 1 January 2009, but it is not expected to have an impact on the Group's consolidated financial statements;

- IFRS 3 (Revised), "Business combinations" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply IFRS 3 (Revised) from 1 January 2010, but it is not expected to have any material impact on the Group's consolidated financial statements;

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of Preparation *(Continued)*

(d) Standards, Amendments and Interpretations to Existing Standards that are Not Yet Effective and have not been Early Adopted by the Group *(Continued)*

- IFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and consequential amendment to IFRS 1, "First-time adoption of IFRS") (effective from 1 July 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010;

- IFRS 7 (Amendment) (effective from 1 January 2009), "Financial instruments: Disclosures". The amendment forms part of the IASB's response to the financial crisis and addresses the G20 conclusions aimed at improving transparency and enhance accounting guidance. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. The Group will apply this amendment from 1 January 2009, but it is not expected to have a material impact on the Group's consolidated financial statements;

- There are a number of minor amendments to IFRS 7, "Financial instruments: Disclosures", IAS 8, "Accounting policies, changes in accounting estimates and errors", IAS 10, "Events after the reporting period", IAS 18, "Revenue" and IAS 34, "Interim financial reporting", which are part of the IASB's annual improvement project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Group's consolidated financial statements and have therefore not been analysed in detail;

- IFRIC 15, "Agreements for construction of real estates" (effective from 1 January 2009). The interpretation clarifies whether IAS 18, "Revenue" or IAS 11, "Construction contracts" should be applied to particular transactions, and will likely result in IAS 18 being applied to a wider range of transactions. 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; and

- IFRIC 17, "Distributions of non-cash assets to owners" (effective from 1 July 2009). IFRIC 17 clarifies the accounting treatment for non-cash distributions of non-cash assets to owners. The Group will apply IFRIC 17 from 1 January 2010, but it is not expected to have an impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of Preparation *(Continued)*

(e) Amendments and Interpretations to Existing Standards that are Not Yet Effective and Not Relevant for the Group's Operations

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

- IAS 16 (Amendment), "Property, plant and equipment" (and consequential amendment to IAS 7, "Statement of cash flows") (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not currently have an impact on the Group's operations as none of the Group's companies' ordinary activities comprise renting and subsequently selling assets;

- IAS 20 (Amendment), "Accounting for government grants and disclosure of government assistance" (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, "Financial instruments: Recognition and measurement", and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not currently have an impact on the Group's operations as there are no loans received from the government;

- IAS 29 (Amendment), "Financial reporting in hyperinflationary economies" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the Group's operation as none of the Group's subsidiaries or associates operate in hyperinflationary economies;

- IAS 38 (Amendment), "Intangible assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment will not currently have an impact on the Group's operations as all intangible assets are amortised using the straight-line method;

- IAS 40 (Amendment), "Investment property" (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Group's operations, as it is the Group's policy for investment properties measured at cost;

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.1 Basis of Preparation *(Continued)*

(e) Amendments and Interpretations to Existing Standards that are Not Yet Effective and Not Relevant for the Group's Operations *(Continued)*

- IAS 41 (Amendment), "Agriculture" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and removes the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the Group's operations as no agricultural activities are undertaken;

- IFRS 2 (Amendment), "Share-based payment" (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. Other features of a share-based payment are not vesting conditions. As such, these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. As none of the Group entities have share-based payment, IFRS 2 (Amendment) is not relevant to the Group's operation;

- IFRIC 13, "Customer loyalty programmes" (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes;

- IFRIC 16, "Hedges of a net investment in a foreign operation" (effective from 1 October 2008). This interpretation clarifies the accounting treatment in respect of net investment hedging including the fact that net investment hedging relates to differences in functional currency, not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, "The effects of changes in foreign exchange rates", further do apply to the hedged item. As the Group has none of this kind of hedges, IFRIC 16 is not relevant to the Group's operations;

- The minor amendments to IAS 20, "Accounting for government grants and disclosure of government assistance", IAS 29, "Financial reporting in hyperinflationary economies", IAS 40, "Investment property", and IAS 41, "Agriculture", which are part of the IASB's annual improvement project published in May 2008 (not addressed above). These amendments will not have an impact on the Group's operations as described above; and

- IFRIC 18, "Transfers of Assets from Customers" (effective for transfers on or after 1 July 2009). The interpretation clarifies that an asset received from a customer should be recognised initially at fair value, and the related income should be recognised immediately or if there is a future service obligation, over the relevant service period. This Interpretation also applies to cash received from a customer for the acquisition or construction of an asset. IFRIC 18 is not relevant to the Group's operations because none of the Group's companies have received any assets nor cash from customers.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.2 Consolidation

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with Minority Interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(c) Jointly Controlled Entities

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.2 Consolidation *(Continued)*

(c) Jointly Controlled Entities *(Continued)*

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

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

(d) Associates

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

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

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

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

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.4 Foreign Currency Translation

(a) Functional and Presentation Currency

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

(b) Transactions and Balances

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

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

(c) Group Companies

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

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

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

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.5 Property, Plant and Equipment

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

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

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

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of each asset to its residual value over its estimated useful life, as follows:

— Buildings	20–30 years
— Machinery	5–10 years
— Vessels	10–14 years
— Motor vehicles	5 years
— Other equipments	5 years

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.6 Investment Properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are stated at cost less accumulated depreciation and impairment losses.

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

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

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

2.7 Lease Prepayments

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

2.8 Intangible Assets

(a) Patent and Proprietary Technologies

Patent and proprietary technologies are initially recorded at cost and are amortised on a straight-line basis over their useful lives as stated in the contracts.

(b) Computer Software

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

(c) Concession Assets

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.9 Impairment of Non-Financial Assets

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

2.10 Financial Assets

2.10.1 Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.13).

(c) Held-to-maturity financial assets

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

(d) Available-for-sale financial assets

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.10 Financial Assets *(Continued)*

2.10.2 Recognition and Measurement

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

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

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.10 Financial Assets *(Continued)*

2.10.2 Recognition and Measurement *(Continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in Note 2.13.

2.11 Derivative Financial Instruments and Hedging Activities

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

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

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

The fair values of derivative instruments used for hedging purposes are disclosed in Note 18. Movements on the hedging reserve in equity are shown in Note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash Flow Hedge

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.11 Derivative Financial Instruments and Hedging Activities *(Continued)*

(a) Cash Flow Hedge *(Continued)*

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

(b) Derivatives at Fair Value through Profit or Loss and Accounted for at Fair Value through Profit or Loss

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

2.12 Inventories

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

2.13 Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.14 Cash and Cash Equivalents

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

2.15 Share Capital

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

2.16 Trade Payables

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

2.17 Borrowings

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

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

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

2.18 Current and Deferred Income Tax

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.18 Current and Deferred Income Tax *(Continued)*

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

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

2.19 Employee Benefits

(a) Pension Obligations

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

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.19 Employee Benefits *(Continued)*

(b) Other Post-Employment Obligations

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

(c) Termination Benefits

Employee termination and early retirement benefits are recognised in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned.

(d) Housing Funds

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

(e) Bonus Entitlements

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.20 Provisions

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

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

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

2.21 Government Grants

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

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

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

2.22 Contract Work

Contract costs are recognised when incurred.

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.22 Contract Work *(Continued)*

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

2.23 Revenue Recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) Revenue from Construction, Design, Dredging and Port Machinery Contracts

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

(b) Services Rendered

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

(c) Sales of Products

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

(d) Rental Income

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies *(Continued)*

2.23 Revenue Recognition *(Continued)*

(e) Interest Income

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

(f) Dividend Income

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

2.24 Operating Leases

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

(a) As a Lessee

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

(b) As a Lessor

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

2.25 Research and Development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years.

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

2.26 Dividend Distribution

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management

3.1 Financial Risk Factors

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

(a) Market Risk

(i) Foreign exchange risk

The functional currency of a majority of the entities within the Group is RMB with most of the transactions settled in RMB. However, foreign currencies are used to settle the Group's revenue from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

Details of the Group's trade and other receivables, cash and bank balances and borrowings as at 31 December 2008, denominated in foreign currencies, mainly United States Dollars ("US$"), Euro ("EUR"), Japanese Yen ("JPY") and Hong Kong Dollars ("HK$"), are disclosed in Notes 15, 20 and 24 respectively.

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments. During the year ended 31 December 2008, certain subsidiaries of the Group used foreign currency forward contracts transacted with domestic and overseas registered banks, to hedge the exposure to foreign currency risk on individual transactions primarily vis-à-vis US$, EUR and JPY.

As at 31 December 2008, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB179 million higher/lower (2007: 5%, RMB233 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. The change in profit is less significant in 2008 than 2007 primarily because of the increased amount of US$ denominated receivables and cash and bank balances.

As at 31 December 2008, if RMB had strengthened/weakened by 10% against EUR with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB68 million higher/lower (2007: 5%, RMB59 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. Profit is less sensitive to movements in RMB/EUR exchange rates in 2008 than 2007 primarily because of the increased amount of EUR denominated cash and cash equivalents and decreased amount of EUR denominated borrowings.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(a) Market Risk *(Continued)*

(i) Foreign exchange risk (Continued)

As at 31 December 2008, if RMB had strengthened/weakened by 5% against JPY with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been approximately RMB44 million higher/lower (2007: 5%, RMB50 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents and borrowings. Profit is less sensitive to movements in RMB/JPY exchange rates in 2008 than 2007 primarily because of the decreased amount of JPY denominated borrowings.

As at 31 December 2008, if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been approximately RMB12 million lower/higher (2007: 5%, RMB1million lower/higher), mainly as a result of foreign exchange losses/gains on translation of foreign currency denominated trade and other receivables and cash and cash equivalents. Profit is more sensitive to movements in RMB/HK$ exchange rates in 2008 than 2007 because of the increased amount of HK$ denominated cash and cash equivalents. Equity would have been approximately RMB6 million lower/higher (2007: RMB13million lower/higher), arising mainly from foreign exchange losses/gains on translation of HK$ denominated equity securities classified as available-for-sale. Equity is less sensitive to movements in RMB/HK$ exchange rate in 2008 than 2007 because of the decreased amount of HK$-denominated equity securities classified as available-for-sale.

(ii) Interest rate risk

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

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2008, approximately RMB26,642 million (2007: RMB17,144 million) of the Group's borrowings were at fixed rates. The Group's borrowings at variable rates were denominated in US$, EUR and HK$. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 24.

If interest rates on borrowings had been 5 basis points higher/lower with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been RMB 77 million lower/higher (2007: RMB30 million lower/higher), mainly as a result of higher/lower interest expenses on floating rate borrowings.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. During the year ended 31 December 2008, certain subsidiaries of the Group used interest rate swaps to hedge the exposure to interest rate risk. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(a) Market Risk *(Continued)*

(iii) Price risk

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

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

	2008	2007
Change in equity price	**5%**	5%

	2008 RMB million	2007 RMB million
Impact on profit attributable to equity holders of the Company		
Increase/(decrease) in profit attributable to equity holders of the Company for the year		
— as a result of increase in equity price	**3**	8
— as a result of decrease in equity price	**(3)**	(8)
Impact on equity		
Increase/(decrease) in equity for the year		
— as a result of increase in equity price	**269**	791
— as a result of decrease in equity price	**(269)**	(791)

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(b) Credit Risk

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, investments and other current assets except for prepayments, and the nominal value of the guarantees provided on liabilities as disclosed in Note 42 represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies that limit the amount of credit exposure to any financial institutions.

The table below shows the bank deposits with the nine major banks as at 31 December 2007 and 2008. The Directors do not expect any losses from non-performance by these banks.

Group

	2008 RMB million	2007 RMB million
China Construction Bank	**3,331**	3,348
Industrial and Commercial Bank of China	**3,339**	3,248
Bank of China	**2,822**	1,893
Agricultural Bank of China	**2,695**	2,319
China Merchants Bank	**2,042**	1,811
China Minsheng Banking Corporation Limited	**1,689**	1,073
Bank of Communications	**1,626**	2,091
China CITIC Bank	**971**	929
China Industrial Bank	**450**	724
Other bank deposits	**7,817**	5,382
	26,782	22,818

Company

	2008 RMB million	2007 RMB million
China Construction Bank	**1,196**	1,191
China Merchants Bank	**944**	1,018
Industrial and Commercial Bank of China	**874**	689
China Minsheng Banking Corporation Limited	**833**	457
Bank of Communications	**715**	1,436
China CITIC Bank	**555**	365
Agricultural Bank of China	**547**	1,013
China Industrial Bank	**282**	453
Bank of China	**196**	349
Other bank deposits	**2,233**	1,301
	8,375	8,272

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(b) Credit Risk *(Continued)*

The Group's major customers are PRC Government agencies at the national, provincial and local levels, and other state-owned enterprises, which accounted for significant amounts of the Group's total operating revenue during the year. The Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluation of its customers. With regard to overseas companies of inadequate creditworthiness, the Group usually demands for the letters of guarantee and letters of credit. No single customer accounted for more than 10% of the Group's total revenue during the year (2007: None).

