We are Building a CONNECTED WORLD

Annual 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

Corporate Profile

China Communications Construction Company Limited ("CCCC" or the "Company"), initiated and founded by China Communications Construction Group (Limited) ("CCCG") (under the State-owned Assets Supervision and Administration Commission of the State Council of the PRC), was incorporated on 8 October 2006 with state approval. Its H shares were listed on the Main Board of the Hong Kong Stock Exchange with stock code of 1800.HK on 15 December 2006. It is the first large state-owned transportation infrastructure group listing on an overseas capital market. In 2009, CCCC was ranked No. 341 of "Global 500" by Fortune Magazine, 85 places higher than its ranking in 2008.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in the construction and design of transportation infrastructure, dredging and heavy machinery manufacturing business. It is the largest port design and construction company in the PRC, a leading company in road and bridge construction and design in the PRC, a leading railway construction company in the PRC, the largest dredging company in the PRC and the second largest dredging company (in terms of dredging capacity) in the world. The Company is also the world's largest container crane manufacturer. In addition, the Company is the largest international designer and contractor in the PRC. The Company currently has 34 wholly-owned or controlled subsidiaries. Recently, the Company operates its businesses throughout the PRC, including Hong Kong and Macau Special Administrative Regions, and has established its global presence in 76 countries and regions.

Through its participation in state level engineering construction projects, the Company has set many records recognised as the "first", the "best" and the "most" in the history of port and bridge construction not only in the PRC but also the rest of Asia and around the world. Sutong Yangtze River Bridge, Hangzhou Bay Bridge, Yangshan Deepwater Port, not only reflect the state-of-the-art standard in the PRC, but also globally. CCCC designed and constructed 10 of the 26 bridges worldwide that have a span of more than 1000 metres. The Company entered the railway market since the market opened and participated in the design and construction of several national key railway projects successively, including Wuhan-Hefei Railway, Taiyuan-Zhongwei-Yinchuan Railway, Harbin-Dalian PDL, Beijing-Shanghai PDL, Shijiazhuang-Wuhan PDL, Guiyang-Guangzhou Railway, Lanzhou-Chongqing Railway, Hunan-Guangxi Railway, etc.

The Company has actively participated in and competed for projects under external assistance and the international contracting projects. It has been included in the Engineering News Records' ("ENR") list of the world's top 225 international contractors since 1992 consecutively and remains ranked the first among the Chinese enterprises in ENR for three years in terms of revenue from overseas projects. Together with CHEC, CBRC and ZPMC, CCCC now enjoys a high reputation around the world.

Corporate Profile *(Continued)*

The Company has been committed to its brand development strategy and technology innovation, which has enabled it to successfully attract talent. The Company retains three members of the Chinese Academy of Engineering, 13 National Reconnaissance Master and many other national senior engineers and experts. The Company also holds two Post-Doctoral research centres. In addition, the Company possesses advanced technologies, research and development capabilities and equipment as well as 10 national level design institutes, two national level science and research centres, 12 provincial level science and research centres, and six key laboratories (five of which have been recognised as Industrial Key Laboratory of Ministry of Transport, PRC), holding various self-developed intellectual property rights and scientific achievements with international standards.

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

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

Financial Highlights

	2009	2008	2008–2009 Change (%)
For the year ended 31 December (RMB million)			
Revenue	**226,920**	178,889	26.8
Gross profit	**21,705**	17,858	21.5
Profit for the year	**8,004**	7,876	1.6
Profit attributable to equity holders of the Company	**7,200**	6,075	18.5
As at 31 December (RMB million)			
Total assets	**264,058**	218,098	21.1
Total liabilities	**197,829**	165,929	19.2
Capital and reserves attributable to equity holders of the Company	**54,614**	41,171	32.7
Minority interests	**11,615**	10,998	5.6
Per share (RMB)			
Earnings per share	**0.49**	0.41	18.5
Equity attributable to equity holders of the Company per share	**3.68**	2.78	32.7

Zhou Jichang *Chairman*

Chairman's Statement

1. Operating Results

2. Business Development

3. Enterprise Management

4. Technology Innovation

5. Integrated Capabilities

Dear Shareholders,

I am pleased to present to you the annual report of the Company for the year 2009 on behalf of the Board.

In retrospect of 2009, as a result of the global financial crisis and economic downturn worldwide, the Company faced tremendous challenges and in particular, our heavy machinery manufacturing segment was severely affected. Amid such severe and complicated economic landscape nationwide and worldwide, and the fluctuating financial market and fierce market competition, the Board of Directors, Supervisory Committee and the management of the Company achieved satisfactory results with their determination and conscientiousness in formulating policies through actively seeking growth opportunities in crisis for the benefit of our shareholders as a whole, working in concerted efforts in leading all our staff to combat against the challenges, striving upwards for aggressive expansion and pushing ahead for the sustainable and healthy development of the Company, thus maximising the value for our shareholders. The major achievements are as follows:

Chairman's Statement (Continued)

1. Operating Results

In 2009, various economic performance indicators of the Company continued to grow steadily. Revenue for the year was RMB226,920 million, representing a year-on-year growth of 26.8%. Profit attributable to equity holders of the Company was RMB7,200 million, representing a year-on-year increase of 18.5%. Earnings per share amounted to RMB0.49, representing a year-on-year increase of 18.5%. The value of new contracts was RMB360,363 million, representing a year-on-year increase of 27.3%. As at 31 December 2009, the backlog for the Company was RMB426,027 million, representing a year-on-year increase of 27.4%.

In expanding its scale of operation and enhancing its operating efficiency, the quality of operations also saw a significant improvement. During the year, the net cash flow generated from operating activities amounted to RMB14,599 million, representing an increase of RMB15,794 million from last year. Trade receivables and inventory were under effective control and the increase in such items was lower than the growth of revenue. The gearing ratio dropped over that of the previous year. The consolidated gross profit margin improved significantly in the second half of the year compared to the first half of the year and showed a gradual recovering trend.

2. Business Development

In 2009, benefiting from the stimulus package plan implemented by the PRC government, the Company was proactive in capturing the market opportunities and maintained fast growth in the segments of infrastructure construction, infrastructure design and dredging and remained the leader in the transportation construction industry.

Our infrastructure construction business saw a strong growth momentum. The value of our new contracts, revenue and profit for the year rose substantially over the previous year. The Company continued to maintain its competitive strengths in the area of high and new technology, and complicated and difficult construction projects. Following the completion of a number of state key construction projects, the Company entered into new contracts for a number of large-scale port, railway and bridge construction projects. In particular, it has been awarded the tender of landmark projects such as the initial design for Hong Kong-Zhuhai-Macau Bridge and the artificial island project, which are evident of the competitiveness of the Company. Our railway construction capabilities also grew steadily with expanding market share and improving technology levels, organisational power and quality control, thereby transforming itself into a market leader in the railway construction industry in the PRC.

Our infrastructure design business achieved fast and yet steady growth. Leveraging on our leading design capabilities, the Company actively expanded into new business areas in addition to consolidating its market position in traditional areas. The Company achieved satisfactory performance with a sound growth in the value of new contracts, revenue and profit.

Chairman's Statement (Continued)

Our dredging business attained healthy and fast growth and continued to maintain a leading position in the PRC dredging market with expanding scale of operation and improving profitability. The upgrade and renovation of dredging vessels was well underway and a batch of new vessels was put into use. The dredging capacity and technology were enhanced as a result with a promising future ahead.

Our heavy machinery manufacturing business was severely hit by the global financial crisis. As orders for traditional products including quayside container cranes decreased, economic efficiency dropped. During the year, the Company stepped up its efforts to adjust the product mix and focus on the development of marine heavy machinery and steel structure and achieved good results.

Our investment business under the infrastructure construction segment grew steadily with increasing return on investments. In facilitating the adjustment of product mix, the investment business also contributed to the gradual development of our core businesses by increasing its profit contributions to the Company. At the same time, the Company reinforced the management of investment projects and strictly monitored the risks in order to facilitate our healthy business development.

Our overseas business under the infrastructure construction segment continues its satisfactory results with steady increase in the value of new contracts and significant growth in economic efficiency. In 2009, in active response to combat against the financial crisis, the Company stepped up its efforts to develop the overseas market with an innovative operation model of opening up new business areas and new geographical regions in addition to consolidating the traditional ones, thereby achieving encouraging results.

3. *Enterprise Management*

In 2009, the Company strengthened the corporate management at full-scale, which comprehensively enhanced the corporate governance level and strengthened the risk management abilities through: 1. focusing on system development and solidifying the fundamental management; 2. changing the management model by refining management and increasing the level of profitability and standards; 3. strengthening capital management, reducing interest expenses and minimising finance costs; 4. stepping up efforts in the collection of trade receivables, reducing inventory and improving capital turnover ratio and days; 5. pushing ahead bulk purchase of materials to effectively reduce the costs of the projects; 6. enhancing comprehensive risk management and establishing a risk management and assessment system to strictly monitor various risks faced by the Company. In addition, the Company also organised ongoing activities such as the "Year of Efficient Management" to reduce costs and increase efficiencies.

Chairman's Statement (Continued)

4. Technology Innovation

As a technology leader in the transportation construction industry in the PRC, the Company has implemented the strategies of technology innovation to strengthen its competitiveness in adherence to the principle of "advanced technology" and has taken up the role to support and guide the corporate development through technology innovation. In 2009, the Company stepped up its R&D efforts and further developed key laboratories and corporate technology centers to strengthen new technology development and push ahead the development of scientific technology. The fruitful R&D achievements have provided strong support for the speedy growth of the Company and increased the competitiveness of the Company. The Company was granted many awards including State and Provincial-level Science and Technology Awards and China Civil Engineering Zhantianyou Awards, further reflecting the advanced technology and solid capabilities of the Company in the transportation construction industry.

5. Integrated Capabilities

As our integrated capabilities grow further and our status in the PRC and abroad is further enhanced, our influence on the community becomes increasingly significant. In 2009, the Company was ranked No. 341 among the top 500 enterprises worldwide; No. 17 among the world's top 225 international contractors by ENR, and remains in first ranking among the Chinese enterprises named by ENR for years. The Company has been named the "Most Trustworthy Company of China" and "Outstanding Corporate Social Responsibility Practice Award in China".

Looking ahead into 2010, we are filled with confidence. 2010 will be a critical year for the PRC to continuously combat the global financial crisis, stabilise economic growth at a solid pace and accelerate the transformation of the pattern of economic development. The overall development environment is likely to improve compared to 2009, although the condition remains difficult.

From a domestic perspective, the outlook for the PRC economy as a whole remains positive as the foundation for economic recovery further consolidates, market confidence improves and the policy of expanding domestic demand continues to take effect. In 2010, the regional and structural demand for coastal port construction is expected to expand with moderate growth potential based on the investment in 2009. The investment in the inland waterway transport market will continue to increase and provide market participants with more opportunities. The road construction market will continue to implement construction projects under the National Highway Network Plan, pushing forward the follow-up and closing works with focus on the construction of "dead-end roads". The railway market continues at a construction peak where key projects accelerate and additional projects are expected to start on last year's basis. Despite the slowdown in the growth of infrastructure dredging projects, the dredging market is expected to see a promising prospect driven by the new demand from land reclamation in coastal cities, industrial zones and ports expansion and reconstruction. With the recovery of international trade volumes, the heavy machinery manufacturing market will pick up gradually and the domestic port machinery market will recover at a faster pace than such overseas markets.

Chairman's Statement (Continued)

From a global perspective, after the large-scale economic stimulus packages were carried out in various countries, the world's economy has been bottoming out and entering into a post-crisis era. Major developed economies are staging modest recovery with positive signs of an upturn while major emerging and developing economies are expecting a high growth back on track driven by the strong internal driving forces. Looking forward to 2010, with the steady pickup in global trade, international market is likely to see increasingly stronger demand for infrastructure construction.

Facing the complex and fast-changing economic situation within and outside the PRC ahead in 2010, the Company will closely monitor the market development and, based on the consolidation of our traditional market presence, proactively expand into railway, public facilities, urban rail and overseas construction markets to achieve further growth. The Company will also proactively improve and refine our asset structure to foster and refine our investment portfolio, and drive the infrastructure construction business through BOT/BT investments. Furthermore, the Company will strive to improve and upgrade our business quality by mitigating potential operating risk arising from the expanding business scale and containing the operating metrics such as trade receivables and inventories within a reasonable range. The Company will strive towards enhancing operational efficiency as the focal point, and insist on efficiency in management. Last but not least, the Company will continue to study and explore the best corporate development model and sustainable growth pattern with focus on profitability, business continuity and stability. The Company aims to maximise the shareholders' value, enhance our position in the World's Top 500 and step further toward a world-class construction and design powerhouse with excellent results returned to our shareholders.

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 infrastructure projects for its customers.

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

The Company maintained fast and healthy growth in 2009. Revenue for the Company was RMB226,920 million, representing a year-on-year increase of 26.8%. The value of new contracts amounted to RMB360,363 million, representing a year-on-year increase of 27.3%. As at 31 December 2009, the backlog for the Company was RMB426,027 million, representing a year-on-year increase of 27.4%.

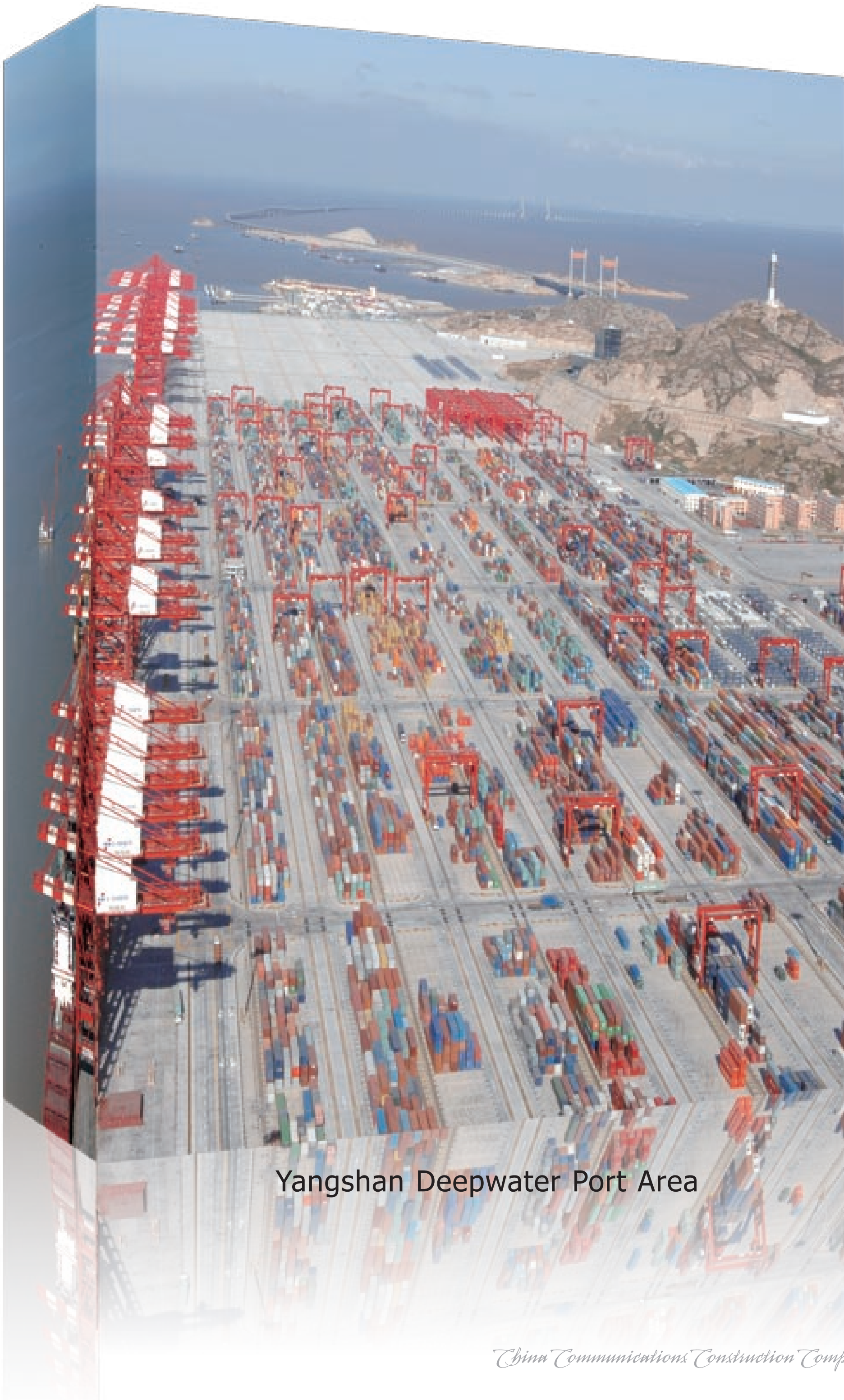
I. Market Review

During the first quarter of 2009 when the global financial crisis expanded rapidly and the world economy fell into a deep recession, the PRC economy was severely impacted with a sharp decline in export. To address the financial crisis, the PRC government implemented a proactive fiscal policy and a moderately relaxed monetary policy, by comprehensively carrying out and refining the stimulus package designed to combat global financial crisis as well as improving the sustainability of monetary policy, which effectively boosted domestic demand and reversed the tide of slowed-down economy. In particular, the PRC government well utilised, as a leverage, the RMB924,300 million government investment, an increase of RMB503,800 million from last year's budget, to stimulate the non-government investment on fixed assets, which grew 30.1% year-on-year. This laid a solid foundation for the 8% GDP growth rate target. With a GDP growth rate of 8.7% in 2009, the PRC successfully accomplished a V-shaped recovery, far more compelling than any other major economies around the world.

II. Business Review

As the leading transportation infrastructure group in the PRC, the Company is well-positioned to benefit from the PRC's RMB4 trillion economic stimulus plan. The Company effectively captured market opportunities and recorded a strong growth in the value of new contracts in infrastructure construction in 2009. In particular, driven by the commencement of a large number of large-scale bridges and high-grade highways, the value of new contracts won by the Company in these fields doubled; national key railway projects under construction progressed smoothly, and the number of newly won projects and our market share in railway construction grew steadily. In addition, the value of new contracts signed by the Company in municipal works and urban rail transit projects also grew steadily as more opportunities arise from the acceleration of urbanisation. Furthermore the strong demand from the construction of the PRC coastal port industrial zones and land reclamation projects also positively supported the continued rapid development of our dredging business.

INFRASTRUCTURE CONSTRUCTION BUSINESS



Yangshan Deepwater Port Area

Business Overview *(Continued)*

Due to the global financial crisis in 2009, our heavy machinery manufacturing business, especially the port machinery manufacturing business targeted at the global market, was significantly affected and experienced a substantial contraction in new orders received. However, the Company has effectively minimised such negative market impact by developing and selling new products, such as maritime heavy machinery. In the meantime, the volatility in overall demand in the international construction market and the market competition among developing countries has become increasingly fierce, therefore, the contracting work in certain regions was downsized or delayed. Notwithstanding these adverse circumstances, the Company made timely adjustments to the business by expanding into new business areas in addition to consolidating the traditional market regions and strengthening the penetration into the existing markets and the development of new markets. These effectively secured a steady growth of our overseas construction business in 2009 compared with last year.

1. Infrastructure Construction Business

In 2009, the Company completed infrastructure construction projects with a total revenue of RMB165,563 million, representing a year-on-year increase of 35.6%. The value of new infrastructure construction contracts reached RMB287,050 million, representing a year-on-year increase of 35.4%. As at 31 December 2009, the backlog for infrastructure construction was RMB357,652 million, representing an increase of 34.7% compared to the end of 2008.

During 2009, a number of projects including Phase III of Yangshan Deepwater Port, Hurongxi Expressway, Shanghai Yangtze River Tunnel Bridge, Zhoushan Jintang Bridge and Guizhou Balinghe Bridge were successfully completed. Large projects such as Guiyang-Duyun Expressway, Shizhu-Fengdu-Fuling Expressway in Chongqing, Qingdao Bay Bridge and Taizhou Yangtze River Bridge were well on track. Key projects successfully won by the Company in 2009 include the Artificial Island project of Zhuhai-Macau Port of Hong Kong-Zhuhai-Macau Bridge and the start-up project of Huanghua Comprehensive Port.

(1) Port Construction

In 2009, the value of new contracts signed by the Company for the domestic port construction projects reached RMB41,598 million, representing a year-on-year increase of 8.8%. In recent years, the construction of coastal ports in the PRC has maintained a high level of investment with a relatively steady growth. Despite the impact of global financial crisis on foreign trade in 2009, coastal ports in the PRC still received a total investment of over RMB70 billion. Meanwhile, the PRC government had increased investment in inland waterway construction, focusing

Caofeidian 250,000-ton class Ore Terminal

Business Overview *(Continued)*

on the Yangtze River Delta and the inland waterway transport network along the Yangtze River. In order to adapt to the changing market conditions, on one hand, the Company leveraged on its strong market position to both reinforce its market share in traditional port construction business and expand into the inland waterway construction; on the other hand, the Company continued to actively work with customers for the development of pilot transformation projects of coastal terminals, and pushed technology upgrade of older ports and older port areas which enabled the Company to maintain the scale and profitability of the port construction operation.

In 2009, the main new orders secured by the Company included bulk berth construction project at the southern port area of Liuwudian in Xiamen Port, a 20,000-ton class general wharf project at Dongzao Work Zone of Lvsi port area of Nantong Port, north breakwater and cofferdam project of Changxing Island in Dalian, Artificial Island project of Hong Kong-Zhuhai-Macau Bridge and a national key construction project namely Huanghua Comprehensive Port.

(2) Road and Bridge Construction

In 2009, the value of new contracts signed by the Company for domestic road and bridge projects reached RMB93,228 million, representing a year-on-year increase of 99.6%. Under the government policy of "maintaining growth, expanding domestic demand and optimising structure", the domestic road and bridge construction markets have embraced an exceptionally high growth opportunity. By proactively adjusting its resources and fully capturing market opportunities, both the value of new contracts signed by the Company and the number of newly kicked off projects doubled as a result of our compelling achievements in key projects on state, provincial and city-level.

Jintang Bridge

In 2009, the main new projects secured by the Company included Jiashao Bridge, the construction project of the Xiamen-Zhangzhou Cross-sea Bridge, Chongqi Bridge, Guangzhou-Shenzhen Riverine Expressway, and the construction project of the Hanzhong-Lveyang Expressway which is a state and provincial-level key project.

(3) Railway Construction

In 2009, the value of new contracts signed by the Company for the domestic railway projects reached RMB48,020 million, representing a year-on-year increase of 52.4%. The railway construction market in the PRC entered into a boom in 2009, presenting unprecedented opportunities for the Company. With great efforts in exploring market opportunities, the Company won a total of 21 railway projects, leading to a stable growth in our market share. The Company had been seeking the best outcomes for our railway projects under construction in respect of quality control, technology innovation and construction organisation. The Company has won leading rankings in several overall surveys by the Ministry of Railways, and thereby realised a transformation from an emerging force into the main force in this field.

Business Overview *(Continued)*

Harbin-Dalian PDL under construction

In terms of projects under construction, in 2009 the Company has successfully achieved the target milestone for Harbin-Dalian PDL, efficient advancement of Beijing-Shanghai High-Speed PDL, breakthrough progress of the key project of Shanghai-Nanjing Intercity Railway as well as ahead-of-schedule development of Shijiazhuang-Wuhan PDL. In 2009, the main new projects won by the Company include four sections of Lanzhou-Chongqing Railway, two additional sections of Lanzhou-Xinjiang Railway, two sections of Hunan-Guilin Railway, Section XBZQ2 of Xi'an-Baoji PDL and Section NASZ-5 of Nanjing-Anqing Intercity Railway and so on.

(4) Investment Business

In 2009, the value of new contracts signed by the Company for the domestic investment business amounted to RMB16,434 million, representing a year-on-year decrease of 20.5%. Coping with the difficult macro-economic circumstances and difficult investment environment, the Company laid a sound foundation for further business development with strict risk control, well-managed investment pace and optimal allocation of assets. Meanwhile, the Company strengthened its monitoring over projects under construction and officially introduced the "Guidelines of CCCC for the Post-Investment Project Evaluation" in 2009, which provided an essential guidance for the disciplined management of new projects in the future.

In 2009, the main projects that the Company has completed construction and began operation or delivered for operation included the BOT 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 project for Arterial Streets in Jiangyin City, etc. Among the main new projects won by the Company were the Weisanlu Passage for Passing through Yangtze River in Nanjing City, and the New Three Expressways in Jiangyin City, Jiangsu, etc.

Chaotianmen Yangtze River Bridge, a steel arch bridge with the longest span of steel-box girder in the world

Business Overview *(Continued)*

(5) Overseas Business

In 2009, the value of new contracts signed by the Company for the overseas infrastructure construction projects amounted to USD9,019 million, representing a year-on-year increase of 3.8%. Among these contracts, port construction projects accounted for approximately 30%, road and bridge construction projects accounted for approximately 52% and urban infrastructure construction, housing construction and other projects accounted for approximately 18%.

Due to the subdued demand of the international construction market amid the global financial crisis, certain government-sponsored and private investment projects were impacted thus imposing higher pressure on our market development efforts. However, the Company, under the strategic objective of joint development of overseas construction market, leveraged its three brands, CCCC, CHEC and CRBC, to make timely adjustment to the business by expanding into new business area, reinforcing traditional market presence and strengthening the penetration into existing markets and the development of new markets. This effectively secured a steady growth of our overseas construction business in 2009. As at 31 December 2009, the Company had a total of 44 projects under construction, each of which has a contract value of over USD100 million, and of which 17 were newly secured in 2009.

Suramad Bridge in Indonesia, a cable-stayed bridge

In 2009, the main new projects won by the Company were the Tuen Mun Road Reconstruction project in Hong Kong, the Dushanbe-Kulma Highway Reconstruction project in Tajikistan, the Addis Ababa Adama Highway Design and Construction project, Channel Extension project of Santos Port and so on.

