# We are building a connected WORLD

Interim Report 2009

CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

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

(Stock Code: 1800)

# Contents



# Financial Highlights

| (RMB million, except per share data) | For the six months ended 30 June 2009 | 2008 | change (%) |
|---|---|---|---|
| Revenue | **96,840** | 75,749 | 27.8 |
| Profit for the period | **3,590** | 2,861 | 25.5 |
| Profit attributable to equity holders of the Company | **3,025** | 2,200 | 37.5 |
| Earnings per share | **0.20** | 0.15 | 37.5 |

| (RMB million, except per share data) | As at 30 June 2009 | 31 December 2008 | change (%) |
|---|---|---|---|
| Total assets | **241,217** | 218,098 | 10.6 |
| Total liabilities | **182,806** | 165,929 | 10.2 |
| Total equity | **58,411** | 52,169 | 12.0 |
| Equity attributable to equity holders of the Company | **46,903** | 41,171 | 13.9 |
| Equity attributable to equity holders of the Company per share | **3.16** | 2.78 | 13.9 |

| RMB million | For the six months ended 30 June 2009 | 2008 | change (%) |
|---|---|---|---|
| New contracts | **155,444** | 128,970 | 20.5 |

| RMB million | As at 30 June 2009 | 31 December 2008 | change (%) |
|---|---|---|---|
| Backlog | **360,128** | 334,300 | 7.7 |

# Chairman's Statement

**Dear Shareholders,**

In the first half of 2009, benefiting from proactive fiscal policies, relatively relaxed monetary policies and the economic stimulus package implemented by the PRC government, there were new opportunities arising in the communication construction industry in China. Under favourable business environment, with the care and support from each of our shareholders, together with the devotion of the Company's management and all employee, the Company aggressively captured the opportunities for development and expanded its scale of operation. Allocation of resources was optimised and production capability was enhanced. The Company continued to maintain a steady relatively but fast pace of development. All key performance indicators were improved from the corresponding period of 2008 and remarkable results were achieved. Revenue of the Company for the six months ended 30 June 2009 was RMB96,840 million, representing a year-on-year increase of 27.8%. Profit attributable to shareholders of the Company amounted to RMB3,025 million, representing a year-on-year increase of 37.5%. Value of new contracts amounted to RMB155,444 million, representing a year-on-year increase of 20.5%. The overall economic efficiency of the Company and earnings per share remained the best among the peers in China.

In the first half of 2009, the development of the various business segments within the Company exhibited different characteristics, however, the Company managed to maintain its steady development as a whole. There was a relatively significant increase in the value of new contracts and the number of projects undertaken for infrastructure construction business. Certain key state projects under construction were successively completed. There was a slow down in the growth of ports construction, whilst the growth in the construction of roads and bridges was relatively higher. Further progresses were achieved in the development of new markets such as railway, metro and subway tunnel. Growth in the overseas infrastructure construction business remained steady. BT and BOT projects were implemented successfully, which in turn shared evident growth in infrastructure construction business. Infrastructure design business has increased with new projects in the exploration and design market for roads and bridges, and business development has recorded the best result in any history on a year-on-year basis. Growth in the traditional infrastructure dredging market slowed down while growth in the demand for reclamation dredging became relatively higher. With the completion of several dredging vessels that were put into operation, the capabilities of the Company's dredging business were further strengthened. The decrease in subcontraction and leasing of vessels has increased profitability of our dredging business. As a result of the global financial crisis, as well as the slump in international maritime industry, the effect on the port machinery manufacturing business was relatively significant. The drop in product orders was wide spread and extensive. However, clear progress was made in exploring new markets subsegment such as marine heavy machinery through accelerated adjustment of our product portfolio.

In the first half of 2009, with the continuous growth in the competence of the Company, its market position within and outside China further improved. The Company was ranked the 341st among the "Global 500" awarded by Fortune Magazine for the year 2009, a leap of 85 places ahead of its ranking in 2008. Among the 225 largest international contractors awarded by the Engineering News Record ("ENR") of US for the year 2009, the Company was ranked the 16th in the world, moving up two places as compared with its ranking in 2008 and was the No.1 Chinese contractor in such ranking for past three consecutive years. Among the top 150 construction design companies in the world, the Company also ranked the 31st, which was three places ahead of its ranking in 2008 and again was the third consecutive year to be the No.1 Chinese company in such ranking.

Looking ahead in the second half of 2009, current economic policies in China will likely to be maintained. The policies regarding the development of our industry will not change and the construction of communication infrastructure will remain one of the important policy pillars in the State's fiscal stimulus package for driving up economic growth. A number of key projects will commence successively and the trend in the market will continue to be favourable, both of which are beneficial to the Company for future development. In the second half of the year, the Company will continue to capture unprecedented opportunities for its development. By leveraging on the sustainable development in the Company, various adverse effects brought by the global financial crisis would be mitigated positively. Through adapting to changes in the market, the Company will adjust its business and product portfolio, so as to maintain a steady and balanced growth in its various principal operations. At the same time, the Company will keep focusing on economic efficiency and adopt practicable measures to further improve the qualitative efficiency in operations, and seek to maintain a continuous growth on the Company's overall operating performance. As such, we would focus on implementing the following measures:

(i) We will continue to well manage our production and operation activities, which will help to maintain the steady growth in our principal operations. By capitalising on market opportunities, our competitive edge in the traditional market will be consolidated and expanded. At the same time, we will target to expand into those markets and businesses which deliver high gross profit margin, are at the high end of the industry chain and have good prospect of development. In particular, we are determined to devote additional efforts to the market development of the construction businesses of railway and metro in order to increase our market share.

(ii) We will enhance the execution of key projects so as to develop of the "CCCC" brand. Considerable emphasis will be placed on the bidding and implementation of key projects with quality so as to secure the market position of the Company. At the same time, the Company will scientifically deal with the four essential factors of project management, including safety, quality, progress and cost according to the features of different projects to ensure high quality.

(iii) We will continue to further develop activities for "the Year of Efficiency Management". By promotion and implementation of outstanding management experiences, we will enhance the level of management and will ensure that the enterprise is operated in a sound manner. We will further improve and innovate our management mechanisms so as to explore areas of potential economic growth and further expand room for the development of the Company. More efforts will be devoted to the research and development for our scientific technologies. With a strong competence in scientific technologies as a support, we can then incubate new profit generating drivers.

(iv) We will further enhance comprehensive risk management. Firstly, we must strictly specify the work flow and management procedures. This will ensure safe, standardised and orderly operation that will prevent operating risks. Secondly, we will continue to pursue for improvement in the operating structure and business composition that will ensure a steady development of the enterprise and the prevention of market risks. Thirdly, we have to consistently place considerable emphasis on capital management. More efforts will be devoted to the collection of trade receivables and the centralised administration of cash flow and other funds. This will allow a reasonable balance in financing arrangements and strictly prevent the financing risks.

(v) We will place high priority to cost control to maximise efficiency. We will proactively take effective measures to formulate relevant systems and enhance cost control. This will help with increasing gross profit margin.

(vi) We will highly focus on the management of trade receivables and inventories. We will continue strengthening our work in the collection of trade receivables. We have to suppress the trend where inventories, mainly raw materials and work in progress, are growing too fast, in order to relieve our working capital pressure.

(vii) We will place considerable emphasis on capital management and effectively control financial risks. Attention will be given to the net cash flow generated from operating activities to ensure sound operation of the enterprise. A coordinated planning on the application of funds and optimised allocation and transfer of funds will be made so that we can manage to maintain a strong financial control. Capital management will be further centralised. This enables us to improve the efficiency of our capital management and maintain a sound financial position.

(viii) We will impose very tight control over capital expenditure. Plans on capital expenditure will be reasonably considered and the scale of capital expenditure must be controlled according to business development needs and capital position of the Company.

(ix) We will conduct more scientific and stringent investigation over investment projects. We will impose strict control over the investment process and effectively avoid overbudgeting in order to ensure that we would receive the expected returns over our investments.

With the understanding and support of every shareholder, I believe that as long as we continue our persistence and carefully complete every task, I am confident that we can fulfil the key performance indicators for the year 2009, achieve an outstanding result and bring an even more satisfactory return to all the shareholders.

**Zhou Jichang**
*Chairman*

Beijing, China
16 September 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 heavy machinery manufacturing. Leveraging on its extensive operating experience, expertise and know-how accumulated from projects undertaken across a wide range of sectors over the past five decades, the Company is capable of providing integrated solutions throughout each stage of an infrastructure project for its customers.

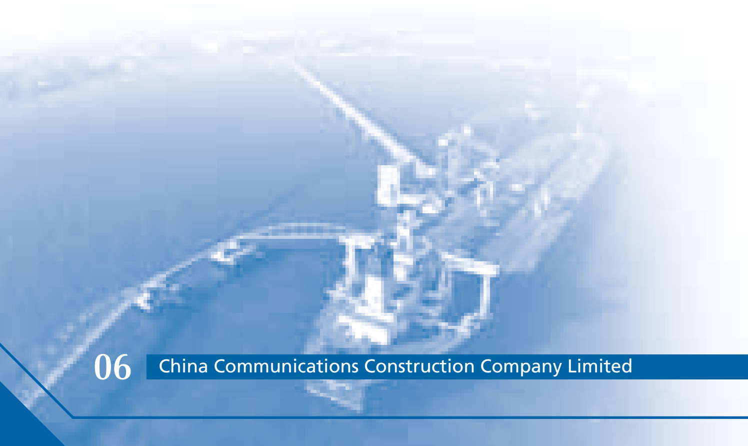
The Company operates its businesses throughout China, and in particular, is more actively in the largest three most prosperous and rapidly growing economic regions, namely the Bohai Bay, the Yangtze River Delta and the Pearl River Delta. Meanwhile, the Company has established its global presence in over 70 countries and regions, mainly South East Asia, the Middle East, Africa, Commonwealth of Independent States and South America.

In the first half of 2009, faced with persisting impact of the global financial crisis and basis of economic recovery in the PRC not yet solid, the PRC government proactively implemented fiscal policies and relatively relaxed monetary policy. The PRC government swiftly implemented the stimulus plan to boost domestic demand and the magnitude of increase in investments in basic infrastructure, such as railways, roads, bridges and airports, was notably higher and the number of new projects kicked off increased rapidly. As at 30 June 2009, the planned new investment for fixed asset projects in China increased by 87.3% in comparison with the corresponding period of 2008.

As the leading transportation infrastructure group in China, the Company is well-positioned to benefit from the economic stimulus plan of China and has experienced a relatively fast increase in the number of domestic project orders received in the first half of 2009, of which a number of large-scale bridges and high-grade roads were kicked off simultaneously. The value of new contracts signed by the Company also increased rapidly. The railway projects under construction progressed smoothly and, on numerous occasions, the Company received recognitions at the peer evaluation comparisons conducted by the Ministry of Railways and maintained its leading position in the railway market. The construction of Chinese coastal port industrial zones, surrounding land reclamation and dredging projects was accelerated in progress which positively reassured the continued development of our dredging business.

On the other hand, due to the slowdown of global economic growth resulting from the global financial market crisis, import and export trading of China decreased by 23.5% in the first half of 2009 compared to the corresponding period of 2008. Our port construction, port and navigation channel dredging as well as port machinery manufacturing business of heavy machinery manufacturing business segments were affected to different extents. In particular, the orders received by the port machinery manufacturing business with global market orientation experienced a substantial contraction in demand as compared to the past years. In the meantime, the overall demand in the international construction market experienced volatility. Market competition in developing countries became increasingly fierce and the volume of contracting work in certain regions therefore decreased. The number of new large contracts secured by the Company decreased as compared with the same period of last year. Notwithstanding these adverse circumstances, the Company fully capitalised on the government subsidised overseas construction projects and the high-end Middle East market and achieved further market penetration. Impact on the expansion of our overseas operation was very limited.

During the first half of 2009, the Company closely followed changes in the industry dynamics, devoted efforts on both domestic and overseas markets, expanded scope of operation, optimised resources allocation, expanded production capacity and controlled operational risk. Our overall operations maintained steady development while key performance indicators improved on a year-on-year basis and our mid-year targets were achieved in principal.



In the second half of 2009, the Company is fully confident on market expansion and will place a greater emphasis on the overall management improvement. Key areas of improvement include: 1) standardising project management and continuing to push forward centralised management of raw material purchases and deepen the activities for "the Year of Efficiency Management"; 2) undertaking more large-scale projects with greater room for profitability and enhancing overall profitability of the Company; 3) under the guidance of the Scientific Outlook on Development, comprehensively analyzing comparative advantages and disadvantages of the Company among industry peers with a view to achieve the optimal positioning for the Company and well position itself for the direction and goals of future development; 4) strictly controlling various investments and preparing well for risk control; and 5) devoting additional efforts to the collection of trade receivables, and to reduce costs and enhance efficiency.

In the first half of 2009, revenue for the Company was RMB96,840 million, representing a year-on-year increase of 27.8%. The value of new contracts amounted to RMB155,444 million, representing a year-on-year increase of 20.5%. As at 30 June 2009, the backlog for the Company was RMB360,128 million, representing an increase of 7.7% compared to the end of 2008.

## 1. Infrastructure Construction Business

In the first half of 2009, the Company completed infrastructure construction projects with a total revenue of RMB67,707 million, representing a year-on-year increase of 37.6%. The value of new infrastructure construction contracts reached RMB128,329 million, representing a year-on-year increase of 36.8%. As at 30 June 2009, the backlog for infrastructure construction was RMB301,680 million, representing an increase of 13.6% compared to the end of 2008.

In the first half of 2009, the competitive advantage of the Company in the infrastructure construction market in the PRC was further strengthened with our overall competence visibly enhanced, not only reflecting the state-of-the-art standard in China, but also globally. Suramad Bridge in Indonesia, the largest cross-sea bridge in Southeast Asia, was designed and constructed by the Company according to the PRC construction standard and commenced operation. As for the BT projects undertaken by the Company, Chongqing Chaotianmen Yangtze River Bridge, the largest span steel top arch bridge in the world, was completed and opened for traffic. Guizhou Balinghe Bridge, the world's largest span in mountain area, was closed up successfully. Maijishan Tunnel of Baotian Expressway, the second longest expressway tunnel in Asia, was fully connected. This tunnel crosses the main peak of Qinling Mountain and is by far the longest solo-ended digging tunnel in China. On railway projects undertaken by the Company, namely, the Beijing-Shanghai High-Speed PDL and the Harbin-Dalian PDL, received several accreditations by the Ministry of Railway in terms of project quality and progress and exhibited the strong capability of the Company in railway market penetration and operation.