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

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

(c) Liquidity Risk

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

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available. As at 31 December 2008, the Group has undrawn borrowing facilities totaling RMB101,197 million, which is disclosed in details in Note 24.

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(c) Liquidity Risk *(Continued)*

Group

	Less than 1 year RMB million	**Between 1 and 2 years** RMB million	**Between 2 and 5 years** RMB million	**Over 5 years** RMB million
As at 31 December 2008				
Borrowings	39,860	6,955	11,451	6,185
Derivative financial instruments				
— held for trading	37	13	25	18
Trade and other payables	88,031	—	—	—
	127,928	6,968	11,476	6,203
As at 31 December 2007				
Borrowings	23,334	4,467	6,843	4,959
Derivative financial instruments				
— held for trading	81	28	10	7
Trade and other payables	62,099	—	—	—
	85,514	4,495	6,853	4,966

Company

	Less than 1 year RMB million	**Between 1 and 2 years** RMB million	**Between 2 and 5 years** RMB million	**Over 5 years** RMB million
As at 31 December 2008				
Borrowings	6,011	444	5,764	243
Derivative financial instruments				
— held for trading	12	11	25	18
Trade and other payables	8,127	—	—	—
	14,150	455	5,789	261
As at 31 December 2007				
Borrowings	7,144	1,156	573	488
Derivative financial instruments				
— held for trading	6	5	10	7
Trade and other payables	4,481	—	—	—
	11,631	1,161	583	495

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(c) Liquidity Risk *(Continued)*

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

Group

	Less than 1 year RMB million	**Between 1 and 2 years** RMB million	**Between 2 and 5 years** RMB million
As at 31 December 2008			
Forward foreign exchange contracts — cash flow hedges			
Outflow	(1,850)	—	—
Inflow	1,805	—	—
Forward foreign exchange contracts — held for trading			
Outflow	(29,847)	(565)	(270)
Inflow	30,592	564	246
As at 31 December 2007			
Forward foreign exchange contracts — cash flow hedges			
Outflow	(8,604)	—	—
Inflow	8,728	—	—
Forward foreign exchange contracts — held for trading			
Outflow	(4,350)	(420)	(214)
Inflow	4,394	421	213

Company

	Less than 1 year RMB million	**Between 1 and 2 years** RMB million	**Between 2 and 5 years** RMB million
As at 31 December 2008			
Forward foreign exchange contracts — held for trading			
Outflow	(298)	(295)	—
Inflow	320	314	—
As at 31 December 2007			
Forward foreign exchange contracts — held for trading			
Outflow	(272)	(420)	(214)
Inflow	276	421	213

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(d) Capital Risk Management

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

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

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

	2008 RMB million	2007 RMB million
Total borrowings *(Note 24)*	**57,874**	34,461
Less: Cash and cash equivalents *(Note 20)*	**(26,278)**	(22,473)
Net debt	**31,596**	11,988
Total equity	**52,169**	53,962
Total capital	**83,765**	65,950
Gearing ratio	**38%**	18%

The increase in the gearing ratio during 2008 resulted primarily from the significant increase in total borrowings to meet the working capital requirements.

3.2 Fair Value Estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in financial institutions, investments, trade and other receivables; and financial liabilities including trade and other payables, short-term borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year approximate their fair values.

The fair values of derivative financial instruments are determined by reference to the market available information, while the fair values of available-for-sale investments are determined by reference to methods below:

— the quoted market price when the related investment is traded in an active market;

— valuation techniques (including pricing models or discounted cash flow models); and

— the price for similar recent transactions, with adjustment on the difference in market conditions.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management *(Continued)*

3.2 Fair Value Estimation *(Continued)*

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair values of non-current borrowings are disclosed in Note 24 (j). Other techniques, such as estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

4. Critical Accounting Estimates, Assumptions and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Income Taxes and Deferred Tax

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

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

4.2 Fair Value of Financial Instruments

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

4. Critical Accounting Estimates, Assumptions and Judgments *(Continued)*

4.3 Construction Contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipated losses are fully provided on contracts when identified. The Group's management estimates the amount of foreseeable losses of construction work based on the estimation prepared for the construction contracts. Because of the nature of the activity undertaken in construction, design, dredging and port machinery businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses and regularly reviews the progress of the contracts.

Should the budgeted contract costs differ by 1% from management's estimates, the gross profit of the Group would increase by RMB2,351 million (2007: RMB1,968 million) under the favourable scenario or decrease by RMB2,319 million (2007: RMB1,943 million) under the unfavourable scenario.

4.4 Pension Benefits

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

Key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 26.

Were the discount rate used to increase/decrease by 10% from management's estimates, the carrying amount of pension obligations would have been RMB33 million (2007: RMB85 million) lower or RMB31 million (2007: RMB85 million) higher.

5. Segment Information

5.1 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, and railway (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 sales were conducted at prices generally no less than cost and with terms mutually agreed amongst those business segments.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

5. Segment Information *(Continued)*

5.1 Primary Reporting Format — Business Segments *(Continued)*

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of 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 (Note 6), lease prepayments (Note 7), investment properties (Note 8) and intangible assets (Note 9).

The segment results for the year ended 31 December 2008 and other segment items included in the consolidated income statement are as follows:

	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	122,107	7,655	18,986	26,327	8,252	(4,438)	178,889
Inter-segment revenue	(1,171)	(303)	(808)	(1,861)	(295)	4,438	—
Revenue	120,936	7,352	18,178	24,466	7,957	—	178,889
Segment result	4,863	1,071	2,223	3,523	313	—	11,993
Unallocated costs							(106)
Operating profit							11,887
Interest income							657
Finance costs, net							(2,636)
Share of loss of jointly controlled entities							(88)
Share of profit of associates							11
Profit before income tax							9,831
Income tax expense							(1,955)
Profit for the year							7,876

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

5. Segment Information *(Continued)*

5.1 Primary Reporting Format — Business Segments *(Continued)*

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

	Construction RMB million	Design RMB million	Dredging RMB million	Port machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Other segment items							
Depreciation	1,710	113	605	912	67	—	3,407
Amortisation	27	10	2	47	7	—	93
(Reversal of write-down)/ write-down of inventories	(3)	—	—	3	1	—	1
(Reversal of)/provision for foreseeable losses on construction contracts	(4)	12	1	10	—	—	19
Provision for/(reversal of) impairment of trade and other receivables	143	62	(32)	(13)	2	—	162

The segment results for the year ended 31 December 2007 and other segment items included in the consolidated income statement are as follows:

	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	101,705	6,609	14,553	23,779	7,071	(3,116)	150,601
Inter-segment revenue	(1,253)	(175)	(294)	(1,085)	(309)	3,116	—
Revenue	100,452	6,434	14,259	22,694	6,762	—	150,601
Segment result	4,306	837	1,898	3,499	273	(48)	10,765
Unallocated costs							(179)
Operating profit							10,586
Interest income							491
Finance costs, net							(1,545)
Share of loss of jointly controlled entities							(41)
Share of profit of associates							132
Profit before income tax							9,623
Income tax expense							(2,049)
Profit for the year							7,574

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

5. Segment Information *(Continued)*

5.1 Primary Reporting Format — Business Segments *(Continued)*

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

	Construction RMB million	Design RMB million	Dredging RMB million	Port machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Other segment items							
Depreciation	1,280	102	449	516	64	—	2,411
Amortisation	20	9	1	5	7	—	42
Write-down/(reversal of write-down) of inventories	15	—	(2)	1	4	—	18
(Reversal of)/provision for foreseeable losses on construction contracts	(164)	(7)	8	17	—	—	(146)
Provision for/(reversal of) impairment of trade and other receivables	65	44	180	3	(23)	—	269

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Construction RMB million	Design RMB million	Dredging RMB million	Port machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Assets	110,937	6,608	24,197	51,807	4,933	(1,236)	197,246
Investments in jointly controlled entities							651
Investments in associates							3,146
Unallocated assets							17,055
Total assets							218,098
Liabilities	74,478	4,010	10,736	13,763	2,883	(1,236)	104,634
Unallocated liabilities							61,295
Total liabilities							165,929
Capital expenditure	6,393	250	4,015	6,557	335	—	17,550

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

5. Segment Information *(Continued)*

5.1 Primary Reporting Format — Business Segments *(Continued)*

Segment assets and liabilities at 31 December 2008 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	**Liabilities** RMB million
Segment assets/liabilities	197,246	104,634
Investments in jointly controlled entities	651	—
Investments in associates	3,146	—
Unallocated:		
Deferred income tax assets/liabilities	1,900	972
Current income tax liabilities	—	1,647
Current borrowings	—	37,878
Non-current borrowings	—	19,996
Available-for-sale financial assets	6,733	—
Held-to-maturity financial assets	2	—
Other financial assets at fair value through profit or loss	49	—
Derivative financial instruments	1,382	725
Corporate assets/liabilities	6,989	77
Total	218,098	165,929

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Construction RMB million	**Design** RMB million	**Dredging** RMB million	**Port machinery** RMB million	**Other** RMB million	**Elimination** RMB million	**Total** RMB million
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
Liabilities	52,939	3,313	5,588	9,369	3,488	(1,738)	72,959
Unallocated liabilities							40,476
Total liabilities							113,435
Capital expenditure	5,774	237	2,401	5,473	437	—	14,322

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

5. Segment Information *(Continued)*

5.1 Primary Reporting Format — Business Segments *(Continued)*

Segment assets and liabilities at 31 December 2007 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	**Liabilities** RMB million
Segment assets/liabilities	136,918	72,959
Investments in jointly controlled entities	370	—
Investments in associates	3,222	—
Unallocated:		
Deferred income tax assets/liabilities	2,251	3,817
Current income tax liabilities	—	1,562
Current borrowings	—	21,828
Non-current borrowings	—	12,633
Available-for-sale financial assets	16,621	—
Held-to-maturity financial assets	2	—
Other financial assets at fair value through profit or loss	160	—
Derivative financial instruments	508	158
Corporate assets/liabilities	7,345	478
Total	167,397	113,435

5.2 Secondary Reporting Format — Geographical Segments

(a) Revenue

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

	2008 **RMB million**	2007 RMB million
Mainland China	**139,973**	117,599
Hong Kong and Macau	**2,419**	4,450
Other countries	**36,497**	28,552
	178,889	150,601

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

5. Segment Information *(Continued)*

5.2 Secondary Reporting Format — Geographical Segments *(Continued)*

(b) Total Assets

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

	2008 RMB million	2007 RMB million
Mainland China	**172,459**	124,171
Hong Kong and Macau	**1,798**	2,226
Other countries	**22,989**	10,521
	197,246	136,918
Investment in associates and jointly controlled entities	**3,797**	3,592
Unallocated assets	**17,055**	26,887
	218,098	167,397

(c) Capital Expenditure

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

	2008 RMB million	2007 RMB million
Mainland China	**17,062**	13,959
Hong Kong and Macau	**111**	12
Other countries	**377**	351
	17,550	14,322

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

6. Property, Plant and Equipment

Group

	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						
Cost	4,790	6,160	14,983	2,461	3,489	31,883
Accumulated depreciation	(1,334)	(2,981)	(6,352)	(1,696)	—	(12,363)
Net book amount	3,456	3,179	8,631	765	3,489	19,520
Year ended 31 December 2007						
Opening net book amount	3,456	3,179	8,631	765	3,489	19,520
Additions	650	1,075	624	551	6,686	9,586
Disposals *(Note 41)*	(78)	(68)	(176)	(92)	—	(414)
Transfer to investment properties *(Note 8)*	(184)	—	—	—	—	(184)
Transfer	564	209	2,274	15	(3,062)	—
Depreciation *(Note 31)*	(247)	(589)	(1,178)	(365)	—	(2,379)
Closing net book amount	4,161	3,806	10,175	874	7,113	26,129
At 31 December 2007						
Cost	5,737	7,229	17,483	2,841	7,113	40,403
Accumulated depreciation	(1,576)	(3,423)	(7,308)	(1,967)	—	(14,274)
Net book amount	4,161	3,806	10,175	874	7,113	26,129
Year ended 31 December 2008						
Opening net book amount	4,161	3,806	10,175	874	7,113	26,129
Additions	338	1,702	1,241	848	11,071	15,200
Disposals *(Note 41)*	(337)	(112)	(199)	(70)	—	(718)
Transfer	3,896	1,234	4,400	81	(9,611)	—
Transfer to investment properties *(Note 8)*	(21)	—	—	—	—	(21)
Depreciation *(Note 31)*	(331)	(820)	(1,692)	(542)	—	(3,385)
Closing net book amount	7,706	5,810	13,925	1,191	8,573	37,205
At 31 December 2008						
Cost	9,525	9,700	22,545	3,417	8,573	53,760
Accumulated depreciation	(1,819)	(3,890)	(8,620)	(2,226)	—	(16,555)
Net book amount	7,706	5,810	13,925	1,191	8,573	37,205

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

6. Property, Plant and Equipment *(Continued)*

Company

	Buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Total RMB million
At 1 January 2007					
Opening net book amount	11	29	31	28	99
Depreciation	(2)	(3)	(18)	(15)	(38)
Net book amount	9	26	13	13	61
Year ended 31 December 2007					
Opening net book amount	9	26	13	13	61
Additions	—	15	6	63	84
Disposals	—	—	—	(4)	(4)
Depreciation	(1)	(6)	(5)	(26)	(38)
Closing net book amount	8	35	14	46	103
At 31 December 2007					
Cost	11	44	37	107	199
Accumulated depreciation	(3)	(9)	(23)	(61)	(96)
Net book amount	8	35	14	46	103
Year ended 31 December 2008					
Opening net book amount	8	35	14	46	103
Additions	—	3	14	14	31
Disposals	—	(13)	(1)	(6)	(20)
Depreciation	(1)	(8)	(8)	(30)	(47)
Closing net book amount	7	17	19	24	67
At 31 December 2008					
Cost	11	33	43	94	181
Accumulated depreciation	(4)	(16)	(24)	(70)	(114)
Net book amount	7	17	19	24	67

(a) Depreciation of the Group's property, plant and equipment of RMB3,056 million (2007: RMB1,953 million) has been charged in cost of sales, RMB285 million (2007: RMB388 million) in administrative expenses and RMB44 million (2007: RMB38 million) in selling and marketing expenses.