(6) Other Projects

While solidifying market share in its traditional established domestic market and maintaining an industry leading position, the Company had been exploring into new markets beyond the traditional scope and had been actively pursuing untapped market. The number of projects for municipal works (i.e. urban infrastructure constructions), housing construction and urban rail transit continued to increase, effectively complementing our core business operation. With the acceleration of urbanisation process in the PRC, the Company was expected to capture more opportunities in the emerging markets and create new point for profit increase therefrom when appropriate and feasible.

INFRASTRUCTURE DESIGN BUSINESS

Effect picture of the artificial island of Hong Kong-Zhuhai-Macau Bridge

Business Overview *(Continued)*

2. Infrastructure Design Business

In 2009, revenue for the Company's completed infrastructure design business reached RMB8,874 million, representing a year-on-year increase of 15.9%. The value of new infrastructure design contracts reached RMB11,862 million, representing a year-on-year increase of 20.9%, of which overseas contracts amounted to USD83 million. As at 31 December 2009, the backlog for the infrastructure design business was RMB12,080 million, representing an increase of 10.2% compared to the end of 2008.

The PRC's infrastructure survey and design market experienced a mixed trend in 2009. On one hand, as import and export shipment from ports in China declined sharply as a result of the global financial crisis, new construction activities in major coastal ports nationwide became increasingly muted in tandem with a depressed waterway transportation survey and design market. On the other hand, as the government gradually fulfilled its committed investments to boost domestic demand, particularly in road construction, the total demand for road design experienced gradual expansion. Based on a careful analysis of market development, the Company captured the appropriate timing to exploit development opportunities in road and bridge construction field as well as public facility projects in pursuit of an all-around business expansion from survey and design to environment evaluation and supervision. In addition to maintaining and consolidating our traditional strengths in the existing markets in China, the Company continued to pursue our overseas growth strategy by enhancing and accelerating the development of more overseas markets. In March 2009, with our best-in-class technologies and track records, the Company was awarded the mandate on the preliminary design contract for the main structure of Hong Kong-Zhuhai-Macau Bridge and the design contract for the artificial island reclamation project, and thereby paved the way for further participation in the follow-up projects.

Qingdao 300,000-ton class Oil Terminal

In 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, the general contract for the international cruise ferry terminal at Wusong Port, Shanghai, the preliminary design project for the main structure of Hong Kong-Zhuhai-Macau Bridge and the design contract for the artificial island reclamation project.

DREDGING BUSINESS

Xin Hai Long,
trailing suction hopper dredger

Business Overview *(Continued)*

3. Dredging Business

In 2009, revenue for the Company's dredging business reached RMB24,506 million, representing a year-on-year increase of 29.1%. The value of new dredging contracts reached RMB29,677 million, representing a year-on-year increase of 21.8%, of which the value of new overseas contracts amounted to USD109 million. As at 31 December 2009, the backlog for the dredging business was RMB23,895 million, representing an increase of 26.3% compared to the end of 2008.

In 2009, the Company completed approximately 980 million cubic meters in terms of dredging volume, representing approximately 80% of the total domestic coastal dredging volume in the PRC, of which approximately 580 million cubic meters were for infrastructure and maintenance dredging and approximately 400 million cubic meters were for land reclamation dredging.

Channel Extension project of Tianjin Port

Despite a slowdown in the growth of traditional infrastructure dredging projects for ports and navigation channels in the PRC, new demand for land reclamation in relation to the coastal cities, industrial zones and ports expansion and reconstruction continued to expand and supported a thriving land reclamation market. With unique competitive edges, the Company successfully captured these opportunities and adjusted its production resources to achieve desirable results in both volume and profitability of dredging business while catering for the clients' needs to the greatest extent.

According to our dredging equipment investment plan for the "Eleventh Five-Year Period", 2009 was the second delivery peak period during which 12 special purpose mega vessels including "Xin Hai Niu" and "Jun Hai No.1" joined CCCC's dredger fleet. Assuming the standard working condition, our annual production capacity was increased by 130 million cubic meters, which not only filled up the capacity shortfall, but also improved the Company's competitiveness in dredging business and enhanced its overall technological level.

In 2009, the new key projects won by the Company included Phase III of Channel Extension Project of Tianjin Port, and 250,000-ton class Navigation Channel Dredging Project of Bayuquan Port Area in Yingkou, Phase II of the reclamation project in Tianjin Harbour Industrial Zone and Phase III of Seaward Navigation Channel of Guangzhou Port, etc.

HEAVY MACHINERY MANUFACTURING BUSINESS

A 1,200-ton pipe laying vessel, designed and built by ZPMC

Business Overview *(Continued)*

4. Heavy Machinery Manufacturing Business

In 2009, revenue for the Company's heavy machinery manufacturing business reached RMB27,070 million, representing a year-on-year increase of 0.8%. The value of new heavy machinery manufacturing contracts reached RMB27,439 million, representing a year-on-year decrease of 11.3%. As at 31 December 2009, the backlog for the heavy machinery manufacturing business was RMB30,011 million, representing a decrease of 15.6% compared to the end of 2008.

Due to the decline in demand for international shipping and port business as a result of the global financial crisis in 2009, the number of orders for the Company's port machinery products was directly affected. As the Company's container port machinery products have already accounted for over 75% of the world's market share, the changing market conditions prompt the Company to accelerate the adjustment of product portfolio and to explore new direction in developing its heavy machinery manufacturing business.

Steel-box girder transport for U.S. New Bay Bridge

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 SPMP 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 Co., Ltd ("ZPMC") which focused on marine engineering equipment, large steel structure and steel structured bridge as its main new product development areas to accelerate the pace of the adjustment in the product mix.

In 2006, ZPMC began to enter into the heavy marine machinery segment and manufactured "Hua Tian Long", a 4,000-ton full-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-sized anchors. These initiatives prepared the Company well to enter into a new market segment with competent technologies and production equipment.

In 2009, ZPMC adhered to the path of independent innovation and accelerated the research and development of new products, scoring further breakthrough in the market expansion of heavy marine machinery and large steel structure. The new key projects won by ZPMC included 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, etc.

Business Overview *(Continued)*

III. Technology Innovation

In 2009, the Company accelerated its innovation and R&D activities in design and construction sectors with focus on the industrial and holistic key technologies and achieved significant milestones. As mandated by the Ministry of Transport, the Company initiated the compiling and publication of China Transportation Construction Standards with an aim to create a leading brand in transportation construction technology in the PRC. With the development of an evaluation system for technology innovation and launch of the firm-wide evaluation standards for technology progress and innovation, the Company became the first ever central state-owned enterprise to adopt quantitative and normative technology evaluation. These initiatives, combined with the enhanced technology R&D bases, would have a long-lasting impact to the buildup of our scientific research infrastructure.

In 2009, the Company won two National Awards for Science and Technology Progress, including the First Prize for the "Complete Technology Set of Highway Construction in Expansive Soil Area" of our wholly-owned subsidiary CCCC Second Highway Consultants Co., Ltd., and the Second Prize for the "Theory of Highway Semi-rigid Base Material Structure, Multi-index Control Design Method and Application" of CCCC First Highway Consultants Co., Ltd. In addition, the Company won three China Civil Engineering Zhantianyou Awards, nine China Navigation Science and Technology Awards, 9 Science and Technology Prizes of the Port Engineering Society, 22 Science and Technology Prizes of the China Highway & Transportation Society and 14 National Grade Normalised Construction Methods.

Key laboratory of dredging

Moreover, the Company was selected for one national key technology support program, five scientific research projects for western China of the Ministry of Transport and four projects of the Ministry of Finance in new construction technology, with 12 company-level scientific research projects upgraded to joint strategic projects of the Ministry of Transport. Currently the Company has been mandated a total of 8 National "863" Programs, 8 National Key technology support programs and over 40 science & technology programs from various authorities including Ministry of Transport, Ministry of Railways and Ministry of Finance, and also named as one of the national innovative enterprise pilot units.

Business Overview *(Continued)*

IV. Business Outlook

2010 will be a critical year for the PRC to continuously combat the global financial crisis, stabilise economic growth at a solid pace and accelerate the transformation of the pattern of economic development. The overall development environment is likely to improve compared to 2009, although the condition remains difficult.

From a domestic perspective, the outlook for PRC economy as a whole remains positive as the foundation for economic recovery further consolidates, market confidence improves and the policy of expanding domestic demand continues to take effect. In 2010, the regional and structural demand for coastal port construction is expected to expand with moderate growth potential based on the investment in 2009. The investment in the inland waterway transport market will continue to increase and provide market participants with more opportunities. The road construction market will continue to implement construction projects under the National Highway Network Plan, pushing forward the follow-up and closing works with focus on the construction of "dead-end roads". The railway market continues at a construction peak where key projects accelerate and additional projects are expected to start on last year's basis. Despite the slowdown in the growth of infrastructure dredging projects, the dredging market is expected to see a promising prospect driven by the new demand from land reclamation in coastal cities, industrial zones and ports expansion and reconstruction. With the recovery of international trade volumes, the heavy machinery manufacturing market will pick up gradually and the domestic port machinery market will recover at a faster pace than such overseas markets.

From a global perspective, after the large-scale economic stimulus packages were carried out in various countries, the world's economy has been bottoming out and entering into a post-crisis era. Major developed economies are staging modest recovery with positive signs of an upturn while major emerging and developing economies are expecting a high growth back on track driven by the strong internal driving forces. Looking forward to 2010, with the steady pickup in global trade volumes, international market is likely to see increasingly stronger demand for infrastructure construction.

Facing the complex and fast-changing economic situation within and outside the PRC ahead in 2010, the Company will closely monitor the market development and, based on the consolidation of our traditional market presence, proactively expand into railway, public facilities, urban rail and overseas construction markets to achieve further growth. The Company will also proactively improve and refine our asset structure to foster and refine our investment portfolio, and drive the infrastructure construction business through BOT/BT investments. Furthermore, the Company will strive to improve and upgrade our business quality by mitigating potential operating risk arising from the expanding business scale and containing the operating metrics such as trade receivables and inventories within a reasonable range. The Company will strive to enhance operational efficiency as the focal point, and insist on efficiency in management. Last but not least, the Company will continue to study and explore the best corporate development model and sustainable growth pattern with focus on profitability, business continuity and stability. The Company aims to maximise the shareholders' value, enhance our position in the World's Top 500 and step further toward a world-class construction and design powerhouse with excellent results returned to our shareholders.

Management's Discussion and Analysis

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

Overview

For the year ended 31 December 2009, revenue of the Group amounted to RMB226,920 million, representing a year-on-year increase of 26.8%.

Gross profit for 2009 amounted to RMB21,705 million, representing an increase of RMB3,847 million, or 21.5%, from RMB17,858 million in 2008. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business, heavy machinery manufacturing business and other businesses were 7.4%, 26.8%, 14.9%, 10.8% and 8.9% in 2009, respectively, as compared with 7.3%, 27.2%, 14.3%, 12.9% and 9.4% in 2008.

Operating profit for 2009 amounted to RMB12,524 million, representing an increase of RMB637 million, or 5.4%, from RMB11,887 million in 2008.

In 2009, profit attributable to equity holders of the Company amounted to RMB7,200 million, representing an increase of 18.5% from RMB6,075 million in 2008. Earnings per share for 2009 was RMB0.49, as compared with RMB0.41 in 2008, representing an increase of 18.5%.

The following is a comparison of financial results between years ended 31 December 2009 and 2008.

Consolidated Results of Operations

Revenue

Revenue in 2009 increased by 26.8% to RMB226,920 million, from RMB178,889 million in 2008. The growth was mainly attributable to increases amounting to RMB43,456 million, RMB1,219 million and RMB5,520 million (all before elimination of inter-segment transactions) in the revenue from the infrastructure construction business, infrastructure design business and dredging business, respectively, representing a growth rate of 35.6%, 15.9% and 29.1%, respectively. Revenue from heavy machinery manufacturing business amounted to RMB27,070 million in 2009, representing an increase of RMB212 million, or 0.8%, from RMB26,858 million in 2008. Meanwhile, in 2009, revenue from other businesses decreased by RMB2,250 million or 29.1% from 2008, primarily attributable to the lower revenue generated from our logistics business as a result of slowed import and export trading activities experienced during the financial crisis.

Management's Discussion and Analysis *(Continued)*

Cost of Sales and Gross Profit

Cost of sales in 2009 increased by 27.4% to RMB205,215 million, from RMB161,031 million in 2008. Increases in cost of sales from the infrastructure construction business, infrastructure design business and dredging business amounted to RMB40,070 million, RMB924 million and RMB4,578 million (all before elimination of inter-segment transactions), respectively, representing an increase of 35.4%, 16.6% and 28.1%, respectively. Cost of sales from heavy machinery manufacturing business amounted to RMB24,155 million in 2009, representing an increase of RMB749 million or 3.2%, from RMB23,406 million in 2008. Meanwhile, in 2009, cost of sales from other businesses decreased by RMB2,011 million or 28.8% from 2008, which was primarily attributable to lower revenue from our logistics business.

Cost of sales consisted mainly of cost of raw materials and consumables used as well as subcontracting costs. Cost of raw materials and consumables used in 2009 amounted to RMB89,287 million, representing an increase of RMB20,156 million, or 29.2%, from RMB69,131 million in 2008; subcontracting cost in 2009 amounted to RMB59,551 million, representing an increase of RMB14,023 million, or 30.8%, from RMB45,528 million in 2008.

As a result, gross profit for 2009 amounted to RMB21,705 million, representing an increase of RMB3,847 million, or 21.5%, from RMB17,858 million in 2008. The gross profit from the infrastructure construction business, infrastructure design business and dredging business amounted to RMB12,276 million, RMB2,376 million and RMB3,650 million (all before elimination of inter-segment transactions and unallocated costs), respectively, representing an increase of 38.1%, 14.2% and 34.8%, respectively; while the gross profit from the heavy machinery manufacturing business and other businesses decreased by RMB537 million and RMB239 million, or 15.6% and 32.9%, to RMB2,915 million and RMB488 million in 2009. Gross profit margin decreased to 9.6% in 2009 from 10.0% in 2008, primarily due to the decrease of gross profit margin of the heavy machinery manufacturing business.

Operating Profit

Operating profit in 2009 amounted to RMB12,524 million, representing an increase of RMB637 million, or 5.4%, from RMB11,887 million in 2008. The increase was mainly due to the increase in gross profit, which was partially offset by the decrease in other net gains and the increase in administrative expenses. In 2008, the Group recorded other net gains of RMB1,171 million, which was primarily attributable to the gains on foreign exchange forward contracts; while in 2009, other net gains decreased by RMB848 million, or 72.4%, to RMB323 million. These changes in other net gains in turn contributed negatively to the operating profit in 2009 when comparing with that of 2008. Administrative expenses amounted to RMB9,673 million in 2009, representing an increase of RMB2,226 million, or 29.9%, from RMB7,447 million in 2008. The increase of administrative expenses was mainly attributable to the increase of research and development expenses in some of the Group's subsidiaries and to the increase in provision for impairment of trade and other receivables.

In 2009, operating profit from the infrastructure construction business, infrastructure design business and dredging business increased by RMB1,976 million, RMB202 million and RMB702 million (all before elimination of inter-segment transactions and unallocated costs), representing a growth rate

Management's Discussion and Analysis *(Continued)*

of 40.6%, 18.9% and 31.6% respectively. In 2009, operating profit from heavy machinery business and other businesses decreased by RMB2,094 million and RMB108 million (all before elimination of inter-segment transactions and unallocated costs), representing a decrease rate of 59.2% and 35.9% respectively.

As a result, operating profit margin decreased to 5.5% in 2009 from 6.6% in 2008 primarily due to lower operating profit margin of heavy machinery manufacturing business.

Interest Income

Interest income in 2009 amounted to RMB660 million, representing an increase of RMB3 million, or 0.5%, from RMB657 million in 2008.

Finance Costs, net

Net finance costs for 2009 amounted to RMB2,973 million, representing an increase of RMB337 million, or 12.8%, from RMB2,636 million for 2008. This was an offsetting result of the decrease in interest expenses and the decrease in foreign exchange gains on borrowings.

Share of Profit/(Loss) of Jointly Controlled Entities

Share of profit of jointly controlled entities for 2009 amounted to RMB55 million, as compared to the share of loss of jointly controlled entities of RMB88 million in 2008.

Share of Profit of Associates

Share of the profit of associates for 2009 amounted to RMB48 million, representing an increase of RMB37 million, or 336.4%, from RMB11 million in 2008, primarily due to the increase in operating profit of certain associates of the Group.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax in 2009 amounted to RMB10,314 million, representing an increase of RMB483 million, or 4.9%, from RMB9,831 million in 2008.

Income Tax Expense

Income tax expense in 2009 amounted to RMB2,310 million, representing an increase of RMB355 million, or 18.2%, from RMB1,955 million in 2008. Effective tax rate for the Group in 2009 increased to 22.4% from 19.9% in 2008, mainly due to change in preferential tax rate of certain subsidiaries and the decrease of the taxable profit of ZPMC, which enjoyed a preferential tax rate of 15%.

Minority Interests

Minority interests in 2009 amounted to RMB804 million, representing a decrease of RMB997 million, or 55.4%, from RMB1,801 million in 2008, mainly attributable to the increase in the stake held by the Company directly and indirectly in ZPMC from 43.26% to 46.11% as a result of the completion of private placement of ZPMC in March 2009 and the decrease in net profit of ZPMC in 2009.

Management's Discussion and Analysis *(Continued)*

Profit Attributable to Equity Holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company in 2009 amounted to RMB7,200 million, representing an increase of RMB1,125 million, or 18.5%, from RMB6,075 million in 2008.

Profit margin with respect to profit attributable to equity holders of the Company was 3.2% in 2009, as compared to 3.4% in 2008.

Discussion of Segment Operations

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for years ended 31 December 2009 and 2008.

	Revenue Year ended 31 December		Gross Profit Year ended 31 December		Gross Profit Margin Year ended 31 December		Operating Profit [(1)] Year ended 31 December		Operating Profit Margin Year ended 31 December	
	2009 (RMB million)	2008 (RMB million)	**2009 (RMB million)**	2008 (RMB million)	**2009 (%)**	2008 (%)	**2009 (RMB million)**	2008 (RMB million)	**2009 (%)**	2008 (%)
Business										
Infrastructure Construction	**165,563**	122,107	**12,276**	8,890	**7.4**	7.3	**6,839**	4,863	**4.1**	4.0
% of total	**71.5**	66.6	**56.6**	49.8	**–**	–	**54.0**	40.5	**–**	–
Infrastructure Design	**8,874**	7,655	**2,376**	2,081	**26.8**	27.2	**1,273**	1,071	**14.3**	14.0
% of total	**3.8**	4.2	**10.9**	11.7	**–**	–	**10.0**	8.9	**–**	–
Dredging	**24,506**	18,986	**3,650**	2,708	**14.9**	14.3	**2,925**	2,223	**11.9**	11.7
% of total	**10.6**	10.4	**16.8**	15.2	**–**	–	**23.1**	18.5	**–**	–
Heavy Machinery Manufacturing	**27,070**	26,858	**2,915**	3,452	**10.8**	12.9	**1,441**	3,535	**5.3**	13.2
% of total	**11.7**	14.7	**13.4**	19.3	**–**	–	**11.4**	29.5	**–**	–
Other businesses	**5,471**	7,721	**488**	727	**8.9**	9.4	**193**	301	**3.5**	3.9
% of total	**2.4**	4.1	**2.2**	4.0	**–**	–	**1.5**	2.6	**–**	–
Subtotal	**231,484**	183,327	**21,705**	17,858	**–**	–	**12,671**	11,993	**–**	–
Intersegment elimination and unallocated costs	**(4,564)**	(4,438)	**–**	–	**–**	–	**(147)**	(106)	**–**	–
Total	**226,920**	178,889	**21,705**	17,858	**9.6**	10.0	**12,524**	11,887	**5.5**	6.6

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

Management's Discussion and Analysis *(Continued)*

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the years ended 31 December 2009 and 2008.

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Revenue	**165,563**	122,107
Cost of sales	**(153,287)**	(113,217)
Gross profit	**12,276**	8,890
Selling and marketing expenses	**(39)**	(29)
Administrative expenses	**(5,697)**	(3,996)
Other income/(expense), net	**299**	(2)
Segment result	**6,839**	4,863
Depreciation and amortisation	**2,383**	1,737

Revenue. Revenue from the infrastructure construction business in 2009 was RMB165,563 million, representing an increase of RMB43,456 million, or 35.6%, as compared with RMB122,107 million in 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 in 2009 was RMB287,050 million, representing an increase of RMB75,002 million, or 35.4%, compared with RMB212,048 million in 2008. No single project accounted for more than 5% of the Group's total revenue in 2009 or 2008.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2009 was RMB153,287 million, representing an increase of RMB40,070 million, or 35.4%, as compared with RMB113,217 million in 2008. Cost of sales as a percentage of revenue decreased from 92.7% in 2008 to 92.6% in 2009.

Gross profit from the infrastructure construction business in 2009 grew by RMB3,386 million, or 38.1%, to RMB12,276 million from RMB8,890 million in 2008. Gross profit margin slightly increased to 7.4% in 2009 from 7.3% in 2008.

Management's Discussion and Analysis *(Continued)*

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2009 were RMB39 million, representing an increase of RMB10 million, or 34.5%, as compared with RMB29 million in 2008.

Administrative expenses. Administrative expenses for the infrastructure construction business in 2009 were RMB5,697 million, representing an increase of RMB1,701 million, or 42.6%, as compared with RMB3,996 million in 2008, primarily attributable to the increase in research and development expenses and provision for impairment of trade and other receivables. Administrative expenses as a percentage of revenue increased to 3.4% in 2009 from 3.3% in 2008.

Other income/(expenses), net. Other net income for the infrastructure construction business amounted to RMB299 million, as compared with other net expenses of RMB2 million in 2008, which was mainly attributable to the difference between the net foreign exchange gains of RMB52 million in 2009 and the net foreign exchange losses of RMB223 million in 2008.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2009 was RMB6,839 million, representing an increase of RMB1,976 million, or 40.6%, as compared with RMB4,863 million in 2008. Segment result margin slightly increased to 4.1% in 2009 from 4.0% in 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 costs.

The following table sets out the principal profit and loss information for infrastructure design business for years ended 31 December 2009 and 2008.

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Revenue	**8,874**	7,655
Cost of sales	**(6,498)**	(5,574)
Gross profit	**2,376**	2,081
Selling and marketing expenses	**(97)**	(87)
Administrative expenses	**(1,073)**	(952)
Other income, net	**67**	29
Segment result	**1,273**	1,071
Depreciation and amortisation	**134**	123

Management's Discussion and Analysis *(Continued)*

Revenue. Revenue from the infrastructure design business in 2009 was RMB8,874 million, representing an increase of RMB1,219 million, or 15.9%, as compared with RMB7,655 million in 2008. This growth was primarily attributable to the increase in the aggregate value of design contracts, including comprehensive contracts, which was in turn driven by growing infrastructure expenditure by the Group's domestic and overseas customers and the increase in the number of the Group's overseas customers, as well as higher demand for the Group's specialised design skills and experience in complex projects. The value of new contracts entered into for the infrastructure design business in 2009 was RMB11,862 million, representing an increase of RMB2,054 million, or 20.9%, as compared with RMB9,808 million in 2008.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2009 was RMB6,498 million, representing an increase of RMB924 million, or 16.6%, as compared with RMB5,574 million in 2008. Cost of sales as a percentage of revenue in 2009 was 73.2%, as compared with 72.8% in 2008.

Gross profit from the infrastructure design business in 2009 was RMB2,376 million, representing an increase of RMB295 million, or 14.2%, as compared with RMB2,081 million in 2008. Gross profit margin decreased to 26.8% in 2009 from 27.2% in 2008, mainly due to the increase of comprehensive contracts, of which the gross profit margins were relatively low.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2009 were RMB97 million, representing an increase of RMB10 million, or 11.5%, as compared with RMB87 million in 2008.

Administrative expenses. Administrative expenses for the infrastructure design business in 2009 were RMB1,073 million, representing an increase of RMB121 million, or 12.7%, as compared with RMB952 million in 2008. Administrative expenses as a percentage of revenue decreased to 12.1% in 2009 from 12.4% in 2008.

Other income, net. Other net income for the infrastructure design business in 2009 was RMB67 million, representing an increase of RMB38 million, as compared with RMB29 million in 2008.

Segment result. As a result of the above, segment result for the infrastructure design business in 2009 was RMB1,273 million, representing an increase of RMB202 million, or 18.9%, as compared with RMB1,071 million in 2008. Segment result margin increased to 14.3% in 2009 from 14.0% in 2008, as an offsetting result of the decrease of gross profit margin and the decrease of administrative expenses as a percentage of revenue.

Management's Discussion and Analysis *(Continued)*

Dredging Business

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

The following table sets out the principal profit and loss information for the dredging business for years ended 31 December 2009 and 2008.

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Revenue	**24,506**	18,986
Cost of sales	**(20,856)**	(16,278)
Gross profit	**3,650**	2,708
Selling and marketing expenses	**(23)**	(21)
Administrative expenses	**(857)**	(697)
Other income, net	**155**	233
Segment result	**2,925**	2,223
Depreciation and amortisation	**828**	607

Revenue. Revenue from the dredging business in 2009 was RMB24,506 million, representing an increase of RMB5,520 million, or 29.1%, as compared with RMB18,986 million in 2008. The revenue growth was primarily attributable to increased port development activities and coastal line reclamation activities in the PRC, which led to increased demand for the Group's dredging services. The value of new contracts entered into for the dredging business in 2009 was RMB29,677 million, representing an increase of RMB5,321 million, or 21.8%, compared with RMB24,356 million in 2008.

Cost of sales and gross profit. Cost of sales for the dredging business in 2009 was RMB20,856 million, representing an increase of RMB4,578 million, or 28.1%, as compared with RMB16,278 million in 2008. Cost of sales as a percentage of revenue for the dredging business in 2009 was 85.1%, as compared with 85.7% in 2008.