### (1) Port Construction

In the first half of 2009, new contracts of the Company for the domestic port construction projects reached RMB16,584 million, representing a year-on-year increase of 11.0%. Though during the first half of the year, the overall macro-economic situation showed a gradual improvement, the prolonged effect of global financial crisis resulting in the contraction of import and export trading visibly affected the transportation industry. The extent of negative impact on the profitability for shipping companies and port operators varied and their demand for investment was therefore weakened. In order to adapt to the changing market conditions, the Company leveraged on its competitive edge to reinforce its market leadership in traditional port construction business while continued working with its customers to test out certain upgrade of coastal ports to promote technology upgrade of older ports and functionality adjustment of older port areas. These efforts compensated for the lack of large size port construction. In addition, the Company placed greater emphasis on waterway engineering projects to minimise the fluctuations of the Company's business under the volatile market environment.

In the first half of 2009, the main new orders secured by the Company include bulk berth construction project at the southern port area of Liuwudian in Xiamen Port, works for the container terminal #1 and #2 at Ningbo-Zhoushan Meishan Bonded Zone, and for 100,000 ton-class aluminum oxide and fertilizer bulker at Gangqitai port area at Lianyungang Port.

# 1. Infrastructure Construction Business (Continued)

## (2) Road and Bridge Construction

In the first half of 2009, new contracts of the Company for the domestic road and bridge projects reached RMB56,454 million, representing a year-on-year increase of 148.5%. During the first half of the year, under the government direction of "maintain growth, expand domestic demand and adjust structure", the speed of construction of basic transportation infrastructure further accelerated. The number of newly kicked off projects and the scale of investment of fixed assets grew by two-fold. The Company participated in each of the key state, provincial and city-level projects with our effort on market expansion reaping the fruits.

In the first half of 2009, the main new projects secured by the Company include Jiashao Bridge which is the longest and widest multi-tower cable-stayed bridge in the world, the construction project for the Xiamen-Zhangzhou Cross-sea Bridge, and the construction project for the Hanzhong-Lveyang Expressway which is a state and provincial-level key project. The main projects completed by the Company include Jiangsu Taizhou Yangtze River Bridge, Nanjing Forth Yangtze River Bridge, Pingtan Bridge and Nanchang Hongdu Bridge, etc.

## (3) Railway Construction

In the first half of 2009, new contracts of the Company for the domestic railway projects reached RMB12,970 million, representing a year-on-year decrease of 5.5%. The railway construction market in China entered into a boom in 2009 with fast growth, bringing unprecedented opportunities for the Company and further reaffirmed our confidence and conviction in entering the railway market. In the first half of the year, the Company continuously reinforced efforts in project planning, optimising construction techniques, deepening expertise training, strengthening cost management, establishing a railway construction management system that is unique for CCCC and accomplishing our vision of "complete a successful project, train up a team and create a brand".

In the first half of 2009, the main new projects won by the Company were Lanzhou-Sichuan Railway, SectionXG-2 of Hunan-Guilin Railway, Section SHZH-1 of Suzhou-Huai'an Railway, Section CMLZQ-6 of Chengdu-Mianyang-Leshan PDL and so on. In terms of projects under construction, the Company achieved satisfactory progresses for Beijing-Shanghai High-Speed PDL, Harbin-Dalian PDL, Shanghai-Nanjing Intercity Railway and Shijiazhuang-Wuhan PDL. The Company received on numerous occasions recognitions during the peer evaluation comparisons conducted by the Ministry of Railways.

## (4) Investment Business

In the first half of 2009, new contracts of the Company for the domestic investment business amounted to RMB1,966 million, representing a year-on-year decrease of 69.9%. In the first half of the year, in the face the complicated macro-economic circumstances and difficult investment environment, in order to better control investment risks, the Company strengthened its monitoring over the projects under construction and made certain improvements and amendments where relevant.

In the first half of 2009, the main projects for which the Company completed construction and began operation or passed on for operation include: the BOO project for Yueyang Chenglingji Port in Hunan, the BOT project for Foshan-Guangming Expressway, the BT project for Chaotianmen Yantze River Bridge in Chongqing, and the BT projects for Fengxiang Road and Qingqi Road in Wuxi, etc.

## 1. Infrastructure Construction Business (Continued)

### (5) Overseas Business

In the first half of 2009, new contracts of the Company for the overseas infrastructure construction projects amounted to US$4,496 million, representing a year-on-year increase of 14.7%. In the first half of the year, the overall demand in the international construction market experienced volatility. Market competition in developing countries became increasingly fierce and the volume of contracting work in certain regions was therefore reduced. The number of new large contracts secured by the Company decreased as compared with the corresponding period of 2008. However, the Company's internal manufacturing resources leveraged on the three brands of CCCC, CHEC and CRBC, jointly developed overseas market strategies and fully capitalised on the government subsidised oversea construction projects and the high-end Middle East market and achieved further market penetration notwithstanding the adverse circumstances. Impact on our expansion of overseas expansion was very limited.

In the first half of 2009, the main new projects won by the Company include the reconstruction and improvement project of Tuen Mun Road in Hong Kong, the extension project of Berth #4 and #5 of Nouachott in Mauritania, the reconstruction project of Tajikistan-China Road in Tajikistan and the Bata Port project in Equatorial Guinea and so on.

### (6) Other Projects

While solidifying market share in its traditional established domestic market and maintaining an industry leading position, the Company has been exploring into new markets beyond the traditional scope and is actively pursuing untapped market. The number of projects for civil works, subway and housing construction continued to increase, which positively complemented the core business operation.

## 2. Infrastructure Design Business

In the first half of 2009, revenue for the Company's completed infrastructure design business reached RMB3,485 million, representing a year-on-year increase of 7.6%. The value of new infrastructure design contracts reached RMB5,819 million, representing a year-on-year increase of 30.1%. As at 30 June 2009, the backlog for the infrastructure design business was RMB12,735 million, representing an increase of 16.1% compared to the end of 2008.

In the first half of 2009, the pace of investment for the road and bridge construction market picked up mainly due to: 1) the past project applications have been implemented resulting from gradual implementation of stimulus policy to boost domestic demand by the PRC government, and 2) new project listing work have been accelerated. In the first half of the year, the number of the new projects kicked off increased and the volume for new tender bids also grew faster on a year-on-year basis. The market for exploration and design of road projects were featured by tight timeline and relatively complicated construction conditions. The Company fully captured the opportunities arising from the stimulus policy, increased efforts on operational improvement thereby achieved the best operating result in the history of the Company.

As import and export shipping from ports in China decreased as a result of prolonged impact from global financial crisis, the port construction activities in China were also affected to a certain extent. In the first half of 2009, the value of new contracts for the design of waterway transportation in China decreased slightly.

The Company sees the overseas market as the major growth engine for its infrastructure design business. Expansion into the overseas market is a measure to diversify domestic market risk and at the same time strike a balanced business mix and promote continuous development. The Company will place more emphasis on the overseas business as its direction of development, and strive to achieve a coordinated development between the domestic and overseas markets.

## 2. Infrastructure Design Business (Continued)

In the first half of 2009, the main new projects won by the Company include Section A1 and A3 of survey and design project of Guangzhou-Lechang Expressway, the construction work for the embankment of Dongjiakou Port at Qingdao Port, the reconstruction and extension project for Bata Port in Equatorial Guinea, and the general contract for the international cruise ferry terminal at Wusong Port, Shanghai. In March 2009, the Company was awarded the mandate on the preliminary design project for the main structure of Hong Kong-Zhuhai-Macau Bridge after six years of dedicated preparation and full utilisation of our technologies and knowhow. In June 2009, the Company won the mandate on the design contract for the artificial island reclamation for Zhuhai and Macau ports for Hong Kong-Zhuhai-Macau Bridge. The Company took the first step for the construction of Hong Kong-Zhuhai-Macau Bridge Project and also demonstrated its competence and leading position in the infrastructure design business.

## 3. Dredging Business

In the first half of 2009, revenue for the Company's dredging business reached RMB10,537 million, representing a year-on-year increase of 21.4%. The value of new dredging contracts reached RMB15,109 million, representing a year-on-year increase of 37.9%. As at 30 June 2009, the backlog for the dredging business was RMB22,896 million, representing an increase of 21.0% compared to the end of 2008.

In the first half of 2009, the Company completed approximately 385 million cubic meters in terms of dredging volume, representing approximately 80% of the total domestic dredging volume in the PRC, of which approximately 193 million cubic meters were for capital and maintenance dredging and approximately 192 million cubic meters were for land reclamation dredging. In the first half of the year, the Company's plan to build its own special purpose mega vessels progressed smoothly. In the second half of 2009, there will be 13 special purpose mega vessels put into operation. According to the standard working condition, our annual production capability will be increased by 120 million cubic meters.

In the first half of 2009, on the one hand, the activity level of the dredging and surrounding land reclamation market in China constantly fluctuated, however, the market expansion is still in a faster developing trend through the Company's efforts. In the first half of the year, the volume of throughput handled by ports in China fell, resulting in the decreased demand for deep water navigation channel dredging and hence slowed the growth in traditional capital dredging market. On the other hand, there was a large demand for new land arising from the large-scale city basic infrastructure projects in China and the development of coastal port areas leading to a significant demand for land reclamation dredging. To capture these opportunities, the Company proactively adjusted its production resources and effectively compensated for the slowdown in demand from capital and maintenance dredging and thereby achieved an increase in new contracts signed. In the meantime, the dredging equipment added by the Company during the "Eleventh Five-Year Period" gradually started to yield promising results, leading to enhanced production capacity and improved profitability substantially.

In the first half of 2009, the main new projects won by the Company include the Phase III of Channel Extension Project of Tianjin Port, and 250,000 ton-class Navigation Channel Dredging Project of Bayuquan Port Area in Yingkou and Phase II of the reclamation project in Tianjin Harbor Industrial Zone.

## 4. Heavy Machinery Manufacturing Business

In the first half of 2009, revenue for the Company's heavy machinery manufacturing business reached RMB14,777 million, representing a year-on-year increase of 20.2%. The value of new heavy machinery contracts reached RMB4,299 million, representing a year-on-year decrease of 74.3%. As at 30 June 2009, the backlog for the heavy machinery manufacturing business was RMB20,308 million, representing a decrease of adjust 42.9% compared to the end of 2008.

Due to the decline in international shipping and demand for container port business, the number of orders for the Company's port machinery products were directly affected. The Company's container port machinery products already account for approximately 78% of the world's market share, the market condition would make the Company accelerate to adjust product portfolio and explore new direction in developing its heavy machinery manufacturing business.

In March 2009, ZPMC, a subsidiary controlled by the Company, successfully completed a private placement by way of asset injection. The 100% equity interest in CCCC Shanghai Port Machinery Company Limited and 60% equity interest in Shanghai Jiangtian Industrial Co., Ltd. held by the Company were injected into ZPMC. The private placement materialised the integration of technology research and development as well as efficient allocation of operation resources and thus enhanced the competitiveness of ZPMC. In May 2009, ZPMC was renamed as Shanghai Zhenhua Heavy Industry (Group) Limited ("ZPMC") as a recognisation of marine engineering equipment, large steel structure and steel structured bridge as its new product development areas which accelerated the pace of the adjustment in the product mix.

In 2006, ZPMC began to enter into maritime heavy machinery product segment and manufactured "Hua Tian Long", a 4,000-ton fully-rotary floating crane, "Lan Jing", a 7,500-ton full-rotary floating crane, as well as pipe laying vessels, dredgers, auxiliary vessels for various projects, various platforms for the exploration of oil and gas, dynamic positioning devices and large-size anchors. These initiatives prepared the Company well to enter into a new market segment with competent technologies and production equipment. In the first half of 2009, the development of new business of ZPMC continued steadily. New products such as a 27-cubic metre clamshell dredger, which was designed and built in the PRC, and the 1,200-ton pipe laying vessel, which was the first one ever researched and developed in China, were successively delivered for use.

In the first half of 2009, the main new projects won by ZPMC include the contracts for the world's largest bulk stevedoring equipment, nine units of bulk crane from VALE in Brazil, eight units of quayside container crane from GMP in France, six units of quayside container crane and twelve gantry cranes for Meishan Bonded Zone in Ningbo. On 20 July 2009, ZPMC entered into a marine product contract of US$2.2 billion for an offshore self-elevating drilling platform, an onshore driller and a floating crane. This served to further strengthen its pace of altering its product composition.

# Management's Discussion and Analysis

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

## Overview

For the six months ended 30 June 2009, revenue of the Group amounted to RMB96,840 million, representing an increase of RMB21,091 million, or 27.8% from RMB75,749 million in the corresponding period of 2008.

Gross profit for the six months ended 30 June 2009 amounted to RMB8,626 million, representing an increase of RMB1,166 million, or 15.6%, from RMB7,460 million in the corresponding period of 2008.

Mainly as a result of growth in gross profit, operating profit for the six months ended 30 June 2009 amounted to RMB5,532 million, representing an increase of RMB1,358 million, or 32.5%, from RMB4,174 million in the corresponding period of 2008.

For the six months ended 30 June 2009, profit attributable to equity holders of the Company amounted to RMB3,025 million, representing an increase of 37.5% from RMB2,200 million in the corresponding period of 2008. For the six months ended 30 June 2009, earnings per share of the Group was RMB0.20, compared with RMB0.15 in the corresponding period of 2008.

The following is a comparison of financial results between the six months ended 30 June 2009 and 2008.

## Consolidated Results of Operations

### Revenue

Revenue for the six months ended 30 June 2009 amounted to RMB96,840 million, representing an increase of RMB21,091 million, or 27.8%, from RMB75,749 million in the corresponding period of 2008. Revenue from the infrastructure construction business, infrastructure design business, dredging business, heavy machinery manufacturing business increased by RMB18,503 million, RMB247 million, RMB1,856 million and RMB2,484 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 37.6%, 7.6%, 21.4% and 20.2%, respectively, over the corresponding period of 2008; revenue from other businesses segment decreased by RMB1,638 million or 44.6% from the corresponding period of 2008, primarily attributable to the lower revenue generated from our logistics business as a result of lower import and export trading activities experienced during the recent global financial crisis.

## Consolidated Results of Operations (Continued)

### Cost of Sales and Gross Profit

Cost of sales for the six months ended 30 June 2009 amounted to RMB88,214 million, representing an increase of RMB19,925 million, or 29.2%, from RMB68,289 million in the corresponding period of 2008. Increases in cost of sales from the infrastructure construction business, infrastructure design business, dredging business and heavy machinery manufacturing business amounted to RMB17,781 million, RMB170 million, RMB1,437 million and RMB2,467 million (all before elimination of inter-segment transactions), respectively, representing an increase of 38.9%, 7.0%, 19.1% and 23.4%, respectively, over the corresponding period of 2008. For the six months ended 30 June 2009, cost of sales from other businesses decreased by RMB1,569 million or 46.1% from the corresponding period of 2008, which was primarily attributable to lower cost of sales from our logistics business.