(b) Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately RMB1,419 million (2007: RMB110 million) (Note 24).

(c) As at 31 December 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 RMB1,720 million (2007: RMB212 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

7. Lease Prepayments

	Group	
	2008 RMB million	2007 RMB million
At beginning of the year		
Cost	**3,168**	1,165
Accumulated amortisation	**(189)**	(166)
Net book amount	**2,979**	999
For the year		
Opening net book amount	**2,979**	999
Additions	**536**	2,061
Disposals	**(42)**	(57)
Amortisation charge *(Note 31)*	**(67)**	(24)
Closing net book amount	**3,406**	2,979
At end of the year		
Cost	**3,641**	3,168
Accumulated amortization	**(235)**	(189)
Net book amount	**3,406**	2,979

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

	Group	
	2008 RMB million	2007 RMB million
In Hong Kong held on:		
Leases of over 50 years	**17**	18
Leases of between 10 to 50 years	**10**	12
Outside Hong Kong, held on:		
Leases of over 50 years	**174**	152
Leases of between 10 to 50 years	**3,205**	2,797
	3,406	2,979

(a) Amortisation of the Group's lease prepayments of RMB10 million (2007: RMB15 million) has been charged in cost of sales and RMB57 million (2007: RMB9 million) in administrative expenses.

(b) Bank borrowings are secured by land use rights in the PRC with an aggregate carrying value of approximately RMB62 million (2007: Nil) (Note 24).

(c) As at 31 December 2008, the Group is in the process of applying for or changing registration of the title certificates for certain of its land use rights with an aggregate carrying value of approximately RMB1,381 million as at 31 December 2008 (2007: RMB1,319 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

8. Investment Properties

	Group	
	2008 RMB million	2007 RMB million
At beginning of the year		
Cost	**467**	260
Accumulated depreciation	**(93)**	(67)
Net book amount	**374**	193
For the year		
Opening net book amount	**374**	193
Transfer from property, plant and equipment *(Note 6)*	**21**	184
Additions	**—**	62
Disposals	**(53)**	(33)
Depreciation *(Note 31)*	**(22)**	(32)
Closing net book amount	**320**	374
At end of the year		
Cost	**433**	467
Accumulated depreciation	**(113)**	(93)
Net book amount	**320**	374
Fair value at end of the year	**1,085**	1,140

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

(b) Depreciation of the Group's investment properties of RMB22 million (2007: RMB32 million) has been charged to other expenses in the consolidated income statement.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

9. Intangible Assets

Group

	Patent and proprietary technologies RMB million	Computer software RMB million	Concession assets RMB million	Others RMB million	Total RMB million
At 1 January 2007					
Cost	9	59	2,249	3	2,320
Accumulated amortisation	(7)	(32)	—	(3)	(42)
Net book amount	2	27	2,249	—	2,278
Year ended 31 December 2007					
Opening net book amount	2	27	2,249	—	2,278
Additions	8	17	2,580	8	2,613
Amortisation charge *(Note 31)*	(1)	(9)	(7)	(1)	(18)
Closing net book amount	9	35	4,822	7	4,873
At 31 December 2007					
Cost	17	76	4,829	11	4,933
Accumulated amortisation	(8)	(41)	(7)	(4)	(60)
Net book amount	9	35	4,822	7	4,873
Year ended at 31 December 2008					
Opening net book amount	9	35	4,822	7	4,873
Additions	4	11	1,786	13	1,814
Disposals *(Note c)*	—	—	(443)	—	(443)
Amortisation charge *(Note 31)*	(2)	(11)	(13)	—	(26)
Closing net book amount	11	35	6,152	20	6,218
At 31 December 2008					
Cost	21	87	6,172	24	6,304
Accumulated amortisation	(10)	(52)	(20)	(4)	(86)
Net book amount	11	35	6,152	20	6,218

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

9. Intangible Assets *(Continued)*

Company

	Computer software RMB million
At 1 January 2007	
Opening net book amount	3
Additions	2
Amortisation charge	(1)
Closing net book amount	4
At 31 December 2007	
Cost	17
Accumulated amortisation	(13)
Net book amount	4
Year ended 31 December 2008	
Opening net book amount	4
Additions	1
Amortisation charge	(1)
Closing net book amount	4
At 31 December 2008	
Cost	18
Accumulated amortisation	(14)
Net book amount	4

(a) As at 31 December 2008, concession operations and related amortisation have started in respect of concession assets with cost of RMB2,592 million (2007: RMB2,753 million). Other concession assets with cost of RMB3,580 million (2007: RMB 2,076 million) are still under construction and no amortisation has been made in the year.

(b) Amortisation of the Group's intangible assets of RMB14 million (2007: RMB8 million) has been charged in cost of sales, and RMB12 million (2007: RMB10 million) in administrative expenses.

(c) 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 Harbour Construction Company Limited ("FHCC"). FHCC is principally engaged in the construction and operation of a bridge under a "Build-Operate-Transfer" service concession arrangement ("BOT project"). At the shareholders' 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. The remaining 40% equity interest in FHCC has been accounted for as an investment in jointly controlled entities.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

10. Investments in and Loans to Subsidiaries — Company

	2008 RMB million	2007 RMB million
Listed investments, at cost	**8,028**	8,028
Unlisted investment, at cost	**43,205**	40,519
	51,233	48,547
Market value of listed shares	**8,320**	25,031
Current assets		
Loans to subsidiaries *(Note a)*	**5,061**	4,193
Amounts due from subsidiaries *(Note b)*	**4,192**	3,055
Current liabilities		
Amounts due to subsidiaries *(Note b)*	**7,925**	5,828

(a) The loans to subsidiaries are unsecured, repayable within 1 year, and bear interest at rates ranging from 4.78% to 6.48% (2007: 5.51% to 6.72%) per annum.

(b) The amounts due from subsidiaries represent the dividends receivable from subsidiaries. The amounts due to subsidiaries are unsecured, repayable within 1 year and bear interest at rates ranging from 0.05% to 1.15% (2007: 0.1% to 1.15%) per annum.

(c) Details of the principal subsidiaries as at 31 December 2008 are shown in Note 45(a) to the consolidated financial statements.

11. Investments in Jointly Controlled Entities

	Group	
	2008 RMB million	2007 RMB million
Share of net assets	**693**	412
Less: Provision for impairment	**(42)**	(42)
	651	370

	Company	
	2008 RMB million	2007 RMB million
Investment cost	**104**	104
Less: Provision for impairment	**(42)**	(42)
	62	62

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

11. Investments in Jointly Controlled Entities *(Continued)*

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Beginning of the year	**370**	661	**62**	225
Additions	**416**	148	**—**	—
Disposals	**(34)**	(391)	**—**	(163)
Share of loss	**(88)**	(41)	**—**	—
Dividend distribution	**(13)**	(7)	**—**	—
End of the year	**651**	370	**62**	62

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

	2008 RMB million	2007 RMB million
Assets:		
Non-current assets	**628**	395
Current assets	**740**	516
	1,368	911
Liabilities:		
Non-current liabilities	**(128)**	(108)
Current liabilities	**(547)**	(391)
	(675)	(499)
Net assets	**693**	412

	Year ended 31 December	
	2008 RMB million	2007 RMB million
Income	**699**	482
Expenses	**(779)**	(514)
Loss before income tax	**(80)**	(32)
Income tax expense	**(8)**	(9)
Loss after tax	**(88)**	(41)

(c) The particulars of the Group's principal jointly controlled entities are set out in Note 45(b).

(d) The Group and the Company have acted as the guarantor for various external borrowings made by certain jointly controlled entities (refer to details in note 44). There are no material contingent liabilities of the jointly controlled entities themselves.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

12. Investments in Associates

	Group	
	2008 RMB million	2007 RMB million
Share of net assets	**3,152**	3,228
Less: Provision for impairment	**(6)**	(6)
	3,146	3,222

	Company	
	2008 RMB million	2007 RMB million
Investment cost	**2,004**	1,736
Less: Provision for impairment	**—**	—
	2,004	1,736

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Beginning of the year	**3,222**	1,412	**1,736**	—
Additions	**274**	1,798	**268**	1,736
Disposals	**(68)**	(6)	**—**	—
Share of profit	**11**	132	**—**	—
Dividend distribution	**(240)**	(63)	**—**	—
Reversal of impairment loss	**—**	2	**—**	—
Exchange reserve	**(53)**	(53)	**—**	—
End of the year	**3,146**	3,222	**2,004**	1,736

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

12. Investments in Associates *(Continued)*

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

	2008 RMB million	2007 RMB million
Total assets	**4,413**	4,353
Total liabilities	**(1,261)**	(1,125)
Net assets	**3,152**	3,228

	Year ended 31 December	
	2008 RMB million	2007 RMB million
Revenue	**1,450**	1,456
Profit for the year	**11**	132

(c) The particulars of the Group's principal associates are set out in Note 45(c).

(d) The Group and the Company have acted as the guarantor for various external borrowings made by certain associates (refer to details in note 44). There are no material contingent liabilities of the associates themselves.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

13. Financial Instruments by Category

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

Group

	Loans and receivables RMB million	Assets at fair value through profit or loss RMB million	Held-to maturity financial assets RMB million	Available for-sale financial assets RMB million	Total RMB million
Assets as per consolidated balance sheet					
31 December 2008					
Available-for-sale financial assets *(Note 14)*	—	—	—	6,733	6,733
Held-to-maturity financial assets	—	—	2	—	2
Derivative financial instruments *(Note 18)*	—	1,382	—	—	1,382
Other financial assets at fair value through profit or loss	—	49	—	—	49
Trade and other receivables excluding prepayments *(Note 15)*	60,827	—	—	—	60,827
Cash and cash equivalents *(Note 20)*	—	26,278	—	—	26,278
Total	60,827	27,709	2	6,733	95,271
31 December 2007					
Available-for-sale financial assets *(Note 14)*	—	—	—	16,621	16,621
Held-to-maturity financial assets	—	—	2	—	2
Derivative financial instruments *(Note 18)*	—	508	—	—	508
Other financial assets at fair value through profit or loss	—	160	—	—	160
Trade and other receivables excluding prepayments *(Note 15)*	41,000	—	—	—	41,000
Cash and cash equivalents *(Note 20)*	—	22,473	—	—	22,473
Total	41,000	23,141	2	16,621	80,764

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

13. Financial Instruments by Category *(Continued)*

Group *(Continued)*

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities RMB million	Total RMB million
Liabilities as per consolidated balance sheet			
31 December 2008			
Borrowings *(Note 24)*	—	57,874	57,874
Derivative financial instruments *(Note 18)*	725	—	725
Trade and other payables excluding statutory liabilities	—	85,394	85,394
Total	725	143,268	143,993
31 December 2007			
Borrowings *(Note 24)*	—	34,461	34,461
Derivative financial instruments *(Note 18)*	158	—	158
Trade and other payables excluding statutory liabilities	—	58,663	58,663
Total	158	93,124	93,282