Gross profit from the dredging business in 2009 was RMB3,650 million, representing an increase of RMB942 million or 34.8%, as compared with RMB2,708 million in 2008. Gross profit margin for the dredging business increased to 14.9% in 2009 from 14.3% in 2008, primarily attributable to large-scale projects and better cost control.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2009 were RMB23 million, representing an increase of RMB2 million, or 9.5%, from RMB21 million in 2008.

Management's Discussion and Analysis *(Continued)*

Administrative expenses. Administrative expenses for the dredging business in 2009 were RMB857 million, representing an increase of RMB160 million, or 23.0%, as compared with RMB697 million in 2008. Administrative expenses as a percentage of revenue decreased from 3.7% in 2008 to 3.5% in 2009, primarily attributable to the increased economies of scale and better cost control.

Other income, net. Other net income for the dredging business in 2009 was RMB155 million, representing a decrease of RMB78 million from RMB233 million in 2008, primarily attributable to the fact that in 2008, the Group had disposed some lease prepayments in relation to the land use rights owned by the Group's subsidiary and had recorded gain.

Segment result. As a result of the above, segment result for the dredging business in 2009 was RMB2,925 million, representing an increase of RMB702 million, or 31.6%, as compared with RMB2,223 million in 2008. Segment result margin increased to 11.9% in 2009 from 11.7% in 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 costs.

The following table sets out the principal profit and loss information for the heavy machinery manufacturing business for years ended 31 December 2009 and 2008.

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Revenue	**27,070**	26,858
Cost of sales	**(24,155)**	(23,406)
Gross profit	**2,915**	3,452
Selling and marketing expenses	**(111)**	(107)
Administrative expenses	**(1,669)**	(1,433)
Other income, net	**306**	1,623
Segment result	**1,441**	3,535
Depreciation and amortisation	**1,125**	976

Management's Discussion and Analysis *(Continued)*

Revenue. Revenue from the heavy machinery manufacturing business in 2009 was RMB27,070 million, representing an increase of RMB212 million, or 0.8%, as compared with RMB26,858 million in 2008. This slowed growth rate was primarily attributable to the significant decrease of revenue in the second half of 2009 as the new contract value declined in 2009. The value of new contracts entered into for the heavy machinery manufacturing business in 2009 was RMB27,439 million, representing a decrease of RMB3,496 million, or 11.3%, compared with RMB30,935 million in 2008, primarily attributable to lower contract value for container cranes as a result of slowed import and export trading activities experienced during the recent financial crisis.

Cost of sales and gross profit. Cost of sales for the heavy machinery manufacturing business in 2009 was RMB24,155 million, representing an increase of RMB749 million, or 3.2%, as compared with RMB23,406 million in 2008. Cost of sales as a percentage of revenue increased from 87.1% in 2008 to 89.2% in 2009.

Gross profit from the heavy machinery manufacturing business in 2009 was RMB2,915 million, representing a decrease of RMB537 million, or 15.6%, as compared with RMB3,452 million in 2008. Gross profit margin decreased to 10.8% in 2009 from 12.9% in 2008, which was primarily due to higher cost in 2009.

Selling and marketing expenses. Selling and marketing expenses for the heavy machinery manufacturing business in 2009 were RMB111 million, representing an increase of RMB4 million, or 3.7%, from RMB107 million in 2008.

Administrative expenses. Administrative expenses for the heavy machinery manufacturing business in 2009 were RMB1,669 million, representing an increase of RMB236 million, or 16.5%, as compared with RMB1,433 million in 2008, primarily as a result of increased expenditure on research and development activities which is in line with 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 6.2% in 2009 from 5.3% in 2008.

Other income, net. Other net income for the heavy machinery manufacturing business in 2009 was RMB306 million, representing a decrease of RMB1,317 million, or 81.2%, as compared with RMB1,623 million in 2008, mainly due to less fair value gains on foreign exchange forward contracts and less income from compensation for the cost of relocation.

Segment result. As a result of the above, segment result for the heavy machinery manufacturing business in 2009 was RMB1,441 million, representing a decrease of RMB2,094 million, or 59.2%, as compared with RMB3,535 million in 2008, primarily due to the decrease of gross profit and other net income. Segment result margin significantly decreased to 5.3% in 2009 from 13.2% in 2008.

Management's Discussion and Analysis *(Continued)*

Other Businesses

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

The following table sets out the revenue, cost of sales and gross profit information for the other businesses years ended 31 December 2009 and 2008.

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Revenue	**5,471**	7,721
Cost of sales	**(4,983)**	(6,994)
Gross profit	**488**	727

Revenue. Revenue from the other businesses in 2009 was RMB5,471 million, representing a decrease of RMB2,250 million, or 29.1%, as compared with RMB7,721 million in 2008, primarily attributable to lower revenue generated from our logistics business as a result of slowed import and export trading activities experienced during the financial crisis.

Cost of sales and gross profit. Cost of sales for the other businesses in 2009 was RMB4,983 million, representing a decrease of RMB2,011 million, or 28.8%, as compared with RMB6,994 million in 2008, primarily attributable to the decrease in revenue from logistics business. Cost of sales as a percentage of revenue increased from 90.6% in 2008 to 91.1% in 2009.

Gross profit from the other businesses in 2009 was RMB488 million, representing a decrease of RMB239 million, or 32.9%, as compared with RMB727 million in 2008. Gross profit margin decreased to 8.9% in 2009 from 9.4% in 2008.

Liquidity and Capital Resources

The Group's business requires a significant amount of working capital to finance the purchase of raw materials and to finance the engineering, construction and other work on projects before payment is received from clients. The Group historically met its working capital and other capital requirements principally from cash generated from operations, while financing the remainder of the Group's requirements primarily through bank borrowings. As at 31 December 2009, the Group had unutilised credit facilities in the amount of RMB160,836 million. The Group has also supplemented its financial resources with proceeds raised from issuing corporate bond in August 2009 and medium term notes in March 2009. The Group's access to financial markets since its public listing has provided additional financing flexibility.

Management's Discussion and Analysis *(Continued)*

Cash Flow Data

The following table presents selected cash flow data from the Group's consolidated cash flow statements for the years ended 31 December 2009 and 2008.

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Net cash generated from/(used in) operating activities	**14,599**	(1,195)
Net cash used in investing activities	**(16,890)**	(16,731)
Net cash generated from financing activities	**9,822**	21,887
Net increase in cash and cash equivalents	**7,531**	3,961
Cash and cash equivalents at beginning of year	**26,278**	22,473
Exchange gains/(losses) on cash and cash equivalents	**8**	(156)
Cash and cash equivalents at end of year	**33,817**	26,278

Cash flows from operating activities

In 2009, net cash generated from operating activities was RMB14,599 million, as compared with RMB1,195 million net cash used in operating activities in 2008, which was primarily attributable to the decrease in changes in working capital, in particular, due to a much smaller increase in inventories, trade and other receivables and contract work-in-progress, which were then partially offset by a smaller increase in trade and other payables. Inventories, trade and other receivables and contract work-in-progress increased by RMB2,866 million, RMB9,498 million and RMB3,842 million respectively in 2009, as compared with the amount of increase of RMB10,504 million, RMB21,802 million and RMB4,659 million in 2008. Trade and other payables increased by RMB18,353 million in 2009, as compared with the amount of increase of RMB25,953 million in 2008. As a result of the foregoing factors, the changes in working capital decreased by RMB2,479 million in 2009, as compared with the RMB11,093 million increase in 2008. The decrease in changes in working capital was primarily attributable to the better control implemented by the Group.

Cash flows from investing activities

Net cash used in investing activities in 2009 was RMB16,890 million as compared with RMB16,731 million in 2008.

In 2009, the Group's purchase of property, plant and equipment amounted to RMB13,673 million, representing a decrease of RMB1,287 million from RMB14,960 million in 2008, mainly due to the decreased capital expenditure of ZPMC, as well as the adoption of finance lease by some of the Group's subsidiaries for the purchases of some property, plant and equipment. The Group's purchases of intangible asset in 2009 amounted to RMB3,915

Management's Discussion and Analysis *(Continued)*

million, representing an increase of RMB2,101 million as compared with RMB1,814 million in 2008, primarily due to the additional investments in several BOT projects. The proceeds from disposal of available-for-sale financial assets was RMB110 million in 2009, as compared with RMB703 million in 2008. The proceeds from disposal of other short-term investments was RMB735 million in 2009, as compared with cash outflow of RMB705 million due to increase in other short-term investments in 2008, attributable to the short-term investment purchased in 2008 and disposed in 2009 by some of the Group's subsidiaries.

Cash flows from financing activities

Net cash generated from financing activities in 2009 was RMB9,822 million, representing a decrease of RMB12,065 million from RMB21,887 million in 2008, primarily attributable to the repayment of borrowings of RMB66,223 million in 2009, which is RMB34,652 million greater than that of 2008. The increase in repayment was partially offset by an increase in proceeds from borrowings of RMB22,516 million, including proceeds from the Group's corporate bond issued in August 2009 with an aggregate principal amount of RMB10 billion.

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 years ended 31 December 2009 and 2008.

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Infrastructure Construction Business	**9,982**	6,393
– BOT projects	**3,886**	1,786
Infrastructure Design Business	**253**	250
Dredging Business	**4,199**	4,015
Heavy Machinery Manufacturing Business	**4,781**	6,560
Other	**140**	332
Total	**19,355**	17,550

Capital expenditure in 2009 was RMB19,355 million, compared with RMB17,550 million in 2008. The increase of RMB1,805 million or 10.3% was primarily attributable to the capital expenditure for purchase of property, plant and equipment and further investments in BOT projects. The capital expenditure of heavy machinery manufacturing business in 2009 was RMB4,781 million, representing a decrease of RMB1,779 million, or 27.1%, as compared with RMB6,560 million in 2008.

Management's Discussion and Analysis *(Continued)*

Working Capital

Trade and bills receivables and trade and bills payables

The following table sets forth the turnover of the Group's average trade and bills receivables and average trade and bills payables for years ended 31 December 2009 and 2008.

	Years ended 31 December	
	2009 (Number of days)	2008 (Number of days)
Turnover of average trade and bills receivables[1]	**57**	59
Turnover of average trade and bills payables[2]	**97**	98

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

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

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

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Less than 6 months	**32,464**	29,446
6 months to 1 year	**2,691**	2,709
1 year to 2 years	**2,695**	1,594
2 years to 3 years	**900**	793
Over 3 years	**1,325**	1,213
Total	**40,075**	35,755

Management's Discussion and Analysis *(Continued)*

The Group's credit terms with its customers for the year ended 31 December 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 31 December 2009, the Group had a provision for impairment of RMB2,640 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 31 December 2009 and 2008.

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Within 1 year	**55,620**	46,955
1 year to 2 years	**2,607**	2,162
2 years to 3 years	**451**	409
Over 3 years	**220**	149
Total	**58,898**	49,675

The Group's credit terms with its suppliers for the year ended 31 December 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.

Retentions

The following table sets forth the fair value of the retentions as at 31 December 2009 and 2008.

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Current	**5,206**	4,107
Non-current	**6,867**	3,692
Total	**12,073**	7,799

Management's Discussion and Analysis *(Continued)*

Indebtedness

Borrowings

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

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Within 1 year	**36,043**	37,878
Between 1 year and 2 years	**8,379**	6,016
Between 2 years and 5 years	**11,338**	10,070
Wholly repayable within 5 years	**55,760**	53,964
Over 5 years	**14,977**	3,910
Total borrowings	**70,737**	57,874

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

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Renminbi	**50,691**	40,881
U.S. dollar	**16,415**	13,875
Euro	**2,881**	1,855
Japanese yen	**524**	960
Hong Kong dollar	**226**	247
Others	**–**	56
Total borrowings	**70,737**	57,874

Management's Discussion and Analysis *(Continued)*

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt. The Group's gearing ratio as at 31 December 2009 was 35.8%, 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.

	Years ended 31 December	
	2009 (RMB million)	2008 (RMB million)
Pending lawsuits[1]	**555**	481
Outstanding loan guarantees[2]	**682**	149
Total	**1,237**	630

(1) *The Group has been named defendants 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 above pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group will not include any pending lawsuit if the probability of loss is remote or the claim amount is insignificant to the Group.*

(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.*

Management's Discussion and Analysis *(Continued)*

Market Risks

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

Interest rate risk

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

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2009, approximately RMB29,886 million (2008: RMB11,438 million) of the Group'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 31 December 2009, Renminbi had appreciated by approximately 21.2% against the U.S. dollar since July 2005. The PRC government may in the future make further adjustments to the exchange rate system. When Renminbi appreciates, the value of foreign currency denominated assets will decline against Renminbi.

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

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

Profile of Directors, Supervisors and Senior Management

Board of Directors

Directors:	Zhou Jichang, Meng Fengchao, Fu Junyuan, Zhang Changfu, Lu Hongjun, Yuan Yaohui, Zou Qiao and Liu Zhangmin
Independent Non-executive Directors:	Lu Hongjun, Yuan Yaohui, Zou Qiao and Liu Zhangmin
Chairman:	Zhou Jichang
Vice-chairman:	Meng Fengchao

Zhou Jichang, aged 59, has been serving as the Chairman and executive Director of the Company since 29 September 2006. Mr. Zhou also serves as the chairman of the board of ZPMC, a major subsidiary of the Company listed on the Shanghai Stock Exchange. Mr. Zhou has in-depth knowledge of the industries in which the Company operates and extensive operational and managerial experience. Mr. Zhou joined the Company in January 1977 and has been working with the Company for nearly 33 years. The most recent positions he held with the Company include the general manager of the China Road and Bridge Corporation (which is one of the predecessors of the Company) from November 1997 to December 2005. Before that, Mr. Zhou once served as deputy general manager of The First Highway Survey & Design Institute of the former China Road and Bridge Corporation (which is one of the predecessors of the Company) from August 1987 to May 1992 and general manager and chairman of China Road and Bridge Construction Company (the predecessor of China Road and Bridge Corporation) from August 1995 to November 1997. From December 2005 to present, Mr. Zhou serves as the chairman of CCCG and since August 2006 he has also served as the president of CCCG. Mr. Zhou graduated from Tongji University with a major in bridge, road and tunnel construction. Mr. Zhou is a Senior Engineer.

Meng Fengchao, aged 51, has been serving as the Vice Chairman and executive Director and the President of the Company since 29 September 2006. Mr. Meng has worked for nearly 29 years in the industry of transportation infrastructure construction and has extensive managerial and operational experience. From January 2000 to December 2004, Mr. Meng was a vice president of China Railway Engineering Company, which is one of the largest railway infrastructure contractors in the PRC, and also served as the chairman of China Zhongtie Major Bridge Engineering Group Co. Ltd. From January 1982 to May 1998, he served in various positions at the Ministry of Railways and its engineering affiliates. Mr. Meng joined us as the president of China Harbour Engineering Company (Group) (which is one of the predecessors of the Company) in January 2005 and subsequently served as a director and the president of CCCG from December 2005 to August 2006. He currently serves as a Vice Chairman of CCCG. Mr. Meng graduated from Southwest Jiaotong University with a bachelor's degree in tunnel and subway engineering. Mr. Meng is a professor equivalent Senior Engineer.

Fu Junyuan, aged 48, has been serving as an executive Director and the Chief Financial Officer of the Company since 29 September 2006. Mr. Fu also serves as a director of ZPMC. Mr. Fu joined the Company in September 1996 and has been working with the Company for over 13 years and has extensive operational and financial management experience. The most recent positions he held with us include chief accountant of China Harbour Engineering Company

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

(Group) from October 1998 to December 2005. Before that, Mr. Fu once worked for over ten years at the financial bureau and auditing bureau of the Ministry of Communications. He was the chief accountant of CCCG from December 2005 to August 2006 and a non-executive director of CCCG from August 2006 to November 2006. He is also a non-executive director of China Merchants Bank Co., Ltd., which is listed on the Main Board of the Hong Kong Stock Exchange and on the Shanghai Stock Exchange. Mr. Fu holds a doctor's degree in business administration from Beijing Jiaotong University. Mr. Fu is a Senior Accountant.

Zhang Changfu, aged 64, has been serving as a non-executive Director of the Company since 18 June 2008. Mr. Zhang has extensive experience in corporate administration. Prior to joining the Company, he worked at No. 19 Metallurgical Construction Corporation for 28 years from 1968 to 1996, and served as the head of the Bureau Office and the Service Bureau of State Bureau of Metallurgical Industry from 1998 to 2000. He served as the deputy head and head of Service Administration Bureau of State Economic and Trade Commission from 2000 to 2003. He subsequently became the head of Service Administration Bureau under the SASAC until 2004. He has been serving as the vice chairman of China Iron and Steel Association and has been appointed as an external director of China Metallurgical Group Corporation since 2006. Mr. Zhang graduated from Beijing Iron and Steel Institute with a major in engineering studies. Mr. Zhang is a Senior Economist.

Lu Hongjun, aged 60, has been serving as an independent non-executive Director of the Company since 29 September 2006. Mr. Lu is the president and a professor of Shanghai Institute of International Finance. He set up China's Human Resource Assessment Program in the 1980's and had conducted extensive research on assessment centre and corporate leadership development. Over the course of many years, Mr. Lu had lectured on this topic at Shanghai Jiaotong University and Shanghai Institute of International Finance. In 1999, he completed the Wharton CEO Circle Program conducted by the Wharton School of the University of Pennsylvania. He was also visiting scholar at Stanford University and Japan's Waseda University. Since June 2002, Mr. Lu has served as an independent non-executive director of Shanghai Dragon Corporation and Shanghai New Huang Pu Real Estate Co. Ltd., both of which are listed on the Shanghai Stock Exchange, and serves as an external director of Jin Jiang International Holdings Company Limited.

Yuan Yaohui, aged 64, has been serving as an independent non-executive Director of the Company since 29 September 2006. Mr. Yuan has extensive experience in both public policy making and corporate administration. He was the head of the policy and regulation department of the General Administration of Civil Aviation of China (being China's national aviation regulatory body) from January 2001 to his retirement in May 2006, when he was charged with formulating national aviation policy. He had also served as the head of the Economic and Trade Commission of Jiangxi Province from 1995 to 1997 during which time he was in charge of the local economic development of that province. Mr. Yuan was the deputy president of Air China International Corporation (now known as Air China Limited) from December 1998 to December 2000, with primary responsibility for business planning and human resource management. Mr. Yuan also served as a deputy general manager and the general manager, respectively, of Changhe Aircraft Industries Group, a major aircraft manufacturer in China, for

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

ten years since 1984. Mr. Yuan graduated from the Beijing Institute of Technology with a bachelor's degree in wireless engineering. Mr. Yuan is a professor equivalent Senior Engineer and is entitled to government special allowance as awarded by the State Council.

Zou Qiao, aged 63, has been serving as an independent non-executive Director of the Company since 18 June 2008. Mr. Zou has extensive experience in corporate administration. Prior to joining the Company, he worked at No. 16 Metallurgy Corporation of the Ministry of Metallurgy for various positions from 1970 to 1990. He served as deputy head of the infrastructure department and the head of the investment and operation department, respectively, at China National Nonferrous Metals Industry Corporation from 1990 to 1998. Mr. Zou is also the former director of Industry Administration Division of State Nonferrous Metal Industry Bureau between 1998 and 2000. He served as the deputy general manager of China Nonferrous Metals Construction Group Co., Ltd. in 2000 before serving as the deputy general manager of China Nonferrous Metal Mining and Construction (Group) Co., Ltd. in 2003. Between 2003 and 2007, he acted as the deputy general manager of China Nonferrous Metal Mining (Group) Co., Ltd. Mr Zou graduated from Xi'an Metallurgy and Construction Institute with a major in industrial and civil construction studies. Mr. Zou is a professor equivalent Senior Engineer.

Liu Zhangmin, aged 60, has extensive experience in corporate administration and financial management. He has been an independent non-executive Director of China First Heavy Industries Company Limited since December 2008. Mr. Liu worked for Second Automotive Works in various positions from April 1970 to February 1992, including deputy manager of Standard Component Factory of Second Automotive Works, deputy director of supply department, deputy director and director of finance department. Mr. Liu worked at Dongfeng Motor Corporation from February 1992 to December 2004 for a variety of positions, including head of finance department, assistant of general manager, deputy general manager and chief accountant. He also served as executive director and president of Dongfeng Motor Group Company Limited since December 2004. Mr. Liu graduated from Beijing Mechanical Industry Management College with a major in financial accounting of industrial enterprises. Mr. Liu is a senior accountant.

Supervisory Committee

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

Liu Xiangdong, aged 51, has been serving as a Supervisor of the Company since 29 September 2006. Prior to joining CCCG, Mr. Liu served as an inspector of the Enterprises Reform Bureau of SASAC from May 2003 to December 2005. From January 1995 to May 2003, Mr. Liu held a number of positions at the former State Economy and Trade Commission and the former Ministry of Domestic Trade of the PRC. Mr. Liu holds a master of science degree from Hunan University, China.

Xu Sanhao, aged 55, has been serving as a Supervisor of the Company since 29 September 2006. Mr. Xu was deputy general manager of China Road and Bridge Corporation from March 2001 to September 2005. Mr. Xu graduated from Jilin Industry University with a major in automobile appliance and maintenance. Mr. Xu is a Senior Engineer.

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

Wang Yongbin, aged 44, has been serving as a Supervisor of the Company since 29 September 2006. Mr. Wang is the head of the auditing department of our Company. Mr. Wang joined China Harbour Engineering Company (Group) in July 2001 and has been working with us for about ten years. Mr. Wang graduated from Changsha Communications University with a bachelor's degree in project finance and accounting. Mr. Wang is a Senior Accountant.

Senior Management

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

Chen Yun, aged 46, is a Vice President of the Company. Mr. Chen joined the Company in September 1998 and has extensive operational experience. The most recent positions he held with us include deputy general manager of China Harbour Engineering Company (Group) from December 2001 to December 2005. Before that, Mr. Chen once served as the general manager of assets management division of China Harbour Engineering Company (Group) from September 1999 to February 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from East China Institute of Water Conservancy with a bachelor's degree in harbour and channel engineering. Mr. Chen also holds a master's degree in business administration from Tsinghua University. Mr. Chen is a Senior Engineer.

Chen Yusheng, aged 54, is a Vice President of the Company. Mr. Chen also serves as a director of CRBC International. Mr. Chen joined the Company in June 1999 and has extensive operational experience. The most recent positions he held with us include deputy general manager of China Road and Bridge Corporation from March 2001 to December 2005 and assistant president of China Road and Bridge Corporation from March 2000 to March 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from Central Communist Party School with a major in politics and law. Mr. Chen is a Senior Economist.

Hou Jinlong, aged 57, is a Vice President of the Company. Mr. Hou joined us in September 1970 and has been working with the Company for nearly 40 years and has extensive operational experience. The most recent positions he held with us include general manager of The First Highway Engineering Bureau of China Road and Bridge Corporation from July 2001 to December 2005 and chief engineer of The Second Highway Engineering Bureau of China Road and Bridge Corporation from October 1995 to January 2001. From September 2005 to August 2006, he was a vice president of CCCG. Mr. Hou graduated from Chongqing Construction Engineering College with a major in bridge and tunnel. Mr. Hou also holds a master's degree in road and railway engineering from Southeast University of China. Mr. Hou is a professor equivalent Senior Engineer and is entitled to governmental special allowance as awarded by the State Council. He is a member of the Expert Commission of the Ministry of Transport and a member of the Technical Expert Commission of the Ministry of Housing and Urban-Rural Development.

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

Chen Fenjian, aged 47, is a Vice President of the Company. Mr. Chen joined the Company in August 1983 and has been working with us for over 26 years and has extensive operational experience. The most recent positions he held with us include general manager of Fourth Navigational Engineering Bureau of the former China Harbour Engineering Company (Group) (which is one of the predecessors of the Company) from September 2002 to December 2005 and deputy general manager of Fourth Navigational Engineering Bureau of China Harbour Engineering Company (Group) from July 2000 to September 2002. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from Changsha Communications University with a bachelor's degree in harbour and channel engineering. He holds a master's degree in business administration from Guanghua School of Peking University. Mr. Chen is a professor equivalent Senior Engineer.

Zhu Bixin, aged 44, is a Vice President of the Company. Mr. Zhu joined us in April 1995 and has been working with the Company for 14 years. The most recent positions he held with us include secretary of the discipline commission of the Chinese Communist Party Committee of China Road and Bridge Corporation and head of trade union of China Road and Bridge Corporation from March 2001 to December 2005. He was a vice president of CCCG from December 2005 to August 2006. Mr. Zhu graduated from Chongqing Jiaotong College (now known as Chongqing Jiaotong University) with a bachelor's degree in transportation management. Mr. Zhu also holds a master's degree in business administration from Peking University. Mr. Zhu is a Senior Economist.

Yang Liqiang, aged 53, is a Vice President and head of trade union of the Company. Mr. Yang was the head of trade union of China Harbour Engineering Company (Group) from April 2002 to December 2005. He was the head of the trade union of CCCG from January 2006 to August 2006. He worked with the Ministry of Communications for ten years before joining us. Mr. Yang holds a master's degree in business administration from Honolulu University, Hawaii, USA.

Liu Wensheng, aged 49, is the Secretary of the Board, the Joint Company Secretary and the Chief Economist of the Company. He also serves as a director of ZPMC. Mr. Liu has been working with us for nearly 29 years and has extensive operational experience. The most recent positions Mr. Liu held with the Company include deputy chief economist of China Harbour Engineering Company (Group) and general manager of its corporate planning department from March 2003 to November 2005 and deputy general manager of CHEC Tianjin Dredging Corp., a major subsidiary of the Company, from June 1999 to March 2003. He was the chief economist of CCCG from December 2005 to August 2006. Mr. Liu graduated from Dalian Maritime University with a bachelor's degree in engineering. He is a Senior Engineer.

Kam Mei Ha, Wendy, aged 42, is the Joint Company Secretary of the Company. She is a senior manager of the corporate services division of Tricor Services Limited ("Tricor"). Prior to joining Tricor, Ms. Kam served as manager of the company secretarial department of Tricor Tengis Limited and Ernst & Young, Hong Kong. Ms. Kam has more than 18 years of experience in company secretarial industry, and provided services to clients ranging from private companies to public companies listed on the Main Board of the Hong Kong Stock Exchange (including H share companies). Ms. Kam is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She graduated from the City Polytechnic of Hong Kong (currently the City University of Hong Kong).