For the six months ended 30 June 2009, cost of raw materials and consumables used increased by 32.7% to RMB39,275 million from RMB29,592 million in the corresponding period of 2008; subcontracting costs increased by 35.6% to RMB23,064 million from RMB17,005 million; employee benefits increased by 29.4% to RMB7,720 million from RMB5,968 million in the corresponding period of 2008 and a significant portion of employee benefits was accounted for in cost of sales; equipment usage cost increased by 30.4% to RMB3,016 million from RMB2,312 million; depreciation of property, plant and equipment and investment properties increased by 47.1% to RMB2,151 million from RMB1,462 million and a significant portion of depreciation was accounted for in cost of sales; repair and maintenance expenses increased by 30.7% to RMB1,141 million from RMB873 million in the corresponding period of 2008. These increases in cost of sales were partially offset by the decrease in transportation cost of 40.6% from RMB2,705 million to RMB1,607 million, mainly attributable to the decrease in activities from our logistics business.

As a result, gross profit for the six months ended 30 June 2009 amounted to RMB8,626 million, representing an increase of RMB1,166 million, or 15.6%, from RMB7,460 million in the corresponding period of 2008. Gross profit margin decreased to 8.9% for the six months ended 30 June 2009 from 9.8% in the corresponding period of 2008, primarily due to increased number of newly commenced projects during this period while the progress has not met the conditions which allow for gross profit to be recognised according to the percentage of completion method we adopt as well as due to a higher level of overall depreciation charge across our business as a result of large capital expenditure investment during 2008.

### Operating Profit

Operating profit for the six months ended 30 June 2009 amounted to RMB5,532 million, representing an increase of RMB1,358 million, or 32.5%, from RMB4,174 million in the corresponding period of 2008. The increase was mainly due to the increase in gross profit from the infrastructure construction business, infrastructure design business, dredging business and heavy machinery manufacturing business, amounting to RMB722 million, RMB77 million, RMB419 million and RMB17 million (all before elimination of inter-segment transactions and unallocated profit) respectively, representing an increase of 20.8%, 9.6%, 36.4% and 1.0%, respectively. In addition, the Group recorded other gains, net of RMB280 million for the six months ended 30 June 2009, as compared with other losses, net of RMB549 million for the corresponding period of 2008, which was primarily attributable to the increase in the net foreign exchange gains and the reduced losses on foreign exchange forward contracts. These changes in other gains, net in turn contributed positively to the operating profit by RMB829 million.

For the six months ended 30 June 2009, operating profit from the infrastructure construction business, infrastructure design business, dredging business, heavy machinery business and other businesses increased by RMB707 million, RMB33 million, RMB417 million, RMB173 million and RMB24 million (all before elimination of inter-segment transactions and unallocated profit), representing a growth rate of 39.6%, 8.4%, 50.2%, 15.7% and 53.3% respectively, from the corresponding period of 2008.

As a result, operating profit margin increased to 5.7% for the six months ended 30 June 2009 from 5.5% for the corresponding period of 2008.

## Consolidated Results of Operations (Continued)

### Interest Income

Interest income for the six months ended 30 June 2009 amounted to RMB321 million, representing an increase of RMB25 million, or 8.4%, from RMB296 million for the corresponding period of 2008.

### Finance Costs, net

Finance cost, net, for the six months ended 30 June 2009 amounted to RMB1,299 million, representing an increase of RMB473 million, or 57.3%, from RMB826 million for the corresponding period of 2008. This increase was primarily attributable to the decrease of RMB455 million in net foreign exchange gains on borrowings resulting from smaller magnitude proportion appreciation of Renminbi against foreign currencies compared with the corresponding period of 2008.

### Share of Profit/(Loss) of Jointly Controlled Entities

Share of profit from jointly controlled entities for the six months ended 30 June 2009 amounted to RMB10 million, compared with share of loss of jointly controlled entities of RMB78 million in the corresponding period of 2008.

### Share of Profit/(Loss) of Associates

Share of the profit of associates for the six months ended 30 June 2009 amounted to RMB4 million, compared with share of loss of associates of RMB11 million in the corresponding period of 2008.

### Profit before Income Tax

As a result of the foregoing factors, profit before income tax for the six months ended 30 June 2009 amounted to RMB4,568 million, representing an increase of RMB1,013 million, or 28.5%, from RMB3,555 million during the corresponding period of 2008.

### Income Tax Expense

Income tax expense for the six months ended 30 June 2009 amounted to RMB978 million, representing an increase of RMB284 million, or 40.9%, from RMB694 million in the corresponding period of 2008. Effective tax rate for the Group for the six months ended 30 June 2009 increased to 21.4% from 19.5% in the corresponding period of 2008, mainly due to change in preferential tax rates of certain subsidiaries.

### Profit Attributable to Minority Interests

Minority interests for the six months ended 30 June 2009 amounted to RMB565 million, representing a decrease of RMB96 million, or 14.5%, from RMB661 million in the corresponding period of 2008, mainly due to combined factors of the increase in the stake held by us in ZPMC from 43.26% to 46.11% as a result of the completion of private placement by ZPMC in March 2009 and the decrease in the profit of ZPMC during the six months ended 30 June 2009.

### Profit Attributable to Equity Holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company for the six months ended 30 June 2009 amounted to RMB3,025 million, representing an increase of RMB825 million, or 37.5%, from RMB2,200 million in the corresponding period of 2008.

Profit margin with respect to profit attributable to equity holders of the Company was 3.1% for the six months ended 30 June 2009, as compared with 2.9% in the corresponding period of 2008.

## Consolidated Results of Operations (Continued)

### Profit Attributable to Equity Holders of the Company (Continued)

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for the six months ended 30 June 2009 and 2008.

| | Revenue | | Gross Profit | | Gross Profit Margin | | Operating Profit[1] | | Operating Profit Margin | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| **Business** | **2009 RMB million** | 2008 RMB million | **2009 RMB million** | 2008 RMB million | **2009 (%)** | 2008 (%) | **2009 RMB million** | 2008 RMB million | **2009 (%)** | 2008 (%) |
| Infrastructure Construction | **67,707** | 49,204 | **4,199** | 3,477 | **6.2** | 7.1 | **2,492** | 1,785 | **3.7** | 3.6 |
| % of total | **68.7** | 63.8 | **48.7** | 46.6 | | | **45.2** | 42.9 | | |
| Infrastructure Design | **3,485** | 3,238 | **883** | 806 | **25.3** | 24.9 | **428** | 395 | **12.3** | 12.2 |
| % of total | **3.5** | 4.2 | **10.2** | 10.8 | | | **7.8** | 9.5 | | |
| Dredging | **10,537** | 8,681 | **1,569** | 1,150 | **14.9** | 13.2 | **1,248** | 831 | **11.8** | 9.6 |
| % of total | **10.7** | 11.3 | **18.2** | 15.4 | | | **22.6** | 20.0 | | |
| Heavy Machinery Manufacturing | **14,777** | 12,293 | **1,781** | 1,764 | **12.1** | 14.3 | **1,276** | 1,103 | **8.6** | 9.0 |
| % of total | **15.0** | 15.9 | **20.7** | 23.7 | | | **23.1** | 26.5 | | |
| Other businesses | **2,031** | 3,669 | **194** | 263 | **9.6** | 7.2 | **69** | 45 | **3.4** | 1.2 |
| % of total | **2.1** | 4.8 | **2.2** | 3.5 | | | **1.3** | 1.1 | | |
| **Subtotal** | **98,537** | 77,085 | **8,626** | 7,460 | | | **5,513** | 4,159 | | |
| Intersegment elimination and unallocated profit | **(1,697)** | (1,336) | **—** | — | | | **19** | 15 | | |
| **Total** | **96,840** | 75,749 | **8,626** | 7,460 | **8.9** | 9.8 | **5,532** | 4,174 | **5.7** | 5.5 |

*(1) Total operating profit represents the total of segment result plus unallocated profit.*

# Consolidated Results of Operations (Continued)

## Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the six months ended 30 June 2009 and 2008.

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Revenue | **67,707** | 49,204 |
| Cost of sales | **(63,508)** | (45,727) |
| Gross profit | **4,199** | 3,477 |
| Selling and marketing expenses | **(16)** | (14) |
| Administrative expenses | **(1,972)** | (1,683) |
| Other income, net | **281** | 5 |
| Segment result | **2,492** | 1,785 |
| Depreciation and amortisation | **1,114** | 757 |

**Revenue.** Revenue from the infrastructure construction business for the six months ended 30 June 2009 was RMB67,707 million, representing an increase of RMB18,503 million, or 37.6%, as compared with RMB49,204 million in the corresponding period of 2008, primarily attributable to increase in the aggregate value of projects undertaken by the Group, driven by the increased demand for the Group's services as a result of the growth in infrastructure expenditure by the Group's domestic and overseas customers. The value of new contracts entered into for the infrastructure construction business for the six months ended 30 June 2009 was RMB128,329 million, representing an increase of RMB34,511 million, or 36.8% as compared with RMB93,818 million the corresponding period of 2008. No single project accounted for more than 5% of the Group's total revenue for the six months ended 30 June 2009 and 2008.

**Cost of sales and gross profit.** Cost of sales for the infrastructure construction business for the six months ended 30 June 2009 was RMB63,508 million, representing an increase of RMB17,781 million, or 38.9%, as compared with RMB45,727 million in the corresponding period of 2008. Cost of sales as a percentage of revenue increased from 92.9% for the six months ended 30 June 2008 to 93.8% in the corresponding period of 2009.

Gross profit from the infrastructure construction business for the six months ended 30 June 2009 grew by RMB722 million, or 20.8%, to RMB4,199 million from RMB3,477 million over the corresponding period of 2008. Gross profit margin decreased to 6.2% for the six months ended 30 June 2009 from 7.1% in the corresponding period of 2008, primarily due to increased number of newly commenced projects during this period while the progress has not met the conditions which allow for gross profit to be recognised according to the percentage of completion method we adopt as well as due to a higher level of depreciation charge.

## Consolidated Results of Operations (Continued)

### Infrastructure Construction Business (Continued)

**Selling and marketing expenses.** Selling and marketing expenses for the infrastructure construction business for the six months ended 30 June 2009 were RMB16 million, representing an increase of RMB2 million, or 14.3%, as compared with RMB14 million in the corresponding period of 2008.

**Administrative expenses.** Administrative expenses for the infrastructure construction business for the six months ended 30 June 2009 were RMB1,972 million, representing an increase of RMB289 million, or 17.2%, as compared with RMB1,683 million in the corresponding period of 2008, primarily attributable to the increase in administrative personnel and provision for impairment of trade and other receivables. Administrative expenses as a percentage of revenue decreased to 2.9% for the six months ended 30 June 2009 from 3.4% in the corresponding period of 2008 from increased economies of scale.

**Other income, net.** Other income, net for the infrastructure construction business was RMB281 million for the six months ended 30 June 2009 as compared with RMB5 million in the corresponding period of 2008, with an increase of RMB276 million which was primarily attributable to difference between the net foreign exchange gains of RMB49 million for the six months ended 30 June 2009 and the net foreign exchange losses of RMB133 million in the corresponding period of 2008.

**Segment result.** As a result of the above, segment result for the infrastructure construction business for the six months ended 30 June 2009 was RMB2,492 million, representing an increase of RMB707 million, or 39.6%, as compared with RMB1,785 million in the corresponding period of 2008. Segment result margin increased to 3.7% for the six months ended 30 June 2009 from 3.6% in the corresponding period of 2008.

### Infrastructure Design Business

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

The following table sets out the principal profit and loss information for infrastructure design business for the six months ended 30 June 2009 and 2008.

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Revenue | **3,485** | 3,238 |
| Cost of sales | **(2,602)** | (2,432) |
| Gross profit | **883** | 806 |
| Selling and marketing expenses | **(44)** | (43) |
| Administrative expenses | **(404)** | (373) |
| Other (expenses)/income, net | **(7)** | 5 |
| Segment result | **428** | 395 |
| Depreciation and amortisation | **64** | 65 |

## Consolidated Results of Operations (Continued)

### Infrastructure Design Business (Continued)

**Revenue.** Revenue from the infrastructure design business for the six months ended 30 June 2009 was RMB3,485 million, representing an increase of RMB247 million, or 7.6%, as compared with RMB3,238 million in the corresponding period of 2008. This growth was primarily attributable to the 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 higher demand for the Group's specialised design skills and experience in complex projects. The value of new contracts entered into for the infrastructure design business for the six months ended 30 June 2009 was RMB5,819 million, representing an increase of RMB1,348 million, or 30.1%, as compared with RMB4,471 million in the corresponding period of 2008.

**Cost of sales and gross profit.** Cost of sales for the infrastructure design business for the six months ended 30 June 2009 was RMB2,602 million, representing an increase of RMB170 million, or 7.0%, as compared with RMB2,432 million in the corresponding period of 2008. Cost of sales as a percentage of revenue decreased to 74.7% for the six months ended 30 June 2009 from 75.1% in the corresponding period of 2008.

Gross profit from the infrastructure design business for the six months ended 30 June 2009 was RMB883 million, representing an increase of RMB77 million, or 9.6%, as compared with RMB806 million in the corresponding period of 2008. Gross profit margin increased to 25.3% for the six months ended 30 June 2009 from 24.9% in the corresponding period of 2008.

**Selling and marketing expenses.** Selling and marketing expenses for the infrastructure design business for the six months ended 30 June 2009 were RMB44 million, representing an increase of RMB1 million, or 2.3%, as compared with RMB43 million in the corresponding period of 2008.

**Administrative expenses.** Administrative expenses for the infrastructure design business for the six months ended 30 June 2009 were RMB404 million, representing an increase of RMB31 million, or 8.3%, as compared with RMB373 million during the corresponding period of 2008. Administrative expenses as a percentage of revenue increased to 11.6% for the six months ended 30 June 2009 from 11.5% in the corresponding period of 2008.

**Other (expenses)/income, net.** Other expense, net for the infrastructure design business for the six months ended 30 June 2009 was RMB7 million, as compared with other income, net of RMB5 million in the corresponding period of 2008.