Company

	Loans and receivables RMB million	Assets at fair value through profit or loss RMB million	Available for-sale financial assets RMB million	Total RMB million
Assets as per balance sheet				
31 December 2008				
Available-for-sale financial assets *(Note 14)*	—	—	3,202	3,202
Derivative financial instruments *(Note 18)*	—	38	—	38
Trade and other receivables excluding prepayments *(Note 15)*	3,794	—	—	3,794
Loans to subsidiaries *(Note 10)*	5,061	—	—	5,061
Amounts due from subsidiaries *(Note 10)*	4,192	—	—	4,192
Cash and cash equivalents *(Note 20)*	—	8,376	—	8,376
Total	13,047	8,414	3,202	24,663
31 December 2007				
Available-for-sale financial assets *(Note 14)*	—	—	8,898	8,898
Derivative financial instruments *(Note 18)*	—	66	—	66
Trade and other receivables excluding prepayments *(Note 15)*	1,812	—	—	1,812
Loans to subsidiaries *(Note 10)*	4,193	—	—	4,193
Amounts due from subsidiaries *(Note 10)*	3,055	—	—	3,055
Cash and cash equivalents *(Note 20)*	—	8,273	—	8,273
Total	9,060	8,339	8,898	26,297

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

13. Financial Instruments by Category *(Continued)*

Company *(Continued)*

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities RMB million	Total RMB million
Liabilities as per balance sheet			
31 December 2008			
Borrowings *(Note 24)*	—	11,444	11,444
Amounts due to subsidiaries *(Note 10)*	—	7,925	7,925
Derivative financial instruments *(Note 18)*	62	—	62
Trade and other payables excluding statutory liabilities	—	7,896	7,896
Total	62	27,265	27,327
31 December 2007			
Borrowings *(Note 24)*	—	8,755	8,755
Amounts due to subsidiaries *(Note 10)*	—	5,828	5,828
Derivative financial instruments *(Note 18)*	26	—	26
Trade and other payables excluding statutory liabilities	—	4,307	4,307
Total	26	18,890	18,916

14. Available-for-Sale Financial Assets

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Beginning of the year	**16,621**	7,340	**8,898**	3,937
Fair value (loss)/gain	**(10,441)**	9,153	**(5,696)**	4,961
Additions	**1,235**	219	**—**	—
Disposals	**(682)**	(91)	**—**	—
End of the year	**6,733**	16,621	**3,202**	8,898

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

14. Available-for-Sale Financial Assets *(Continued)*

Available-for-sale financial assets include the following:

	Group		Company	
	2008	2007	**2008**	2007
	RMB million	RMB million	**RMB million**	RMB million
Listed equity securities,				
tat fair value *(Note a)*				
— Mainland China	**5,262**	15,606	**2,842**	8,447
— Hong Kong	**118**	218	**108**	199
Unlisted equity investments,				
at cost *(Note b)*	**1,353**	797	**252**	252
Total	**6,733**	16,621	**3,202**	8,898
Market value of listed securities	**6,002**	19,092	**3,300**	10,590

(a) These securities primarily represent promoters' shares held by the Group which can be freely traded in the stock market upon expiry of certain prescribed restriction periods pursuant to the share reform schemes implemented in 2006. The fair value of these shares, which were still subject to trading restrictions as at 31 December 2008, was determined by reference to the closing quoted market prices after incorporating certain discount factors.

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

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB million	RMB million	**RMB million**	RMB million
RMB	**6,573**	16,358	**3,094**	8,699
HK$	**160**	263	**108**	199
	6,733	16,621	**3,202**	8,898

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Trade and bills receivables	**35,755**	26,701	**2,851**	1,648
Less: Provision for impairment	**(2,152)**	(2,054)	**(464)**	(466)
Trade and bills receivables — net	**33,603**	24,647	**2,387**	1,182
Prepayments	**14,179**	11,526	**1,902**	1,445
Retentions	**7,799**	4,982	**827**	272
Deposits	**5,990**	4,507	**6**	5
Other receivables	**3,942**	1,453	**269**	46
Staff advances	**674**	591	**5**	7
Long-term receivables	**8,519**	4,520	**—**	—
Loan receivable	**300**	300	**300**	300
	75,006	52,526	**5,696**	3,257
Less: non-current portion				
— Retentions and deposits	**(4,342)**	(2,513)	**(744)**	(239)
— Long-term receivables	**(5,765)**	(4,435)	**—**	—
— Loan receivable	**(300)**	(300)	**(300)**	(300)
— Prepayments for equipment	**(822)**	(496)	**—**	—
Current portion	**63,777**	44,782	**4,652**	2,718

Refer to the Note 44 for receivables due from related parties.

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Less than 6 months	**29,446**	20,397	**2,381**	1,159
6 months to 1 year	**2,709**	2,634	**4**	22
1 year to 2 years	**1,594**	1,924	**2**	2
2 years to 3 years	**793**	699	**—**	1
Over 3 years	**1,213**	1,047	**464**	464
	35,755	26,701	**2,851**	1,648

The Group's major customers are PRC Government agencies and other state-owned enterprises. Refer to Note 44 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.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables *(Continued)*

(b) The effective interest rate of non-current receivables was 7.26% per annum as at 31 December 2008 (2007: 7.56%).

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Trade and bills receivables	**33,603**	24,647	**2,387**	1,182
Retentions	**7,956**	4,982	**907**	272
Deposits	**5,990**	4,507	**6**	5
Other receivables	**3,942**	1,453	**269**	46
Staff advances	**674**	591	**5**	7
Long-term receivables	**8,550**	4,520	**—**	—
Loan receivable	**399**	354	**399**	354
	61,114	41,054	**3,973**	1,866

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

The fair values of non-current trade and other receivables are based on cash flows discounted using a rate based on current market interest rate ranging from 5.40% to 5.94% per annum as at 31 December 2008 (2007: ranging from 7.56% to 7.83%) available to the Group for similar financial instruments.

Loan receivable is secured by land and buildings of the borrower and bears interest at 9.62% (2007: 9.62%) per annum. The fair value of loan receivable is based on cash flows discounted using a rate based on the borrowings rate of 5.76% (2007: 7.74%) per annum.

(d) Retentions receivable represented amounts due from customers upon completion of the maintenance period of the construction work, which normally last from one to two years. Deposits receivable represented tender and performance bonds due from customers. Long-term receivables represented amounts due from customers for "Build-Transfer" projects and certain construction work with repayment over one year. As of 31 December 2008, these receivables were not due and fully performing.

(e) No trade receivables were transferred to banks with recourse in exchange for cash during the year ended 31 December 2008 (2007: trade receivables amounting to RMB429 million were transferred to certain banks with recourse in exchange for cash). Such transactions did not qualify for derecognition and have been accounted for as secured borrowings (Note 24).

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

(g) As of 31 December 2008, trade receivables of RMB1,299 million (2007: RMB1,109 million) were fully performing. There were no fully performing trade receivables of the Company as of 31 December 2008 (2007: nil).

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables *(Continued)*

(h) As of 31 December 2008, trade receivables of RMB28,439 million (2007: RMB20,120 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these trade receivables. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Less than 6 months	**26,517**	18,305	**2,374**	1,159
6 months to 1 year	**838**	1,123	**4**	—
1 year to 2 years	**687**	451	**—**	—
2 year to 3 years	**312**	174	**—**	1
Over 3 years	**85**	67	**—**	—
	28,439	20,120	**2,378**	1,160

(i) As of 31 December 2008, trade receivables of RMB6,017 million (2007: RMB5,472 million) were impaired and provided for. The amount of the provision was RMB2,152 million as of 31 December 2008 (2007: RMB2,054 million). Included in the provision for impairment of trade receivables was a provision for individually impaired trade receivables of RMB1,545 million (2007: RMB1,242 million) with a carrying amount of RMB529 million (2007: RMB572 million), and the individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these trade receivables. The ageing of these receivables (net of impairment provision) is as follows:

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Less than 6 months	**1,429**	978	**7**	—
6 months to 1 year	**1,489**	1,073	**—**	22
1 year to 2 years	**767**	1,059	**2**	—
2 year to 3 years	**171**	281	**—**	—
Over 3 years	**9**	27	**—**	—
	3,865	3,418	**9**	22

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables *(Continued)*

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
At 1 January	**2,054**	1,775	**466**	496
Provision for the year	**583**	710	**—**	18
Unused amount released	**(485)**	(431)	**(2)**	(48)
At 31 December	**2,152**	2,054	**464**	466

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

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
RMB	**64,003**	44,074	**4,721**	2,903
US$	**6,595**	5,089	**258**	308
HK$	**699**	721	**—**	—
Other currencies	**3,709**	2,642	**717**	46
	75,006	52,526	**5,696**	3,257

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

16. Inventories

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Raw materials	**14,400**	5,171	**28**	36
Work in progress	**1,677**	405	**—**	—
Finished goods	**283**	287	**—**	—
	16,360	5,863	**28**	36

17. Contract Work-in-Progress

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Contract cost incurred plus recognised profit less recognised losses	**381,034**	265,948	**28,471**	10,710
Less: Progress billings	**(355,576)**	(245,087)	**(26,635)**	(10,034)
Contract work-in-progress	**25,458**	20,861	**1,836**	676
Representing:				
Amounts due from customers for contract work	**38,682**	28,488	**2,886**	827
Amounts due to customers for contract work	**(13,224)**	(7,627)	**(1,050)**	(151)
	25,458	20,861	**1,836**	676

	Year ended 31 December			
	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Contract revenue recognised as revenue in the year	**161,458**	134,221	**18,780**	7,847

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

18. Derivative Financial Instruments

Group

	2008		2007	
	Assets RMB million	**Liabilities RMB million**	Assets RMB million	Liabilities RMB million
Interest rate swaps — held for trading	**—**	**(27)**	5	(23)
Forward foreign exchange contracts — cash flow hedges	**2**	**—**	182	—
Forward foreign exchange contracts — held for trading	**1,380**	**(698)**	321	(135)
Total	**1,382**	**(725)**	508	(158)

Company

	2008		2007	
	Assets RMB million	**Liabilities RMB million**	Assets RMB million	Liabilities RMB million
Forward foreign exchange contracts — held for trading	**38**	**(62)**	66	(26)

(a) Forward Foreign Exchange Contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2008 were RMB33,595 million (2007: RMB14,760 million).

The hedged highly probable forecast transactions denominated in foreign currency have occurred for the year ended 31 December 2008, and gain and losses previously recognised in the hedging reserve in equity (Note 22) on forward foreign exchange contracts as of 31 December 2007 were subsequently transferred to the consolidated income statement (Note 29) for the year ended 31 December 2008.

The highly probable transactions hedged by forward foreign exchange contracts will occur before the end of 2009 (2007: before the end of 2008).

(b) Interest Rate Swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2008 were RMB1,959 million (2007: RMB2,337 million).

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

19. Restricted Cash

Group

	2008 RMB million	2007 RMB million
Restricted cash denominated in:		
— RMB	**623**	316
— US$	**26**	80
— EUR	**6**	76
— Others	**7**	3
	662	475

The restricted cash held in dedicated bank accounts under the name of the Group's companies are for the issuance of performance bonds to customers.

20. Cash and Cash Equivalents

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Cash at bank and on hand	**158**	130	**1**	1
Bank deposits				
— Term deposits with initial term of over three months	**753**	152	**5**	—
— Other bank deposits	**25,367**	22,191	**8,370**	8,272
Cash and cash equivalents	**26,278**	22,473	**8,376**	8,273
Maximum exposure to credit risk	**26,278**	22,473	**8,376**	8,273
Denominated in:				
— RMB	**19,689**	19,185	**7,446**	8,164
— US$	**3,802**	1,553	**242**	94
— HK$	**371**	144	**208**	3
— JPY	**41**	106	**8**	4
— EUR	**1,011**	507	**182**	4
— Others	**1,364**	978	**290**	4
	26,278	22,473	**8,376**	8,273

(a) The weighted average effective interest rate on bank deposits was 3.53% per annum as at 31 December 2008 (2007: 3.51% per annum).

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

(c) Bank borrowings are secured by term deposits amounting to RMB56 million (2007: Nil) (Note 24).

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

21. Share Capital and Premium

	2008		2007	
	Number of shares (thousands)	**Nominal value (RMB'000)**	Number of shares (thousands)	Nominal value (RMB'000)
Registered, issued and fully paid				
Domestic shares of RMB1.00 each	**10,397,500**	**10,397,500**	10,397,500	10,397,500
H shares of RMB1.00 each	**4,427,500**	**4,427,500**	4,427,500	4,427,500
As at 31 December	**14,825,000**	**14,825,000**	14,825,000	14,825,000

(a) The Company was incorporated on 8 October 2006, with an initial registered share capital of RMB10,800 million, divided into 10,800,000,000 domestic shares with a nominal value of RMB1.00 each. These shares were issued to CCCG in consideration for the transfer of the principal operations and businesses of CCCG to the Company pursuant to the Reorganisation as referred to in Note1 to the consolidated financial statements.