Report of the Board of Directors

The Board of Directors (the "Board") of the Company is pleased to present its report together with the audited financial statements of the Group prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2009.

Principal Business

We are a leading transportation infrastructure group in the PRC and are principally engaged in the infrastructure construction, infrastructure design, dredging and heavy machinery manufacturing businesses.

Results

Results of the Group for the year ended 31 December 2009 and the financial position of the Company and the Group as at 31 December 2009 are set out in the audited financial statements in this annual report.

Dividends

On 12 April 2010, the Board proposed a final dividend of RMB0.116 per share (amounting to approximately RMB1,720 million, which represents approximately 25.2% of the Group's distributable profits for the year ended 31 December 2009) for the year ended 31 December 2009. The dividend proposal will be submitted for shareholders' approval at the annual general meeting to be held on 18 June 2010. If approved, the final dividends are expected to be paid to shareholders whose names appear on the register of members of the Company at the close of business on 18 June 2010. The register of members will be closed from 19 May 2010 to 18 June 2010 (both days inclusive), during which period no transfers will be registered. Dividends will be denominated and declared in Renminbi. Dividends on domestic shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate will be the mean of the middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the period between 19 May 2010 (being the date for closure of the Company's register of members) and the date of the annual general meeting.

Pursuant to the "Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividend to Foreign Non-resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation of the PRC, when the Company distributes annual dividends for 2008 and future dividends, the Company shall withhold enterprise income tax at a uniform tax rate of 10% on dividends paid to foreign non-resident enterprises as shareholders of H shares. All unregistered holders who hold H shares of the Company through HKSCC Nominees Limited (or other enterprises) will be subject to the 10% withholding tax, regardless whether such unregistered holders are enterprises or natural persons. The Company will withhold for payment of the enterprise income tax strictly in accordance with the relevant laws or requirements of the relevant government departments and strictly based on what has been registered on the Company's register of members for H shares on 18 June 2010. Investors and potential investors in the H shares of the Company are recommended to consult their professional tax advisors if they are in any doubt as to the implications of the above mechanism of withholding, and the Company does not accept responsibility for any effect the above mechanism of withholding may have on any person.

Report of the Board of Directors *(Continued)*

Share Capital

The share capital of the Company in issue as fully paid or credited as fully paid as at 31 December 2009 was RMB14,825,000,000 divided into 14,825,000,000 shares with a nominal value of RMB1.00 each. As at 31 December 2009, the share capital structure of the Company is as follows:

	As at 31 December 2009	
Class of shares	**Number of shares**	**Percentage of total issued share capital**
Domestic shares	10,397,500,000	70.13%
H shares	4,427,500,000	29.87%

Use of Proceeds from the Company's Initial Public Offering

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in December 2006 amounted to approximately RMB17,878 million. Approximately RMB17,158 million have been applied by 31 December 2009 in accordance with the proposed applications set out in the Company's listing prospectus.

Public Float

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

Report of the Board of Directors *(Continued)*

Directors, Supervisors and Senior Management of the Company

The following table sets out certain information concerning the Directors and senior management of the Company as at the date of this annual report.

At the extraordinary general meeting held on 29 December 2009, the second session of the Board was formed. The Company would like to take this opportunity to thank the Board members in the first session for their contribution to the Group during their service periods.

Name	Age	Position in the Company	Date of Appointment
ZHOU Jichang	59	Chairman of the Board and Executive Director	29 December 2009
MENG Fengchao	51	Vice Chairman of the Board, Executive Director and President	29 December 2009
FU Junyuan	48	Executive Director and Chief Financial Officer	29 December 2009
ZHANG Changfu	64	Non-executive Director	29 December 2009
LU Hongjun	60	Independent Non-executive Director	29 December 2009
YUAN Yaohui	64	Independent Non-executive Director	29 December 2009
ZOU Qiao	63	Independent Non-executive Director	29 December 2009
LIU Zhangmin	60	Independent Non-executive Director	29 December 2009
CHEN Yun	46	Vice President	29 December 2009
CHEN Yusheng	54	Vice President	29 December 2009
HOU Jinlong	57	Vice President	29 December 2009
CHEN Fenjian	47	Vice President	29 December 2009
ZHU Bixin	44	Vice President	29 December 2009
YANG Liqiang	53	Vice President	29 December 2009
LIU Wensheng	49	Secretary of the Board, Joint Company Secretary and Chief Economist	29 December 2009
KAM Mei Ha, Wendy	42	Joint Company Secretary	14 April 2009

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

Name	Age	Position in the Company	Date of Appointment
LIU Xiangdong	51	Chairman of the Supervisory Committee	29 September 2006
XU Sanhao	55	Supervisor	29 September 2006
WANG Yongbin	44	Supervisor (representative of the employees)	29 September 2006

Report of the Board of Directors *(Continued)*

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

Independence of the Independent Non-executive Directors

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

Board Committees

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

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

As at 31 December 2009, the interests or short positions of every person (other than Directors, Supervisors and chief executive of the Company) who have an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed by the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (the "SFO") are as follows:

Name of shareholder	Number of shares held	Type of shares	Percentage of the respective type of shares (%)	Percentage of the total number of shares in issue (%)	Capacity in which the shares are held
China Communications Constructions Group (Limited)	10,397,500,000	Domestic shares	100	70.13	Beneficial owner
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

Report of the Board of Directors *(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
Blackrock, Inc.	378,048,865	H shares	8.54	2.55	Corporate interest

Save as stated above, as at 31 December 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.

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

As at 31 December 2009, none of the Directors or Supervisors of the Company had any interest or short position in the shares, underlying shares of equity derivatives or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will 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 will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Report of the Board of Directors *(Continued)*

As at 31 December 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 has ever exercised any such right to subscribe for shares or debentures.

Competing Business

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

Directors Financial, Business and Family Relations

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

Directors and Supervisors Interests in Contracts and Service Contracts

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

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

Apart from the service contracts with the Company or its subsidiaries (if applicable), in the year ended 31 December 2009, none of the Directors or Supervisors of the Company was materially interested, whether directly or indirectly, in any contract of significance to which the Company, its subsidiary or holding company or a subsidiary of the Company's holding company is a party.

Emoluments of Directors and Supervisors

Please refer to note 39 of the audited financial statements for details of the emoluments of the Directors and Supervisors of the Company in 2009.

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

Purchase, Sale and Redemption of Shares

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

Report of the Board of Directors *(Continued)*

Summary of Financial Information for the Last Five Years

The tables below set out a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2009.

Consolidated Income Statement

	Year ended 31 December				
	2009 RMB million	2008 RMB million	2007 RMB million	2006 RMB million	2005 RMB million
Revenue	**226,920**	178,889	150,601	114,881	83,265
Gross profit	**21,705**	17,858	15,568	11,815	8,155
Profit before income tax	**10,314**	9,831	9,623	5,514	3,563
Profit for the year	**8,004**	7,876	7,574	4,286	2,971
Attributable to:					
Equity holders of the Company	**7,200**	6,075	6,032	3,199	2,195
Minority interests	**804**	1,801	1,542	1,087	776
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)					
– basic	**0.49**	0.41	0.41	0.29	0.20
– diluted	**0.49**	0.41	0.41	0.29	0.20
Dividends	**1,720**	1,453	1,305	74	N/A

Consolidated Balance Sheet

	As at 31 December				
	2009 RMB million	2008 RMB million	2007 RMB million	2006 RMB million	2005 RMB million
Total assets	**264,058**	218,098	167,397	126,952	79,059
Total liabilities	**197,829**	165,929	113,435	90,225	66,612
Capital and reserves attributable to equity holders of the Company	**54,614**	41,171	45,145	31,825	8,942
Minority interests	**11,615**	10,998	8,817	4,092	3,505

Report of the Board of Directors *(Continued)*

Bank Loans and Other Borrowings

Please refer to note 23 of the audited financial statements for details of bank loans and other borrowings of the Group.

Fixed Assets

Please refer to note 6 of the audited financial statements for movements in the property, plant and equipment of the Group for the year ended 31 December 2009.

Capitalised Interest

Please refer to note 33 of the audited financial statements for details of the capitalised interest of the Group for the year ended 31 December 2009.

Reserves

Please refer to note 21 of the audited financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2009.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2009 amounted to approximately RMB1,778 million.

Donations

For the year ended 31 December 2009, the Group made charitable and other donations in a total amount of approximately RMB20.5 million.

Subsidiaries, Jointly Controlled Entities and Associates

Please refer to notes 11, 12 and 44 of the audited financial statements for details of the Company's subsidiaries and the Group's interests in jointly controlled entities and associates as at 31 December 2009.

Change in Equity

Please refer to notes 20 and 21 of the audited financial statement for detail of changes in equity.

Retirement Benefits

Please refer to note 25 of the audited financial statements for details of retirement benefits.

Pre-emptive Rights

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

Major Customers and Suppliers

For the year ended 31 December 2009, sales to the five largest customers of the Group represented an amount not exceeding 30% of the revenue of the Group.

For the year ended 31 December 2009, purchases from the five largest suppliers of the Group represented an amount not exceeding 30% of the total annual purchases of the Group.

Report of the Board of Directors *(Continued)*

Connected Transactions

Below are the details of the continuing connected transactions of the Group in year 2009 which are not exempt under Rule 14A.33 of the Listing Rules.

I. Continuing Connected Transactions with Macau Tourism and Amusement Company

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

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

The relevant annual cap and the actual amount incurred for the above mentioned continuing connected transactions for the year ended 31 December 2009 are set out below:

Transaction	**Cap for Year 2009** RMB million	**Actual Amount** RMB million
Construction and construction-related transactions between the Group and MTAC	341	190

As the relevant ratios are more than 0.1% but less than 2.5%, the continuing connected transactions between MTAC and the Group are subject to announcement and reporting requirements but exempted from independent shareholders' approval requirements under Listing Rule 14A.34. The Company made an announcement in respect of the continuing connected transactions with MTAC on 6 January 2009.

Report of the Board of Directors *(Continued)*

Below are the details of the connected transactions of the Group in 2009 which are not exempt under Rule 14A.31 of the Listing Rules.

II. Connected Transaction with Sociedade de Jogos de Macau, S.A.

Sociedade de Jogos de Macau, S.A. ("SJM SA") is the holding company of SJM-Investment Limited, which is a substantial shareholder with a 49% equity interest in Zhen Hwa. Accordingly, SJM SA, as the holding company of a substantial shareholder of one of our subsidiaries, is a connected person of the Company pursuant to the Listing Rules and transactions between the Group and SJM SA constitute connected transactions.

Zhen Hwa entered into an agreement with SJM SA on 20 May 2009 in relation to the conversion and refurbishment works for the existing New Yaohan store building in Macau. The agreement has retrospective effect from 8 January 2009, with Zhen Hwa as the contractor and SJM SA as the project owner. The consideration for services provided by Zhen Hwa as stipulated in the agreement is MOP583 million (approximately HK$566 million), determined through friendly consultations and arm's length negotiations with reference to various factors, including prevailing market prices of labour, materials and equipment and the level of complexity of each project. The consideration, after being adjusted under the terms of the agreement, amounted to approximately MOP990 million (approximately RMB847 million). As at 31 December 2009, approximately MOP746 million (approximately RMB638 million) had already been recognised as revenue. SJM SA has no influence over the Group's pricing process. Services provided by the Group to SJM SA are rendered on normal commercial terms after arm's length negotiations.

As the relevant ratios are more than 0.1% but less than 2.5%, the aforesaid connected transaction between SJM SA and the Group is subject to announcement and reporting requirements but exempted from independent shareholders' approval requirements under Listing Rule 14A.34. The Company made an announcement in respect of the connected transaction with SJM SA on 26 May 2009.

III. Confirmation from Independent Non-executive Directors

The Independent Non-executive Directors of the Company have confirmed that all continuing connected transactions for the year ended 31 December 2009 to which the Group was a party:

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

2. had been entered into either:

    (i) on normal commercial terms; or

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

Report of the Board of Directors *(Continued)*

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

IV. Confirmation from the Auditors

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

1. the transactions had been approved by the Board;

2. selected samples of transactions were entered into in accordance with the pricing policies of the Company and its subsidiaries as disclosed in note 43 of the audited financial statements;

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

4. the Company's continuing connected transactions did not exceed the relevant annual limits as set out in the announcement dated 6 January 2009.

Employees

As at 31 December 2009, the Group has 100,461 employees illustrated as follows:

	Number of Employees	Percentage
Infrastructure Construction Business	66,385	66.1%
Infrastructure Design Business	10,256	10.2%
Dredging Business	10,460	10.4%
Heavy Machinery Manufacturing Business	11,099	11.0%
Others	2,261	2.3%
Total	100,461	100%

As at 31 December 2009, approximately 1,689 employees were located overseas.

In accordance with applicable regulations, the Group makes contributions to the employees' pension plan, medical insurance plan, unemployment insurance plan, maternity insurance plan and personal injury insurance plan. The amount of contributions is based on the specified percentages of employees' aggregate salaries as provided for by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides voluntary benefits to current employees and retired employees. Current employees of the Group are also entitled to performance-based annual bonus.

Report of the Board of Directors *(Continued)*

Compliance with Code on Corporate Governance Practices

Please see the section headed "Report on Corporate Governance Practices" set out in page 62 of this annual report for details of our compliance with the Code on Corporate Governance Practices.

Material Legal Proceedings

As at 31 December 2009, as far as the Directors are aware, except as disclosed in note 41 of the audited financial statements, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

Auditors

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were appointed as the international and domestic auditors of the Company for the year ended 31 December 2009. PricewaterhouseCoopers has audited the accompanying financial statements, which have been prepared in accordance with International Financial Reporting Standards. The Company has retained PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company since the date of its listing.

By order of the Board
Zhou Jichang
Chairman of the Board

Beijing, the PRC
12 April 2010

Report of the Supervisory Committee

Dear Shareholders and their respective representatives,

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

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

1. Meetings convened during the reporting period

The seventh meeting of the first session of the Supervisory Committee was held on 27 March 2009 and attended by all members, at which the 2008 Report of the Supervisory Committee was considered and approved and was resolved to be proposed at the shareholders' meeting of the Company for 2008 for consideration and approval.

2. Work of the Supervisory Committee of the Company

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

The Supervisory Committee mainly carried out the following work:

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

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

Report of the Supervisory Committee *(Continued)*

All members of the Board and the senior management of the Company have faithfully performed their duties with due diligence. There has been no violation of any laws or regulations or the Articles of Association, or any act that jeopardizes the interests of the shareholders of the Company in the conduct of the Company's Directors and senior management.

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

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

3. Supervision of the daily operating activities of the Company

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

4. Supervision of the financial position of the Company

The Supervisory Committee reviewed the 2009 financial report audited by PricewaterhouseCoopers, supervised and inspected the Company's consistent implementation of relevant financial policies and legislation as well as details on the assets, financial income and expenditure and connected transactions of the Company. The Supervisory Committee is of the opinion that the 2009 financial report truly reflected the financial position and operating results of the Company on an objective basis, and that the Company's accounts are accurate with clear records and complete information.

5. Information disclosure

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

6. Supervision of the use of proceeds

The Supervisory Committee reviewed and inspected the use of proceeds raised by the previous offering of the Company. Upon receipt of the proceeds from the listing of the Company's shares, the Board applied effectively the proceeds as committed in the prospectus. The investments of the proceeds have generated revenue and profit contributions for the Company.

Report of the Supervisory Committee *(Continued)*

The Supervisory Committee is confident in the prospects of the Company. In 2010, the Supervisory Committee will continue to perform its duties diligently in strict compliance with the Articles of Association and other relevant regulations, in order to safeguard shareholders' interests and enhance the competitiveness and strength of the Company against keen competition.

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

Beijing, the PRC
29 March 2010

Report on Corporate Governance Practices

The Company is committed to upholding the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. The Board of Directors understands good corporate governance is crucial to enhancing investors' confidence in the Company as well as sustaining continued business growth of the Company. The Company complied with all provisions of the Code in 2009.

The Board of Directors

(1) Composition of the Board of Directors

As at 31 December 2009, the Company's Board of Directors consists of eight Directors, including three Executive Directors, one Non-executive Director and four Independent Non-executive Directors. Current members of the Board are as follows:

Chairman of the Board: Zhou Jichang

Vice-chairman of the Board and President: Meng Fengchao

Executive Director: Zhou Jichang, Meng Fengchao, Fu Junyuan

Non-executive Directors: Zhang Changfu

Independent Non-executive Directors: Lu Hongjun, Yuan Yaohui, Zou Qiao, Liu Zhangmin

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

The Company has received the confirmation on independence from each of the Independent Non-executive Directors for the year 2009 and the Company considers each Independent Non-executive Director independent.

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

Report on Corporate Governance Practices *(Continued)*

(2) Board Meetings

In 2009, the Company held 7 board meetings. The table below sets out the details of board meeting attendance of each Director in 2009:

Director	Number of Board Meetings Attended	Attendance Rate
Zhou Jichang	7	100%
Meng Fengchao	7	100%
Fu Junyuan	7	100%
Zhang Changfu	7	100%
Lu Hongjun	7	100%
Yuan Yaohui	7	100%
Chao Tien Yo	6	100%
Koo Fook Sun, Louis	6	100%
Zou Qiao	7	100%
Liu Zhangmin(1)	1	100%

Note:

(1) Liu Zhangmin was appointed as an Independent Non-executive Director of the Company at the extraordinary general meeting held on 29 December 2009. With effect from the same date, Koo Fook Sun, Louis and Chao Tien Yo retired as Independent Non-executive Directors of the Company.

(3) Responsibilities and Operation of the Board of Directors

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

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

Report on Corporate Governance Practices *(Continued)*

(4) Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by its Directors and Supervisors. After specific enquiries to all Directors and Supervisors of the Company, the Company confirms that the Directors and Supervisors complied with the standards set out in the Model Code for the year ended 31 December 2009.

(5) Committees under the Board

(a) Strategy Committee

The major duties of the Strategy Committee include, among other things, to review proposals and to make recommendations to the Board regarding the Group's strategic development plans, annual budgets, capital allocation plans, significant mergers and acquisitions and significant financing plans. The Committee currently consists of Zhou Jichang, Meng Fengchao, Fu Junyuan, Lu Hongjun and Zou Qiao, and is chaired by Zhou Jichang.

Lu Hongjun and Zou Qiao became members of the Strategy Committee on 29 December 2009.

The Strategy Committee held one meeting in 2009 to determine the financing plan of the Company and the resumption of trading of CRBC International. All members of the Strategy Committee attended the meeting.

(b) Audit Committee

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

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

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

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

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

Report on Corporate Governance Practices *(Continued)*

The Audit Committee currently consists of Liu Zhangmin, Lu Hongjun and Zou Qiao, and is chaired by Liu Zhangmin. All of the members of the Audit Committee are Independent Non-executive Directors.

Liu Zhangmin became a member of the Audit Committee on 29 December 2009. Koo Fook Sun, Louis and Chao Tien Yo ceased to be the members of the Audit Committee on the same date.

The Audit Committee held two meetings in 2009 to review the interim and annual results as well as the effectiveness of the internal controls system of the Company. All members of the Audit Committee attended the meeting.

(c) Remuneration and Appraisal Committee

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

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

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

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

The Remuneration and Appraisal Committee currently consists of Yuan Yaohui, Zhang Changfu and Liu Zhangmin, and is chaired by Yuan Yaohui. Two out of three members of the Remuneration and Appraisal Committee are Independent Non-executive Directors.

Zhang Changfu and Liu Zhangmin became members of the Remuneration and Appraisal Committee on 29 December 2009. Koo Fook Sun, Louis and Lu Hongjun ceased to be members of the Remuneration and Appraisal Committee on the same date.

The Remuneration and Appraisal Committee held one meeting in 2009 to discuss issues and reforms regarding the implementation of the remuneration and appraisal policy for senior management. All members of the Remuneration and Appraisal Committee attended the meeting.

(d) Nomination Committee

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

All current Directors of the Board were nominated by the Nomination Committee in December 2009. The Directors were nominated by criteria such as personal integrity, work experience relating to the Company's core business, performance track record, professional background, familiarity with corporate governance requirements for listed companies, etc.

Report on Corporate Governance Practices *(Continued)*

The Nomination Committee currently consists of Zhou Jichang, Meng Fengchao, Fu Junyuan, Zhang Changfu and Yuan Yaohui, and is chaired by Zhou Jichang.

Zhang Changfu and Yuan Yaohui became members of the Nomination Committee on 29 December 2009.

The Nomination Committee held one meeting in 2009 to nominate Liu Zhangmin as Independent Non-executive Director of the Company. All members of the Nomination Committee attended the meeting.

Supervisory Committee

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

The Supervisory Committee held one meeting in 2009 to consider and approve the 2008 report of the Supervisory Committee. All members of the Supervisory Committee attended the meeting.

Auditors' Remuneration

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company are appointed as the international and domestic auditors of the Company, respectively. PricewaterhouseCoopers Zhong Tian CPAs Limited Company is also appointed as the auditor of ZPMC, a subsidiary of the Company. Breakdown of the remuneration to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company for audit services provided and other non-audit service assignments for the year ended 31 December 2009 are as follows:

- ### Audit Services

  The amounts of RMB30,000,000 and RMB3,500,000 were charged for the review and audit of the Company's interim and annual financial statements respectively as well as the audit of ZPMC's annual financial statements for the year ended 31 December 2009.

- ### Non-audit Service Assignments

  The amount of RMB100,000 was charged for the non-audit assurance service performed for issuance of corporate bonds of the Company.

  The Board proposes to re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the international and domestic auditors of the Company for the year 2010, which is subject to shareholders' approval at the forthcoming annual general meeting.

Report on Corporate Governance Practices *(Continued)*

Internal Control

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

Accountability of the Directors in relation to Financial Statements

The Directors are responsible for overseeing the preparation of the financial statements for each fiscal period. In preparing the financial statements for the year ended 31 December 2009, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Group and of the results and cash flow for that fiscal year.

Investor Relations

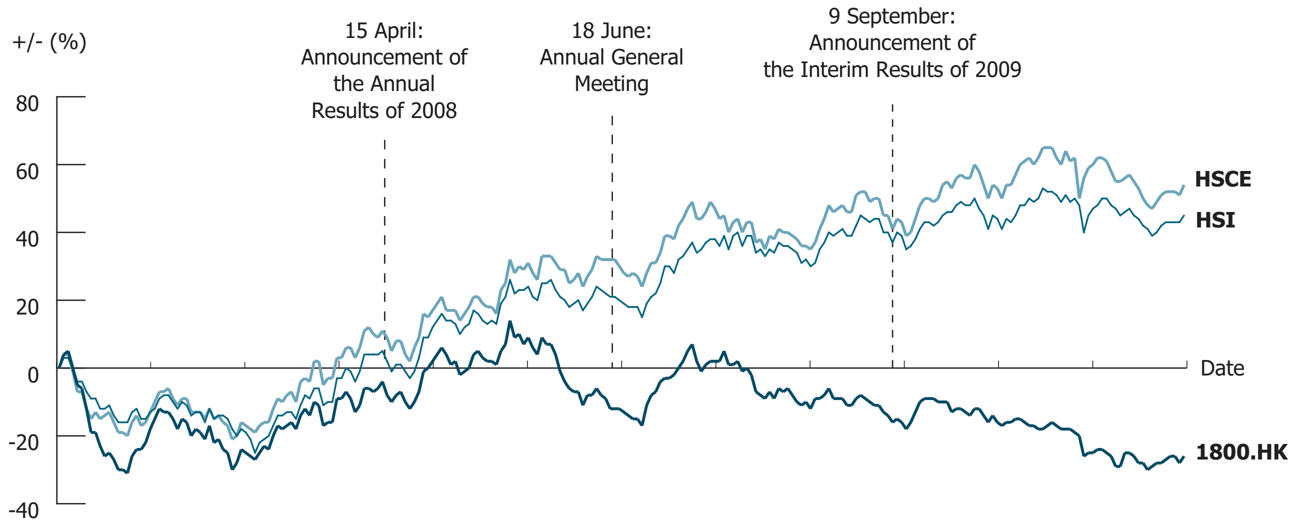
Please see the chapter headed "Investor Relations" for detailed information.

Investor Relations

Capital Market Review

In 2009, the continuous spread of the global financial crisis and the difficult recovery therefrom posed huge challenges to the PRC's economic development. The Company's stock price also fluctuated and declined due to various factors, with a closing price of HK$7.43 on 31 December 2009, representing a decrease of 23% as compared to the opening price on 2 January 2009.

Comparison in the movement trends for the H shares of CCCC with Hang Seng Index and Hang Seng China Enterprises Index



Timely, accurate and complete information disclosure

The Company strictly adheres to regulations governing information disclosure of listed companies and has established sound procedures for internal information distribution and the preparation, review and approval of public announcements to ensure that the contents are timely, accurate and complete.

In accordance with the recommendations made by the Hong Kong Stock Exchange and our investors, in 2009 we also increased overseas regulatory information disclosure for our two A-share listed subsidiaries, ZPMC and CRBC International, by simultaneously releasing important public announcements in the PRC and Hong Kong. In this respect, the Company has conscientiously coordinated and communicated with regulatory authorities of both the PRC and Hong Kong to ensure that important information is disclosed concurrently to both domestic and foreign investors.

Alongside compliance with regulatory requirements regarding information disclosure, to maintain investors' confidence in the Company, we have been proactive in responding to common investor concerns towards major issues and clarifying various false information and rumors through timely public announcements. We believe these measures have effectively mitigated investors' concerns and eliminated, to the greatest possible extent, adverse effects on the capital market.

Investor Relations *(Continued)*

Efficient, proactive and multi-channel investor communications

In 2009, results briefings were timely convened upon public announcements of annual and interim results, at which the Company presented its operating results and analyses of work process to the finance media, institutional analysts and fund managers, and achieved effective communication and understanding among briefing participants. We believe such timely and comprehensive information release has significantly enhanced public understanding of our performance.