**Segment result.** As a result of the above, segment result for the infrastructure design business for the six months ended 30 June 2009 was RMB428 million, representing an increase of RMB33 million, or 8.4%, as compared with RMB395 million in the corresponding period of 2008. Segment result margin increased to 12.3% for the six months ended 30 June 2009 from 12.2% in the corresponding period of 2008.

## Consolidated Results of Operations (Continued)

### Dredging Business

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

The following table sets out the principal profit and loss information for the dredging business for the six months ended 30 June 2009 and 2008.

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Revenue | **10,537** | 8,681 |
| Cost of sales | **(8,968)** | (7,531) |
| Gross profit | **1,569** | 1,150 |
| Selling and marketing expenses | **(11)** | (8) |
| Administrative expenses | **(380)** | (369) |
| Other income, net | **70** | 58 |
| Segment result | **1,248** | 831 |
| Depreciation and amortisation | **400** | 243 |

**Revenue.** Revenue from the dredging business for the six months ended 30 June 2009 was RMB10,537 million, representing an increase of RMB1,856 million, or 21.4%, as compared with RMB8,681 million in the corresponding period of 2008. The revenue growth was primarily attributable to increased port development activities and coastline reclamation activities in the PRC, which led to increased demand for the Group's dredging services. The value of new contracts entered into for the dredging business for the six months ended 30 June 2009 was RMB15,109 million, representing an increase of RMB4,153 million, or 37.9%, compared with RMB10,956 million during the corresponding period of 2008.

**Cost of sales and gross profit.** Cost of sales for the dredging business for the six months ended 30 June 2009 was RMB8,968 million, representing an increase of RMB1,437 million, or 19.1%, as compared with RMB7,531 million in the corresponding period of 2008. Cost of sales as a percentage of revenue for the dredging business for the six months ended 30 June 2009 was 85.1%, as compared with 86.8% in the corresponding period of 2008.

Gross profit from the dredging business for the six months ended 30 June 2009 was RMB1,569 million, representing an increase of RMB419 million, or 36.4%, as compared with RMB1,150 million in the corresponding period of 2008. Gross profit margin for the dredging business increased to 14.9% for the six months ended 30 June 2009 from 13.2% in the corresponding period of 2008, primarily attributable to large-scale projects and reduced reliance on subcontracting as some of the new vessels came into operation during the six months ended 30 June 2009.

**Selling and marketing expenses.** Selling and marketing expenses for the dredging business for the six months ended 30 June 2009 were RMB11 million, representing an increase of RMB3 million, or 37.5%, from RMB8 million in the corresponding period of 2008.

**Administrative expenses.** Administrative expenses for the dredging business for the six months ended 30 June 2009 were RMB380 million, representing an increase of RMB11 million, or 3.0%, as compared with RMB369 million in the corresponding period of 2008. Administrative expenses as a percentage of revenue decreased from 4.3% for the six months ended 30 June 2008 to 3.6% in the corresponding period of 2009, primarily from Group's increased economies of scale.

## Consolidated Results of Operations (Continued)

### Dredging Business (Continued)

**Other income, net.** Other income, net for the dredging business for the six months ended 30 June 2009 was RMB70 million, as compared with other income, net of RMB58 million in the corresponding period of 2008.

**Segment result.** As a result of the above, segment result for the dredging business for the six months ended 30 June 2009 was RMB1,248 million, representing an increase of RMB417 million, or 50.2%, as compared with RMB831 million in the corresponding period of 2008. Segment result margin increased to 11.8% for the six months ended 30 June 2009 from 9.6% in the corresponding period of 2008.

### Heavy Machinery Manufacturing Business

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

The following table sets out the principal profit and loss information for the heavy machinery manufacturing business for the six months ended 30 June 2009 and 2008.

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Revenue | **14,777** | 12,293 |
| Cost of sales | **(12,996)** | (10,529) |
| Gross profit | **1,781** | 1,764 |
| Selling and marketing expenses | **(60)** | (47) |
| Administrative expenses | **(620)** | (490) |
| Other income/(expenses), net | **175** | (124) |
| Segment result | **1,276** | 1,103 |
| Depreciation and amortisation | **604** | 406 |

**Revenue.** Revenue from the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB14,777 million, representing an increase of RMB2,484 million, or 20.2%, as compared with RMB12,293 million in the corresponding period of 2008. This increase was primarily attributable to the further penetration into the maritime heavy machinery manufacturing business. The value of new contracts entered into for the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB4,299 million, representing a decrease of RMB12,430 million, or 74.3%, compared with RMB16,729 million in the corresponding period of 2008, primarily attributable to lower contract value for container cranes as a result of lower import and export trading activities experienced during the recent global financial crisis.

**Cost of sales and gross profit.** Cost of sales for the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB12,996 million, representing an increase of RMB2,467 million, or 23.4%, as compared with RMB10,529 million in the corresponding period of 2008, primarily attributable to the increase in revenue as well as the increase in depreciation of property, plant and equipment. Cost of sales as a percentage of revenue increased to 87.9% for the six months ended 30 June 2009 from 85.7% in the corresponding period of 2008.

## Consolidated Results of Operations (Continued)

### Heavy Machinery Manufacturing Business (Continued)

Gross profit from the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB1,781 million, representing an increase of RMB17 million, or 1.0%, as compared with RMB1,764 million in the corresponding period of 2008. Gross profit margin decreased to 12.1% for the six months ended 30 June 2009 from 14.3% in the corresponding period of 2008. Revenue from the heavy machinery manufacturing business was primarily recognised from contracts denominated in foreign currencies, mainly in U.S. dollar, 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, the higher level of depreciation charge and the increase in cost of sales of container cranes also contributed towards lower gross profit margin for the six months ended 30 June 2009 as compared with the corresponding period of 2008.

**Selling and marketing expenses.** Selling and marketing expenses for the heavy machinery manufacturing business for the six months ended 30 June 2009 were RMB60 million, representing an increase of RMB13 million, or 27.7%, from RMB47 million in the corresponding period of 2008.

**Administrative expenses.** Administrative expenses for the heavy machinery manufacturing business for the six months ended 30 June 2009 were RMB620 million, representing an increase of RMB130 million, or 26.5%, as compared with RMB490 million in the corresponding period of 2008, primarily as a result of increased spending on research and development activities in line with the our emphasis on further breakthrough into maritime heavy machinery manufacturing business. Administrative expenses as a percentage of revenue for the heavy machinery manufacturing business increased to 4.2% for the six months ended 30 June 2009 from 4.0% in the corresponding period of 2008.

**Other income/(expenses), net.** Other income, net for the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB175 million, compared with other expenses, net of RMB124 million in the corresponding period of 2008, mainly due to smaller fair value losses of foreign exchange forward contracts.

**Segment result.** As a result of the above, segment result for the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB1,276 million, representing an increase of RMB173 million, or 15.7%, as compared with RMB1,103 million in the corresponding period of 2008. Segment result margin decreased to 8.6% for the six months ended 30 June 2009 from 9.0% in the corresponding period of 2008.

### Other Businesses

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

The following table sets out the revenue, cost of sales and gross profit information for the other businesses for the six months ended 30 June 2009 and 2008.

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Revenue | **2,031** | 3,669 |
| Cost of sales | **(1,837)** | (3,406) |
| Gross profit | **194** | 263 |

## Consolidated Results of Operations (Continued)

### Other Businesses (Continued)

**Revenue.** Revenue from the other businesses for the six months ended 30 June 2009 was RMB2,031 million, representing a decrease of RMB1,638 million, or 44.6%, as compared with RMB3,669 million in the corresponding period of 2008, primarily attributable to lower revenue generated from our logistics business as a result of lower import and export trading activities experienced during the recent global financial crisis.

**Cost of sales and gross profit.** Cost of sales for the other businesses for the six months ended 30 June 2009 was RMB1,837 million, representing a decrease of RMB1,569 million, or 46.1%, as compared with RMB3,406 million in the corresponding period of 2008, primarily attributable to the decrease in revenue from logistics business. Cost of sales as a percentage of revenue decreased to 90.4% for the six months ended 30 June 2009 from 92.8% in the corresponding period of 2008.

Gross profit from the other businesses for the six months ended 30 June 2009 was RMB194 million, representing a decrease of RMB69 million, or 26.2%, as compared with RMB263 million in the corresponding period of 2008. Gross profit margin increased to 9.6% for the six months ended 30 June 2009 from 7.2% in the corresponding period of 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 provided by operations, while financing the remainder of the Group's requirements primarily through borrowings. As at 30 June 2009, the Group had undrawn credit facilities of RMB105,837 million. The Group has also supplemented its financial resources with proceeds raised from issuing medium term notes in April and June 2008. The Group's access to the financial markets since its public listing has provided additional financing flexibility.

### Cash Flow Data

The following table presents selected cash flow data from the Company's unaudited condensed consolidated interim cash flow statements for the six months ended 30 June 2009 and 2008.

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Net cash generated from/(used in) operating activities | **318** | (9,329) |
| Net cash used in investing activities | **(8,939)** | (10,340) |
| Net cash generated from financing activities | **7,327** | 19,894 |
| Net (decrease)/increase in cash and cash equivalents | **(1,294)** | 225 |
| Cash and cash equivalents at beginning of the period | **26,278** | 22,473 |
| Exchange losses on cash and cash equivalents | **(2)** | (43) |
| Cash and cash equivalents at end of the period | **24,982** | 22,655 |

# Liquidity and Capital Resources (Continued)

## Cash Flow Data (Continued)

### *Cash flow from operating activities*

During the six months ended 30 June 2009, net cash generated from operating activities was RMB318 million, increased by RMB9,647 million as compared with RMB9,329 million net cash used in operating activities during the corresponding period of 2008, which was primarily attributable to a smaller increase in working capital, in particular, due to smaller increases in inventories and trade and other receivables as well as a greater increase in trade and other payables, which were then partially offset by a greater increase in contract work-in-progress. Inventories, trade and other receivables, trade and other payables increased by RMB232 million, RMB4,270 million and RMB9,121 million respectively during the six months ended 30 June 2009, as compared with the respective increases of RMB3,538 million, RMB14,628 million and RMB8,009 million during the corresponding period of 2008. Contract work-in-progress increased by RMB10,125 million during the six months ended 30 June 2009, as compared with the amount of increase of RMB2,648 million during the corresponding period of 2008.

### *Cash flow from investing activities*

Net cash used in investing activities for the six months ended 30 June 2009 was RMB8,939 million as compared with RMB10,340 million in the corresponding period of 2008. The decrease of RMB1,401 million, or 13.5%, was primarily attributable to the decreases in payments for purchases of available-for-sale financial assets, property, plant and equipment and additions in lease prepayments, partially offset by the increased investment in BOT projects.

For the six months ended 30 June 2009, the Group's payment for purchase of available-for-sale financial assets for the six months ended 30 June 2009 amounted to RMB81 million, which mainly consists of the Group's strategic investments, representing a decrease of RMB1,100 million from the corresponding period of 2008. The Group's payment for purchases of property, plant and equipment, amounted to RMB7,776 million, representing a decrease of RMB830 million from the corresponding period of 2008. Additions in lease prepayments for the six months ended 30 June 2009 amounted to RMB303 million, representing a decrease of RMB228 million from the corresponding period of 2008.

### *Cash flow from financing activities*

Net cash generated from financing activities for the six months ended 30 June 2009 was RMB7,327 million, representing a decrease of RMB12,567 million from RMB19,894 million in the corresponding period of 2008, primarily attributable to the repayment of borrowings of RMB31,191 million during the six months ended 30 June 2009, RMB21,385 million greater than that during the corresponding period of 2008, which was partially offset by an increase in proceeds from borrowings of RMB8,512 million. Total borrowings as at 30 June 2009 increased by RMB7,987 million as compared with that as at 31 December 2008.

# Liquidity and Capital Resources (Continued)

## Capital Expenditure

The Group's capital expenditure principally comprises expenditure for the building of plants, purchases of property, vessels and equipment and investment in BOT projects. The following table set forth the Group's capital expenditure by business for the six months ended 30 June 2009 and 2008.

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Infrastructure Construction Business | **4,073** | 2,029 |
| — BOT projects | **1,100** | 580 |
| Infrastructure Design Business | **138** | 98 |
| Dredging Business | **2,264** | 2,601 |
| Heavy Machinery Manufacturing Business | **2,798** | 3,554 |
| Other | **111** | 114 |
| Total | **9,384** | 8,396 |

Capital expenditure for the six months ended 30 June 2009 was RMB9,384 million, compared with RMB8,396 million in the corresponding period of 2008. The increase of RMB988 million or 11.8% was primarily attributable to the capital expenditure for purchase of property, plant and equipment and further investments in BOT projects.

## Working Capital

### *Trade and bills receivables and trade and bills payables*

The following table sets forth the turnover of the Group's average trade and bills receivable and average trade and bills payable for the six months ended 30 June 2009 and twelve months ended 31 December 2008.

| | **Six months ended 30 June 2009 (Unaudited) (Number of days)** | Twelve months ended 31 December 2008 (Audited) (Number of days) |
|---|---|---|
| Turnover of average trade and bills receivables(1) | **65** | 59 |
| Turnover of average trade and bills payables(2) | **102** | 98 |

(1) *For the six months ended 30 June 2009, average trade and bills receivables equals trade and bills receivables net of provisions at the beginning of the six-month period plus trade and bills receivables net of provisions at the end of the six-month period divided by 2. Turnover of average trade and bills receivables (in days) equals average trade and bills receivables divided by revenue and multiplied by 180. For the twelve months ended 31 December 2008, average trade and bills receivables equals trade and bills receivables net of provisions at the beginning of the year plus trade and bills receivables net of provisions at the end of the year divided by 2. Turnover of average trade and bills receivables (in days) equals average trade and bills receivables divided by revenue and multiplied by 365.*

(2) *For the six months ended 30 June 2009, average trade and bills payables equals trade and bills payables at the beginning of the six-month period plus trade and bills payables at the end of the six-month period divided by 2. Turnover of average trade and bills payables (in days) equals average trade and bills payables divided by cost of sales and multiplied by 180. For the twelve months ended 31 December 2008, 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.*

## Liquidity and Capital Resources (Continued)

### Working Capital (Continued)

*Trade and bills receivables and trade and bills payables (Continued)*

The following table sets forth an ageing analysis of trade and bills receivables as at 30 June 2009 and 31 December 2008.

| | As at | |
|---|---|---|
| | **30 June 2009 (Unaudited) RMB million** | 31 December 2008 (Audited) RMB million |
| Less than 6 months | **30,259** | 29,446 |
| 6 months to 1 year | **4,748** | 2,709 |
| 1 year to 2 years | **1,964** | 1,594 |
| 2 years to 3 years | **751** | 793 |
| Over 3 years | **1,187** | 1,213 |
| Total | **38,909** | 35,755 |

The Group's credit terms with its customers for the six months ended 30 June 2009 remained the same as that in the year ended 31 December 2008. Management closely monitors the recovery of the Group's overdue trade and bills receivables on a regular basis, and, when appropriate, provides for impairment of these trade and bills receivables. As at 30 June 2009, the Group had a provision for impairment of RMB2,194 million, as compared with RMB2,152 million as at 31 December 2008.