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

(b) The Company's H shares were listed on the Hong Kong Stock Exchange on 15 December 2006 and 4,025,000,000 new H shares with a nominal value of RMB1.00 each were issued to the investors by way of international offering and public offer at HK$4.6 (equivalent to approximately RMB4.63) each.

The Company raised net proceeds of approximately RMB17,878 million (HK$17,772 million) from the issuance of 4,025,000,000 new shares, of which paid-up share capital was approximately RMB4,025 million and share premium was approximately RMB13,853 million.

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

22. Other Reserves

Group

	Capital Reserve RMB million	Statutory Reserve Fund RMB million	Investment Revaluation Reserve RMB million	Hedging Reserve RMB million	Safety Fund RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million
At 1 January 2007	(2,157)	73	4,166	—	—	(9)	1,074	3,147
Profit for the year	—	—	—	—	—	—	6,032	6,032
Currency translation differences	—	—	—	—	—	18	—	18
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	6,924	—	—	—	—	6,924
Transaction with minority shareholders resulting from disposal of equity interest in a subsidiary	176	—	—	—	—	—	—	176
Transactions with minority shareholders resulting from additional capital injection to certain subsidiaries	(2)	—	—	—	—	—	—	(2)
Reversal of deferred tax assets in the assets revaluation surplus arising from the Reorganisation due to change of tax rate	(251)	—	—	—	—	—	—	(251)
Reversal of deferred tax liabilities arising from changes in fair value of available-for-sale financial asset due to change of tax rate	—	—	416	—	—	—	—	416
Cash flow hedges, net of deferred tax	—	—	—	81	—	—	—	81
2006 final dividend	—	—	—	—	—	—	(74)	(74)
Appropriations *(Note a)*	—	154	—	—	—	—	(154)	—
Reversal of statutory reserve appropriated in prior year *(Note a)*	—	(73)	—	—	—	—	73	—
Appropriations to safety fund *(Note b)*	—	—	—	—	83	—	(83)	—
At 31 December 2007	(2,234)	154	11,506	81	83	9	6,868	16,467

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

22. Other Reserves *(Continued)*

Group *(Continued)*

	Capital Reserve RMB million	Statutory Reserve Fund RMB million	Investment Revaluation Reserve RMB million	Hedging Reserve RMB million	Safety Fund RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million
At 1 January 2008	(2,234)	154	11,506	81	83	9	6,868	16,467
Profit for the year	—	—	—	—	—	—	6,075	6,075
Currency translation differences	—	—	—	—	—	(1)	—	(1)
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	(7,840)	—	—	—	—	(7,840)
Transaction with minority shareholders resulting from additional capital injection to certain subsidiaries	(829)	—	—	—	—	—	—	(829)
Acquisition of additional equity interests in subsidiaries from minority interests	(3)	—	—	—	—	—	—	(3)
Acquisition of a subsidiary in stages	5	—	—	—	—	—	—	5
Cash flow hedges, net of deferred tax	—	—	—	5	—	—	—	5
Cash flow hedges reserve transferred to income statement, net of deferred tax	—	—	—	(81)	—	—	—	(81)
2007 final dividend	—	—	—	—	—	—	(1,305)	(1,305)
Appropriations *(Note a)*	—	163	—	—	—	—	(163)	—
Appropriations to safety fund *(Note b)*	—	—	—	—	176	—	(176)	—
At 31 December 2008	(3,061)	317	3,666	5	259	8	11,299	12,493

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

22. Other Reserves *(Continued)*

Company

	Capital Reserve RMB million	Statutory Reserve Fund RMB million	Investment Revaluation Reserve RMB million	Safety Fund RMB million	(Accumulated Deficit)/ Retained Earnings RMB million	Total RMB million
At 1 January 2007	21,172	73	2,262	—	(535)	22,972
Profit for the year	—	—	—	—	2,131	2,131
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	3,721	—	—	3,721
Reversal of deferred tax liabilities arising from changes in fair value of available-for-sale financial asset due to change of tax rate	—	—	270	—	—	270
2006 final dividend	—	—	—	—	(74)	(74)
Appropriations *(Note a)*	—	154	—	—	(154)	—
Reversal of statutory reserve appropriated in prior year *(Note a)*	—	(73)	—	—	73	—
Appropriations to safety fund *(Note b)*	—	—	—	5	(5)	—
At 31 December 2007	21,172	154	6,253	5	1,436	29,020
At 1 January 2008	21,172	154	6,253	5	1,436	29,020
Profit for the year	—	—	—	—	1,597	1,597
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	(4,272)	—	—	(4,272)
2007 final dividend	—	—	—	—	(1,305)	(1,305)
Appropriations *(Note a)*	—	163	—	—	(163)	—
Appropriations to safety fund *(Note b)*	—	—	—	1	(1)	—
At 31 December 2008	21,172	317	1,981	6	1,564	25,040

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

22. Other Reserves *(Continued)*

(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 year ended 31 December 2008, the Board of Directors proposed appropriation of 10% of profit after tax as determined under the PRC GAAP, of RMB163 million (2007: RMB154 million) 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 is 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.

(b) Safety Fund

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

23. Trade and Other Payables

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Trade and bills payables	**49,675**	36,852	**3,098**	2,823
Advances from customers	**28,389**	15,947	**3,739**	1,134
Deposits from suppliers	**3,431**	2,626	**724**	17
Accrued payroll	**648**	899	**8**	4
Social security	**1,161**	902	**7**	1
Other taxes	**943**	1,877	**224**	132
Accrued expenses	**533**	657	**—**	41
Other payables	**3,251**	2,339	**327**	329
	88,031	62,099	**8,127**	4,481

Refer to Note 44 for payable due to related parties.

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Within 1 year	**46,955**	34,935	**3,021**	2,727
1 year to 2 years	**2,162**	1,449	**68**	79
2 years to 3 years	**409**	295	**3**	7
Over 3 years	**149**	173	**6**	10
	49,675	36,852	**3,098**	2,823

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
RMB	**70,948**	53,781	**6,413**	4,229
US$	**11,050**	4,284	**407**	220
Libyan Dinar	**1,264**	—	**1,264**	—
JPY	**704**	438	**—**	—
HK$	**601**	550	**—**	—
Other currencies	**3,464**	3,046	**43**	32
	88,031	62,099	**8,127**	4,481

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

24. Borrowings

	Note	Group 2008 RMB million	Group 2007 RMB million	Company 2008 RMB million	Company 2007 RMB million
Non-current					
Long-term bank borrowings					
— secured	(a)	**6,427**	5,629	**—**	—
— unsecured	(b)	**8,569**	6,923	**818**	1,974
		14,996	12,552	**818**	1,974
Other borrowings					
— secured	(a)	**—**	64	**—**	—
— unsecured		**—**	17	**—**	—
		—	81	**—**	—
Debentures — unsecured	(d)	**5,000**	—	**5,000**	—
Total non-current borrowings		**19,996**	12,633	**5,818**	1,974
Current					
Current portion of long-term bank borrowings					
— secured	(a)	**1,536**	904	**—**	—
— unsecured	(b)	**2,610**	971	**910**	808
		4,146	1,875	**910**	808
Short-term bank borrowings					
— secured	(a)	**13,614**	6,380	**—**	—
— unsecured		**15,912**	12,463	**3,450**	4,880
		29,526	18,843	**3,450**	4,880
Other borrowings					
— secured	(a)	**—**	17	**—**	—
— unsecured	(c)	**1,612**	1,093	**1,097**	1,093
		1,612	1,110	**1,097**	1,093
Debentures — unsecured	(e)	**2,594**	—	**169**	—
Total current borrowings		**37,878**	21,828	**5,626**	6,781
Total borrowings		**57,874**	34,461	**11,444**	8,755

(a) All these borrowings were secured by the Group's property, plant and equipment, lease prepayments, term deposits and guarantees provided by certain subsidiaries of the Group.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

24. Borrowings *(Continued)*

(b) Unsecured long-term bank borrowings included loans of approximately RMB807 million (equivalent to JPY10,656 million) (2007: RMB1,022 million, equivalent to JPY15,115 million) payable to the Export-Import Bank of China ("EIBOC") at 31 December 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 ("MOFTEC") via EIBOC, which in turn borrowed such loans from the Japanese Government. All these loans were denominated in Japanese Yen, bore interest at rates ranging from 2.5% to 3.5% per annum, repayable semi-annually by equal installments up to 2019, and were stated at amortised cost.

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

(c) Other current borrowings included loans of approximately RMB1,097 million (2007: RMB1,093 million) payable to the China Orient Assets Management Corporation ("COAMC") at 31 December 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.

(d) 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.

(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.

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Total borrowings				
— 6 months or less	**16,907**	11,711	**—**	—
— 6–12 months	**32,566**	21,728	**5,468**	7,733
— Over 5 years	**8,401**	1,022	**5,976**	1,022
	57,874	34,461	**11,444**	8,755

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

24. Borrowings *(Continued)*

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Total borrowings				
— Within 1 year	**37,878**	21,828	**5,626**	6,781
— Between 1 and 2 years	**6,016**	3,621	**147**	1,133
— Between 2 and 5 years	**10,070**	5,873	**5,440**	363
Wholly repayable within 5 years	**53,964**	31,322	**11,213**	8,277
— Over 5 years	**3,910**	3,139	**231**	478
	57,874	34,461	**11,444**	8,755

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Total borrowings				
— RMB	**40,881**	19,933	**9,115**	6,077
— US$	**13,875**	10,659	**1,141**	1,166
— HK$	**247**	506	**—**	—
— JPY	**960**	1,108	**807**	1,022
— EUR	**1,855**	2,219	**381**	490
— Others	**56**	36	**—**	—
	57,874	34,461	**11,444**	8,755

(i) The weighted average effective interest rates (per annum) at the balance sheet date are set out as follows:

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Bank borrowings				
— RMB	**5.83%**	6.06%	**5.27%**	5.95%
— US$	**4.62%**	5.92%	**2.07%**	2.07%
— HK$	**3.58%**	5.55%	**—**	—
— JPY	**2.48%**	2.50%	**2.51%**	2.51%
— EUR	**4.96%**	5.08%	**5.63%**	5.63%
— Others	**5.13%**	5.75%	**—**	—
Other borrowings				
— RMB	**5.59%**	6.12%	**5.41%**	—
— US$	**3.61%**	3.61%	**—**	—
— EUR	**—**	4.85%	**—**	—

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

24. Borrowings *(Continued)*

(j) The carrying amounts of current portion of long-term borrowings and short-term borrowings approximate their fair values.

The carrying value and fair value of the non-current borrowings are as follows:

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Carrying amount	**19,996**	12,633	**5,818**	1,974
Fair value	**20,102**	12,166	**5,759**	1,826

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

(k) The carrying amounts of the undrawn borrowing facilities are as follows:

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Floating rate				
— Expiring within one year	**664**	416	**—**	—
Fixed rate				
— Expiring within one year	**39,967**	41,354	**10,371**	11,800
— Expiring beyond one year	**60,566**	56,219	**48,618**	28,010
	101,197	97,989	**58,989**	39,810

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

25. Deferred Income Tax

(a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Deferred tax assets:				
— Deferred tax assets to be recovered after more than 12 months	**1,599**	1,869	**172**	95
— Deferred tax assets to be recovered within 12 months	**301**	382	**2**	12
	1,900	2,251	**174**	107
Deferred tax liabilities:				
— Deferred tax liabilities to be settled after more than 12 months	**(956)**	(3,795)	**(681)**	(2,109)
— Deferred tax liabilities to be settled within 12 months	**(16)**	(22)	**—**	(3)
	(972)	(3,817)	**(681)**	(2,112)
	928	(1,566)	**(507)**	(2,005)

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Beginning of the year	**(1,566)**	882	**(2,005)**	(1,229)
Recognised in the income statement *(Note 35)*	**(136)**	(353)	**74**	194
Recognised in equity	**2,630**	(2,095)	**1,424**	(970)
End of the year	**928**	(1,566)	**(507)**	(2,005)

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

25. Deferred Income Tax *(Continued)*

(b) The movement in deferred tax assets and liabilities during the year, without taking into account the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax Liabilities

	Group			
	Available-for-sale financial assets RMB million	**Investment in subsidiaries, jointly controlled entities and associates** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2007	(1,988)	(218)	(97)	(2,303)
(Charged)/credited to the income statement	(4)	218	(98)	116
Charged directly to equity	(1,811)	—	(33)	(1,844)
At 31 December 2007	(3,803)	—	(228)	(4,031)
Charged to the income statement	—	—	(84)	(84)
Credited directly to equity	2,599	—	31	2,630
At 31 December 2008	(1,204)	—	(281)	(1,485)

	Company			
	Available-for-sale financial assets RMB million	**Investment in subsidiaries, jointly controlled entities and associates** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2007	(1,114)	(216)	(16)	(1,346)
Credited/(charged) to the income statement	—	216	(12)	204
Charged directly to equity	(970)	—	—	(970)
At 31 December 2007	(2,084)	—	(28)	(2,112)
Credited to the income statement	6	—	1	7
Credited directly to equity	1,424	—	—	1,424
At 31 December 2008	(654)	—	(27)	(681)

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

25. Deferred Income Tax *(Continued)*

(b) *(Continued)*

Deferred Tax Assets

	Group						
	Provision for impairment of assets RMB million	**Depreciation and amortisation** RMB million	**Provision for foreseeable contract losses** RMB million	**Provision for employee benefits** RMB million	**Tax losses** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2007	278	1,289	232	1,091	15	280	3,185
Credited/(charged) to the income statement	46	(78)	(162)	(297)	(3)	25	(469)
Charged directly to equity *(Note i)*	—	(251)	—	—	—	—	(251)
At 31 December 2007	324	960	70	794	12	305	2,465
Credited/(charged) to the income statement	62	(91)	(11)	(86)	67	7	(52)
At 31 December 2008	386	869	59	708	79	312	2,413

	Company				
	Provision for Impairment of assets RMB million	**Depreciation and amortisation** RMB million	**Provision for employee benefits** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2007	31	2	40	44	117
(Charged)/credited to the income statement	(13)	(1)	(6)	10	(10)
At 31 December 2007	18	1	34	54	107
Credited to the income statement	—	—	10	57	67
At 31 December 2008	18	1	44	111	174

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

25. Deferred Income Tax *(Continued)*

(b) *(Continued)*

(i) As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, all the Group's assets and liabilities as at 31 December 2005 were revalued by independent valuers registered in the PRC. As a result of this revaluation, the Group has an asset revaluation surplus of approximately RMB5,215 million, which was recorded by the Group in the financial statements prepared under the PRC accounting standards. Such asset revaluation surplus is not recognised in the Group's financial statements prepared in accordance with IFRS.