In April and September respectively, upon completion of the results briefings, the Company conducted two global non-deal marketing roadshows of considerable scale since listing to further consolidate the achievements of our results preparation. These roadshows, being highly valued by the management team, were led by the senior management, including the Chairman, President, Executive Director and CFO as well as the Company Secretary, in visits to over 200 investors across various regions such as Hong Kong, the UK, the US, Japan and Canada to present the Company's operating performance in detail, answer investors' queries and introduce the Company's upcoming opportunities, challenges and strategic targets. After the non-deal roadshows, we promptly organised and presented recommendations and matters of major investor concern to our senior management in areas including industrial developments, profit improvements and financial situation, enabling excellent interactive results from these non-deal roadshows.

To further strengthen investor confidence in the Company and continuously maintain its consistently interactive and efficient communications with domestic and overseas capital markets, in 2009, the Company participated in eight investor conferences organised by internationally renowned investment banks to maintain dialogue with institutional investors, as a result enhancing the Company's reputation and transparency in the capital markets.

List of the Company's major investor relations activities in 2009

Time	Activity	Organiser
January	9th UBS Greater China Conference	UBS
	Road to Recovery	Bank of America – Merrill Lynch
February	2nd Global Infrastructure Finance Conference	Euromoney, HSBC
	Japan Investment Seminar	Daiwa Securities
April	2008 annual results announcement	Company
	Non-deal roadshow	Company
June	5th China Investment Forum	JP Morgan
	2008 Annual General Meeting	Company
September	2009 interim results announcement	Company
	Non-deal roadshow	Company
November	2009 China Investment Frontier Conference	Goldman Sachs Gao Hua
	China Investment Summit	Bank of America – Merrill Lynch
December	Asia-Pacific Infrastructure and Transportation Conference	Macquarie Group

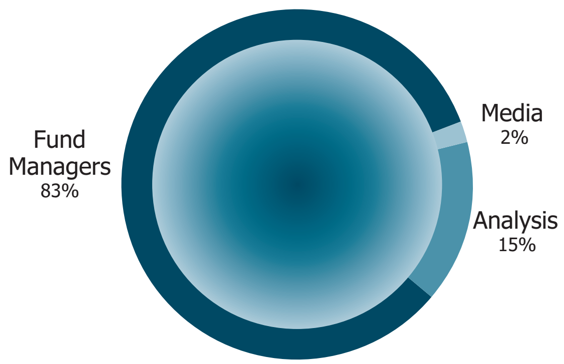
Investor Relations *(Continued)*

In 2009, the Company continued to strengthen investor relations management and established various platforms to ensure smooth communication with investors. The Company maintains close contact with investors and analysts, answering enquiries from over 600 domestic and foreign investors through investor visits, electronic mail, investor hotlines and conveying in a timely manner the Company's strategies, latest operating performance and business development plans.

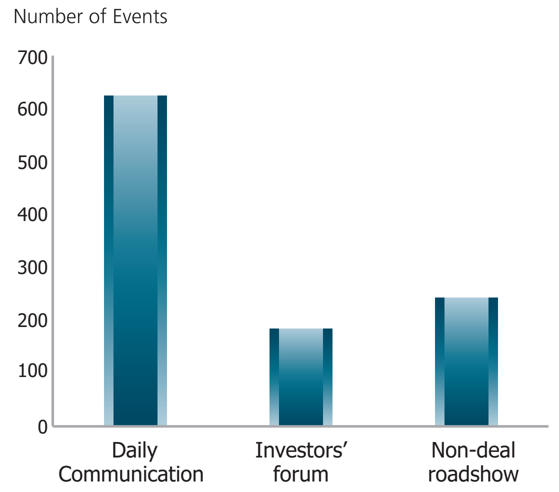
Continuously improving investor relations work

In 2010, the Company continue to place investor relations as a longstanding commitment and ongoing priority. Through exhibiting equality, sincerity and mutual respect in its communications, the Company shall continue to strive to sustain investor confidence, thereby enhancing investor recognition and loyalty and achieving maximisation of the Company's relative value.

Types of Investors



Investors Events



Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

We have audited the consolidated financial statements of China Communications Construction Company Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 73 to 79, which comprise the consolidated and company balance sheets as of 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

Independent Auditor's Report *(Continued)*

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 April 2010

Balance Sheets

As at 31 December 2009

		Group		Company	
	Note	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million
ASSETS					
Non-current assets					
Property, plant and equipment	6	**47,324**	37,205	**49**	67
Lease prepayments	7	**3,716**	3,406	**221**	–
Investment properties	8	**332**	320	**–**	–
Intangible assets	9	**10,075**	6,218	**7**	4
Investments in subsidiaries	10	**–**	–	**56,575**	51,233
Investments in jointly controlled entities	11	**758**	651	**62**	62
Investments in associates	12	**2,650**	3,146	**2,004**	2,004
Available-for-sale financial assets	14	**17,650**	6,733	**10,334**	3,202
Held-to-maturity financial assets		**–**	2	**–**	–
Deferred income tax assets	24	**1,944**	1,900	**141**	174
Trade and other receivables	15	**15,142**	11,229	**1,770**	1,044
		99,591	70,810	**71,163**	57,790
Current assets					
Inventories	16	**18,835**	16,458	**135**	126
Trade and other receivables	15	**69,158**	63,777	**8,092**	4,652
Loans to subsidiaries	10	**–**	–	**8,289**	5,061
Amounts due from subsidiaries	10	**–**	–	**4,958**	4,192
Amounts due from customers for contract work	17	**41,843**	38,682	**4,457**	2,886
Derivative financial instruments	18	**36**	1,382	**19**	38
Other financial assets at fair value through profit or loss		**80**	49	**–**	–
Restricted cash	19(a)	**698**	662	**3**	–
Cash and cash equivalents	19(b)	**33,817**	26,278	**14,172**	8,376
		164,467	147,288	**40,125**	25,331
Total assets		**264,058**	218,098	**111,288**	83,121

The notes on pages 80 to 209 are an integral part of these financial statements.

Balance Sheets *(Continued)*

As at 31 December 2009

	Note	Group 2009 RMB million	Group 2008 RMB million	Company 2009 RMB million	Company 2008 RMB million
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	20	**14,825**	14,825	**14,825**	14,825
Share premium	20(b)	**13,853**	13,853	**13,853**	13,853
Other reserves	21	**24,216**	11,040	**29,012**	23,587
Proposed final dividend	38	**1,720**	1,453	**1,720**	1,453
		54,614	41,171	**59,410**	53,718
Minority interests		**11,615**	10,998	**–**	–
Total equity		**66,229**	52,169	**59,410**	53,718
LIABILITIES					
Non-current liabilities					
Borrowings	23	**34,694**	19,996	**15,505**	5,818
Deferred income		**405**	313	**–**	–
Deferred income tax liabilities	24	**3,420**	972	**2,460**	681
Early retirement and supplemental benefit obligations	25	**2,460**	2,856	**52**	55
Trade and other payables	22	**1,166**	–	**27**	–
		42,145	24,137	**18,044**	6,554
Current liabilities					
Trade and other payables	22	**105,017**	88,031	**13,920**	8,127
Amounts due to subsidiaries	10	**–**	–	**15,695**	7,925
Amounts due to customers for contract work	17	**12,567**	13,224	**246**	1,050
Current income tax liabilities		**1,678**	1,647	**15**	15
Borrowings	23	**36,043**	37,878	**3,897**	5,626
Derivative financial instruments	18	**77**	725	**16**	62
Early retirement and supplemental benefit obligations	25	**197**	197	**5**	4
Provisions	26	**105**	90	**40**	40
		155,684	141,792	**33,834**	22,849
Total liabilities		**197,829**	165,929	**51,878**	29,403
Total equity and liabilities		**264,058**	218,098	**111,288**	83,121
Net current assets		**8,783**	5,496	**6,291**	2,482
Total assets less current liabilities		**108,374**	76,306	**77,454**	60,272

Zhou Jichang
Director

Fu Junyuan
Director

The notes on pages 80 to 209 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 RMB million	2008 RMB million
Revenue	5	**226,920**	178,889
Cost of sales	30	**(205,215)**	(161,031)
Gross profit		**21,705**	17,858
Other income	27	**2,119**	2,212
Other gains – net	28	**323**	1,171
Selling and marketing expenses	30	**(491)**	(490)
Administrative expenses	30	**(9,673)**	(7,447)
Other expenses	29	**(1,459)**	(1,417)
Operating profit		**12,524**	11,887
Interest income	32	**660**	657
Finance costs, net	33	**(2,973)**	(2,636)
Share of profit/(loss) of jointly controlled entities		**55**	(88)
Share of profit of associates		**48**	11
Profit before income tax		**10,314**	9,831
Income tax expense	34	**(2,310)**	(1,955)
Profit for the year		**8,004**	7,876
Attributable to:			
Equity holders of the Company	36	**7,200**	6,075
Minority interests		**804**	1,801
		8,004	7,876
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
– basic	37	**0.49**	0.41
– diluted	37	**0.49**	0.41
Dividends	38	**1,720**	1,453

The notes on pages 80 to 209 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 RMB million	2008 RMB million
Profit for the year	**8,004**	7,876
Other comprehensive income/(expense)		
Fair value gains/(losses) on available-for-sale financial assets, net of deferred tax	**7,645**	(7,842)
Cash flow hedge reserve transferred to income statement, net of deferred tax	**(11)**	(186)
Cash flow hedges, net of deferred tax	**–**	11
Currency translation differences	**97**	(26)
Other comprehensive income/(expenses) for the year, net of tax	**7,731**	(8,043)
Total comprehensive income/(expenses) for the year	**15,735**	(167)
Total comprehensive income/(expenses) attributable to:		
– Equity holders of the Company	**14,913**	(1,842)
– Minority interests	**822**	1,675
	15,735	(167)

The notes on pages 80 to 209 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

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

The notes on pages 80 to 209 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2009

		Attributable to equity holders of the Company						
	Note	**Share Capital** RMB million	**Share Premium** RMB million	**Other Reserves** RMB million	**Retained Earnings** RMB million	**Total** RMB million	**Minority Interests** RMB million	**Total Equity** RMB million
At 1 January 2009	21	14,825	13,853	1,194	11,299	41,171	10,998	52,169
Comprehensive income								
Profit for the year		–	–	–	7,200	7,200	804	8,004
Other comprehensive income								
Changes in fair value of available-for-sale financial assets, net of deferred tax		–	–	7,643	–	7,643	2	7,645
Cash flow hedge reserve transferred to income statement, net of deferred tax		–	–	(5)	–	(5)	(6)	(11)
Currency translation differences		–	–	75	–	75	22	97
Total other comprehensive income		–	–	7,713	–	7,713	18	7,731
Total comprehensive income		–	–	7,713	7,200	14,913	822	15,735
2008 final dividend		–	–	–	(1,453)	(1,453)	–	(1,453)
Dividends paid to minority shareholders of subsidiaries		–	–	–	–	–	(145)	(145)
Contribution from minority shareholders of subsidiaires		–	–	–	–	–	60	60
Acquisition of additional equity interests in subsidiaries from minority interests		–	–	(12)	(5)	(17)	(120)	(137)
Transfer to statutory surplus reserve	21	–	–	178	(178)	–	–	–
Appropriations to safety reserve	21	–	–	298	(298)	–	–	–
At 31 December 2009		14,825	13,853	9,371	16,565	54,614	11,615	66,229

The notes on pages 80 to 209 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 RMB million	2008 RMB million
Cash flows from operating activities			
Cash generated from operations	40	**19,563**	2,767
Interest paid		**(2,547)**	(2,217)
Income tax paid		**(2,417)**	(1,745)
Net cash generated from/(used in) operating activities		**14,599**	(1,195)
Cash flows from investing activities			
Purchase of property, plant and equipment ("PPE")		**(13,673)**	(14,960)
Increase in lease prepayments		**(596)**	(536)
Purchase of intangible assets		**(3,915)**	(1,814)
Proceeds from disposal of PPE	40	**364**	785
Proceeds from disposal of lease prepayments		**38**	45
Proceeds from disposal of investment properties		**10**	53
Additional investments in jointly controlled entities		**(37)**	(98)
Additional investments in associates		**(104)**	(272)
Additional investments in subsidiaries		**(137)**	(88)
Purchases of available-for-sale financial assets		**(791)**	(1,192)
Purchase of other financial assets at fair value through profit or loss		**(24)**	(41)
Proceeds from disposal of/(increase in) other short-term investments		**735**	(705)
Proceeds from disposal of jointly controlled entities		**35**	–
Proceeds from disposal of associates		**344**	–
Proceeds from disposal of equity interest in subsidiaries		**55**	99
Proceeds from disposal of available-for-sale financial assets		**110**	703
Proceeds from disposal of held-to-maturity financial assets		**2**	–
Proceeds from disposal of other financial assets at fair value through profit or loss		**31**	75
Interest received		**293**	646
Dividends received		**370**	569
Net cash used in investing activities		**(16,890)**	(16,731)
Cash flows from financing activities			
Proceeds from borrowings		**77,583**	55,067
Repayments of borrowings		**(66,223)**	(31,571)
Contribution from minority shareholders of subsidiaries		**60**	153
Dividends paid to the Company's shareholders		**(1,453)**	(1,305)
Dividends paid to minority shareholders of subsidiaries		**(145)**	(457)
Net cash generated from financing activities		**9,822**	21,887
Net increase in cash and cash equivalents		**7,531**	3,961
Cash and cash equivalents at beginning of the year	19(b)	**26,278**	22,473
Exchange gains/(losses) on cash and cash equivalents		**8**	(156)
Cash and cash equivalents at end of the year	19(b)	**33,817**	26,278

The notes on pages 80 to 209 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

1. General information

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 20 April 2010.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) Standards, amendments and interpretations mandatory for the financial year beginning 1 January 2009 and relevant to the Group

The following standards, amendments and interpretations are mandatory for the financial year beginning 1 January 2009:

- IAS 1 (Revised) and IAS 1 (Amendment), "Presentation of financial statements"
- IAS 16 (Amendment), "Property, plant and equipment" (and consequential amendment to IAS 7, "Statement of cash flows")
- IAS 19 (Amendment), "Employee benefits"
- IAS 20 (Amendment), "Accounting for government grants and disclosure of government assistance"
- IAS 23 (Revised) and IAS 23 (Amendment), "Borrowing costs"
- IAS 27 (Amendment), "Consolidated and separate financial statements"
- IAS 28 (Amendment), "Investments in associates" (and consequential amendments to IAS 32, "Financial instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures")
- IAS 31 (Amendment), "Interests in joint ventures" (and consequential amendments to IAS 32 and IFRS 7)
- IAS 36 (Amendment), "Impairment of assets"
- IAS 38 (Amendment), "Intangible assets"
- IAS 39 (Amendment), "Financial instruments: Recognition and measurement"
- IFRS 1 (Amendment), "First-time adoption of IFRS" and IAS 27, "Consolidated and separate financial statements"
- IFRS 7 (Amendment), "Financial instruments: Disclosures"
- IFRS 8, "Operating segments"
- IFRIC 15, "Agreements for construction of real estates"

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) Standards, amendments and interpretations mandatory for the financial year beginning 1 January 2009 and relevant to the Group *(Continued)*

- IAS 1 (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 in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share;

- IAS 23 (Revised), "Borrowing costs", was early adopted in 2007. In accordance with this standard, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009), was early adopted in 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 "Financial instruments: Recognition and measurement". This eliminates the inconsistency of terms between IAS 39 and IAS 23; and

- IFRS 8, "Operating segments". IFRS 8 replaces IAS 14, "Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this new standard resulted in no change in the number of reportable segments presented. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) Amendments and interpretations mandatory for the financial year beginning 1 January 2009 but not relevant for the Group's operations

- IAS 29 (Amendment), "Financial reporting in hyperinflationary economies"
- IAS 32 (Amendment), "Financial instruments: Presentation", and IAS 1 (Amendment), "Presentation of financial statements" – "Puttable financial instruments and obligations arising on liquidation"
- IAS 40 (Amendment), "Investment property" (and consequential amendments to IAS 16)
- IAS 41 (Amendment), "Agriculture"
- IFRS 2 (Amendment), "Share-based payment" – "Vesting conditions and cancellations"
- IFRIC 13, "Customer loyalty programmes"
- IFRIC 16, "Hedges of a net investment in a foreign operation"

(c) Amendment to existing standard which is not yet effective but early adopted by the Group

- IAS 24 (Revised), "Related party disclosures" (effective from 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party. The Group early adopted this amendment and simplified the disclosures for related party transactions and balances with government-related entities (refer to details in Note 43).

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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

	Effective for accounting periods beginning on or after
IFRS 3 (Revised), "Business combinations"	1 July 2009
IAS 27 (Revised), "Consolidated and separate financial statements"	1 July 2009
IAS 39 (Amendment), "Financial instruments: Recognition and measurement" – "Eligible hedge items"	1 July 2009
IFRIC 17, "Distribution of non-cash assets to owners"	1 July 2009
IFRS 1 (Amendment), "First-time adoption of IFRS"	1 January 2010
IFRS 2 (Amendment), "Group cash-settled share-based payment transactions"	1 January 2010
IAS 32 (Amendment), "Financial instruments: Presentation" – "Classification of right issues"	1 February 2010
IFRIC 19, "Extinguishing financial liabilities with equity instruments"	1 July 2010
IFRIC 14 (Amendment), "Payments of a minimum funding requirement"	1 January 2011
IFRS 9, "Financial instruments"	1 January 2013

The Group will apply the above standards, amendments and interpretations from 1 January 2010 or later period. Except for the following standards, amendments and interpretations to existing standards as described below, other amendments and interpretations are not relevant for the Group's operations.

- IFRS 3 (Revised), "Business combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010;

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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

- IAS 27 (Revised), "Consolidated and separate financial statements". The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the income statement. The Group adopted "economic entity model" for all transactions with non-controlling interests in the past and will consistently apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010, therefore, the amendment does not have any impact on the Group's consolidated financial statements;

- IAS 39 (Amendment), "Financial instruments: Recognition and measurement" – "Eligible hedged items". It prohibits designating inflation as a hedgeable component of a fixed rate debt. Inflation is not separately identifiable and reliably measurable as a risk or a portion of a financial instrument, unless it is a contractually specified portion of the cash flows of a recognised inflation-linked bond whose other cash flows are unaffected by the inflation portion. It also prohibits including time value in a one-sided hedged risk when designating options as hedges. An entity may only designate the change in the intrinsic value of an option as the hedging instrument of a one-sided risk arising from a forecast transaction in a hedging relationship. A one-sided risk is that changes in cash flows or fair value of a hedged item is above or below a specified price or other variable. The Group will apply this amendment from 1 January 2010, but it is not expected to have an impact on the Group's consolidated financial statements;

- IFRIC 17, "Distribution of non-cash assets to owners". This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets (or with a cash alternative) to shareholders either as a distribution of reserves or as dividends. It clarifies that a dividend payable shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, the dividend payable shall be measured at the fair value of the assets to be distributed, and the difference between the dividend paid and the carrying amount of the assets distributed shall be recognised in profit or loss. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will prospectively apply IFRIC 17 from 1 January 2010; and

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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

- IFRS 9, "Financial instruments", established the principles for financial reporting of financial assets.

  (i) Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  (ii) An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

  (iii) All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

  The Group will apply IFRS 9 from 1 January 2013, but it is not expected to have any material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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

The following amendments and interpretations are part of the International Accounting Standards Board ("IASB")'s annual improvement projects published in May 2008 and April 2009.

	Effective for accounting periods beginning on or after
IAS 38 (Amendment), "Intangible assets"	1 July 2009
IFRS 2 (Amendment), "Share-based payment"	1 July 2009
IFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and consequential amendment to IFRS 1 "First-time adoption of IFRS")	1 July 2009
IFRIC 9, "Reassessment of embedded derivatives"	1 July 2009
IFRIC 16, "Hedges of a net investment in a foreign operation"	1 July 2009
IAS 1 (Amendment), "Presentation of financial statements"	1 January 2010
IAS 7 (Amendment), "Statement of cash flows"	1 January 2010
IAS 17 (Amendment), "Lease"	1 January 2010
IAS 36 (Amendment), "Impairment of Assets"	1 January 2010
IAS 39 (Amendment), "Financial instruments: Recognition and measurement"	1 January 2010
IFRS 5 (Amendment), "Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations"	1 January 2010
IFRS 8 (Amendment), "Operating segments"	1 January 2010

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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

The Group will apply the above improvements to IFRS from 1 January 2010 or later period. Except for the following amendments and interpretations to existing standards as described below, other amendments and interpretations are not relevant for the Group's operations.

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

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

- IAS 1 (Amendment), "Presentation of financial statements". The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply the amendment from 1 January 2010, but it is not expected to have an impact on the Group's consolidated financial statements;

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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

- IAS 7 (Amendment), "Statement of cash flows". The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The Group will apply IAS 7 (Amendment) from 1 January 2010, but it is not expected to have an impact on the Group's consolidated financial statements;

- IAS 17 (Amendment), "Lease". The amendment removes the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17. The Group will apply IAS 17 (Amendment) from 1 January 2010, but it is not expected to have any material impact on the Group's consolidated financial statements;

- IAS 39 (Amendment), "Financial instruments: Recognition and measurement". The amendment clarifies that loan prepayment penalties are only treated as closely related embedded derivatives, if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. A specific formula is given to calculate the lost interest. This amendment also clarifies that when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. In addition, IAS 39 (Amendment) introduces the scope exemption in paragraph 2(g) of IAS 39 to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions. The Group will apply IAS 39 (Amendment) from 1 January 2010, but it is not expected to have an impact on the Group's consolidated financial statements;

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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

- IFRS 5 (Amendment) provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply the IFRS 5 (Amendment) from 1 January 2010, but it is not expected to have an impact on the Group's consolidated financial statements; and

- IFRS 8 (Amendment), "Operating segments", introduces minor textual amendment to the standard, and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. The Group will apply the IFRS 8 (Amendment) from 1 January 2010, but it is not expected to have an impact on the Group's consolidated financial statements.

(e) Amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2009 and not relevant for the Group's operations

- IFRS 1 (Amendment), "First-time adoption of IFRS" – "Additional exemptions for first-time adopters" (effective from 1 January 2010)

- IFRS 2 (Amendment), "Share-based payment" – "Scope of IFRS 2 and IFRS 3 (Revised)" (effective from 1 July 2009) and "Group cash-settled share-based payment transactions" (effective from 1 January 2010)

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

- IAS 36 (Amendment), "Impairment of Assets" (effective from 1 January 2010)

- IFRIC 9, "Reassessment of embedded derivatives" (effective from 1 July 2009)

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(e) Amendments and interpretations to existing standards that are not yet effective for the financial year beginning 1 January 2009 and not relevant for the Group's operations *(Continued)*

- IFRIC 16, "Hedges of a net investment in a foreign operation" (effective from 1 July 2009)
- IFRIC 19, "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2010)

2.2 Consolidation

(a) Subsidiaries

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

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

(c) Jointly controlled entities

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

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

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.9). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.2 Consolidation *(Continued)*

(d) Associates

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

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

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

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

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses (Note 2.9). The results of associates are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the President Office, which is chaired by the Chief Executive Officer and consists of senior management of the Company who make strategic decisions.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the investment revaluation reserve in equity.

(c) Group companies

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

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

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

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

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

2.5 Property, plant and equipment

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.5 Property, plant and equipment *(Continued)*

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

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

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

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

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

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

2.6 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any (Note 2.9).

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.7 Lease prepayments

Lease prepayments represent upfront prepayments made for the land use rights and leasehold land and are expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment (Noted 2.9), the impairment is expensed in the consolidated income statement.

2.8 Intangible assets

(a) Patent and proprietary technologies

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

(b) Computer software

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

(c) Concession assets

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.9 Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

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

Impairment testing of the investments in subsidiaries, jointly controlled entities or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Financial assets

2.10.1 Classification

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.10 Financial assets *(Continued)*

2.10.1 Classification *(Continued)*

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.14).

(c) *Held-to-maturity financial assets*

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

(d) *Available-for-sale financial assets*

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

2.10.2 Recognition and measurement

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.10 Financial assets *(Continued)*

2.10.2 Recognition and measurement *(Continued)*

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

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

    (i) adverse changes in the payment status of borrowers in the portfolio;

    (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.11 Impairment of financial assets *(Continued)*

(a) Assets carried at amortised cost *(Continued)*

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.12 Derivative financial instruments and hedging activities

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

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

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

The fair values of derivative instruments used for hedging purposes are disclosed in Note 18. Movements on the hedging reserve in equity are shown in Note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as current assets or liabilities.

(a) Cash flow hedge

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.12 Derivative financial instruments and hedging activities *(Continued)*

(b) Derivatives at fair value through profit or loss

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

2.13 Inventories

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

2.14 Trade and other receivables

Trade receivables are amounts due from customers for services performed or products sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

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

2.16 Share capital

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.18 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

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

2.19 Current and deferred income tax

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.19 Current and deferred income tax *(Continued)*

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.20 Employee benefits

(a) Pension obligations

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

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.20 Employee benefits *(Continued)*

(b) Other post-employment obligations

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

(c) Termination benefits

Employee termination and early retirement benefits are recognised in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Housing funds

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

(e) Bonus entitlements

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

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.21 Provisions

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

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

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

2.22 Government grants

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.23 Contract work

Contract costs are recognised when incurred.

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

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.24 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from construction, design, dredging and heavy machinery contracts

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

(b) Services rendered

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

(c) Sales of products

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

(d) Rental income

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.24 Revenue recognition *(Continued)*

(e) Interest income

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

(f) Dividend income

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

2.25 Leases

2.25.1 Operating leases

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

(a) As a lessee

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

(b) As a lessor

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.25 Leases *(Continued)*

2.25.2 Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over its expected useful life on a basis consistent with similar owned asset. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the useful life of the asset and the lease term.