The following table sets forth an ageing analysis of trade and bills payables as at 30 June 2009 and 31 December 2008.

| | As at | |
|---|---|---|
| | **30 June 2009 (Unaudited) RMB million** | 31 December 2008 (Audited) RMB million |
| Within 1 year | **47,719** | 46,955 |
| 1 year to 2 years | **2,044** | 2,162 |
| 2 years to 3 years | **398** | 409 |
| Over 3 years | **154** | 149 |
| Total | **50,315** | 49,675 |

The Group's credit terms with its suppliers for the six months ended 30 June 2009 remained the same as that in the year ended 31 December 2008. 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.

## Liquidity and Capital Resources (Continued)

### Retentions

The following table sets forth the carrying amounts of the retentions as at 30 June 2009 and 31 December 2008.

| | As at | |
|---|---|---|
| | **30 June 2009 (Unaudited) RMB million** | 31 December 2008 (Audited) RMB million |
| Current | **4,273** | 4,107 |
| Non-current | **4,490** | 3,692 |
| Total | **8,763** | 7,799 |

## Indebtedness

### Borrowings

The following table sets out the maturities of the Group's total borrowings as at 30 June 2009 and 31 December 2008.

| | As at | |
|---|---|---|
| | **30 June 2009 (Unaudited) RMB million** | 31 December 2008 (Audited) RMB million |
| Within 1 year | **41,499** | 37,878 |
| Between 1 year and 2 years | **13,126** | 6,016 |
| Between 2 years and 5 years | **6,138** | 10,070 |
| Wholly repayable within 5 years | **60,763** | 53,964 |
| Over 5 years | **5,098** | 3,910 |
| Total borrowings | **65,861** | 57,874 |

## Indebtedness (Continued)

### Borrowings (Continued)

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Euro, Hong Kong dollars and Japanese Yen. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 30 June 2009 and 31 December 2008.

| | As at | |
|---|---|---|
| | **30 June 2009 (Unaudited) RMB million** | 31 December 2008 (Audited) RMB million |
| Renminbi | **47,425** | 40,881 |
| U.S. dollar | **15,553** | 13,875 |
| Hong Kong dollar | **123** | 247 |
| Japanese yen | **583** | 960 |
| Euro | **2,177** | 1,855 |
| Others | **—** | 56 |
| Total borrowings | **65,861** | 57,874 |

The Group's gearing ratio, calculated as net debt divided by capitalisation, as at 30 June 2009 was 41.2%, compared with 37.7% as at 31 December 2008.

### Contingent Liabilities

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

| | As at | |
|---|---|---|
| | **30 June 2009 (Unaudited) RMB million** | 31 December 2008 (Audited) RMB million |
| Pending lawsuits(1) | **481** | 481 |
| Outstanding loan guarantees(2) | **149** | 149 |
| | **630** | 630 |

*(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 outflow of resources is not probable.*

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

# Market Risks

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

## Interest rate risk

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

The Group's exposure to changes in interest rates is mainly due to the Group's borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 30 June 2009 and 31 December 2008, approximately RMB26,951 million and RMB26,642 million of the Company's borrowings were at fixed rates.

## Foreign exchange risk

The Group's functional currency of a majority of the entities within the Group is Renminbi with most of the Group's transactions settled in Renminbi. The Group uses, however, foreign currencies to settle the Group's invoices from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. In addition, the Group generates revenue from certain construction contracts denominated in foreign currencies and a significant proportion of the Group's bank borrowings are denominated in foreign currencies, particularly the U.S. dollar, the Euro and the Japanese Yen. Renminbi is not freely convertible into other foreign currencies and conversion of the Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against the U.S. dollar. As at 30 June 2009, Renminbi had appreciated by approximately 21.1% against the U.S. dollar since July 2005. The PRC government may in the future make further adjustments to the exchange rate system. When Renminbi appreciates, the value of foreign currency denominated assets will decline against Renminbi.

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

During the six month ended 30 June 2009 and the year ended 31 December 2008, certain subsidiaries within the Group used foreign currency forward contracts for transactions with domestic and overseas registered banks, to hedge the Group's exposure to foreign currency risk on individual transactions primarily vis-à-vis U.S. dollar, the Euro and Japanese Yen.

# Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2009

| | Note | **Unaudited 30 June 2009 RMB million** | Audited 31 December 2008 RMB million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *5* | **42,869** | 37,205 |
| Lease prepayments | | **3,651** | 3,406 |
| Investment properties | | **323** | 320 |
| Intangible assets | | **7,358** | 6,218 |
| Investments in jointly controlled entities | | **687** | 651 |
| Investments in associates | | **3,218** | 3,146 |
| Available-for-sale financial assets | *6* | **12,407** | 6,733 |
| Held-to-maturity financial assets | | **2** | 2 |
| Deferred income tax assets | | **2,080** | 1,900 |
| Trade and other receivables | *7* | **14,064** | 11,229 |
| | | **86,659** | 70,810 |
| **Current assets** | | | |
| Inventories | | **16,636** | 16,458 |
| Trade and other receivables | *7* | **65,656** | 63,777 |
| Amounts due from customers for contract work | *8* | **46,333** | 38,682 |
| Derivative financial instruments | *9* | **108** | 1,382 |
| Other financial assets at fair value through profit or loss | | **77** | 49 |
| Restricted cash | | **766** | 662 |
| Cash and cash equivalents | | **24,982** | 26,278 |
| | | **154,558** | 147,288 |
| **Total assets** | | **241,217** | 218,098 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | *19* | **14,825** | 14,825 |
| Share premium | | **13,853** | 13,853 |
| Other reserves | *20* | **18,225** | 11,040 |
| Dividend proposed | *21* | **—** | 1,453 |
| | | **46,903** | 41,171 |
| **Minority interests** | | **11,508** | 10,998 |
| **Total equity** | | **58,411** | 52,169 |

## Unaudited Condensed Consolidated Interim Balance Sheet (continued)

As at 30 June 2009

| | Note | Unaudited 30 June 2009 RMB million | Audited 31 December 2008 RMB million |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *10* | **24,361** | 19,996 |
| Deferred income | | **399** | 313 |
| Deferred income tax liabilities | | **2,414** | 972 |
| Early retirement and supplemental benefit obligations | | **2,818** | 2,856 |
| | | **29,992** | 24,137 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **98,605** | 88,031 |
| Amounts due to customers for contract work | *8* | **11,060** | 13,224 |
| Current income tax liabilities | | **1,277** | 1,647 |
| Borrowings | *10* | **41,500** | 37,878 |
| Derivative financial instruments | *9* | **151** | 725 |
| Early retirement and supplemental benefit obligations | | **114** | 197 |
| Provisions | | **107** | 90 |
| | | **152,814** | 141,792 |
| **Total liabilities** | | **182,806** | 165,929 |
| **Total equity and liabilities** | | **241,217** | 218,098 |
| **Net current assets** | | **1,744** | 5,496 |
| **Total assets less current liabilities** | | **88,403** | 76,306 |

# Unaudited Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2009

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| | | **2009** | 2008 |
| | *Note* | **RMB million** | RMB million |
| Revenue | *4* | **96,840** | 75,749 |
| Cost of sales | *12* | **(88,214)** | (68,289) |
| **Gross profit** | | **8,626** | 7,460 |
| Other income | *14* | **1,423** | 1,081 |
| Other gains/(losses), net | *13* | **280** | (549) |
| Selling and marketing expenses | *12* | **(218)** | (239) |
| Administrative expenses | *12* | **(3,507)** | (3,072) |
| Other expenses | *15* | **(1,072)** | (507) |
| **Operating profit** | | **5,532** | 4,174 |
| Interest income | | **321** | 296 |
| Finance costs, net | *16* | **(1,299)** | (826) |
| Share of profit/(loss) of jointly controlled entities | | **10** | (78) |
| Share of profit/(loss) of associates | | **4** | (11) |
| **Profit before income tax** | | **4,568** | 3,555 |
| Income tax expense | *17* | **(978)** | (694) |
| **Profit for the period** | | **3,590** | 2,861 |
| **Attributable to:** | | | |
| — equity holders of the Company | | **3,025** | 2,200 |
| — minority interest | | **565** | 661 |
| | | **3,590** | 2,861 |
| **Earnings per share for profit attributable to the equity holders of the Company** (expressed in RMB) | | | |
| — basic | *18* | **0.20** | 0.15 |
| — diluted | *18* | **0.20** | 0.15 |
| **Dividends** | *21* | **—** | — |

# Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| **Profit for the period** | **3,590** | 2,861 |
| **Other comprehensive income** | | |
| Fair value gains/(losses) on available-for-sale financial assets, net of deferred tax | **4,201** | (4,664) |
| Cash flow hedge reserve transferred to income statement, net of deferred tax | **(11)** | (113) |
| Currency translation differences | **(43)** | 44 |
| **Other comprehensive income/(expense) for the period, net of tax** | **4,147** | (4,733) |
| **Total comprehensive income/(expense) for the period** | **7,737** | (1,872) |
| **Total comprehensive income/(expense) attributable to:** | | |
| — equity holders of the Company | **7,186** | (2,464) |
| — minority interest | **551** | 592 |

# Unaudited Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2009

| | Note | Share Capital RMB million | Share Premium RMB million | Capital Reserve RMB million | Statutory Surplus Reserve RMB million | Investment Revaluation Reserve RMB million | Safety Reserve RMB million | Hedging Reserve RMB million | Exchange Reserve RMB million | Retained Earnings RMB million | Total RMB million | Minority Interests RMB million | Total Equity RMB million |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | For the six months ended 30 June 2009 (Unaudited) | | | | | | | | | | | |
| | | Attributable to equity holders of the Company | | | | | | | | | | | |
| **Balance at 1 January 2009** | | 14,825 | 13,853 | (3,061) | 317 | 3,666 | 259 | 5 | 8 | 11,299 | 41,171 | 10,998 | 52,169 |
| Profit for the period | | — | — | — | — | — | — | — | — | 3,025 | 3,025 | 565 | 3,590 |
| Other comprehensive income: | | | | | | | | | | | | | |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | | — | — | — | — | 4,200 | — | — | — | — | 4,200 | 1 | 4,201 |
| Cash flow hedge reserve transferred to income statement, net of deferred tax | | — | — | — | — | — | — | (5) | — | — | (5) | (6) | (11) |
| Currency translation differences | | — | — | — | — | — | — | — | (34) | — | (34) | (9) | (43) |
| Total comprehensive income/(expenses) for the period ended 30 June 2009 | | — | — | — | — | 4,200 | — | (5) | (34) | 3,205 | 7,186 | 551 | 7,737 |
| 2008 final dividend | | — | — | — | — | — | — | — | — | (1,453) | (1,453) | — | (1,453) |
| Dividends paid to minority shareholders of subsidiaries | | — | — | — | — | — | — | — | — | — | — | (85) | (85) |
| Contribution from minority shareholders of subsidiaries | | — | — | — | — | — | — | — | — | — | — | 44 | 44 |
| Transaction with minority shareholders resulting from acquisition of equity interests of certain subsidiaries | | — | — | (1) | — | — | — | — | — | — | (1) | — | (1) |
| Transfer to statutory surplus reserve | 20 | — | — | — | 7 | — | — | — | — | (7) | — | — | — |
| Appropriations to safety reserve | 20 | — | — | — | — | — | 155 | — | — | (155) | — | — | — |
| **Balance at 30 June 2009** | | 14,825 | 13,853 | (3,062) | 324 | 7,866 | 414 | — | (26) | 12,709 | 46,903 | 11,508 | 58,411 |

For the six months ended 30 June 2008 (Unaudited)

| | Note | Attributable to equity holders of the Company | | | | | | | | | | Minority Interests RMB million | Total Equity RMB million |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share Capital RMB million | Share Premium RMB million | Capital Reserve RMB million | Statutory Surplus Reserve RMB million | Investment Revaluation Reserve RMB million | Safety Reserve RMB million | Hedging Reserve RMB million | Exchange Reserve RMB million | Retained Earnings RMB million | Total RMB million | | |
| **Balance at 1 January 2008** | | 14,825 | 13,853 | (2,234) | 154 | 11,506 | 83 | 81 | 9 | 6,868 | 45,145 | 8,817 | 53,962 |
| Profit for the period | | — | — | — | — | — | — | — | — | 2,200 | 2,200 | 661 | 2,861 |
| Other comprehensive income: | | | | | | | | | | | | | |
| Changes in fair value of available-for-sale financial assets, net of deferred tax | | — | — | — | — | (4,662) | — | — | — | — | (4,662) | (2) | (4,664) |
| Cash flow hedge reserve transferred to income statement, net of deferred tax | | — | — | — | — | — | — | (49) | — | — | (49) | (64) | (113) |
| Currency translation differences | | — | — | — | — | — | — | — | 47 | — | 47 | (3) | 44 |
| Total comprehensive (expenses)/income for the period ended 30 June 2008 | | — | — | — | — | (4,662) | — | (49) | 47 | 2,200 | (2,464) | 592 | (1,872) |
| 2007 final dividend | | — | — | — | — | — | — | — | — | (1,305) | (1,305) | — | (1,305) |
| Dividends paid to minority shareholders of subsidiaries | | — | — | — | — | — | — | — | — | — | — | (347) | (347) |
| Transaction with minority shareholders resulting from acquisition of equity interests of certain subsidiaries | | — | — | 30 | — | — | — | — | — | — | 30 | (52) | (22) |
| Transfer to statutory surplus reserve | *20* | — | — | — | 8 | — | — | — | — | (8) | — | — | — |
| Appropriations to safety reserve | *20* | — | — | — | — | — | 114 | — | — | (114) | — | — | — |
| **Balance at 30 June 2008** | | 14,825 | 13,853 | (2,204) | 162 | 6,844 | 197 | 32 | 56 | 7,641 | 41,406 | 9,010 | 50,416 |

# Unaudited Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2009

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2009** | 2008 |
| | | **RMB million** | RMB million |
| | *Note* | **(Unaudited)** | (Unaudited) |
| Net cash generated from/(used) in operating activities | *22(a)* | **318** | (9,329) |
| Net cash used in investing activities | *22(b)* | **(8,939)** | (10,340) |
| Net cash generated from financing activities | *22(c)* | **7,327** | 19,894 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,294)** | 225 |
| Cash and cash equivalents at 1 January | | **26,278** | 22,473 |
| Exchange losses on cash and cash equivalents | | **(2)** | (43) |
| **Cash and cash equivalents at 30 June** | | **24,982** | 22,655 |

*Note: Cash and cash equivalents at 30 June 2008 included cash amounting to RMB1 million recorded in the assets classified as held for sale.*

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

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 was approved for issue by the Board of Directors of the Company on 8 September 2009.