Upon completion of the Reorganisation in October 2006, the Group has applied to the Ministry of Finance and the State Administration of Taxation of the PRC to obtain formal approval of allowing the Group to deduct the additional depreciation and amortisation on the asset revaluation surplus for the PRC enterprise income tax purposes. As the Group did not recognise the above asset revaluation surplus in its financial statements prepared in accordance with IFRS, a deferred tax asset of approximately RMB1,465 million is resulted in 2006 and is recognised and credited to "capital reserve" in 2006. Such deferred tax asset is charged to taxation during each year based on the depreciation and amortisation charges on the asset revaluation surplus.

As a result of the Corporate Income Tax Law of the PRC approved by the National People's Congress on 16 March 2007, the carrying value of deferred tax assets has been written down by RMB251 million during the year ended 31 December 2007.

(c) As at 31 December 2008, the Group did not recognise deferred tax assets in relation to the Group's subsidiaries amounting to RMB147 million. Deferred tax liabilities have not been recognised in respect of the Group's underlying investments in subsidiaries amounting to RMB690 million as at 31 December 2007. These amounts mainly comprised:

(i) Deemed disposal of the Group's share in net assets of ZPMC arising from the issuance of shares by ZPMC in connection with its initial public offering on the Shanghai Stock Exchange in the year ended 31 December 1997, and the issuance of additional shares by ZPMC in the year ended 31 December 2000 and 2004. As a result, the Group's interest in ZPMC was decreased from 100% to 50.3% as at 31 December 2005. In addition, pursuant to the share reform scheme undertaken by ZPMC, the Group's interest in ZPMC has been decreased to 43.3% as at 31 December 2006. ZPMC issued additional shares in the year ended 31 December 2007 and the Group subscribed for the shares in proportion to retain the Group's interest in ZPMC at 43.3% as at 31 December 2007. In 2008, ZPMC acquired all the equity interests in two subsidiaries, namely CCCC Shanghai Port Machinery Co., Ltd. and Shanghai Jiangtian Industrial Co., Ltd., from the Company. The Group's interest in ZPMC has been increased from 43.3% to 46.1%; and

(ii) Deemed disposal of the Group's share in net assets of CRBCI arising from the issuance of shares by CRBCI in connection with its initial public offering on the Shanghai Stock Exchange in the year ended 31 December 2000. In addition, pursuant to the share reform scheme undertaken by CRBCI, the Group's interest in CRBCI has been decreased to 64.1% as at 31 December 2006. The Group disposed of 2.67% equity interest in CRBCI to third party minority shareholders during the year ended 31 December 2007 and the Group's interest in CRBCI has been decreased to 61.4% as at 31 December 2007.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

25. Deferred Income Tax *(Continued)*

(d) In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. The Group did not recognise deferred tax assets of RMB21 million (2007: RMB22 million) in respect of tax losses amounting to RMB84 million (2007: RMB66 million) as at 31 December 2008 as management believes it is more likely than not that such tax losses would not be utilised before they expire. As at 31 December 2008, the tax losses carried forward are as follows:

	2008 RMB million	2007 RMB million
Year of expiry of tax losses		
2008	**—**	20
2009	**8**	12
2010	**2**	8
2011	**2**	12
2012	**14**	14
2013	**58**	—
	84	66

26. Early Retirement and Supplemental Benefit Obligations

The Group paid supplementary pension subsidies and medical benefits to its retired employees in Mainland China who retired prior to 1 January 2006. In addition, the Group has committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 1 January 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in Mainland China who retired on or after 1 January 2006.

The amount of early retirement and supplemental benefit obligations recognised in the balance sheet are determined as follows:

	Group		**Company**	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Present value of defined benefits obligations	**2,900**	3,087	**57**	49
Unrecognised actuarial gains	**153**	268	**2**	4
Liability on the balance sheet	**3,053**	3,355	**59**	53
Less: current portion	**(197)**	(202)	**(4)**	(4)
	2,856	3,153	**55**	49

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

26. Early Retirement and Supplemental Benefit Obligations *(Continued)*

The movement of early retirement and supplemental benefit obligations in the balance sheet is as follows:

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
At beginning of the year	**3,355**	3,579	**53**	58
During the year				
— Payment	**(318)**	(335)	**(3)**	(1)
— Interest cost *(Note 32)*	**132**	111	**9**	(4)
— Settlement	**(67)**	—	**—**	—
— Actuarial gain	**(56)**	—	**—**	—
— Loss on settlement	**7**	—	**—**	—
At the end of the year	**3,053**	3,355	**59**	53

The above obligations were determined based on actuarial valuations performed by an independent actuary, Towers Perrin, Hong Kong, using the projected unit credit method.

(a) Discount rates adopted (per annum):

	2008	2007
	3.0%	4.5%

(b) Early-retirees' salary and supplementary benefits inflation rate: 4.5% (2007: 4.5%);

(c) Medical cost trend rate: 4%–8% (2007: 4%–8%);

(d) Mortality: Average life expectancy of residents in the PRC;

(e) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

27. Provisions for Other Liabilities and Charges

Group

	Guarantee RMB million	Pending Lawsuits RMB million	Others RMB million	Total RMB million
At 1 January 2007	40	68	7	115
Charged to the income statement:				
— Additional provisions	—	15	—	15
Utilised/reversed during the year	—	(34)	(7)	(41)
At 31 December 2007	40	49	—	89
Charged to the income statement:				
— Additional provisions	—	4	—	4
Utilised/reversed during the year	—	(3)	—	(3)
At 31 December 2008	40	50	—	90

Company

	Guarantee RMB million	Pending Lawsuits RMB million	Others RMB million	Total RMB million
At 31 December 2007 and 31 December 2008	40	—	—	40

28. Other Income

	2008 RMB million	2007 RMB million
Income from compensation for the cost of relocation	**177**	744
Rental income	**305**	230
Income from sale of materials	**917**	429
Dividend income on available-for-sale financial assets		
— Listed equity securities	**136**	64
— Unlisted equity securities	**132**	140
Government grants	**78**	18
Others	**467**	601
	2,212	2,226

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

29. Other Gains — net

	2008 RMB million	2007 RMB million
Gain on disposal of property, plant and equipment	**138**	178
Gain on disposal of lease prepayments	**97**	—
Gain on disposal of other financial assets at fair value through profit or loss	**23**	136
Fair value (loss)/gain from other financial assets at fair value through profit or loss	**(100)**	17
Gain/(loss) on derivative financial instruments *(Note 18):*		
— Foreign exchange forward contracts	**866**	205
— Interest rate swap	**(40)**	(21)
Gain on disposal of available-for-sale financial assets	**23**	74
Transfer of cash flow hedge reserve	**219**	—
Net foreign exchange losses *(Note 36)*	**(67)**	(346)
Net gain on disposal of a subsidiary	**12**	—
	1,171	243

30. Other Expenses

	2008 RMB million	2007 RMB million
Loss on disposal of property, plant and equipment	**22**	32
Rental expenses	**196**	172
Cost of sale of materials	**879**	420
Others	**320**	359
	1,417	983

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

31. Expenses by Nature

	2008 RMB million	2007 RMB million
Raw materials and consumables used	**66,528**	55,910
Subcontracting costs	**46,806**	40,163
Employee benefits *(Note 32)*	**12,792**	10,995
Transportation costs	**5,335**	4,953
Equipment usage cost	**5,848**	4,854
Business tax and other transaction taxes	**4,375**	3,525
Rentals	**3,865**	3,214
Depreciation of property, plant and equipment and investment properties *(Notes 6, 8)*	**3,407**	2,411
Fuel	**2,845**	2,308
Repair and maintenance expenses	**2,217**	1,849
Travel	**1,235**	928
Research and development costs	**1,087**	279
Provision for impairment of trade and other receivables	**162**	269
Changes in inventories of finished goods and work-in-progress	**1,268**	327
Insurance	**209**	182
Provision for/(reversal of) foreseeable losses on construction contracts	**19**	(146)
Auditors' remuneration	**43**	50
Amortisation of lease prepayments *(Note 7)*	**67**	24
Advertising	**29**	20
Amortisation of intangible assets *(Note 9)*	**26**	18
Write-down of inventories	**1**	18
Other expenses	**10,804**	9,350
Total cost of sales, distribution costs and administrative expenses	**168,968**	141,501

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

32. Employee Benefit Expense

	2008 RMB million	2007 RMB million
Salaries, wages and bonuses	**8,821**	7,762
Contributions to pension plans *(Note a)*	**1,349**	941
Early retirement and supplemental pension benefits *(Note b)*		
— interest cost *(Note 26)*	**132**	111
— loss on settlement (Note 26)	**7**	—
— actuarial gain *(Note 26)*	**(56)**	—
Housing benefits *(Note c)*	**569**	457
Welfare, medical and other expenses	**1,970**	1,724
	12,792	10,995
Number of employees	**93,019**	87,022

(a) The employees of the subsidiaries in the Mainland China participate in various retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China under which the Group is required to make monthly contributions to these plans at rates ranging from 18% to 36% (2007: 18% to 37%), depending on the applicable local regulations, of the employees' basic salary for the year.

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

(b) Certain employees of the Group retired early in the past. Early retirement benefits are recognised in the consolidated income statement in the year in which the Group entered into an agreement specifying the terms of redundancy, or after the individual employee have been advised of the specific terms. These specific terms vary among the early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplementary pension subsidies to retired employees who retired prior to 1 January 2006. The costs of providing these pension subsidies are charged to the consolidated income statement so as to spread the service cost over the average service lives of the retirees. Employees who retire after 1 January 2006 are no longer entitled to such pension subsidies.

(c) These represent contributions to the government-sponsored housing funds (at rates ranging from 5% to 25% of the employees' basic salary) in Mainland China.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

33. Interest Income

	2008 RMB million	2007 RMB million
Interest income:		
— Bank deposits	**307**	332
Others	**350**	159
	657	491

34. Finance Costs, Net

	2008 RMB million	2007 RMB million
Interest expenses:		
— Bank borrowings	**2,186**	1,284
— Other borrowings	**104**	147
— Debentures	**303**	66
	2,593	1,497
Net foreign exchange gains on borrowings *(Note 36)*	**(353)**	(327)
Others	**396**	375
	2,636	1,545

As IAS 23 (Revised) was early adopted in 2007 by the Group, borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB350 million (2007: RMB127 million) were capitalised in 2008, of which approximately RMB195 million (2007: RMB102 million) is charged to cost of sales and approximately RMB155 million (2007: RMB25 million) is included in cost of construction-in-progress as at 31 December 2008. A general capitalisation rate of 5.48% (2007: 5.92%) was used, representing the borrowing costs of the loans used to finance the qualifying assets.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

35. Taxation

(a) Income Tax Expense

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

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 during the year 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 15% 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 year at the rates of taxation prevailing in the countries in which these companies operate.