2.26 Research and development

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

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

2.27 Dividend distribution

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The functional currency of a majority of the entities within the Group is RMB with most of the transactions settled in RMB. However, foreign currencies are used to settle the Group's revenue from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

Details of the Group's trade and other receivables, cash and bank balances, trade and other payables and borrowings as at 31 December 2009, denominated in foreign currencies, mainly United States Dollars ("US$"), Euro ("EUR"), Japanese Yen ("JPY") and Hong Kong Dollars ("HK$"), are disclosed in Notes 15, 19, 22 and 23 respectively.

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments. During the year ended 31 December 2009, certain subsidiaries of the Group used forward foreign exchange contracts transacted with domestic and overseas registered banks, to hedge the exposure to foreign currency risk on individual transactions primarily vis-à-vis US$, EUR and JPY.

As at 31 December 2009, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB384 million higher/lower (2008: 5%, RMB179 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. The change in profit is more significant in 2009 than 2008 primarily because of the increased amount of US$ denominated borrowings and payables, which is partially offset by increase of US$ denominated receivables.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

As at 31 December 2009, if RMB had strengthened/weakened by 10% against EUR with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB254 million higher/lower (2008: 10%, RMB68 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. The change in profit is more significant in 2009 than 2008 primarily because of the increased amount of EUR denominated borrowings and payables.

As at 31 December 2009, if RMB had strengthened/weakened by 5% against JPY with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been approximately RMB19 million higher/lower (2008: 5%, RMB44 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents and borrowings. Profit is less sensitive to movements in RMB/JPY exchange rates in 2009 than 2008 primarily because of the decreased amount of JPY denominated borrowings.

As at 31 December 2009, if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, equity attributable to the equity holders of the Company would have been approximately RMB21 million lower/higher (2008: RMB6 million lower/higher), arising mainly from foreign exchange losses/gains on translation of HK$ denominated equity securities classified as available-for-sale. Equity is more sensitive to movements in RMB/HK$ exchange rate in 2009 than 2008 because of the increased amount of HK$ denominated equity securities classified as available-for-sale.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

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

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2009, approximately RMB29,886 million (2008: RMB11,438 million) of the Group's borrowings were at fixed rates. The Group's borrowings at variable rates were denominated in RMB, US$, EUR and HK$. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 23.

If interest rates on borrowings had been 27 basis points higher/lower with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been RMB84 million lower/higher (2008: RMB109 million lower/higher), mainly as a result of higher/lower interest expenses on floating rate borrowings.

(iii) Price risk

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(iii) Price risk (Continued)

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

	2009	2008
Change in equity price	**5%**	5%

	2009 **RMB million**	2008 RMB million
Increase/decrease in profit attributable to equity holders of the Company for the year as a result of increase/decrease in equity price	**6**	3
Increase/decrease in equity attributable to equity holders of the Company for the year as a result of increase/decrease in equity price	**818**	269

(b) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, investments and other current assets except for prepayments, and the nominal value of the guarantees provided on liabilities as disclosed in Note 41 represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group holds substantially all of its cash at bank in major financial institutions located in the PRC and certain overseas banks with good credit ratings. Management believes these financial insititutions are of high credit quality and there is no significant credit risk of losses on such assets. The Group has policies that limit the amount of credit exposure to any financial institutions.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

The Group's major customers are PRC Government agencies at the national, provincial and local levels, and other state-owned enterprises, which accounted for significant amounts of the Group's total operating revenue during the year. The Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluation of its customers. With regard to overseas companies of inadequate creditworthiness, the Group usually demands the letters of guarantee or letters of credit. No single customer accounted for more than 10% of the Group's total revenue during the year (2008: None).

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

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

(c) Liquidity risk

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

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available. As at 31 December 2009, the Group has undrawn borrowing facilities totaling RMB160,836 million, which is disclosed in details in Note 23.

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

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 23. Generally there is no specific credit period granted by the supplier but the related trade payables are normally expected to be settled within the period ranging from 30 to 90 days after receipt of goods or services.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

Group

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
As at 31 December 2009				
Borrowings (excluding finance lease liabilities)	37,510	9,695	14,156	20,170
Finance lease liabilities	310	303	577	–
Derivative financial instruments – held for trading	9	5	11	7
Trade and other payables	105,017	1,166	–	–
Financial guarantees	722	–	–	–
	143,568	11,169	14,744	20,177
As at 31 December 2008				
Borrowings	39,860	6,955	11,451	6,185
Derivative financial instruments – held for trading	37	13	25	18
Trade and other payables	88,031	–	–	–
Financial guarantees	189	–	–	–
	128,117	6,968	11,476	6,203

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Company

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million
As at 31 December 2009				
Borrowings	4,412	5,922	4,036	10,058
Derivative financial instruments – held for trading	3	3	6	4
Trade and other payables	13,920	27	–	–
Financial guarantees	8,923	–	–	–
	27,258	5,952	4,042	10,062
As at 31 December 2008				
Borrowings	6,011	444	5,764	243
Derivative financial instruments – held for trading	12	11	25	18
Trade and other payables	8,127	–	–	–
Financial guarantees	13,523	–	–	–
	27,673	455	5,789	261

The Group and the Company entered into the guarantee contracts for bank borrowings made by certain subsidiaries, jointly controlled entities, associates of the Group and certain third party entities. Financial guarantees represent the maximum amounts of guarantees allocated to the earliest periods in which the respective guarantees could be called. The Directors of the Company are of the opinion that those guarantees are not likely to be crystallised in the foreseeable future.

Net settled derivatives comprise forward foreign exchange contracts used by the Group to hedge the exposure to foreign currency risk and interest rate swaps used to manage the Group's interest rate profile.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

Group

	Less than 1 year RMB million	**Between 1 and 2 years** RMB million	**Between 2 and 5 years** RMB million
As at 31 December 2009			
Forward foreign exchange contracts			
– held for trading			
Outflow	(5,281)	(270)	–
Inflow	5,272	246	–
As at 31 December 2008			
Forward foreign exchange contracts			
– cash flow hedges			
Outflow	(1,850)	–	–
Inflow	1,805	–	–
Forward foreign exchange contracts			
– held for trading			
Outflow	(29,847)	(565)	(270)
Inflow	30,592	564	246

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Company

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million
As at 31 December 2009			
Forward foreign exchange contracts			
– held for trading			
Outflow	(295)	–	–
Inflow	314	–	–
As at 31 December 2008			
Forward foreign exchange contracts			
– held for trading			
Outflow	(298)	(295)	–
Inflow	320	314	–

(d) Capital risk management

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

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

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Capital risk management *(Continued)*

	2009 **RMB million**	2008 RMB million
Total borrowings *(Note 23)*	**70,737**	57,874
Less: Cash and cash equivalents *(Note 19(b))*	**(33,817)**	(26,278)
Net debt	**36,920**	31,596
Total equity	**66,229**	52,169
Total capital	**103,149**	83,765
Gearing ratio	**36%**	38%

The gearing ratio as at 31 December 2009 has no significant change as compared with that in 2008.

(e) Business environment in emerging economies

During the year ended 31 December 2009, the Group has certain projects in overseas countries in Africa, Middle East and South East Asia. Some of these countries have been experiencing continuous changes in their political and economic environments which may affect the Group's activities in these countries. Operations and business activities in those emerging economies involve risks that may not exist in other markets. Management's assessment of the impact of the operations in these countries have been reflected in the Group's consolidated financial statements. Future business environment may differ from management's assessment.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.2 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value				
through profit or loss	80	–	–	80
Derivative financial instruments				
– held for trading	–	36	–	36
Available-for-sale financial assets				
– Equity securities	11,568	4,802	–	16,370
Total assets	11,648	4,838	–	16,486
Liabilities				
Derivative financial instruments				
– held for trading	–	(77)	–	(77)
Total liabilities	–	(77)	–	(77)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments in public companies listed on Shanghai, Shenzhen and Hong Kong Stock Exchange classified as trading securities or available-for-sale.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.2 Fair value estimation *(Continued)*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4. Critical accounting estimates, assumptions and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

4. Critical accounting estimates, assumptions and judgments *(Continued)*

4.1 Income taxes and deferred tax

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

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

4.2 Fair value of financial instruments

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

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

4.3 Construction contracts

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

4. Critical accounting estimates, assumptions and judgments *(Continued)*

4.3 Construction contracts *(Continued)*

The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses and regularly reviews the progress of the contracts. The Group also monitors the progress payments from customers against the contract terms, and periodically evaluates the creditworthiness of the customers. If circumstances arise which make it likely that a customer would default on all or part of its payments or otherwise fail to fulfil its performance obligations under the contract terms, the Group will reassess the outcome of the relevant contract, its impact on the consolidated financial statements and may revise the estimated amount of foreseeable losses. The revision will be reflected in the consolidated income statement in the period in which the circumstances that give rise to the revision become known by management.

Should the budgeted contract costs differ by 1% from management's estimates with all other variables held constant, the gross profit of the Group would increase by RMB3,245 million (2008: RMB2,351 million) under the favourable scenario or decrease by RMB3,196 million (2008: RMB2,319 million) under the unfavourable scenario.

4.4 Pension benefits

The present value of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 25.

Were the discount rate used to increase/decrease by 10% from management's estimates with all other variables held constant, the carrying amount of pension obligations as at balance sheet date would have been RMB60 million (2008: RMB33 million) lower or RMB57 million (2008: RMB31 million) higher.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

4. Critical accounting estimates, assumptions and judgments *(Continued)*

4.5 Impairment assessment on concession assets

The Group operates certain concession assets and their impairment is reviewed whenever events or changes in circumstances indicate that the carrying amounts of the concession assets may not be recoverable in accordance with the accounting policy stated in Note 2.9.

The recoverable amounts of the concession assets have been determined based on value-in-use method. The value-in-use calculations require the use of estimates on the projections of cash flows from the traffic volume and other income, deducting the necessary maintenance and operating costs incurred for the concession assets, and discount rates.

Based on management's best estimates, there was no impairment loss for concession assets recognised during the year.

5. Segment Information

Management has determined the operating segments based on the reports reviewed by the President Office that are used to make strategic decisions.

The President Office considers the business from both service and product perspectives. Management assesses the performance of the following five operating segments:

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

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

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

(4) manufacturing of heavy machinery (the "Heavy Machinery Segment"); and

(5) others (the "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 sales were conducted at prices generally no less than cost and with terms mutually agreed amongst those operating segments.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

5. Segment Information *(Continued)*

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred taxation, investments and derivative financial instruments.

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

Capital expenditure comprises mainly additions to property, plant and equipment (Note 6), lease prepayments (Note 7), investment properties (Note 8) and intangible assets (Note 9).

The segment information provided to the President Office for the reportable segments for the year ended 31 December 2009 is as follows:

	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	165,563	8,874	24,506	27,070	5,471	(4,564)	226,920
Inter-segment revenue	(701)	(254)	(2,953)	(551)	(105)	4,564	–
Revenue	164,862	8,620	21,553	26,519	5,366	–	226,920
Segment result	6,839	1,273	2,925	1,441	193	–	12,671
Unallocated costs							(147)
Operating profit							12,524
Interest income							660
Finance costs, net							(2,973)
Share of profit of jointly controlled entities							55
Share of profit of associates							48
Profit before income tax							10,314
Income tax expense							(2,310)
Profit for the year							8,004

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

5. Segment Information *(Continued)*

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

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Other segment items							
Depreciation	2,326	123	825	1,076	65	–	4,415
Amortisation	57	11	3	49	9	–	129
(Reversal of write-down)/ write-down of inventories	(2)	–	–	13	–	–	11
Provision for foreseeable losses on construction contracts	227	1	2	66	–	–	296
Provision for/(reversal of) impairment of trade and other receivables	502	67	32	16	(3)	–	614

The segment information for the year ended 31 December 2008 is as follows:

	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	122,107	7,655	18,986	26,858	7,721	(4,438)	178,889
Inter-segment revenue	(1,171)	(303)	(808)	(2,030)	(126)	4,438	–
Revenue	120,936	7,352	18,178	24,828	7,595	–	178,889
Segment result	4,863	1,071	2,223	3,535	301	–	11,993
Unallocated costs							(106)
Operating profit							11,887
Interest income							657
Finance costs, net							(2,636)
Share of loss of jointly controlled entities							(88)
Share of profit of associates							11
Profit before income tax							9,831
Income tax expense							(1,955)
Profit for the year							7,876

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

5. Segment Information *(Continued)*

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

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Other segment items							
Depreciation	1,710	113	605	928	51	–	3,407
Amortisation	27	10	2	48	6	–	93
(Reversal of write-down)/ write-down of inventories	(3)	–	–	3	1	–	1
(Reversal of)/provision for foreseeable losses on construction contracts	(4)	12	1	10	–	–	19
Provision for/(reversal of) impairment of trade and other receivables	143	62	(32)	(11)	–	–	162

The amounts provided to the President Office with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are presented based on the operating segments they are associated with.

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

	Construction RMB million	Design RMB million	Dredging RMB million	Heavy machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Segment assets	139,847	6,360	30,052	51,664	3,642	(3,593)	227,972
Investments in jointly controlled entities							758
Investments in associates							2,650
Unallocated assets							32,678
Total assets							264,058
Segment liabilities	97,893	2,643	14,889	7,740	2,054	(3,593)	121,626
Unallocated liabilities							76,203
Total liabilities							197,829
Capital expenditure	9,982	253	4,199	4,781	140	–	19,355

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

5. Segment Information *(Continued)*

Segment assets and liabilities at 31 December 2009 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	227,972	121,626
Investments in jointly controlled entities	758	–
Investments in associates	2,650	–
Unallocated:		
Deferred income tax assets/liabilities	1,944	3,420
Current income tax liabilities	–	1,678
Current borrowings	–	36,043
Non-current borrowings	–	34,694
Available-for-sale financial assets	17,650	–
Other financial assets at fair value through profit or loss	80	–
Derivative financial instruments	36	77
Cash and other corporate assets/corporate liabilities	12,968	291
Total	264,058	197,829

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

	Construction RMB million	Design RMB million	Dredging RMB million	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
Capital expenditure	6,393	250	4,015	6,560	332	–	17,550

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

5. Segment Information *(Continued)*

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

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

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

	2009 **RMB million**	2008 RMB million
PRC (excluding Hong Kong and Macau)	**204,962**	163,611
Other regions	**21,958**	15,278
	226,920	178,889

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

6. Property, Plant and Equipment

Group

	Buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2008						
Cost	5,737	7,229	17,483	2,841	7,113	40,403
Accumulated depreciation	(1,576)	(3,423)	(7,308)	(1,967)	–	(14,274)
Net book amount	4,161	3,806	10,175	874	7,113	26,129
Year ended 31 December 2008						
Opening net book amount	4,161	3,806	10,175	874	7,113	26,129
Additions	338	1,702	1,241	848	11,071	15,200
Disposals *(Note 40)*	(305)	(112)	(199)	(70)	–	(686)
Disposal of a subsidiary	(32)	–	–	–	–	(32)
Transfer	3,896	1,234	4,400	81	(9,611)	–
Transfer to investment properties *(Note 8)*	(21)	–	–	–	–	(21)
Depreciation *(Note 30)*	(331)	(820)	(1,692)	(542)	–	(3,385)
Closing net book amount	7,706	5,810	13,925	1,191	8,573	37,205
At 31 December 2008						
Cost	9,525	9,700	22,545	2,657	8,573	53,000
Accumulated depreciation	(1,819)	(3,890)	(8,620)	(1,466)	–	(15,795)
Net book amount	7,706	5,810	13,925	1,191	8,573	37,205
Year ended 31 December 2009						
Opening net book amount	7,706	5,810	13,925	1,191	8,573	37,205
Additions	193	2,779	1,836	1,151	9,014	14,973
Disposals *(Note 40)*	(18)	(54)	(186)	(24)	–	(282)
Disposal of a subsidiary	–	(135)	–	–	–	(135)
Transfer	1,532	1,202	4,825	114	(7,673)	–
Transfer to investment properties *(Note 8)*	(47)	–	–	–	–	(47)
Depreciation *(Note 30)*	(402)	(1,225)	(1,937)	(826)	–	(4,390)
Closing net book amount	8,964	8,377	18,463	1,606	9,914	47,324
At 31 December 2009						
Cost	11,170	13,284	28,521	3,694	9,914	66,583
Accumulated depreciation	(2,206)	(4,907)	(10,058)	(2,088)	–	(19,259)
Net book amount	8,964	8,377	18,463	1,606	9,914	47,324

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

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

Company

	Buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2008						
Cost	11	44	37	107	–	199
Accumulated depreciation	(3)	(9)	(23)	(61)	–	(96)
Net book amount	8	35	14	46	–	103
Year ended 31 December 2008						
Opening net book amount	8	35	14	46	–	103
Additions	–	3	14	14	–	31
Disposals	–	(13)	(1)	(6)	–	(20)
Depreciation	(1)	(8)	(8)	(30)	–	(47)
Closing net book amount	7	17	19	24	–	67
At 31 December 2008						
Cost	11	33	43	94	–	181
Accumulated depreciation	(4)	(16)	(24)	(70)	–	(114)
Net book amount	7	17	19	24	–	67
Year ended 31 December 2009						
Opening net book amount	7	17	19	24	–	67
Additions	–	–	11	7	1	19
Disposals	–	–	(1)	–	–	(1)
Depreciation	–	(17)	(8)	(11)	–	(36)
Closing net book amount	7	–	21	20	1	49
At 31 December 2009						
Cost	11	33	46	101	1	192
Accumulated depreciation	(4)	(33)	(25)	(81)	–	(143)
Net book amount	7	–	21	20	1	49

(a) Depreciation of the Group's property, plant and equipment of RMB3,986 million (2008: RMB3,056 million) has been charged in cost of sales, RMB358 million (2008: RMB285 million) in administrative expenses and RMB46 million (2008: RMB44 million) in selling and marketing expenses.

(b) Bank borrowings are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB1,824 million (2008: RMB1,419 million) (Note 23).

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

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

(c) As at 31 December 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 book carrying amount of approximately RMB2,562 million (2008: RMB1,720 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

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

	2009 RMB million	2008 RMB million
Cost – Capitalised finance leases	**1,203**	–
Accumulated depreciation	**(49)**	–
Net book amount	**1,154**	–

The Group leases various vessels and machinery under non-cancellable finance lease agreements and has the option to purchase these assets at minimal prices upon the expiry of the agreements.

7. Lease Prepayments

	Group	
	2009 RMB million	2008 RMB million
At beginning of the year		
Cost	**3,641**	3,168
Accumulated amortisation	**(235)**	(189)
Net book amount	**3,406**	2,979
For the year		
Opening net book amount	**3,406**	2,979
Additions	**478**	536
Disposals	**(80)**	(42)
Amortisation charge *(Note 30)*	**(88)**	(67)
Closing net book amount	**3,716**	3,406
At end of the year		
Cost	**4,037**	3,641
Accumulated amortisation	**(321)**	(235)
Net book amount	**3,716**	3,406

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

7. Lease Prepayments *(Continued)*

	Company	
	2009	2008
	RMB million	RMB million
At beginning of the year		
Cost	**–**	–
Accumulated amortisation	**–**	–
Net book amount	**–**	–
For the year		
Opening net book amount	**–**	–
Additions	**225**	–
Amortisation charge	**(4)**	–
Closing net book amount	**221**	–
At end of the year		
Cost	**225**	–
Accumulated amortisation	**(4)**	–
Net book amount	**221**	–

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

	Group	
	2009	2008
	RMB million	RMB million
In Hong Kong held on:		
Leases of over 50 years	**17**	17
Leases of between 10 to 50 years	**10**	10
Outside Hong Kong, held on:		
Leases of over 50 years	**352**	174
Leases of between 10 to 50 years	**3,337**	3,205
	3,716	3,406

(a) Amortisation of the Group's lease prepayments of RMB15 million (2008: RMB10 million) has been charged in cost of sales and RMB73 million (2008: RMB57 million) in administrative expenses.

(b) As at 31 December 2009, no bank borrowings are secured by land use rights while as at 31 December 2008, bank borrowings were secured by land use rights in PRC with an aggregate carrying amount of RMB62 million (Note 23).

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

7. Lease Prepayments *(Continued)*

(c) As at 31 December 2009, the Group is in the process of applying for or changing registration of the title certificates for certain of its land use rights with an aggregate carrying value of approximately RMB140 million (2008: RMB1,381 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

8. Investment Properties

	Group	
	2009	2008
	RMB million	RMB million
At beginning of the year		
Cost	**433**	467
Accumulated depreciation	**(113)**	(93)
Net book amount	**320**	374
For the year		
Opening net book amount	**320**	374
Transfer from property, plant and equipment *(Note 6)*	**47**	21
Disposals	**(10)**	(53)
Depreciation *(Note 30)*	**(25)**	(22)
Closing net book amount	**332**	320
At end of the year		
Cost	**451**	433
Accumulated depreciation	**(119)**	(113)
Net book amount	**332**	320
Fair value at end of the year (a)	**1,251**	1,085

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

(b) Depreciation of the Group's investment properties of RMB25 million (2008: RMB22 million) has been charged to other expenses in the consolidated income statement.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

9. Intangible Assets

Group

	Patent and proprietary technologies RMB million	Computer software RMB million	Concession assets RMB million	Others RMB million	Total RMB million
At 1 January 2008					
Cost	17	76	4,829	11	4,933
Accumulated amortisation	(8)	(41)	(7)	(4)	(60)
Net book amount	9	35	4,822	7	4,873
Year ended 31 December 2008					
Opening net book amount	9	35	4,822	7	4,873
Additions	4	11	1,786	13	1,814
Disposals (d)	–	–	(443)	–	(443)
Amortisation charge *(Note 30)*	(2)	(11)	(13)	–	(26)
Closing net book amount	11	35	6,152	20	6,218
At 31 December 2008					
Cost	21	87	6,172	24	6,304
Accumulated amortisation	(10)	(52)	(20)	(4)	(86)
Net book amount	11	35	6,152	20	6,218
Year ended 31 December 2009					
Opening net book amount	11	35	6,152	20	6,218
Additions	2	16	3,886	–	3,904
Disposals	–	–	–	(6)	(6)
Amortisation charge *(Note 30)*	(1)	(12)	(27)	(1)	(41)
Closing net book amount	12	39	10,011	13	10,075
At 31 December 2009					
Cost	20	93	10,058	16	10,187
Accumulated amortisation	(8)	(54)	(47)	(3)	(112)
Net book amount	12	39	10,011	13	10,075

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

9. Intangible Assets *(Continued)*

Company

	Computer software RMB million
At 1 January 2008	
Opening net book amount	4
Additions	1
Amortisation charge	(1)
Closing net book amount	4
At 31 December 2008	
Cost	10
Accumulated amortisation	(6)
Net book amount	4
At 1 January 2009	
Opening net book amount	4
Additions	4
Amortisation charge	(1)
Closing net book amount	7
At 31 December 2009	
Cost	14
Accumulated amortisation	(7)
Net book amount	7

(a) As at 31 December 2009, concession assets, representing the assets under "Build-Operate-Transfer" service concession arrangements, with cost of RMB6,392 million (2008: RMB2,592 million) have started operations and the related amortisation. Other concession assets with cost of RMB3,666 million (2008: RMB3,580 million) were still under construction and no amortisation has been made in the year.

(b) Amortisation of the Group's intangible assets of RMB27 million (2008: RMB14 million) has been charged in cost of sales, and RMB14 million (2008: RMB12 million) in administrative expenses.

(c) Certain bank borrowings are secured by concession assets with carrying amount of approximately RMB2,885 million (2008: nil) (Note 23).

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

9. Intangible Assets *(Continued)*

(d) On 30 June 2008, a 100% owned subsidiary of the Group, CCCC Fourth Harbour Engineering Co., Ltd. ("FHEC"), entered into an equity investment transfer agreement with a third party for the proposed transfer of a 60% equity interests in Xiang Tan Fourth Harbour Construction Company Limited ("FHCC"), then a wholly owned subsidiary. FHCC is principally engaged in the construction and operation of a bridge under a "Build-Operate-Transfer" service concession arrangement. At the shareholders' meeting of FHCC held on 6 August 2008, the directors of FHCC were reappointed, which resulted in the Group's loss of control over FHCC. The remaining 40% equity interest in FHCC has been accounted for as an investment in jointly controlled entities.

10. Investments in and Loans to Subsidiaries – Company

	2009 RMB million	2008 RMB million
Listed investments, at cost	**8,028**	8,028
Unlisted investment, at cost	**48,547**	43,205
	56,575	51,233
Quoted market value of listed investments	**15,916**	8,320
Current assets		
Loans to subsidiaries *(Note a)*	**8,289**	5,061
Amounts due from subsidiaries *(Note b)*	**4,958**	4,192
Current liabilities		
Amounts due to subsidiaries *(Note c)*	**15,695**	7,925

(a) The loans to subsidiaries are unsecured, repayable within 1 year, and bear interest at rates ranging from 4.37% to 4.78% (2008: 4.78% to 6.48%) per annum.

(b) The amounts due from subsidiaries represent dividends receivable from subsidiaries.

(c) The amounts due to subsidiaries are unsecured, repayable within 1 year and bear interest at rates ranging from zero to 2.25% (2008: 0.05% to 4.14%) per annum.

(d) Details of the principal subsidiaries as at 31 December 2009 are shown in Note 44(a) to the consolidated financial statements.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

11. Investments in Jointly Controlled Entities

	Group	
	2009	2008
	RMB million	RMB million
Share of net assets	**800**	693
Less: Provision for impairment	**(42)**	(42)
	758	651

	Company	
	2009	2008
	RMB million	RMB million
Investment cost	**104**	104
Less: Provision for impairment	**(42)**	(42)
	62	62

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB million	RMB million	**RMB million**	RMB million
Beginning of the year	**651**	370	**62**	62
Additions	**113**	416	**–**	–
Disposals	**(53)**	(34)	**–**	–
Share of profit/(loss)	**55**	(88)	**–**	–
Dividend distribution	**(8)**	(13)	**–**	–
End of the year	**758**	651	**62**	62

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

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

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

	2009 RMB million	2008 RMB million
Assets:		
Non-current assets	**1,082**	628
Current assets	**833**	740
	1,915	1,368
Liabilities:		
Non-current liabilities	**(526)**	(128)
Current liabilities	**(589)**	(547)
	(1,115)	(675)
Net assets	**800**	693

	Year ended 31 December	
	2009 RMB million	2008 RMB million
Income	**880**	699
Expenses	**(806)**	(779)
Profit/(loss) before income tax	**74**	(80)
Income tax expense	**(19)**	(8)
Profit/(loss) after tax	**55**	(88)

(c) The particulars of the Group's principal jointly controlled entities are set out in Note 44(b).