## 2. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". It should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

## 3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

(a) The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2009 and relevant to the Group:

- IAS1 (Revised), "Presentation of financial statements". The revised standard prohibits 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" are required to be shown in a performance statement.

  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).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IAS 23 (Amendment), "Borrowing costs". This amendment has been early adopted by the Group in 2008.

- IAS 32 (Amendment), "Financial instruments: presentation". The adoption of this amendment did not have any effect on the unaudited condensed consolidated interim financial information.

- IAS 39 (Amendment), "Financial instruments: Recognition and measurement". The adoption of this amendment did not have any effect on the unaudited condensed consolidated interim financial information.

## 3. Accounting policies (Continued)

(a) (Continued)

- IFRS 7 (Amendment), "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its annual financial statements for the year ending 31 December 2009.

- IFRS 8, "Operating segments". IFRS 8 replaces IAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of the new standards resulted in no change in the number of reportable segments presented.

- IFRIC 15, "Agreements for the construction of real estate". The adoption of this interpretation did not have any effect on the unaudited condensed consolidated interim financial information.

(b) The following amendment to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not relevant for the Group:

- IFRS 2 (Amendment), "Share-based payment"

- IFRIC 13, "Customer loyalty programmes"

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

(c) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to IAS 39, "Financial instruments: Recognition and measurement" on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. The Group will apply the new amendment from 1 January 2010, but it is not expected to have an material impact on the Group's consolidated financial statements.

## 3. Accounting policies (Continued)

(c) (Continued)

- IFRS 3 (Revised), "Business combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates" and IAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group will apply the new amendments from 1 January 2010. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation, associates and joint ventures on the Group.

  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 statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) to all business combinations from 1 January 2010.

- IFRIC 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009. 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.

- Amendment to IFRS 5 "Non-current Assets held for sale and discontinued operations", effective for periods beginning on or after 1 January 2010. Disclosures in standards other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs specifically require disclosures for them. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of IAS 1 "Presentation of financial statements". The Group will apply IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

- Amendment to IAS 7 "Statement of cash flows", effective for periods beginning on or after 1 January 2010. Only expenditures that result in a recognised asset are eligible for classification as investing activities. The Group will apply IAS 7 (amendment) from 1 January 2010.

- Amendment to IAS 17 "Leases", effective for periods beginning on or after 1 January 2010. The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group will apply IAS 17 (Amendment) from 1 January 2010.

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

- Amendment to IFRS 8 "Operating segments", effective for periods beginning on or after 1 January 2010. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group will apply IFRS 8 (amendment) from 1 January 2010.

## 3. Accounting policies (Continued)

(c) (Continued)

- Amendment to IAS 36 "Impairment of assets", effective for periods beginning on or after 1 January 2010. This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in IFRS 8. The Group will apply IAS 36 (Amendment) from 1 January 2010, but it is not expected to have any material impact on the Group's consolidated financial statements.

- Amendment to IAS 38 "Intangible assets", effective for periods beginning on or after 1 July 2009. This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. The Group will apply IAS 38 (amendment) from 1 January 2010.

- Amendment to IAS 39 "Financial instruments: recognition and measurement", effective for periods beginning on or after 1 January 2010. Loan prepayment penalties are treated as closely related embedded derivatives, only if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. In addition, the scope exemption to business combination contracts only applies to forward contracts that are firmly committed to be completed between the acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date. Therefore option contracts are not in this scope exemption. This amendment also clarifies that in a cash flow hedge of a forecast transaction that a reclassification of the gains or losses on the hedged item from equity to profit or loss is made during the period the hedged forecast cash flows affect profit or loss. The Group will apply IAS 39 (amendment) from 1 January 2010.

- Amendment to IFRIC 9 "Reassessment of embedded derivatives", effective for periods beginning on or after 1 July 2009. This amendment aligns the scope of IFRIC 9 to the scope of IFRS 3 (revised): the exclusion of embedded derivatives in contracts acquired in a business combination, a common control combination or the formation of a joint venture. The Group will apply IFRIC 9 (amendment) from 1 January 2010.

(d) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and not relevant for the Group:

- IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009.

- Amendment to IFRIC 16 "Hedges of a net investment in a foreign operation", effective for periods beginning on or after 1 July 2009.

- Amendment to IFRS 2 "Share-based payments", effective for periods beginning on or after 1 July 2009.

- Amendment to IAS 1 'Presentation of financial statements', effective for periods beginning on or after 1 January 2010.

## 4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the President Office, which is chaired by the Chief Executive Officer and consists of senior management of the Company who make strategic decisions. The President Office reviews the Group's internal reports in order to allocate resources to the segments and assess their performance. Management has determined the operating segments based on these reports.

The President Office considers the business from both service and product perspective. Management assesses the performance of the following five operating 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 heavy machinery (the "Heavy Machinery Segment"); and

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

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

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

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 5), lease prepayments, investment properties and intangible assets.

## 4. Segment information (Continued)

The segment results for the six months ended 30 June 2009 and other segment items included in the unaudited condensed consolidated interim financial information are as follows:

| | For the six months ended 30 June 2009 (unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Construction RMB million | Design RMB million | Dredging RMB million | Heavy Machinery RMB million | Other RMB million | Elimination RMB million | Total RMB million |
| Total gross segment revenue | 67,707 | 3,485 | 10,537 | 14,777 | 2,031 | (1,697) | 96,840 |
| Inter-segment revenue | (253) | (76) | (877) | (431) | (60) | 1,697 | — |
| **Revenue** | 67,454 | 3,409 | 9,660 | 14,346 | 1,971 | — | 96,840 |
| Segment result | 2,492 | 428 | 1,248 | 1,276 | 69 | — | 5,513 |
| Unallocated profit | | | | | | | 19 |
| Operating profit | | | | | | | 5,532 |
| Interest income | | | | | | | 321 |
| Finance costs, net | | | | | | | (1,299) |
| Share of profit of jointly controlled entities | | | | | | | 10 |
| Share of profit of associates | | | | | | | 4 |
| **Profit before income tax** | | | | | | | 4,568 |
| Income tax expense | | | | | | | (978) |
| **Profit for the period** | | | | | | | 3,590 |
| **Other segment items** | | | | | | | |
| Capital expenditure | 4,073 | 138 | 2,264 | 2,798 | 111 | — | 9,384 |
| Depreciation | 1,090 | 59 | 398 | 577 | 27 | — | 2,151 |
| Amortisation | 24 | 5 | 2 | 27 | 5 | — | 63 |
| (Reversal of write-down)/ write-down of impairment of inventories | (2) | — | — | 13 | — | — | 11 |
| Provision for foreseeable losses on construction contracts | 126 | — | — | 59 | — | — | 185 |
| Provision for/(reversal of) impairment of trade and other receivables | 108 | 16 | 51 | (19) | (1) | — | 155 |

## 4. Segment information (Continued)

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

| | For the six months ended 30 June 2008 (unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Construction RMB million | Design RMB million | Dredging RMB million | Heavy Machinery RMB million | Other RMB million | Elimination RMB million | Total RMB million |
| Total gross segment revenue | 49,204 | 3,238 | 8,681 | 12,293 | 3,669 | (1,336) | 75,749 |
| Inter-segment revenue | (675) | (93) | (249) | (299) | (20) | 1,336 | — |
| **Revenue** | 48,529 | 3,145 | 8,432 | 11,994 | 3,649 | — | 75,749 |
| Segment profit | 1,785 | 395 | 831 | 1,103 | 45 | — | 4,159 |
| Unallocated profit | | | | | | | 15 |
| Operating profit | | | | | | | 4,174 |
| Interest income | | | | | | | 296 |
| Finance costs, net | | | | | | | (826) |
| Share of loss of jointly controlled entities | | | | | | | (78) |
| Share of loss of associates | | | | | | | (11) |
| **Profit before income tax** | | | | | | | 3,555 |
| Income tax expense | | | | | | | (694) |
| **Profit for the period** | | | | | | | 2,861 |
| **Other segment items** | | | | | | | |
| Capital expenditure | 2,029 | 98 | 2,601 | 3,554 | 114 | — | 8,396 |
| Depreciation | 747 | 59 | 241 | 385 | 30 | — | 1,462 |
| Amortisation | 10 | 6 | 2 | 21 | 4 | — | 43 |
| (Reversal of write-down)/ Write-down of inventories | (4) | — | 1 | 10 | (1) | — | 6 |
| Provision for/(reversal of) foreseeable losses on construction contracts | 50 | — | (6) | 14 | — | — | 58 |
| Provision for/(reversal of) impairment of trade and other receivables | 15 | 5 | 40 | (9) | (23) | — | 28 |

The segment assets and liabilities at 30 June 2009 are as follows:

| | **As at 30 June 2009 (Unaudited)** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Construction RMB million** | **Design RMB million** | **Dredging RMB million** | **Heavy Machinery RMB million** | **Other RMB million** | **Elimination RMB million** | **Total RMB million** |
| Segment assets | **128,011** | **6,742** | **27,990** | **51,871** | **3,786** | **(1,535)** | **216,865** |
| Investments in jointly controlled entities | | | | | | | **687** |
| Investments in associates | | | | | | | **3,218** |
| Unallocated assets | | | | | | | **20,447** |
| **Total assets** | | | | | | | **241,217** |
| Segment liabilities | **87,409** | **4,134** | **11,859** | **7,428** | **2,335** | **(1,535)** | **111,630** |
| Unallocated liabilities | | | | | | | **71,176** |
| **Total liabilities** | | | | | | | **182,806** |

## 4. Segment information (Continued)

Segment assets and liabilities at 30 June 2009 are reconciled to entity assets and liabilities as follows:

| | Assets RMB million (Unaudited) | Liabilities RMB million (Unaudited) |
|---|---|---|
| Segment assets/liabilities | 216,865 | 111,630 |
| Investments in jointly controlled entities | 687 | — |
| Investments in associates | 3,218 | — |
| Unallocated: | | |
| Deferred income tax assets/liabilities | 2,080 | 2,414 |
| Current income tax liabilities | — | 1,277 |
| Current borrowings | — | 41,500 |
| Non-current borrowings | — | 24,361 |
| Available-for-sale financial assets | 12,407 | — |
| Held-to-maturity financial assets | 2 | — |
| Other financial assets at fair value through profit or loss | 77 | — |
| Derivative financial instruments | 108 | 151 |
| Corporate assets/liabilities | 5,773 | 1,473 |
| **Total** | **241,217** | **182,806** |

The segment assets and liabilities at 31 December 2008 are as follows:

| | As at 31 December 2008 (Audited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Construction RMB million | Design RMB million | Dredging RMB million | Heavy Machinery RMB million | Other RMB million | Elimination RMB million | Total RMB million |
| Segment assets | 110,937 | 6,608 | 24,197 | 52,415 | 4,325 | (1,236) | 197,246 |
| Investments in jointly controlled entities | | | | | | | 651 |
| Investments in associates | | | | | | | 3,146 |
| Unallocated assets | | | | | | | 17,055 |
| **Total assets** | | | | | | | 218,098 |
| Segment liabilities | 74,478 | 4,010 | 10,736 | 13,946 | 2,700 | (1,236) | 104,634 |
| Unallocated liabilities | | | | | | | 61,295 |
| **Total liabilities** | | | | | | | 165,929 |

## 4. Segment information (Continued)

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

| | Assets RMB million (Audited) | Liabilities RMB million (Audited) |
|---|---|---|
| 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 |

## 5. Property, plant and equipment

| | For the six months ended 30 June 2009 (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Buildings RMB million | Machinery RMB million | Vessels and vehicles RMB million | Other equipment RMB million | Construction-in-progress RMB million | Total RMB million |
| **At 1 January 2009** | | | | | | |
| Opening net book amount | 7,706 | 5,810 | 13,925 | 1,191 | 8,573 | 37,205 |
| Additions | 128 | 1,090 | 1,318 | 406 | 4,965 | 7,907 |
| Disposals | (14) | (4) | (59) | (23) | — | (100) |
| Transfer | 614 | 961 | 650 | 110 | (2,335) | — |
| Depreciation | (233) | (530) | (980) | (400) | — | (2,143) |
| Closing net book amount | 8,201 | 7,327 | 14,854 | 1,284 | 11,203 | 42,869 |
| **At 30 June 2009** | | | | | | |
| Cost | 10,223 | 11,671 | 24,320 | 3,100 | 11,203 | 60,517 |
| Accumulated depreciation | (2,022) | (4,344) | (9,466) | (1,816) | — | (17,648) |
| Net book amount | 8,201 | 7,327 | 14,854 | 1,284 | 11,203 | 42,869 |

## 5. Property, plant and equipment (Continued)

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

(a) Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately RMB1,143 million as at 30 June 2009 (31 December 2008: RMB1,419 million) (Note 10).

(b) As at 30 June 2009, 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 RMB1,588 million (31 December 2008: RMB1,720 million). The Directors of the Company are of the opinion that the Group is lawfully entitled to occupy or use these properties.