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

	2008 RMB million	2007 RMB million
Current income tax		
— Hong Kong profits tax	**1**	2
— PRC enterprise income tax	**1,809**	1,649
— Others	**9**	45
	1,819	1,696
Deferred income tax *(Note 25)*	**136**	353
	1,955	2,049

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

35. Taxation *(Continued)*

(a) Income Tax Expense *(Continued)*

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

	2008 RMB million	2007 RMB million
Profit before income tax	**9,831**	9,623
Share of losses/(profits) of jointly controlled entities and associates	**77**	(91)
	9,908	9,532
Tax calculated at PRC statutory tax rate of 25% (2007: 33%)	**2,477**	3,146
Income not subject to tax	**(356)**	(386)
Expenses not deductible for tax purposes	**54**	30
Utilisation of previously unrecognised tax losses	**(18)**	(10)
Tax losses for which no deferred income tax asset was recognised	**101**	109
Reversal of deferred tax assets and liabilities due to change in tax rate arising from the new corporate income tax law	**—**	351
Reduction of deferred tax liabilities previously recognised on undistributed profits of domestic subsidiaries, jointly controlled entities and associates due to new corporate income tax law	**—**	(187)
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(303)**	(1,004)
Income tax expense	**1,955**	2,049

The income tax credited/(charged) to equity during the year is as follows:

	2008 RMB million	2007 RMB million
Current income tax	**—**	—
Deferred income tax		
Fair value reserves in shareholders equity		
— Hedging reserve	**31**	(33)
— Available-for-sale financial assets	**2,599**	(2,227)
— Impact of change in PRC tax rate on deferred tax	**—**	165
	2,630	(2,095)

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

35. Taxation *(Continued)*

(b) Business Tax ("BT") and Related Taxes

Certain of the companies of the Group are subject to BT at rates ranging from 3% to 5% of the service fee income received and receivable. In addition, the Group is subject to city construction tax ("CCT") and educational surcharge ("ES") based on 7% and 3% of BT payable, respectively.

(c) Value-Added Tax ("VAT") and Related Taxes

Certain of the companies of the Group are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. Certain products of the subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The subsidiaries are also subject to CCT and ES based on 7% and 3% of net VAT payable, respectively.

36. Net Foreign Exchange Gains/(Losses)

The exchange differences credited/(charged) to the consolidated income statement are included as follows:

	2008 **RMB million**	2007 RMB million
Finance costs *(Note 34)*	**353**	327
Other gains — net *(Note 29)*	**(67)**	(346)
	286	(19)

37. Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB1,597 million (2007: RMB2,131 million).

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

38. Earnings per Share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to equity holders of the Company (RMB million)	**6,075**	6,032
Weighted average number of ordinary shares in issue (million)	**14,825**	14,825
Basic earnings per share (RMB per share)	**0.41**	0.41

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2008 and 2007.

39. Dividends

	2008 **RMB million**	2007 RMB million
Final, proposed, of RMB0.098 per ordinary share (2007: RMB0.088)	**1,453**	1,305

The dividends paid in 2008 and 2007 were RMB1,305 million (RMB0.088 per share) and RMB74 million (RMB0.005 per share) respectively. At the board meeting held on 14 April 2009, the Directors recommended the payment of a final dividend of RMB0.098 per ordinary share, totalling RMB1,453 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 18 June 2009. This recommended dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

40. Directors', Supervisors' and Senior Management's Emoluments

(a) Directors' and Supervisors' Emoluments

	2008 RMB'000	2007 RMB'000
Directors and supervisors		
— Basis salaries, housing allowances, other allowances and benefits-in-kind	**3,676**	2,576
— Contributions to pension plans	**138**	126
— Discretionary bonuses	**1,679**	2,365
	5,493	5,067

The emoluments of every Director and supervisor for the year ended 31 December 2008 are set out below:

Name	**Basis salaries, housing allowances, other allowances and benefits-in-kind RMB'000**	**Contributions to pension plans RMB'000**	**Discretionary bonuses RMB'000**	**Total RMB'000**
Executive directors				
Mr. Zhou Jichang	530	23	331	884
Mr. Meng Fengchao	529	23	331	883
Mr. Fu Junyuan	453	23	282	758
Non executive director				
Mr. Zhang Changfu	100	—	—	100
Independent non executive directors				
Mr. Lu Hongjun	200	—	—	200
Mr. Yuan Yaohui	200	—	—	200
Mr. Chao Tien Yo	200	—	—	200
Mr. Koo Fook Sun	200	—	—	200
Mr. Zou Qiao	100	—	—	100
Supervisors				
Mr. Liu Xiangdong	454	23	282	759
Mr. Xu Sanhao	454	23	282	759
Mr. Wang Yongbin	256	23	171	450
	3,676	138	1,679	5,493

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

40. Directors', Supervisors' and Senior Management's Emoluments *(Continued)*

(a) Directors' and Supervisors' Emoluments *(Continued)*

The emoluments of every Director and supervisor for the year ended 31 December 2007 are set out below:

Name	Basis salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
Mr. Zhou Jichang	334	21	482	837
Mr. Meng Fengchao	334	21	482	837
Mr. Fu Junyuan	285	21	410	716
Independent non executive directors				
Mr. Lu Hongjun	200	—	—	200
Mr. Yuan Yaohui	200	—	—	200
Mr. Chao Tien Yo	200	—	—	200
Mr. Koo Fook Sun	200	—	—	200
Supervisors				
Mr. Liu Xiangdong	285	21	410	716
Mr. Xu Sanhao	285	21	410	716
Mr. Wang Yongbin	253	21	171	445
	2,576	126	2,365	5,067

The emoluments of the Directors and supervisors of the Company fall within the following bands:

	2008	2007
Directors and supervisors		
— Nil to HK$1,000,000 (equivalent to approximately RMB881,900)	**10**	10
— HK$1,000,001to HK$1,500,000 (equivalent to approximately RMB881,901 to RMB1,322,850)	**2**	—

During the year, no Directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the Directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

40. Directors', Supervisors' and Senior Management's Emoluments *(Continued)*

(b) Five Highest Paid Individuals

None of the Directors' emoluments as disclosed in Note 40(a) above was included in the emoluments paid to the five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2008 **RMB'000**	2007 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits-in-kind	**3,686**	3,882
Contributions to pension plans	**29**	98
Discretionary bonuses	**1,570**	2,235
	5,285	6,215

The emoluments of the above individuals fall within the following bands:

	2008	2007
— HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB881,901 to RMB1,322,850)	**5**	5

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

41. Cash Generated from Operations

	2008 RMB million	2007 RMB million
Profit for the year	**7,876**	7,574
Adjustments for:		
— Income tax expense	**1,955**	2,049
— Depreciation of property, plant and equipment and investment properties	**3,407**	2,411
— Amortisation of intangible assets and lease prepayments	**93**	42
— Net gain on disposal of property, plant and equipment	**(116)**	(146)
— Fair value gains on derivative financial instruments	**(655)**	(184)
— Recycling of cash flow hedge reserve	**(219)**	—
— Fair value loss/(gain) on other financial assets at fair value through profit or loss	**100**	(17)
— Gain on disposal of a subsidiary	**(12)**	—
— Net gain on disposal of lease prepayments	**(97)**	—
— Gain on disposal of available-for-sale financial assets	**(23)**	(74)
— Gain on disposal of other financial assets at fair value through profit or loss	**(23)**	(136)
— Reversal of impairment of jointly controlled entities and associates	**—**	(2)
— Write-down of inventories	**1**	18
— Provision for impairment of trade and other receivables	**162**	269
— Provision for/(reversal of) foreseeable losses on construction contracts	**19**	(146)
— Dividend income from available-for-sale financial assets	**(268)**	(204)
— Interest income	**(657)**	(491)
— Interest expenses	**2,593**	1,497
— Share of loss of jointly controlled entities	**88**	41
— Share of profit of associates	**(11)**	(132)
— Exchange gains on borrowings	**(353)**	(327)
	13,860	12,042

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

41. Cash Generated from Operations *(Continued)*

	2008 RMB million	2007 RMB million
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Inventories	**(10,489)**	(1,844)
— Trade and other receivables	**(21,802)**	(16,017)
— Contract work-in-progress	**(4,659)**	(6,053)
— Restricted cash	**(187)**	(10)
— Early retirement and supplemental benefit obligations	**(302)**	(224)
— Trade and other payables	**25,953**	17,093
— Derivative financial instruments	**361**	37
— Provisions	**1**	(26)
— Deferred income	**67**	91
— Other current liabilities	**(21)**	(777)
— Other non-current assets	**(15)**	(83)
Cash generated from operations	**2,767**	4,229

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2008 RMB million	2007 RMB million
Net book amount	**669**	414
Gain on disposal of property, plant and equipment	**138**	178
Loss on sale of property, plant and equipment	**(22)**	(32)
Proceeds from sale of property, plant and equipment	**785**	560

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

42. Contingencies

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Pending lawsuits *(Note a)*	**481**	309	**—**	—
Outstanding loan guarantees *(Note b)*	**149**	196	**13,483**	7,384
	630	505	**13,483**	7,384

(a) The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision as set out in Note 27 has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the probability of loss is remote.

(b) The Group and the Company have acted as the guarantor for various external borrowings made by certain subsidiaries, jointly controlled entities and associates of the Group (refer to details in Note 44) and certain third party entities.

(c) The above amounts do not include those items for which provisions have been made as disclosed in Note 27.

43. Commitments

(a) Capital Commitments

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

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Property, plant and equipment	**1,658**	4,255	**1,658**	4,255

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

	Group	
	2008 RMB million	2007 RMB million
Property, plant and equipment	**5,152**	4,104
Intangible assets	**16,984**	1,871
	22,136	5,975

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

43. Commitments *(Continued)*

(b) Operating Lease Commitments — Where the Group is the Lessee

The Group leases various offices, warehouses, residential properties, machinery and vessels under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
No later than 1 year	**591**	305	**1**	10
Later than 1 year and no later than 5 years	**1,291**	93	**1**	—
Later than 5 years	**109**	123	**—**	—
	1,991	521	**2**	10

(c) Lease Payments Receivable

The Group rents out various offices under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payment receivable under non-cancelable operating leases are as follows:

	Group	
	2008 RMB million	2007 RMB million
No later than 1 year	**81**	83
Later than 1 year and no later than 5 years	**68**	89
Later than 5 years	**29**	42
	178	214

The Company has no lease payments receivable.

(d) Other Commitment

In 2005, the Group signed an agreement and agreed to act as a guarantor for a bank loan of RMB1 billion to be borrowed by an independent third party customer in 2009.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

44. Related-Party Transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The 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").

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 programmes. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information disclosed in Note 1, 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 year and balances arising from related party transactions as at 31 December 2008.

(a) Significant Related Party Transactions

The following transactions were carried out with related parties:

	Year ended 31 December	
	2008 RMB million	2007 RMB million
Transactions with CCCG		
Expenses		
— Rental expense	**10**	10
Transactions with fellow subsidiaries		
Expenses		
— Purchase of materials	**17**	17
— Services	**8**	6
— Rental	**3**	3
Transactions with jointly controlled entities and associates		
Revenue		
— Revenue from provision of construction services	**2,247**	5
— Revenue from sales of machinery	**54**	9
Expenses		
— Subcontracting fees	**502**	447
— Purchase of materials	**131**	86
— Services	**90**	80
— Other costs	**5**	4
Others		
— Outstanding loan guarantees provided by the Group	**99**	133

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

44. Related-Party Transactions *(Continued)*

(a) Significant Related Party Transactions *(Continued)*

	Year ended 31 December	
	2008	2007
	RMB million	RMB million
Transactions with other state-owned enterprises		
Revenue		
— Revenue from provision of construction services	**67,369**	53,336
— Revenue from provision of design services	**2,819**	2,390
— Revenue from provision of dredging services	**12,204**	8,831
— Revenue from sales of port machinery	**8,117**	7,275
— Revenue from provision of other services	**31**	8
Interest income		
— Interest income from bank deposits	**215**	229
Expenses		
— Subcontracting fees	**2,428**	2,071
— Rental expenses	**41**	18
— Purchase of materials	**16,011**	10,100
— Services	**1,463**	1,436
— Interest expense on bank borrowings	**2,077**	1,277
— Others	**61**	71
Others		
— Outstanding loan guarantees provided by the Group	**50**	63
Transactions with minority interests		
Revenue		
— Revenue from provision of construction services	**187**	630
— Revenue from provision of design services	**—**	8
Expenses		
— Subcontracting fees	**10**	6
— Rental expenses	**7**	—
— Interest expense	**1**	1

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

(b) Key Management Compensation

	2008	2007
	RMB'000	RMB'000
Basis salaries, housing allowances, other allowances and benefits-in-kind	**6,633**	3,759
Contributions to pension plans	**342**	290
Discretionary bonuses	**4,039**	5,187
	11,014	9,236