(d) The Group and the Company act as the guarantors for various external borrowings made by certain jointly controlled entities (refer to details in Note 43). There are no material contingent liabilities of the jointly controlled entities themselves.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

12. Investments in Associates

	Group	
	2009	2008
	RMB million	RMB million
Share of net assets	**2,655**	3,152
Less: Provision for impairment	**(5)**	(6)
	2,650	3,146

	Company	
	2009	2008
	RMB million	RMB million
Investment cost	**2,004**	2,004
Less: Provision for impairment	**–**	–
	2,004	2,004

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB million	RMB million	**RMB million**	RMB million
Beginning of the year	**3,146**	3,222	**2,004**	1,736
Additions	**104**	274	**–**	268
Disposals	**(364)**	(68)	**–**	–
Share of profit	**48**	11	**–**	–
Dividend distribution	**(253)**	(240)	**–**	–
Exchange reserve	**(31)**	(53)	**–**	–
End of the year	**2,650**	3,146	**2,004**	2,004

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

12. Investments in Associates *(Continued)*

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

	2009 RMB million	2008 RMB million
Assets:		
Non-current assets	**5,579**	4,596
Current assets	**1,230**	1,745
	6,809	6,341
Liabilities:		
Non-current liabilities	**(1,963)**	(1,520)
Current liabilities	**(2,191)**	(1,669)
	(4,154)	(3,189)
Net assets	**2,655**	3,152

	Year ended 31 December	
	2009 RMB million	2008 RMB million
Income	**1,650**	1,450
Expenses	**(1,585)**	(1,434)
Profit before income tax	**65**	16
Income tax expense	**(17)**	(5)
Profit after tax	**48**	11

(c) The particulars of the Group's principal associates are set out in Note 44(c).

(d) The Group and the Company act as the guarantors for various external borrowings made by certain associates (refer to details in Note 43). There are no material contingent liabilities of the associates themselves.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

13. Financial Instruments by Category

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

Group

	Loans and receivables RMB million	Assets at fair value through profit or loss RMB million	Held-to-maturity financial assets RMB million	Available-for-sale financial assets RMB million	Total RMB million
Assets as per consolidated balance sheet					
31 December 2009					
Available-for-sale financial assets *(Note 14)*	–	–	–	17,650	17,650
Derivative financial instruments *(Note 18)*	–	36	–	–	36
Other financial assets at fair value through profit or loss	–	80	–	–	80
Trade and other receivables excluding prepayments *(Note 15)*	71,272	–	–	–	71,272
Cash at bank and on hand *(Note 19)*	–	34,515	–	–	34,515
Total	71,272	34,631	–	17,650	123,553
31 December 2008					
Available-for-sale financial assets *(Note 14)*	–	–	–	6,733	6,733
Held-to-maturity financial assets	–	–	2	–	2
Derivative financial instruments *(Note 18)*	–	1,382	–	–	1,382
Other financial assets at fair value through profit or loss	–	49	–	–	49
Trade and other receivables excluding prepayments *(Note 15)*	60,827	–	–	–	60,827
Cash at bank and on hand *(Note 19)*	–	26,940	–	–	26,940
Total	60,827	28,371	2	6,733	95,933

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

13. Financial Instruments by Category *(Continued)*

Group

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Liabilities as per consolidated balance sheet			
31 December 2009			
Borrowings (excluding finance lease liabilities) *(Note 23)*	–	69,682	69,682
Finance lease liabilities *(Note 23)*	–	1,055	1,055
Derivative financial instruments *(Note 18)*	77	–	77
Trade and other payables excluding statutory liabilities *(Note 22)*	–	102,388	102,388
Total	77	173,125	173,202
31 December 2008			
Borrowings *(Note 23)*	–	57,874	57,874
Derivative financial instruments *(Note 18)*	725	–	725
Trade and other payables excluding statutory liabilities *(Note 22)*	–	85,629	85,629
Total	725	143,503	144,228

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

13. Financial Instruments by Category *(Continued)*

Company

	Loans and receivables RMB million	Assets at fair value through profit or loss RMB million	Available-for-sale financial assets RMB million	Total RMB million
Assets as per balance sheet				
31 December 2009				
Available-for-sale financial assets *(Note 14)*	–	–	10,334	10,334
Derivative financial instruments *(Note 18)*	–	19	–	19
Trade and other receivables excluding prepayments *(Note 15)*	6,299	–	–	6,299
Loans to subsidiaries *(Note 10)*	8,289	–	–	8,289
Amounts due from subsidiaries *(Note 10)*	4,958	–	–	4,958
Cash at bank and on hand *(Note 19)*	–	14,175	–	14,175
Total	19,546	14,194	10,334	44,074
31 December 2008				
Available-for-sale financial assets *(Note 14)*	–	–	3,202	3,202
Derivative financial instruments *(Note 18)*	–	38	–	38
Trade and other receivables excluding prepayments *(Note 15)*	3,794	–	–	3,794
Loans to subsidiaries *(Note 10)*	5,061	–	–	5,061
Amounts due from subsidiaries *(Note 10)*	4,192	–	–	4,192
Cash at bank and on hand *(Note 19)*	–	8,376	–	8,376
Total	13,047	8,414	3,202	24,663

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

13. Financial Instruments by Category *(Continued)*

Company

	Liabilities at fair value through profit or loss RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Liabilities as per balance sheet			
31 December 2009			
Borrowings *(Note 23)*	–	19,402	19,402
Amounts due to subsidiaries *(Note 10)*	–	15,695	15,695
Derivative financial instruments *(Note 18)*	16	–	16
Trade and other payables excluding statutory liabilities *(Note 22)*	–	13,643	13,643
Total	16	48,740	48,756
31 December 2008			
Borrowings *(Note 23)*	–	11,444	11,444
Amounts due to subsidiaries *(Note 10)*	–	7,925	7,925
Derivative financial instruments *(Note 18)*	62	–	62
Trade and other payables excluding statutory liabilities *(Note 22)*	–	7,896	7,896
Total	62	27,265	27,327

14. Available-for-sale Financial Assets

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Beginning of the year	**6,733**	16,621	**3,202**	8,898
Fair value gains/(losses)	**10,189**	(10,441)	**7,133**	(5,696)
Additions	**791**	1,235	**–**	–
Disposals	**(63)**	(682)	**(1)**	–
End of the year	**17,650**	6,733	**10,334**	3,202

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

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

Available-for-sale financial assets include the followings:

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Listed equity securities, at fair value *(Note a)*				
– Mainland China	**15,948**	5,262	**10,103**	2,842
– Hong Kong	**422**	118	**174**	108
Unlisted equity investments, at cost *(Note b)*	**1,280**	1,353	**57**	252
Total	**17,650**	6,733	**10,334**	3,202
Market value of listed securities	**17,397**	6,002	**11,168**	3,300

(a) These securities primarily represent promoters' shares held by the Group which can be freely traded in the stock market and certain shares subject to prescribed trading restrictions at the balance sheet date. The fair value of freely traded shares was based on the closing quoted market prices, whereas the fair value of those securities still subject to trading restrictions was determined by reference to the closing quoted market prices after incorporating certain discount factors.

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

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

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
RMB	**17,188**	6,573	**10,160**	3,094
HK$	**462**	160	**174**	108
	17,650	6,733	**10,334**	3,202

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Trade and bills receivables	**40,075**	35,755	**4,660**	2,851
Less: Provision for impairment	**(2,640)**	(2,152)	**(437)**	(464)
Trade and bills receivables – net	**37,435**	33,603	**4,223**	2,387
Prepayments	**13,028**	14,179	**3,563**	1,902
Retentions	**12,073**	7,799	**1,767**	827
Deposits	**8,725**	5,990	**43**	6
Other receivables	**3,259**	3,942	**262**	269
Staff advances	**548**	674	**4**	5
Long-term receivables	**9,232**	8,519	**–**	–
Loan receivable	**–**	300	**–**	300
	84,300	75,006	**9,862**	5,696
Less: non-current portion				
– Retentions	**(6,867)**	(3,692)	**(1,766)**	(744)
– Deposits	**(797)**	(650)	**–**	–
– Long-term receivables	**(6,359)**	(5,765)	**–**	–
– Loan receivable	**–**	(300)	**–**	(300)
– Prepayments for land use rights and equipment	**(1,119)**	(822)	**(4)**	–
	(15,142)	(11,229)	**(1,770)**	(1,044)
Current portion	**69,158**	63,777	**8,092**	4,652

Refer to the Note 43 for receivables due from related parties.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables *(Continued)*

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

	Group		Company	
	2009 **RMB million**	2008 RMB million	**2009** **RMB million**	2008 RMB million
Less than 6 months	**32,464**	29,446	**4,196**	2,381
6 months to 1 year	**2,691**	2,709	**13**	4
1 year to 2 years	**2,695**	1,594	**16**	2
2 years to 3 years	**900**	793	**1**	–
Over 3 years	**1,325**	1,213	**434**	464
	40,075	35,755	**4,660**	2,851

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

(b) The weighted average effective interest rate of non-current receivables, representing retentions, deposits and long-term receivables, was 7.26% per annum as at 31 December 2009 (2008: 7.26%).

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables *(Continued)*

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

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Trade and bills receivables	**37,435**	33,603	**4,223**	2,387
Retentions	**12,322**	7,956	**1,787**	907
Deposits	**8,725**	5,990	**43**	6
Other receivables	**3,259**	3,942	**262**	269
Staff advances	**548**	674	**4**	5
Long-term receivables	**9,264**	8,550	**–**	–
Loan receivable	**–**	399	**–**	399
	71,553	61,114	**6,319**	3,973

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

The fair values of non-current trade and other receivables are based on projected cash flows discounted using a rate based on current market interest rate ranging from 5.40% to 5.94% per annum as at 31 December 2009 (2008: ranging from 5.40% to 5.94%) available to the Group for similar financial instruments.

As at 31 December 2008, loan receivable was secured by land and buildings of the borrower and bore interest at 9.62% per annum, while the fair value of loan receivable was based on cash flows discounted using a rate based on the borrowings rate of 5.76% per annum. As at 31 December 2009, such loan has been fully received.

(d) Retentions receivable represented amounts due from customers upon completion of the maintenance period of the construction work, which normally last from one to two years. Deposits represented tender and performance bonds due from customers. Long-term receivables represented amounts due from customers for "Build-Transfer" projects and certain construction work with payment periods over one year. As of 31 December 2009, non-current portion of these receivables were neither past due nor impaired.

(e) Trade receivables amounting to RMB1,197 million were transferred to certain banks with recourse in exchange for cash during the year ended 31 December 2009 (2008: nil). Such transactions did not qualify for derecognition and have been accounted for as secured borrowings (Note 23). In addition, trade receivables of RMB2,698 million transferred to certain banks in 2009 were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition (2008: nil).

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables *(Continued)*

(f) As at 31 December 2009, bill receivables amounting to RMB287 million, representing bank acceptance notes discounted with certain banks, have been derecognised. The Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition (2008: RMB232 million).

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

(h) As of 31 December 2009, trade receivables of RMB1,211 million (2008: RMB1,299 million) were neither past due nor impaired. There was no trade receivables of the Company that were neither past due nor impaired as of 31 December 2009 (2008: nil).

(i) As of 31 December 2009, trade receivables of RMB31,434 million (2008: RMB28,439million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these trade receivables. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Less than 6 months	**29,639**	26,517	**4,185**	2,374
6 months to 1 year	**893**	838	**13**	4
1 year to 2 years	**641**	687	**3**	–
2 years to 3 years	**185**	312	**–**	–
Over 3 years	**76**	85	**–**	–
	31,434	28,439	**4,201**	2,378

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables *(Continued)*

(j) As of 31 December 2009, trade receivables of RMB7,430 million (2008: RMB6,017 million) were impaired and provided for. The amount of the provision was RMB2,640 million as of 31 December 2009 (2008: RMB2,152 million). Included in the provision for impairment of trade receivables was a provision for individually impaired trade receivables of RMB1,568 million (2008: RMB1,545 million) with a carrying amount of RMB638 million (2008: RMB529 million), and the individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these trade receivables. The ageing analysis of these receivables (net of impairment provision) is as follows:

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Less than 6 months	**1,764**	1,429	**9**	7
6 months to 1 year	**1,419**	1,489	**–**	–
1 year to 2 years	**1,247**	767	**13**	2
2 years to 3 years	**352**	171	**–**	–
Over 3 years	**8**	9	**–**	–
	4,790	3,865	**22**	9

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

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
At 1 January	**2,152**	2,054	**464**	466
Provision for the year	**1,004**	583	**3**	–
Receivables written off during the year as uncollectible	**(8)**	(13)	**–**	–
Unused amount released	**(508)**	(472)	**(30)**	(2)
At 31 December	**2,640**	2,152	**437**	464

The provision and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement (Note 30). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

15. Trade and Other Receivables *(Continued)*

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

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
RMB	**69,097**	64,003	**6,620**	4,721
US$	**9,716**	6,595	**805**	258
EUR	**1,529**	753	**53**	–
JPY	**1,108**	957	**–**	–
HK$	**556**	699	**–**	–
Other currencies	**2,294**	1,999	**2,384**	717
	84,300	75,006	**9,862**	5,696

(m) The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above. The Group does not hold any collateral as security.

16. Inventories

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Raw materials	**14,376**	14,400	**4**	28
Work in progress	**4,116**	1,775	**131**	98
Finished goods	**343**	283	**–**	–
	18,835	16,458	**135**	126

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

17. Contract Work-in-progress

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Contract cost incurred plus recognised profit less recognised losses	**533,388**	381,034	**55,081**	28,471
Less: Progress billings	**(504,112)**	(355,576)	**(50,870)**	(26,635)
Contract work-in-progress	**29,276**	25,458	**4,211**	1,836
Representing:				
Amounts due from customers for contract work	**41,843**	38,682	**4,457**	2,886
Amounts due to customers for contract work	**(12,567)**	(13,224)	**(246)**	(1,050)
	29,276	25,458	**4,211**	1,836

	Year ended 31 December			
	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Contract revenue recognised as revenue in the year	**207,002**	161,458	**28,855**	18,780

18. Derivative Financial Instruments

Group

	2009		2008	
	Assets RMB million	**Liabilities RMB million**	Assets RMB million	Liabilities RMB million
Interest rate swaps – held for trading	**–**	**(1)**	–	(27)
Forward foreign exchange contracts – cash flow hedges	**–**	**–**	2	–
Forward foreign exchange contracts – held for trading	**36**	**(76)**	1,380	(698)
Total	**36**	**(77)**	1,382	(725)

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

18. Derivative Financial Instruments *(Continued)*

Company

	2009		2008	
	Assets RMB million	**Liabilities RMB million**	Assets RMB million	Liabilities RMB million
Forward foreign exchange contracts – held for trading	**19**	**(16)**	38	(62)

(a) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2009 were RMB8,020 million (2008: RMB33,595 million).

The Group designated certain derivatives as hedges of particular market risks associated with certain highly probable forecast transactions denominated in foreign currencies (cash flow hedge) as at 31 December 2008. The hedged forecast transactions have occurred during the year ended 31 December 2009, and gains and losses previously recognised in the hedging reserve in equity (Note 21) on forward foreign exchange contracts as of 31 December 2008 were subsequently transferred to the consolidated income statement (Note 28) for the year ended 31 December 2009.

As at 31 December 2009, there were no highly probable transactions that have been hedged by forward foreign exchange contracts.

(b) Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2009 were RMB182 million (2008: RMB1,959 million).

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

19. Cash at bank and on hand

	Group		**Company**	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Restricted cash (a)	**698**	662	**3**	–
Cash and cash equivalents (b)	**33,817**	26,278	**14,172**	8,376
	34,515	26,940	**14,175**	8,376

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

19. Cash at bank and on hand *(Continued)*

(a) Restricted Cash

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Restricted cash denominated in:				
– RMB	**640**	623	**3**	–
– US$	**25**	26	**–**	–
– EUR	**9**	6	**–**	–
– Others	**24**	7	**–**	–
	698	662	**3**	–

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

(b) Cash and cash equivalents

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Cash on hand	**154**	158	**1**	1
Bank deposits				
– Term deposits with initial term of over three months	**1,078**	753	**5**	5
– Other bank deposits	**32,585**	25,367	**14,166**	8,370
Cash and cash equivalents	**33,817**	26,278	**14,172**	8,376
Maximum exposure to credit risk	**33,817**	26,278	**14,172**	8,376
Denominated in:				
– RMB	**26,885**	19,689	**12,300**	7,446
– US$	**3,738**	3,802	**1,237**	242
– EUR	**691**	1,011	**368**	182
– HK$	**338**	371	**199**	208
– JPY	**81**	41	**21**	8
– Others	**2,084**	1,364	**47**	290
	33,817	26,278	**14,172**	8,376

The weighted average effective interest rate on bank deposits was 2.76% per annum as at 31 December 2009 (2008: 3.53% per annum).

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

19. Cash at bank and on hand *(Continued)*

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

(d) No bank borrowings were secured by term deposits as at 31 December 2009 (2008: Bank borrowings were secured by term deposits of RMB56 million) (Note 23).

20. Share Capital and Premium

	2009		2008	
	Number of shares (thousands)	**Nominal value (RMB'000)**	Number of shares (thousands)	Nominal value (RMB'000)
Registered, issued and fully paid				
Domestic shares of RMB1.00 each	**10,397,500**	**10,397,500**	10,397,500	10,397,500
H shares of RMB1.00 each	**4,427,500**	**4,427,500**	4,427,500	4,427,500
As at 31 December	**14,825,000**	**14,825,000**	14,825,000	14,825,000

(a) The Company was incorporated on 8 October 2006, with an initial registered share capital of RMB10,800 million, divided into 10,800,000,000 domestic shares with a nominal value of RMB1.00 each. These shares were issued to CCCG in consideration for the transfer of the principal operations and businesses of CCCG to the Company pursuant to the Reorganisation as referred to in Note 1 to the consolidated financial statements.

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

20. Share Capital and Premium *(Continued)*

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

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

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

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.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

21. Other Reserves

Group

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

21. Other Reserves *(Continued)*

Group

	Capital Reserve *(Note a)* RMB million	Statutory Surplus Reserve RMB million	Investment Revaluation Reserve RMB million	Hedging Reserve RMB million	Safety Reserve RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million
At 1 January 2009	(3,061)	317	3,666	5	259	8	11,299	12,493
Profit for the year	–	–	–	–	–	–	7,200	7,200
Currency translation differences	–	–	–	–	–	75	–	75
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	7,643	–	–	–	–	7,643
Acquisition of additional equity interests in subsidiaries from minority interests	(12)	–	–	–	–	–	(5)	(17)
Cash flow hedges reserve transferred to income statement, net of deferred tax	–	–	–	(5)	–	–	–	(5)
2008 final dividend	–	–	–	–	–	–	(1,453)	(1,453)
Appropriations *(Note b)*	–	178	–	–	–	–	(178)	–
Appropriations to safety reserve *(Note c)*	–	–	–	–	298	–	(298)	–
At 31 December 2009	(3,073)	495	11,309	–	557	83	16,565	25,936

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

21. Other Reserves *(Continued)*

Company

	Capital Reserve RMB million	Statutory Surplus Reserve RMB million	Investment Revaluation Reserve RMB million	Safety Reserve RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million
At 1 January 2008	21,172	154	6,253	5	–	1,436	29,020
Profit for the year	–	–	–	–	–	1,597	1,597
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	(4,272)	–	–	–	(4,272)
2007 final dividend	–	–	–	–	–	(1,305)	(1,305)
Appropriations *(Note b)*	–	163	–	–	–	(163)	–
Appropriations to safety reserve *(Note c)*	–	–	–	1	–	(1)	–
At 31 December 2008	21,172	317	1,981	6	–	1,564	25,040
At 1 January 2009	21,172	317	1,981	6	–	1,564	25,040
Profit for the year	–	–	–	–	–	1,797	1,797
Changes in fair value of available-for-sale financial assets, net of deferred tax	–	–	5,349	–	–	–	5,349
Currency transaction differences	–	–	–	–	(1)	–	(1)
2008 final dividend	–	–	–	–	–	(1,453)	(1,453)
Appropriations *(Note b)*	–	178	–	–	–	(178)	–
At 31 December 2009	21,172	495	7,330	6	(1)	1,730	30,732

(a) Capital Reserve

Upon the incorporation of the Company on 8 October 2006, the Company took over the assets and liabilities relating to the principal operations and businesses (the "Core Operations") of CCCG. The net value of the Core Operations transferred to the Company from CCCG was converted into the Company's share capital of RMB10,800,000,000 of RMB1.00 each with the then existing reserves eliminated and the resulting difference dealt with in the capital reserve of the Group.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

21. Other Reserves *(Continued)*

(b) Statutory Surplus Reserve

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

For the year ended 31 December 2009, the Board of Directors proposed appropriation of 10% of profit after tax as determined under the PRC GAAP, of RMB178million (2008: RMB163 million) to the statutory surplus reserve.

(c) Safety reserve

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

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

22. Trade and Other Payables

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Trade and bills payables	**58,898**	49,675	**6,073**	3,098
Advances from customers	**34,623**	28,389	**5,294**	3,739
Deposits from suppliers	**5,088**	3,431	**1,735**	724
Accrued payroll	**474**	648	**3**	8
Social security	**760**	1,161	**7**	7
Other taxes	**3,035**	1,241	**297**	224
Accrued expenses	**313**	533	**–**	–
Other payables	**2,992**	2,953	**538**	327
	106,183	88,031	**13,947**	8,127
Less: non-current portion				
– Deposits from suppliers	**(1,166)**	–	**(27)**	–
Current portion	**105,017**	88,031	**13,920**	8,127

Refer to Note 43 for payables due to related parties.

At 31 December 2009 and 2008, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading nature) was as follows:

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Within 1 year	**55,620**	46,955	**5,836**	3,021
1 year to 2 years	**2,607**	2,162	**174**	68
2 years to 3 years	**451**	409	**54**	3
Over 3 years	**220**	149	**9**	6
	58,898	49,675	**6,073**	3,098

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

22. Trade and Other Payables *(Continued)*

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

	Group		Company	
	2009 **RMB million**	2008 RMB million	**2009** **RMB million**	2008 RMB million
RMB	**87,718**	72,508	**8,885**	6,413
US$	**11,489**	9,490	**1,829**	407
EUR	**1,986**	456	**1,454**	–
Libyan Dinar	**903**	1,264	**1,665**	1,264
HK$	**613**	601	**2**	–
Other currencies	**3,474**	3,712	**112**	43
	106,183	88,031	**13,947**	8,127

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

23. Borrowings

		Group		Company	
	Note	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million
Non-current					
Long-term bank borrowings					
– secured	(a)	**9,617**	6,427	**–**	–
– unsecured	(b)	**6,789**	8,569	**592**	818
		16,406	14,996	**592**	818
Other borrowings					
– secured	(a)	**400**	–	**–**	–
Corporate bonds	(c)	**9,913**	–	**9,913**	–
Medium term notes	(d)	**7,172**	5,000	**5,000**	5,000
Finance lease liabilities	(l)	**803**	–	**–**	–
Total non-current borrowings		**34,694**	19,996	**15,505**	5,818
Current					
Current portion of long-term bank borrowings					
– secured	(a)	**1,583**	1,536	**–**	–
– unsecured	(b)	**4,148**	2,610	**127**	910
		5,731	4,146	**127**	910
Short-term bank borrowings					
– secured	(a)	**11,777**	13,614	**–**	–
– unsecured		**12,583**	15,912	**2,237**	3,450
		24,360	29,526	**2,237**	3,450
Other borrowings					
– unsecured	(f)	**1,176**	1,612	**1,176**	1,097
Corporate bonds	(c)	**187**	–	**187**	–
Medium term notes	(d)	**236**	169	**170**	169
Debentures	(e)	**4,101**	2,425	**–**	–
Finance lease liabilities	(m)	**252**	–	**–**	–
Total current borrowings		**36,043**	37,878	**3,897**	5,626
Total borrowings		**70,737**	57,874	**19,402**	11,444

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

23. Borrowings *(Continued)*

(a) As at 31 December 2009, these borrowings were secured by the Group's property, plant and equipment, concession assets, trade receivables and receivables to be recognised in the future according to sales and construction contracts, and guarantees provided by certain subsidiaries of the Group (31 December 2008: secured by the Group's property, plant and equipment, land use rights, term deposits and guarantees provided by certain subsidiaries of the Group).

(b) Unsecured long-term bank borrowings included loans of approximately RMB397 million (equivalent to JPY5,376 million) (2008: RMB807million, equivalent to JPY10,656 million) payable to the Export-Import Bank of China ("EIBOC") at 31 December 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 installments up to 2019, and were stated at amortised cost.

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

(c) As approved by China Securities Regulatory Commission document [2009] No. 761, the Company issued domestic corporate bonds with an aggregate principal amount of RMB10 billion in August 2009. The corporate bonds are guaranteed by CCCG. RMB2,100 million of such bonds was issued with a maturity of five years from issuance and bears interest at a rate of 4.7% per annum, and RMB7,900 million with a maturity of ten years and bears interest at a rate of 5.2% per annum. The Company raised totally net proceeds of RMB9,910 million from the issuance.

The corporate bonds are stated at amortised cost. Interest is payable once a year. Accrued interest is included in current borrowings.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

23. Borrowings *(Continued)*

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

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

– medium term notes at a nominal value of RMB2,200 million issued in April 2009, with a maturity of five years 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.

(e) As approved by the People's Bank of China, the Group issued two tranches of debentures in 2009 and 2008 with a nominal value of RMB4,100 million and RMB2,300 million, respectively, and a maturity of one year from issuance. The debentures were issued at a discount of RMB16 million and RMB9 million, respectively. Both of the debentures are stated at amortised cost.