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

| | **As at** | |
|---|---|---|
| | **30 June 2009 (Unaudited)** | 31 December 2008 (Audited) |
| Cost — Capitalised finance leases | **604** | — |
| Accumulated depreciation | **(11)** | — |
| Net book amount | **593** | — |

## 6. Available-for-sale financial assets

| | **Six months ended 30 June 2009 RMB million (Unaudited)** | Year ended 31 December 2008 RMB million (Audited) |
|---|---|---|
| **Beginning of the period/year** | **6,733** | 16,621 |
| Fair value gains/(losses) | **5,594** | (10,441) |
| Additions | **81** | 1,235 |
| Disposals | **(1)** | (682) |
| **End of the period/year** | **12,407** | 6,733 |

## 6. Available-for-sale financial assets (Continued)

Available-for-sale financial assets include the following:

| | As at | |
|---|---|---|
| | **30 June 2009** | 31 December 2008 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Audited) |
| Listed equity securities, at fair value | | |
| — Mainland China | **10,791** | 5,262 |
| — Hong Kong | **183** | 118 |
| Unlisted equity investments, at cost | **1,433** | 1,353 |
| | **12,407** | 6,733 |

## 7. Trade and other receivables

| | As at | |
|---|---|---|
| | **30 June 2009** | 31 December 2008 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Audited) |
| Trade and bills receivables | **38,909** | 35,755 |
| Less: Provision for impairment | **(2,194)** | (2,152) |
| Trade and bills receivables — net | **36,715** | 33,603 |
| Prepayments | **14,177** | 14,179 |
| Retentions | **8,763** | 7,799 |
| Deposits | **7,712** | 5,990 |
| Other receivables | **3,923** | 3,942 |
| Staff advances | **711** | 674 |
| Long-term receivables | **7,419** | 8,519 |
| Loan receivable | **300** | 300 |
| | **79,720** | 75,006 |
| Less: non-current portion | | |
| — Retentions | **(4,490)** | (3,692) |
| — Deposits | **(1,159)** | (650) |
| — Long-term receivables *(note)* | **(6,792)** | (5,765) |
| — Loan receivable | **(300)** | (300) |
| — Prepayments | **(1,323)** | (822) |
| Current portion | **65,656** | 63,777 |

Refer to Note 25(c) for receivables due from related parties.

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

## 7. Trade and other receivables (Continued)

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

| | As at | |
|---|---|---|
| | **30 June 2009 RMB million (Unaudited)** | 31 December 2008 RMB million (Audited) |
| Less than 6 months | **30,259** | 29,446 |
| 6 months to 1 year | **4,748** | 2,709 |
| 1 year to 2 years | **1,964** | 1,594 |
| 2 years to 3 years | **751** | 793 |
| Over 3 years | **1,187** | 1,213 |
| | **38,909** | 35,755 |

The Group's major customers are PRC Government agencies and other state-owned enterprises. Refer to Note 25(c) for trade receivables due from PRC state-owned enterprises.

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

(b) The Group transferred certain trade receivables to a bank with recourse in exchange for cash amounting to USD14 million (equivalent to RMB96 million) during the period ended 30 June 2009 (2008: nil). Such transactions did not qualify for derecognition and have been accounted for as secured borrowings (Note 10).

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

## 8. Contract work-in-progress

| | As at | |
|---|---|---|
| | **30 June 2009 RMB million (Unaudited)** | 31 December 2008 RMB million (Audited) |
| Contract cost incurred plus recognised profit less recognised losses | **461,315** | 381,034 |
| Less: Progress billings | **(426,042)** | (355,576) |
| Contract work-in-progress | **35,273** | 25,458 |
| Representing: | | |
| Amounts due from customers for contract work | **46,333** | 38,682 |
| Amounts due to customers for contract work | **(11,060)** | (13,224) |
| | **35,273** | 25,458 |

## 8. Contract work-in-progress (Continued)

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Unaudited) |
| Contract revenue recognised as revenue in the period | **90,920** | 70,388 |

## 9. Derivative financial instruments

| | **30 June 2009 (Unaudited)** | | 31 December 2008 (Audited) | |
|---|---|---|---|---|
| | **Assets RMB million** | **Liabilities RMB million** | Assets RMB million | Liabilities RMB million |
| Interest rate swaps — held for trading | **—** | **(7)** | — | (27) |
| Forward foreign exchange contracts — cash flow hedges | **—** | **—** | 2 | — |
| Forward foreign exchange contracts — held for trading | **108** | **(144)** | 1,380 | (698) |
| | **108** | **(151)** | 1,382 | (725) |

### (a) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2009 were RMB9,398 million (31 December 2008: RMB33,595 million).

### (b) Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2009 were RMB1,958 million (31 December 2008: RMB1,959 million).

## 10. Borrowings

| | | As at | |
|---|---|---|---|
| | *Note* | **30 June 2009 RMB million (Unaudited)** | 31 December 2008 RMB million (Audited) |
| **Non-current** | | | |
| Long-term bank borrowings | | | |
| — secured | *(a)* | **7,565** | 6,427 |
| — unsecured | *(b)* | **8,800** | 8,569 |
| | | **16,365** | 14,996 |
| Other borrowings — secured | *(a)* | **400** | — |
| Medium term notes — principal | *(c)* | **7,169** | 5,000 |
| Financial lease liabilities | *(f)* | **427** | — |
| Total non-current borrowings | | **24,361** | 19,996 |
| **Current** | | | |
| Current portion of long-term bank borrowings | | | |
| — secured | *(a)* | **593** | 1,536 |
| — unsecured | *(b)* | **4,498** | 2,610 |
| | | **5,091** | 4,146 |
| Short-term bank borrowings | | | |
| — secured | *(a)* | **14,662** | 13,614 |
| — unsecured | | **20,428** | 15,912 |
| | | **35,090** | 29,526 |
| Other borrowings — unsecured | *(d)* | **1,144** | 1,612 |
| Medium term notes — accrued interest | *(c)* | **60** | — |
| Debentures | *(e)* | **—** | 2,594 |
| Finance lease liabilities | *(f)* | **115** | — |
| Total current borrowings | | **41,500** | 37,878 |
| **Total borrowings** | | **65,861** | 57,874 |

## 10. Borrowings (Continued)

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

(b) Unsecured long-term bank borrowings included loans of approximately RMB576 million (equivalent of JPY8,075 million) (31 December 2008: RMB807 million, equivalent of JPY10,656 million) payable to the Export-Import Bank of China ("EIBOC") at 30 June 2009. 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 instalments of principal of JPY 398 million up to 2019, and were stated at amortised cost.

In July 2006, the Group signed a revised loan agreement with EIBOC under which the overdue part of the loans, amounting to JPY13,433 million, were interest free and repayable semi-annually by equal instalments of JPY2,239 million over 3 years from January 2007. The Group has not been demanded to pay any penalty arising from the non-settlement in the past.

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

— two tranches of medium term notes issued in April 2008 and June 2008, at the same nominal value of RMB2,500 million, totalling RMB5,000 million, with maturities of three years from issuance. The interest rate for both tranches of medium term notes is 5.3% per annum;

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

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

(d) Other current borrowings included loans of approximately RMB1,136 million (31 December 2008: RMB1,097 million) payable to the China Orient Assets Management Corporation ("COAMC") at 30 June 2009 (the "Iraq Loans"). Prior to the incorporation of the Company on 8 October 2006, these loans were used by the predecessor operations of CCCG to finance a construction project in Iraq in the 1980s. Such loans were originally borrowed from Bank of China and bore interest at rates ranging from 4.16% to 6.23% per annum. Since the Gulf War in 1990, the Group had not settled any principal and interest to Bank of China in accordance with the original loan agreements. As certain portions of these loans had been overdue, all the balance of these loans was reclassified as current liabilities. In 2000, the Iraq Loans were transferred to COAMC from Bank of China. According to relevant regulations issued by the General Office of State Council of the PRC in 1997, since the construction project in Iraq was supported by the PRC Government, the Group was not demanded to pay any penalty arising from the non-settlement.

(e) As approved by the People's Bank of China, the Group issued debentures in 2008 with a maturity of one year from issuance. The debentures were issued at a principal of RMB2,300 million with a discount of RMB9 million, and were stated at amortised cost. The debentures were fully repaid as at 30 June 2009.

## 10. Borrowings (Continued)

(f) Finance lease liabilities

Lease liabilities are effectively secured as the leased assets have to revert to the lessor in the event of default.

| | As at | |
|---|---|---|
| | **30 June 2009 RMB million (Unaudited)** | 31 December 2008 RMB million (Audited) |
| Gross finance lease liabilities — minimum lease payments | | |
| No later than 1 year | **146** | — |
| Later than 1 year and no later than 5 years | **476** | — |
| | **622** | — |
| Future finance charges on finance leases | **(80)** | — |
| Present value of finance lease liabilities | **542** | — |
| The present value of finance lease liabilities is as follows: | | |
| No later than 1 year | **115** | — |
| Later than 1 year and no later than 5 years | **427** | — |
| | **542** | — |

(g) Movements in borrowings is analysed as follows:

| | **RMB million (Unaudited)** |
|---|---|
| **Six months ended 30 June 2009** | |
| As at 1 January 2009 | **57,874** |
| Proceeds from borrowings | **38,559** |
| Finance lease liabilities | **591** |
| Repayments of borrowings | **(31,191)** |
| Net foreign exchange gains on borrowings | **(40)** |
| Accrued interest on Iraq loans and medium term notes | **68** |
| **As at 30 June 2009** | **65,861** |

## 10. Borrowings (Continued)

(g) (Continued)

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

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

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

The Group has the following undrawn borrowing facilities:

| | **As at** | |
|---|---|---|
| | **30 June 2009 RMB million (Unaudited)** | 31 December 2008 RMB million (Audited) |
| Floating rate | | |
| — Expiring within one year | **41,257** | 40,631 |
| — Expiring beyond one year | **64,580** | 60,566 |
| | **105,837** | 101,197 |

## 11. Trade and other payables

| | As at | |
|---|---|---|
| | **30 June 2009** | 31 December 2008 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Audited) |
| Trade and bills payables | **50,315** | 49,675 |
| Advance from customers | **36,649** | 28,389 |
| Deposits from suppliers | **3,647** | 3,431 |
| Accrued payroll | **520** | 648 |
| Social securities | **702** | 1,161 |
| Other taxes | **1,644** | 943 |
| Accrued expenses | **407** | 533 |
| Other payables | **3,268** | 3,251 |
| Dividend payable | **1,453** | — |
| | **98,605** | 88,031 |

Refer to Note 25(c) for payables due to related parties.

Ageing analysis of the trade and bills payables (including amounts due to related parties of trading nature) were as follows:

| | As at | |
|---|---|---|
| | **30 June 2009** | 31 December 2008 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Audited) |
| Within 1 year | **47,719** | 46,955 |
| 1 year to 2 years | **2,044** | 2,162 |
| 2 years to 3 years | **398** | 409 |
| Over 3 years | **154** | 149 |
| | **50,315** | 49,675 |

## 12. Expenses by nature

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Raw materials and consumables used | **39,275** | 29,592 |
| Subcontracting costs | **23,064** | 17,005 |
| Employee benefits | **7,720** | 5,968 |
| Equipment usage cost | **3,016** | 2,312 |
| Business tax and other transaction taxes | **2,334** | 1,732 |
| Depreciation of property, plant and equipment and investment properties | **2,151** | 1,462 |
| Rentals | **1,991** | 1,525 |
| Transportation costs | **1,607** | 2,705 |
| Fuel | **1,484** | 1,150 |
| Repair and maintenance expenses | **1,141** | 873 |
| Travel | **595** | 532 |
| Research and development costs | **327** | 191 |
| Changes in inventories of finished goods and work-in-progress | **278** | 112 |
| Provision for foreseeable losses on construction contracts | **185** | 58 |
| Provision for impairment of trade and other receivables | **155** | 28 |
| Insurance | **148** | 83 |
| Amortisation of lease prepayments | **48** | 35 |
| Amortisation of intangible assets | **15** | 8 |
| Provision for impairment of inventories | **11** | 6 |
| Other expenses | **6,394** | 6,223 |
| Total cost of sales, selling and marketing expenses and administrative expenses | **91,939** | 71,600 |

## 13. Other gains/(losses) — net

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Gain on disposal of property, plant and equipment | **82** | 48 |
| Gain on disposal of other financial assets at fair value through profit or loss | **5** | 25 |
| Fair value gain/(loss) from other financial assets at fair value through profit or loss | **27** | (68) |
| Gains/(losses) on derivative instruments (Note 9): | | |
| — Foreign exchange forward contracts | **(15)** | (307) |
| — Interest rate swap | **20** | (30) |
| Gain on disposal of available-for-sale financial assets | **—** | 24 |
| Transfer of cash flow hedge reserve | **14** | 130 |
| Net foreign exchange gains/(losses) | **147** | (371) |
| | **280** | (549) |

## 14. Other Income

| | Six months ended 30 June (Unaudited) 2009 RMB million | 2008 RMB million |
|---|---|---|
| Income from compensation for cost of relocation | **1** | 123 |
| Rental income | **124** | 81 |
| Income from sale of materials | **827** | 330 |
| Dividend income on available-for-sale financial assets: | | |
| — Listed equity securities | **46** | 133 |
| — Unlisted equity securities | **37** | 127 |
| Government grants | **98** | 47 |
| Others | **290** | 240 |
| | **1,423** | 1,081 |

## 15. Other expenses

| | Six months ended 30 June (Unaudited) 2009 RMB million | 2008 RMB million |
|---|---|---|
| Loss on disposal of property, plant and equipment | **3** | 12 |
| Rental expenses | **89** | 70 |
| Cost of sale of materials | **681** | 189 |
| Others | **299** | 236 |
| | **1,072** | 507 |

## 16. Finance costs, net

| | Six months ended 30 June (Unaudited) 2009 RMB million | 2008 RMB million |
|---|---|---|
| Interest expense: | | |
| — Bank borrowings | **945** | 1,061 |
| — Other borrowings | **56** | 50 |
| — Medium term notes | **158** | 35 |
| — Finance lease | **12** | — |
| — Debentures | **—** | 64 |
| | **1,171** | 1,210 |
| Net foreign exchange gains on borrowings | **(40)** | (495) |
| Others | **168** | 111 |
| | **1,299** | 826 |

## 16. Finance costs, net (Continued)

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 RMB261 million (six months ended 30 June 2008: RMB109 million) were capitalised in the six months period ended 30 June 2009, of which approximately RMB127 million (six months ended 30 June 2008: RMB77 million) is charged to cost of sales and approximately RMB134 million (six months ended 30 June 2008: RMB32 million) is included in cost of construction-in-progress as at 30 June 2009. A capitalisation rate of 4.97% (2008: 6.37%) was used, representing the borrowing costs of the loans used to finance the qualifying assets.

## 17. Taxation

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% (2008: 25%) of the assessable income of each of these companies for the period as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries of the Company, which were exempted from tax or taxed at preferential rates of 10% to 20% (2008: 10% to 18%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the six months ended 30 June 2009.

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

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

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Current income tax | | |
| — PRC enterprise income tax | **1,063** | 863 |
| — Hong Kong profits tax | **—** | 1 |
| — Others | **45** | 14 |
| | **1,108** | 878 |
| Deferred income tax | **(130)** | (184) |
| | **978** | 694 |

## 17. Taxation (Continued)

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

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Profit before income tax | **4,568** | 3,555 |
| Tax calculated at PRC statutory tax rate of 25% (2008: 25%) | **1,142** | 889 |
| Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries | **(204)** | (141) |
| Income not subject to tax | **(117)** | (171) |
| Expenses not deductible for tax purposes | **17** | 29 |
| Utilisation of previously unrecognised tax losses | **(37)** | — |
| Tax losses for which no deferred income tax asset was recognised | **177** | 88 |
| Income tax expense | **978** | 694 |

## 18. Earnings per share

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2009** | 2008 |
| Profit attributable to equity holders of the Company (RMB million) | **3,025** | 2,200 |
| Weighted average number of ordinary shares in issue (millions) | **14,825** | 14,825 |
| Basic earnings per share (RMB per share) | **0.20** | 0.15 |

### (b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2009 and 2008.

## 19. Share capital

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. 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.