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

44. Related-Party Transactions *(Continued)*

(c) Year-End Balances with Related Parties

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Trade and other receivables				
Trade receivables due from				
— Jointly controlled entities and associates	**393**	10	**388**	—
— Subsidiaries	**—**	—	**23**	69
— Minority interests	**166**	79	**—**	—
— Other state-owned enterprises	**28,606**	18,563	**1,961**	1,108
	29,165	18,652	**2,372**	1,177
Prepayments				
— Subsidiaries	**—**	—	**1,568**	1,132
— Fellow subsidiaries	**86**	—	**86**	—
— Other state-owned enterprises	**6,942**	5,685	**213**	278
	7,028	5,685	**1,867**	1,410
Other receivables due from				
— Subsidiaries	**—**	—	**—**	2
— Fellow subsidiaries	**—**	5	**—**	—
— Jointly controlled entities and associates	**267**	135	**—**	—
— Minority interests	**24**	21	**—**	—
— Other state-owned enterprises	**1,849**	1,024	**107**	39
	2,140	1,185	**107**	41
Amounts due from subsidiaries	**—**	—	**4,192**	3,055
	38,333	25,522	**8,538**	5,683
Trade and other payables				
Trade and bills payable due to				
— Subsidiaries	**—**	—	**2,553**	1,829
— Fellow subsidiaries	**10**	11	**—**	—
— Jointly controlled entities and associates	**371**	322	**—**	—
— Minority interests	**12**	17	**—**	—
— Other state-owned enterprises	**7,406**	5,639	**404**	351
	7,799	5,989	**2,957**	2,180
Advances from customers				
— Subsidiaries	**—**	—	**2**	84
— Jointly controlled entities and associates	**32**	—	**—**	—
— Minority interests	**15**	9	**—**	—
— Other state-owned enterprises	**17,090**	12,754	**2,486**	541
	17,137	12,763	**2,488**	625

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

44. Related-Party Transactions *(Continued)*

(c) Year-End Balances with Related Parties *(Continued)*

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Other payables due to				
— CCCG	**—**	123	**—**	123
— Subsidiaries	**—**	—	**96**	54
— Fellow subsidiaries	**—**	57	**—**	—
— Jointly controlled entities and associates	**88**	136	**—**	—
— Minority interests	**71**	45	**—**	—
— Other state-owned enterprises	**1,475**	1,314	**154**	137
	1,634	1,675	**250**	314
Amount due to subsidiaries	**—**	—	**7,925**	5,828
	26,570	20,427	**13,620**	8,947

	Group		Company	
	2008 RMB million	2007 RMB million	**2008 RMB million**	2007 RMB million
Amounts due from customers for contract work with				
— Jointly controlled entities and associates	**35**	9	**—**	—
— Other state-owned enterprises	**13,788**	9,995	**1,762**	482
	13,823	10,004	**1,762**	482
Amounts due to customers for contract work with				
— Jointly controlled entities and associates	**402**	20	**387**	—
— Other state-owned enterprises	**3,790**	1,611	**661**	117
	4,192	1,631	**1,048**	117
Other balances with other state-owned enterprises				
— Restricted cash	**581**	382	**—**	—
— Cash and cash equivalents	**20,491**	17,741	**7,932**	7,793
	21,072	18,123	**7,932**	7,793
— Borrowings	**42,640**	25,726	**4,778**	7,361

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

45. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates

(a) Subsidiaries

As at 31 December 2008, the Company had direct and indirect interests in the following principal subsidiaries:

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
Listed —						
Shanghai Zhenhua Port Machinery Co., Ltd.	PRC	Limited liability company	RMB3,207	28.71%	17.40%	Manufacturing of port machinery
CRBC International Co., Ltd.	PRC	Limited liability company	RMB408	61.06%	0.34%	Infrastructure construction
Unlisted —						
China Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB850	50%	50%	Infrastructure construction
CCCC First Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB2,176	100%	—	Infrastructure construction
CCCC Second Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB1,202	100%	—	Infrastructure construction
CCCC Third Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB1,970	100%	—	Infrastructure construction
CCCC Fourth Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB1,483	100%	—	Infrastructure construction
CCCC Tianjin Dredging Co., Ltd.	PRC	Limited liability company	RMB3,489	100%	—	Dredging
CCCC Shanghai Dredging Co., Ltd.	PRC	Limited liability company	RMB3,746	100%	—	Dredging
CCCC Guangzhou Dredging Co., Ltd.	PRC	Limited liability company	RMB2,471	100%	—	Dredging
CCCC Shanghai Equipment Engineering Co., Ltd.	PRC	Limited liability company	RMB10	55%	—	Maintenance and repairing of port machinery

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

45. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates *(Continued)*

(a) Subsidiaries *(Continued)*

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Indirectly held	Principal activities
Unlisted — (Continued)						
CCCC Water Transportation Consultants Co., Ltd.	PRC	Limited liability company	RMB138	100%	—	Infrastructure design
CCCC First Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB238	100%	—	Infrastructure design
CCCC Second Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB90	100%	—	Infrastructure design
CCCC Third Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB273	100%	—	Infrastructure design
CCCC Fourth Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB222	100%	—	Infrastructure design
China Road and Bridge Engineering Co., Ltd.	PRC	Limited liability company	RMB1,100	96.36%	3.64%	Infrastructure construction
CCCC First Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB981	100%	—	Infrastructure construction
CCCC Second Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB857	100%	—	Infrastructure construction
CCCC Third Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB300	90%	—	Infrastructure construction
CCCC Fourth Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB300	100%	—	Infrastructure construction
CCCC Tunnel Construction Engineering Co., Ltd.	PRC	Limited liability company	RMB300	98.67%	1.33%	Infrastructure construction
CCCC Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB257	100%	—	Infrastructure design

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

45. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates *(Continued)*

(a) Subsidiaries *(Continued)*

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Indirectly held	Principal activities
Unlisted — (Continued)						
CCCC First Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB343	100%	—	Infrastructure design
CCCC Second Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB465	100%	—	Infrastructure design
China Highway Engineering Consulting Co., Ltd.	PRC	Limited liability company	RMB200	100%	—	Infrastructure design
The Highway & Bridge Technology Consultants Co., Ltd.	PRC	Limited liability company	RMB30	61%	27%	Infrastructure design
China Highway Vehicle & Machinery Co., Ltd.	PRC	Limited liability company	RMB101	100%	—	Trading of motor vehicles spare parts
Chongqing Chaotianmen Yangtze River Bridge Co., Ltd.	PRC	Limited liability company	RMB50	90%	10%	Infrastructure construction
Shanghai CHEC East Ocean Bridge Project Co., Ltd.	PRC	Limited liability company	RMB10	100%	—	Infrastructure construction
CCCC Tianjin Industrial & Trading Co., Ltd.	PRC	Limited liability company	RMB30	100%	—	Trading of machinery
Zhenhua Logistics Group	PRC	Sino-foreign Joint venture	USD52	37.49%	24.29%	Transportation and logistics
Xi'an Road Construction Machinery Co., Ltd.	PRC	Limited liability company	RMB328	54.31%	45.69%	Manufacturing of road building machinery
CCCC Investment Co., Ltd.	PRC	Limited liability company	RMB3,171	100%	—	Investment holding
Chuwa Bussan Co., Ltd.	Japan	Sino-foreign joint venture	JPY 60	75%	—	Trading of machinery
Azingo Limited	Hong Kong	Limited liability company	—*	100%	—	Investment holding

* The paid-in capital of this company is HK$1,000

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

45. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates *(Continued)*

(b) Jointly Controlled Entities

As at 31 December 2008, the Company had interests in the following principal jointly controlled entities (all are unlisted):

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Beijing Capital Expressway Development Co., Ltd.	PRC	Limited liability company	RMB100	50%	—	Infrastructure construction and operation
Hohhot City Rainbow Road Construction Limited Liability Company	PRC	Limited liability company	RMB151	—	40%	Highway investment
Xiang Tan Fourth Harbour Construction Co., Ltd	PRC	Limited liability company	RMB30	—	40%	Infrastructure construction and operation
NYK Zhenhua Logistics Co., Ltd	PRC	Limited liability company	RMB66	—	51%	Transportation and Logistics
Tianjin Northern Petrochemicals Terminal Co., Ltd	PRC	Limited liability company	RMB247	—	50%	Storage and transportation of oil

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

45. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates *(Continued)*

(c) Associates

As at 31 December 2008, the Company had interests in the following principal associates (all are unlisted):

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
CII Limited	Hong Kong	Limited liability company	HKD1,000	—	48%	Investment holding
Shanghai Jianshe-Luqiao Machinery Co., Ltd.	PRC	Limited liability company	USD10	—	25%	Manufacturing of machinery
Tianjin Port CIMC-Zhenhua Logistics Co., Ltd	PRC	Limited liability company	RMB200	—	34%	Transportation and Logistics
Tianjin Ganghang Engineering Co., Ltd.	PRC	Limited liability company	RMB58	—	49%	Manufacturing of machinery
Shanghai Third Navigation ASP Pipe Ltd.	PRC	Limited liability company	USD6.32	—	33%	Manufacturing of machinery
TaiYuan-ZhongWei-YinChuan Railway Co., Ltd.	PRC	Limited liability company	RMB300	17.54%	—	Railway Construction and operation
Zhuhai Harbour Construction Engineering Co., Ltd.	PRC	Limited liability company	RMB10	45%	—	Infrastructure construction

46. Events After the Balance Sheet Date

The following events took place subsequent to 31 December 2008 and up to the date of approval of these financial statements.

(a) At the meeting of the Board of Directors held on 14 April 2009, it was resolved that the Company is authorised to issue medium term notes in PRC in a total principal amount of no more than RMB5,000 million and with a maturity no longer than ten years from issuance in 2009.

(b) As approved in the "Notice on Receiving of Registration" (Zhong Shi Xie Zhu [2009] MTN No. 16) issued by National Association of Financial Market Institutional Investors of the PRC, ZPMC is authorised to issue medium term notes in a registered principal amount of RMB2,200 million with a maturity of five years from issuance. Such issuance, underwritten by Bank of Shanghai Company Ltd., was completed on 10 April 2009, of which RMB1,800 bore an interest rate of 4.1% per annum and RMB400 million bore an interest rate of 4.0% per annum.

47. Holding Company

The Company's directors regard CCCG, a company established in the PRC, as the immediate and ultimate holding company of the Company.

Terms & Glossaries

"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
"CAGR"	compound annual growth rate
"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
"dock"	for ships, a cargo handling area parallel to the shoreline
"Eleventh Five-Year Plan"	the Eleventh Five-Year Plan for National Economic and Social Development (2006–2010) promulgated by the State Council on the Tenth National People's Congress in 2006
"GDP"	gross domestic product
"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 Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"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
"SASAC"	the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)

Terms & Glossaries *(Continued)*

"SPMP"	Shanghai Port Machinery Plant Co. Limited, a company incorporated on 7 July 1988 in the PRC and wholly-owned by the Company
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"suspension bridge"	a type of bridge. A typical suspension bridge is a continuous girder with one or more towers erected above piers in the middle of the span. The girder itself is usually a truss or box girder though in shorter spans, plate girders are not uncommon. At both ends of the bridge large anchors or counter weights are placed to hold the ends of the cables
"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 46.1%

Corporate Information

Registered Office

No. 88C, An Ding Men Wai Street,
Dongcheng District, Beijing 100011,
China

Hong Kong Representative Office and Principal Place of Business in Hong Kong

19th Floor, China Harbour Building,
370–374 King's Road,
North Point, Hong Kong

Website Address

www.cccltd.cn

Joint Company Secretaries

LIU Wensheng
KAM Mei Ha, Wendy *(ACS, ACIS)*

Authorised Representatives

FU Junyuan
LIU Wensheng

International Auditors

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
22nd Floor, Prince's Building
Central, Hong Kong

PRC Auditors

PricewaterhouseCoopers Zhong Tian CPAs
Limited Company
Certified Public Accountants, PRC
11th Floor PricewaterhouseCoopers Center
202 Hu Bin Road
Shanghai 200021, China

Hong Kong Legal Advisors

Freshfields Bruckhaus Deringer
11/F, Two Exchange Square, Hong Kong

PRC Legal Advisors

Jia Yuan Law Firm
F407, Ocean Plaza,
158 Fuxing Men Nei Avenue,
Beijing 100031, China

H Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's
183 Queen's Road East, Wanchai, Hong Kong

Investor Relations Contact

China Communications Construction Company Limited
Board of Directors' Office
Investor Relations Team
Address: 85 De Sheng Men Wai Street,
Xicheng District, Beijing 100088, China
Tel: (8610) 82016562
Fax: (8610) 82016524
Email: ir@cccltd.cn

CHINA COMMUNICATIONS
CONSTRUCTION COMPANY LIMITED

19th Floor, China Harbour Building,
370-374 King's Road,
North Point, Hong Kong

www.cccltd.cn