## 20. Other reserves

### (a) Statutory surplus reserve

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

For the period ended 30 June 2009, the Company appropriated 10% of profit after tax as determined under the PRC GAAP, of RMB7 million (six months ended 30 June 2008: RMB8 million) to the statutory surplus reserve.

### (b) Safety reserve

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

## 21. Dividends

A 2008 final dividend of 9.8 cents per ordinary share, totalling RMB1,453 million was approved by the Company's shareholders in the annual general meeting on 18 June 2009.

No interim dividend for the six months ended 30 June 2009 was declared by the Board of Directors (six months ended 30 June 2008: Nil).

## 22. Supplementary information to unaudited condensed consolidated cash flow statement

### (a) Cash flows from operating activities

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2009** **RMB million** | 2008 RMB million |
| Cash generated from/(used) in operations | **2,762** | (6,794) |
| Interest paid | **(967)** | (1,247) |
| Income tax paid | **(1,477)** | (1,288) |
| Net cash generated from/(used) in operating activities | **318** | (9,329) |

## 22. Supplementary information to unaudited condensed consolidated cash flow statement (Continued)

### (b) Major investing activities

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Purchases of property, plant and equipment | **(7,776)** | (8,606) |
| Increase in lease prepayments | **(303)** | (531) |
| Purchases of intangible assets | **(1,163)** | (583) |
| Purchases of investment properties | **—** | (8) |
| Proceeds from disposal of property, plant and equipment | **110** | 342 |
| Proceeds from disposal of lease prepayments | **11** | 76 |
| Proceeds from disposal of intangible assets | **8** | — |
| Proceeds from disposal of investment properties | **—** | 36 |
| Additional investments in jointly controlled entities | **(27)** | (228) |
| Additional investments in associates | **(103)** | (270) |
| Purchase of available-for-sale financial assets | **(81)** | (1,181) |
| Purchases of other financial assets at fair value through profit or loss | **—** | (41) |
| Purchases of equity interests of certain subsidiaries | **(1)** | (22) |
| Increase in prepayments for acquisition of a subsidiary | **—** | (40) |
| Proceeds from disposal of jointly controlled entities | **10** | 1 |
| Proceeds from disposal of associates | **6** | 43 |
| Proceeds from disposal of other financial assets at fair value through profit or loss | **4** | 67 |
| Proceeds from disposal of available-for-sale financial assets | **1** | 37 |
| Interest received | **311** | 296 |
| Dividends received | **54** | 272 |

### (c) Major financing activities

| | Six months ended 30 June (Unaudited) | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB million** | RMB million |
| Proceeds from borrowings | **38,559** | 30,047 |
| Contributions from minority shareholders | **44** | — |
| Repayments of borrowings | **(31,191)** | (9,806) |
| Dividends paid to minority shareholders | **(85)** | (347) |

## 23. Contingencies

| | As at | |
|---|---|---|
| | **30 June 2009** | 31 December 2008 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Audited) |
| Pending lawsuits *(note a)* | **481** | 481 |
| Outstanding loan guarantees *(note b)* | **149** | 149 |
| | **630** | 630 |

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

(b) The Group has acted as the guarantor for various external borrowings made by certain jointly controlled entities and associates of the Group (refer to details in Note 25) and certain third party entities.

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

## 24. Capital commitments

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

| | As at | |
|---|---|---|
| | **30 June 2009** | 31 December 2008 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Audited) |
| Property, plant and equipment, and intangible assets | **1,617** | 1,658 |

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

| | As at | |
|---|---|---|
| | **30 June 2009** | 31 December 2008 |
| | **RMB million** | RMB million |
| | **(Unaudited)** | (Audited) |
| Property, plant and equipment | **3,783** | 5,152 |
| Intangible assets | **15,915** | 16,984 |
| | **19,698** | 22,136 |

## 25. Related-party transactions and balances

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

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

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the six months ended 30 June 2009 and balances arising from related party transactions as at 30 June 2009.

### (a) Significant related party transactions

The following transactions were carried out with related parties:

| | **Six months ended 30 June (Unaudited)** | |
|---|---|---|
| | **2009 RMB million** | 2008 RMB million |
| **Transactions with CCCG and fellow subsidiaries** | | |
| Expenses | | |
| — Purchase of materials | **31** | 5 |
| — Services | **3** | 1 |
| — Rental expenses | **11** | 8 |
| **Transactions with jointly controlled entities and associates** | | |
| Revenue | | |
| — Revenue from provision of construction services | **1,046** | — |
| — Revenue from provision of design services | **3** | — |
| — Revenue from sales of machinery | **123** | 42 |
| Expenses: | | |
| — Subcontracting fees | **201** | 176 |
| — Purchase of materials | **137** | 56 |
| — Services | **19** | 32 |
| — Other costs | **2** | 1 |
| Others | | |
| — Outstanding loan guarantees provided by the Group | **99** | 119 |

## 25. Related-party transactions and balances (Continued)

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

| | Six months ended 30 June (Unaudited) 2009 RMB million | 2008 RMB million |
|---|---|---|
| **Transactions with other state-owned enterprises** | | |
| Revenue | | |
| — Revenue from provision of construction services | 44,987 | 22,295 |
| — Revenue from provision of design services | 1,571 | 1,306 |
| — Revenue from provision of dredging services | 6,945 | 4,162 |
| — Revenue from sales of heavy machinery | 2,344 | 4,773 |
| — Revenue from provision of other services | 52 | 17 |
| Interest income | | |
| — Interest income from bank deposits | 81 | 131 |
| Expenses: | | |
| — Subcontracting fees | 1,736 | 1,232 |
| — Rental expenses | 30 | 31 |
| — Purchase of materials | 6,847 | 4,022 |
| — Services | 960 | 764 |
| — Interest expense on bank borrowings | 702 | 668 |
| — Others | 119 | 59 |
| Others | | |
| — Outstanding loan guarantees provided by the Group | 50 | 50 |
| **Transactions with minority interests** | | |
| Revenue | | |
| — Revenue from provision of construction services | 78 | 113 |
| — Revenue from provision of design services | 1 | — |
| Expenses | | |
| — Subcontracting fees | — | 10 |
| — Rental expense | 2 | — |

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

### (b) Key management compensation

| | Six months ended 30 June (Unaudited) 2009 RMB'000 | 2008 RMB'000 |
|---|---|---|
| Basis salaries, housing allowances and other allowances | 3,390 | 3,329 |
| Contributions to pension plans | 187 | 167 |
| | 3,577 | 3,496 |

## 25. Related-party transactions and balances (Continued)

### (c) Balances with related parties

| | As at 30 June 2009 RMB million (Unaudited) | As at 31 December 2008 RMB million (Audited) |
|---|---|---|
| **Trade and other receivables** | | |
| Trade receivables due from | | |
| — Jointly controlled entities and associates | **377** | 393 |
| — Minority interests | **125** | 166 |
| — Other state-owned enterprises | **28,824** | 28,606 |
| | **29,326** | 29,165 |
| Prepayments | | |
| — Fellow subsidiaries | **16** | 86 |
| — Jointly controlled entities and associates | **27** | — |
| — Other state-owned enterprises | **6,637** | 6,942 |
| | **6,680** | 7,028 |
| Other receivables due from | | |
| — Fellow subsidiaries | **3** | — |
| — Jointly controlled entities and associates | **323** | 267 |
| — Minority interests | **28** | 24 |
| — Other state-owned enterprises | **1,319** | 1,849 |
| | **1,673** | 2,140 |
| | **37,679** | 38,333 |
| **Trade and other payables** | | |
| Trade payables due to | | |
| — Fellow subsidiaries | **12** | 10 |
| — Jointly controlled entities and associates | **459** | 371 |
| — Minority interests | **12** | 12 |
| — Other state-owned enterprises | **9,672** | 7,406 |
| | **10,155** | 7,799 |
| Advances from customers | | |
| — Jointly controlled entities and associates | **21** | 32 |
| — Minority interests | **14** | 15 |
| — Other state-owned enterprises | **19,055** | 17,090 |
| | **19,090** | 17,137 |
| Other payables due to | | |
| — Fellow subsidiaries | **1** | — |
| — Jointly controlled entities and associates | **86** | 88 |
| — Minority interests | **44** | 71 |
| — Other sate-owned enterprises | **1,351** | 1,475 |
| | **1,482** | 1,634 |
| Dividend payable to CCCG | **1,019** | — |
| | **31,746** | 26,570 |

## 25. Related-party transactions and balances (Continued)

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

| | As at 30 June 2009 RMB million (Unaudited) | As at 31 December 2008 RMB million (Audited) |
|---|---|---|
| **Amounts due from customers for contract work with** | | |
| — Jointly controlled entities and associates | 15 | 35 |
| — Other state-owned enterprises | 18,823 | 13,788 |
| | 18,838 | 13,823 |
| **Amounts due to customers for contract work with** | | |
| — Jointly controlled entities and associates | 31 | 402 |
| — Other state-owned enterprises | 4,353 | 3,790 |
| | 4,384 | 4,192 |
| **Other balances with other state-owned enterprises** | | |
| — Restricted cash | 713 | 581 |
| — Cash and cash equivalents | 19,848 | 20,491 |
| — Borrowings | 48,325 | 42,640 |

## 26. Events occurring after the balance sheet date

The following events took place subsequent to 30 June 2009 and up to the date of approval of the unaudited condensed consolidated interim financial information.

Pursuant to a shareholders' resolution passed at the Company's extraordinary general meeting on 29 August 2008 and the approval by the China Securities Regulatory Commission on 12 August 2009, the Company has completed the issuance of its domestic corporate bonds with an aggregate principal amount of RMB10 billion on 25 August 2009. RMB2.1 billion of such bonds has a term of 5 years, bearing interest at a rate of 4.7% per annum and the other RMB7.9 billion has a term of 10 years, bearing interest at a rate of 5.2% per annum.

# Other Information

## Purchase, Sale or Redemption of Securities

During the period from 1 January 2009 to 30 June 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company.

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

As at 30 June 2009, 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 Securities and Futures Ordinance (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 30 June 2009, 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.

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

As at 30 June 2009, 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 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 |
| Barclays PLC | 367,884,530 | H shares | 8.31 | 2.48 | Corporate interest |
| | 2,081,000 (short position) | H shares | 0.05 | 0.01 | Corporate interest |
| Barclays Global Investors UK Holdings Limited | 367,884,530 | H shares | 8.31 | 2.48 | Corporate interest |
| | 2,081,000 (short position) | H shares | 0.05 | 0.01 | 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 |

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

| 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 |
|---|---|---|---|---|---|
| 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 |

Save as stated above, as at 30 June 2009, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

## Compliance with the Code on Corporate Governance Practices

The Company is committed to high standards of corporate governance. The Board of Directors of the Company believes that the Company has complied with all the code provisions of the Code on Corporate Governance Practices ("Code") for the six months ended 30 June 2009 and there is no material deviation from that Code.

## Compliance with Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors of the Company, the Company confirms that the Directors and Supervisors have complied with the Model Code throughout the period from 1 January 2009 to 30 June 2009.

## Review by the Audit Committee

The Audit Committee of the Company's Board of Directors currently comprises Mr. Koo Fook Sun, Mr. Lu Hongjun and Mr. Chao Tien Yo, who are all Independent Non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2009. The Audit Committee has also discussed matters such as the accounting policies and practices adopted by the Company and internal control with the senior management of the Company.

## Interim Dividend

The Directors proposed not to declare any interim dividend for the six months ended 30 June 2009.

# Terms & Glossaries

| | |
|---|---|
| "berth" | a place in which a vessel is moored or secured; place alongside a quay where a ship loads or discharges Cargo |
| "BT" | build and transfer |
| "BOT" | build, operate and transfer |
| "CCCG" | China Communications Construction Group Limited, a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds 70.1% interest in the Company |
| "Company" or "CCCC" | China Communications Construction Company Limited (中國交通建設股份有限公司), a joint stock limited company with limited liability incorporated under the laws of the PRC on 8 October 2006, and except where the context requires otherwise all of its subsidiaries |
| "CHEC" | China Harbour Engineering Co., Ltd., a wholly owned subsidiary of CCCC incorporated on 8 December 2005 |
| "CRBC" | China Road and Bridge Engineering Co., Ltd., a wholly owned owned subsidiary of CCCC incorporated on 8 December 2005 |
| "Group" | the Company itself and all of its subsidiaries |
| "Hong Kong Stock Exchange" or "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "H shares" | overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange |
| "IFRS" | International Financial Reporting Standards promulgated by the International Accounting Standard Board ("IASB"). IFRS includes International Accounting Standards ("IAS") and interpretations |
| "Ministry of Finance" | the Ministry of Finance of the PRC (中華人民共和國財政部) |
| "Ministry of Foreign Trade and Economic Cooperation" | the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易合作部), now called the Ministry of Commerce of the PRC (中華人民共和國商務部) |
| "PDL" | passenger dedicated line |
| "PRC" or "China" or "Chinese" | the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan |
| "RMB" or "Renminbi" | the lawful currency of the PRC |
| "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 |
| "U.S. dollars" or "US$" | United States dollars, the lawful currency of the United States |
| "ZPMC" | Shanghai Zhenhua Port Machinery Company Limited (renamed as Shanghai Zhenhua Heavy Industry Co., Ltd. in May 2009 ("ZPMC")), 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

85 De Sheng Men Wai Street,
Xicheng District, Beijing 100088,
China

## Hong Kong Representative Office and Principal Place of Business in Hong Kong

19th Floor, China Harbour Building,
370–374 King's Road,
North Point, Hong Kong

## Website Address

www.cccltd.cn

## Joint Company Secretaries

LIU Wensheng
KAM Mei Hua, Wendy *(ACS, ACIS)*

## Authorised Representative

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,
8 Connaught Place
Central, Hong Kong

## PRC Legal Advisors

Jia Yuan Law Firm
F407, Ocean Plaza,
158 Fuxing Men Nei Avenue,
Beijing 100031, China

## H Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

## Investor Relations Contact

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Board of Directors' Office
Investor Relations Team
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