(f) Other current borrowings included loans of approximately RMB1,176 million (2008: RMB1,097 million) payable to the China Orient Assets Management Corporation ("COAMC") at 31 December 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.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

23. Borrowings *(Continued)*

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

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Total borrowings				
– 6 months or less	**17,429**	20,486	**–**	–
– 6-12 months	**19,851**	22,978	**3,414**	4,967
– 1-5 years	**17,618**	9,050	**7,613**	5,246
– Over 5 years	**15,839**	5,360	**8,375**	1,231
	70,737	57,874	**19,402**	11,444

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

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Total borrowings				
– Within 1 year	**36,043**	37,878	**3,897**	5,626
– Between 1 and 2 years	**8,379**	6,016	**123**	147
– Between 2 and 5 years	**11,338**	10,070	**7,451**	5,440
Wholly repayable within 5 years	**55,760**	53,964	**11,471**	11,213
– Over 5 years	**14,977**	3,910	**7,931**	231
	70,737	57,874	**19,402**	11,444

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

23. Borrowings *(Continued)*

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

	Group		Company	
	2009 **RMB million**	2008 RMB million	**2009** **RMB million**	2008 RMB million
Total borrowings				
– RMB	**50,691**	40,881	**16,769**	9,115
– US$	**16,415**	13,875	**1,914**	1,141
– EUR	**2,881**	1,855	**322**	381
– JPY	**524**	960	**397**	807
– HK$	**226**	247	**–**	–
– Others	**–**	56	**–**	–
	70,737	57,874	**19,402**	11,444

(j) The weighted average effective interest rates (per annum) of borrowings, excluding corporate bonds, medium term notes, debentures and finance lease liabilities, at the balance sheet date are set out as follows:

	Group		Company	
	2009 **RMB million**	2008 RMB million	**2009** **RMB million**	2008 RMB million
Bank borrowings				
– RMB	**4.85%**	5.83%	**4.25%**	5.27%
– US$	**1.41%**	4.62%	**1.82%**	2.07%
– EUR	**3.04%**	4.96%	**5.63%**	5.63%
– JPY	**2.51%**	2.48%	**2.51%**	2.51%
– HK$	**3.31%**	3.58%	**–**	–
– Others	**–**	5.13%	**–**	–
Other borrowings				
– RMB	**5.00%**	5.59%	**5.29%**	5.41%
– US$	**–**	3.61%	**–**	–

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

23. Borrowings *(Continued)*

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

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

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Carrying amount	**34,694**	19,996	**15,505**	5,818
Fair value	**33,967**	20,102	**15,090**	5,759

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

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

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Floating rate				
– Expiring within one year	**42,108**	40,631	**12,687**	10,371
– Expiring beyond one year	**118,728**	60,566	**24,077**	48,618
	160,836	101,197	**36,764**	58,989

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

23. Borrowings *(Continued)*

(m) Finance lease liabilities:

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

	2009 RMB million	2008 RMB million
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**310**	–
Later than 1 year and no later than 5 years	**880**	–
	1,190	–
Future finance charges on finance leases	**(135)**	–
Present value of finance lease liabilities	**1,055**	–
The present value of finance lease liabilities is as follows:		
No later than 1 year	**252**	–
Later than 1 year and no later than 5 years	**803**	–
	1,055	–

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

24. Deferred Income Tax

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

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**1,583**	1,599	**141**	172
– Deferred tax assets to be recovered within 12 months	**361**	301	**–**	2
	1,944	1,900	**141**	174
Deferred tax liabilities:				
– Deferred tax liabilities to be settled after more than 12 months	**(3,414)**	(956)	**(2,460)**	(681)
– Deferred tax liabilities to be settled within 12 months	**(6)**	(16)	**–**	–
	(3,420)	(972)	**(2,460)**	(681)
Deferred tax (liabilities)/ assets (net)	**(1,476)**	928	**(2,319)**	(507)

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

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Beginning of the year	**928**	(1,566)	**(507)**	(2,005)
Recognised in the income statement *(Note 34)*	**138**	(136)	**(28)**	74
Recognised in equity	**(2,542)**	2,630	**(1,784)**	1,424
End of the year	**(1,476)**	928	**(2,319)**	(507)

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

24. Deferred Income Tax *(Continued)*

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

Deferred Tax Liabilities

Group

	Available-for-sale financial assets RMB million	Others RMB million	Total RMB million
At 1 January 2008	(3,803)	(228)	(4,031)
Charged to the income statement	–	(84)	(84)
Credit directly to equity	2,599	31	2,630
At 31 December 2008	(1,204)	(281)	(1,485)
Credited to the income statement	–	96	96
(Charged)/credited directly to equity	(2,562)	2	(2,560)
At 31 December 2009	(3,766)	(183)	(3,949)

Company

	Available-for-sale financial assets RMB million	Others RMB million	Total RMB million
At 1 January 2008	(2,084)	(28)	(2,112)
Credited to the income statement	6	1	7
Credited directly to equity	1,424	–	1,424
At 31 December 2008	(654)	(27)	(681)
Credited to the income statement	–	5	5
Charged directly to equity	(1,784)	–	(1,784)
At 31 December 2009	(2,438)	(22)	(2,460)

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

24. Deferred Income Tax *(Continued)*

(b) *(Continued)*

Deferred Tax Assets:

Group

	Provision for impairment of assets RMB million	Depreciation and amortisation RMB million	Provision for foreseeable contract losses RMB million	Provision for employee benefits RMB million	Tax losses RMB million	Others RMB million	Total RMB million
At 1 January 2008	324	960	70	794	12	305	2,465
Credited/(charged) to the income statement	62	(91)	(11)	(86)	67	7	(52)
At 31 December 2008	386	869	59	708	79	312	2,413
Credited/(charged) to the income statement	90	(96)	(7)	(116)	44	127	42
Credited to equity	–	–	–	–	–	18	18
At 31 December 2009	476	773	52	592	123	457	2,473

Company

	Provision for impairment of assets RMB million	Depreciation and amortisation RMB million	Provision for employee benefits RMB million	Others RMB million	Total RMB million
At 1 January 2008	18	1	34	54	107
Credited to the income statement	–	–	10	57	67
At 31 December 2008	18	1	44	111	174
Charged to the income statement	–	–	(20)	(13)	(33)
At 31 December 2009	18	1	24	98	141

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

24. Deferred Income Tax *(Continued)*

(c) As at 31 December 2009, the Group did not recognise deferred tax assets in relation to the Group's subsidiaries amounting to RMB147 million (2008: RMB147 million) because it is probable that the temporary difference will not reverse in the foreseeable future. These amounts mainly comprised:

(i) Deemed disposal of the Group's share in net assets of Shanghai Zhenhua Heavy Industry Co., Ltd. ("ZPMC") arising from the issuance of shares by ZPMC in connection with its initial public offering on the Shanghai Stock Exchange during the year ended 31 December 1997 and the subsequent changes in its equity interest therein. During the years ended 31 December 2000 and 2004, ZPMC issued additional shares and as a result, the Group's interest in ZPMC was decreased to 50.3% as at 31 December 2005. In addition, pursuant to the share reform scheme undertaken by ZPMC, the Group's interest in ZPMC was decreased to 43.3% as at 31 December 2006. Moreover, ZPMC issued additional shares in the year ended 31 December 2007 and the Group subscribed for the shares in proportion to retain the Group's interest in ZPMC at 43.3% as at 31 December 2007. In 2008, ZPMC acquired all the equity interests in two subsidiaries, namely Shanghai Port Machinery Plant Co., Ltd. and Shanghai Jiangtian Industrial Co., Ltd., from the Company. The Group's interest in ZPMC has been increased from 43.3% to 46.1%; and

(ii) Deemed disposal of the Group's share in net assets of Road and Bridge International Co., Ltd. ("CRBCI") arising from the issuance of shares by CRBCI in connection with its initial public offering on the Shanghai Stock Exchange during the year ended 31 December 2000. In addition, pursuant to the share reform scheme undertaken by CRBCI, the Group's interest in CRBCI was decreased to 64.1% as at 31 December 2006. The Group disposed of a 2.67% equity interest in CRBCI to third party minority shareholders during the year ended 31 December 2007 and the Group's interest in CRBCI has been decreased to 61.4% thereafter.

(d) In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. The Group did not recognise deferred tax assets of RMB251 million (2008: RMB21 million) in respect of tax losses amounting to RMB1,004 million (2008: RMB84 million) as at 31 December 2009 as management believes it is more likely than not that such tax losses would not be utilised before they expire.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

24. Deferred Income Tax *(Continued)*

(d) *(Continued)*

As at 31 December 2009, the tax losses carried forward are as follows:

	2009 RMB million	2008 RMB million
Year of expiry of tax losses		
2009	–	8
2010	–	2
2011	–	2
2012	14	14
2013	50	58
2014	940	–
	1,004	84

25. Early Retirement and Supplemental Benefit Obligations

The Group paid supplementary pension subsidies and medical benefits to its retired employees in Mainland China who retired prior to 1 January 2006. In addition, the Group has committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 1 January 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in Mainland China who retired on or after 1 January 2006.

The amount of early retirement and supplemental benefit obligations recognised in the balance sheet are determined as follows:

	Group		Company	
	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million
Present value of defined benefits obligations	2,513	2,900	56	57
Unrecognised actuarial gains	144	153	1	2
Liability on the balance sheet	2,657	3,053	57	59
Less: current portion	(197)	(197)	(5)	(4)
	2,460	2,856	52	55

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

25. Early Retirement and Supplemental Benefit Obligations *(Continued)*

The movement of early retirement and supplemental benefit obligations in the balance sheet is as follows:

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
At beginning of the year	**3,053**	3,355	**59**	53
During the year				
– Payment	**(320)**	(318)	**(4)**	(3)
– Interest cost	**110**	132	**2**	9
– Settlement	**–**	(67)	**–**	–
– Actuarial gain	**(186)**	(56)	**–**	–
– Loss on settlement	**–**	7	**–**	–
At the end of the year	**2,657**	3,053	**57**	59

The above obligations were determined based on actuarial valuations performed by an independent actuary, Towers Perrin, Hong Kong, using the projected unit credit method, and the following data:

(a) Discount rates adopted (per annum):

	2009	2008
	3.75%	3.00%

(b) Early-retirees' salary and supplementary benefits inflation rate: 4.5% (2008: 4.5%);

(c) Medical cost trend rate: 4%-8% (2008: 4%-8%);

(d) Mortality: Average life expectancy of residents in the PRC;

(e) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

25. Early Retirement and Supplemental Benefit Obligations *(Continued)*

(f) The amounts recognised in the consolidated income statement are as follows:

	2009 **RMB million**	2008 RMB million
Interest cost	**110**	132
Actuarial gain	**(186)**	(56)
Loss on settlement	**–**	7
Total, included in staff costs *(Note 31)*	**(76)**	83

Total charge was included in administrative expenses.

26. Provisions for Other Liabilities and Charges

Group

	Guarantee RMB million	**Pending Lawsuits** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2008	40	49	–	89
Charged to the income statement:				
– Additional provisions	–	4	–	4
Utilised/reversed during the year	–	(3)	–	(3)
At 31 December 2008	40	50	–	90
Charged to the income statement:				
– Additional provisions	–	2	17	19
Utilised/reversed during the year	–	(4)	–	(4)
At 31 December 2009	40	48	17	105

Company

	Guarantee RMB million	**Pending Lawsuits** RMB million	**Others** RMB million	**Total** RMB million
At 31 December 2008 and 2009	40	–	–	40

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

27. Other Income

	2009 RMB million	2008 RMB million
Income from compensation for the cost of relocation	**1**	177
Rental income	**365**	305
Income from sale of materials	**839**	917
Dividend income on available-for-sale financial assets		
– Listed equity securities	**68**	136
– Unlisted equity securities	**61**	132
Government grants	**276**	78
Others	**509**	467
	2,119	2,212

28. Other Gains – Net

	2009 RMB million	2008 RMB million
Gain on disposal of property, plant and equipment	**162**	138
Gain on disposal of lease prepayments	**15**	97
Gain on disposal of other financial assets at fair value through profit or loss	**6**	23
Fair value gains/(losses) from other financial assets at fair value through profit or loss	**32**	(100)
Gains/(losses) on derivative financial instruments *(Note 18)*:		
– Forward foreign exchange contracts	**(24)**	866
– Interest rate swap	**9**	(40)
Gain on disposal of available-for-sale financial assets	**47**	23
Transfer of cash flow hedge reserve	**13**	219
Net foreign exchange gains/(losses) *(Note 35)*	**144**	(67)
Net (loss)/gain on disposal of subsidiaries, jointly controlled entities and associates	**(81)**	12
	323	1,171

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

29. Other Expenses

	2009 RMB million	2008 RMB million
Loss on disposal of property, plant and equipment	**22**	22
Rental expenses	**240**	196
Cost of sale of materials	**838**	879
Others	**359**	320
	1,459	1,417

30. Expenses by Nature

	2009 RMB million	2008 RMB million
Raw materials and consumables used	**89,287**	69,131
Subcontracting costs	**59,551**	45,528
Employee benefits *(Note 31)*	**15,504**	12,792
Rentals	**12,495**	9,558
Business tax and other transaction taxes	**5,944**	4,375
Depreciation of property, plant and equipment and investment properties *(Notes 6, 8)*	**4,415**	3,407
Fuel	**4,328**	3,741
Transportation costs	**3,630**	5,335
Research and development costs	**1,737**	1,087
Repair and maintenance expenses	**1,620**	1,401
Travel	**1,431**	1,235
Utilities	**787**	638
Provision for impairment of trade and other receivables	**614**	162
Insurance	**382**	209
Provision for foreseeable losses on construction contracts	**296**	19
Amortisation of lease prepayments *(Note 7)*	**88**	67
Amortisation of intangible assets *(Note 9)*	**41**	26
Advertising	**39**	29
Auditors' remuneration	**38**	43
Write-down of inventories	**11**	1
Other expenses	**13,141**	10,184
Total cost of sales, selling and marketing expenses and administrative expenses	**215,379**	168,968

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

31. Employee Benefit Expense

	2009 RMB million	2008 RMB million
Salaries, wages and bonuses	**10,539**	8,821
Contributions to pension plans *(Note a)*	**1,590**	1,349
Early retirement and supplemental pension benefits *(Note 25)*	**(76)**	83
Housing benefits *(Note c)*	**638**	569
Welfare, medical and other expenses	**2,813**	1,970
	15,504	12,792

(a) The employees of the subsidiaries in the Mainland China participate in various retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China under which the Group is required to make monthly contributions to these plans at rates ranging from 12% to 30% (2008: 18% to 36%), depending on the applicable local regulations, of the employees' basic salary for the year.

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

(b) Certain employees of the Group retired early in the past. Early retirement benefits are recognised in the consolidated income statement in the year in which the Group entered into an agreement specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. These specific terms vary among the early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplementary pension subsidies to retired employees who retired prior to 1 January 2006. The costs of providing these pension subsidies are charged to the consolidated income statement so as to spread the service cost over the average service lives of the retirees. Employees who retire after 1 January 2006 are no longer entitled to such pension subsidies.

(c) These represent contributions to the government-sponsored housing funds (at rates ranging from 5% to 25% of the employees' basic salary) in Mainland China.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

32. Interest Income

	2009 RMB million	2008 RMB million
Interest income:		
– Bank deposits	**259**	307
– Unwinding of discount on long-term receivables	**344**	271
Others	**57**	79
	660	657

33. Finance Costs, Net

	2009 RMB million	2008 RMB million
Interest expenses:		
– Bank borrowings	**1,655**	2,186
– Other borrowings	**116**	104
– Corporate bonds	**190**	–
– Medium term notes	**338**	169
– Debentures	**20**	134
– Finance lease	**4**	–
	2,323	2,593
Net foreign exchange losses/(gains) on borrowings *(Note 35)*	**5**	(353)
Others	**645**	396
	2,973	2,636

In accordance with IAS 23 (Revised), 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 RMB559 million (2008: RMB350 million) were capitalised in 2009, of which approximately RMB234 million (2008: RMB195 million) is charged to cost of sales, approximately RMB86 million (2008: RMB 13 million) is included in cost of concession assets, and approximately RMB239 million (2008: RMB142 million) is included in cost of construction-in-progress as at 31 December 2009. A general capitalisation rate of 4.51% (2008: 5.48%) was used, representing the borrowing costs of the loans used to finance the qualifying assets.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

34. Taxation

(a) Income Tax Expense

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

Certain of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (2008: 25%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except for certain subsidiaries of the Company, which were exempted from tax or taxed at preferential rates of 7.5% to 20% (2008: 15% to 18%).

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

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

	2009 **RMB million**	2008 RMB million
Current income tax		
– Hong Kong profits tax	**2**	1
– PRC enterprise income tax	**2,162**	1,809
– Others	**284**	9
	2,448	1,819
Deferred income tax *(Note 24)*	**(138)**	136
Income tax expense	**2,310**	1,955

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

34. Taxation *(Continued)*

(a) Income Tax Expense *(Continued)*

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

	2009 RMB million	2008 RMB million
Profit before income tax	**10,314**	9,831
Less: Share of profits/(losses) of jointly controlled entities and associates	**103**	(77)
	10,211	9,908
Tax calculated at PRC statutory tax rate of 25% (2008: 25%)	**2,553**	2,477
Income not subject to tax	**(348)**	(356)
Expenses not deductible for tax purposes	**119**	54
Utilisation of previously unrecognised tax losses	**(30)**	(18)
Tax losses for which no deferred income tax asset was recognised	**279**	101
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(263)**	(303)
Income tax expense	**2,310**	1,955

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2009			2008		
	Before tax RMB million	**Tax (charge)/ credit RMB million**	**After tax RMB million**	Before tax RMB million	Tax (charge)/ credit RMB million	After tax RMB million
Fair value gains/(losses):						
– Available-for-sale financial assets	**10,189**	**(2,544)**	**7,645**	(10,441)	2,599	(7,842)
Cash flow hedges	**(13)**	**2**	**(11)**	(206)	31	(175)
Currency translation differences	**97**	**–**	**97**	(26)	–	(26)
Other comprehensive income	**10,273**	**(2,542)**	**7,731**	(10,673)	2,630	(8,043)

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

34. Taxation *(Continued)*

(b) Business Tax ("BT") and Related Taxes

Certain of the companies of the Group are subject to BT at rates ranging from 3% to 5% of the service fee income received and receivable. In addition, the Group is subject to city construction tax ("CCT") and educational surcharge ("ES") based on 1% to 7% and 3% of BT payable, respectively.

(c) Value-Added Tax ("VAT") and Related Taxes

Certain of the companies of the Group are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. Certain products of the subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The subsidiaries are also subject to CCT and ES based on 1% to 7% and 3% of net VAT payable, respectively.

35. Net Foreign Exchange Gains/(Losses)

The exchange differences credited/(charged) to the consolidated income statement are included as follows:

	2009 **RMB million**	2008 RMB million
Finance costs *(Note 33)*	**(5)**	353
Other gains – net *(Note 28)*	**144**	(67)
	139	286

36. Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB1,797 million (2008: RMB1,597 million).

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

37. Earnings per Share

(a) Basic

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

	2009	2008
Profit attributable to equity holders of the Company (RMB million)	**7,200**	6,075
Weighted average number of ordinary shares in issue (million)	**14,825**	14,825
Basic earnings per share (RMB per share)	**0.49**	0.41

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2009 and 2008.

38. Dividends

	2009 RMB million	2008 RMB million
Final, proposed, of RMB0.116 per ordinary share (2008: RMB0.098)	**1,720**	1,453

At the board meeting held on 12 April 2010, the Directors recommended the payment of a final dividend of RMB0.116 per ordinary share, totalling approximately RMB1,720 million. Such dividend is to be approved by the shareholders at the Annual General Meeting to be held on 18 June 2010. This recommended dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

39 Directors', Supervisors' and Senior Management's Emoluments

(a) Directors' and Supervisors' Emoluments

	2009 RMB'000	2008 RMB'000
Directors and supervisors		
– Basis salaries, housing allowances and other allowances	**3,900**	3,676
– Contributions to pension plans	**156**	138
– Discretionary bonuses	**1,871**	1,679
	5,927	5,493

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

39 Directors', Supervisors' and Senior Management's Emoluments *(Continued)*

(a) Directors' and Supervisors' Emoluments *(Continued)*

The emoluments of every Director and supervisor for the year ended 31 December 2009 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
Mr. Zhou Jichang	533	26	372	931
Mr. Meng Fengchao	532	26	372	930
Mr. Fu Junyuan	456	26	317	799
Non executive director				
Mr. Zhang Changfu	200	–	–	200
Independent non executive directors				
Mr. Lu Hongjun	200	–	–	200
Mr. Yuan Yaohui	200	–	–	200
Mr. Zou Qiao	200	–	–	200
Mr. Liu Zhangmin[(1)]	–	–	–	–
Mr. Chao Tien Yo[(2)]	200	–	–	200
Mr. Koo Fook Sun[(2)]	200	–	–	200
Supervisors				
Mr. Liu Xiangdong	457	26	317	800
Mr. Xu Sanhao	457	26	317	800
Mr. Wang Yongbin	265	26	176	467
	3,900	156	1,871	5,927

(1) Mr. Liu Zhangmin was appointed as an independent non executive director pursuant to the resolution passed at the extraordinary general meeting held on 29 December 2009.

(2) These directors retired in December 2009.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

39 Directors', Supervisors' and Senior Management's Emoluments *(Continued)*

(a) Directors' and Supervisors' Emoluments *(Continued)*

The emoluments of every Director and supervisor for the year ended 31 December 2008 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
Mr. Zhou Jichang	530	23	331	884
Mr. Meng Fengchao	529	23	331	883
Mr. Fu Junyuan	453	23	282	758
Non executive director				
Mr. Zhang Changfu	100	–	–	100
Independent non executive directors				
Mr. Lu Hongjun	200	–	–	200
Mr. Yuan Yaohui	200	–	–	200
Mr. Chao Tien Yo	200	–	–	200
Mr. Koo Fook Sun	200	–	–	200
Mr. Zou Qiao	100	–	–	100
Supervisors				
Mr. Liu Xiangdong	454	23	282	759
Mr. Xu Sanhao	454	23	282	759
Mr. Wang Yongbin	256	23	171	450
	3,676	138	1,679	5,493

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

39 Directors', Supervisors' and Senior Management's Emoluments *(Continued)*

(a) Directors' and Supervisors' Emoluments *(Continued)*

The emoluments of the Directors and supervisors of the Company fall within the following bands:

	2009	2008
Directors and supervisors		
– Nil to HK$1,000,000 (equivalent to approximately RMB880,500)	**11**	10
– HK$1,000,001to HK$1,500,000 (equivalent to approximately RMB880,501 to RMB1,320,750)	**2**	2

During the year, no Directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the Directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five Highest Paid Individuals

None of the Directors' emoluments as disclosed in Note 39(a) above was included in the emoluments paid to the five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2009 RMB'000	2008 RMB'000
Basic salaries, housing allowances, and other allowances	**1,478**	3,686
Contributions to pension plans	**430**	29
Discretionary bonuses	**5,355**	1,570
	7,263	5,285

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

39 Directors', Supervisors' and Senior Management's Emoluments *(Continued)*

(b) Five Highest Paid Individuals *(Continued)*

The emoluments of the above individuals fall within the following bands:

	2009	2008
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB880,501 to RMB1,320,750)	2	5
HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,320,751 to RMB1,761,000)	2	–
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,761,001 to RMB2,201,250)	1	–
	5	5

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

40. Cash Generated from Operations

	2009 **RMB million**	2008 RMB million
Profit for the year	**8,004**	7,876
Adjustments for:		
– Income tax expense	**2,310**	1,955
– Depreciation of property, plant and equipment and investment properties	**4,415**	3,407
– Amortisation of intangible assets and lease prepayments	**129**	93
– Net gain on disposal of property, plant and equipment	**(140)**	(116)
– Fair value losses/(gains) on derivative financial instruments	**41**	(655)
– Transfer of cash flow hedge reserve	**(13)**	(219)
– Fair value (gains)/losses on other financial assets at fair value through profit or loss	**(32)**	100
– Gain on disposal of a subsidiary	**(10)**	(12)
– Net gain on disposal of lease prepayments	**(15)**	(97)
– Gain on disposal of available-for-sale financial assets	**(47)**	(23)
– Gain on disposal of other financial assets at fair value through profit or loss	**(6)**	(23)
– Loss on disposal of associates	**92**	–
– Gain on disposal of jointly controlled entities	**(1)**	–
– Write-down of inventories	**11**	1
– Provision for impairment of trade and other receivables	**614**	162
– Provision for foreseeable losses on construction contracts	**296**	19
– Dividend income from available-for-sale financial assets	**(129)**	(268)
– Interest income	**(660)**	(657)
– Interest expenses	**2,323**	2,593
– Share of (profit)/loss of jointly controlled entities	**(55)**	88
– Share of profit of associates	**(48)**	(11)
– Exchange losses/(gains) on borrowings	**5**	(353)
	17,084	13,860

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

40. Cash Generated from Operations *(Continued)*

	2009 **RMB million**	2008 RMB million
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	**(2,866)**	(10,504)
– Trade and other receivables	**(9,498)**	(21,802)
– Contract work-in-progress	**(3,842)**	(4,659)
– Restricted cash	**(36)**	(187)
– Early retirement and supplemental benefit obligations	**(396)**	(302)
– Trade and other payables	**18,353**	25,953
– Derivative financial instruments	**657**	361
– Provisions	**15**	1
– Deferred income	**92**	67
– Other current liabilities	**–**	(21)
Cash generated from operations	**19,563**	2,767

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2009 **RMB million**	2008 RMB million
Net book amount *(Note 6)*	**282**	686
Less: Non-cash transactions	**3**	17
	279	669
Gain on disposal of property, plant and equipment	**107**	138
Loss on disposal of property, plant and equipment	**(22)**	(22)
Proceeds from sale of property, plant and equipment	**364**	785

Non-cash transactions represented the property, plant and equipment used for the investment in jointly controlled entities during the year ended 31 December 2009 and 2008.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

41. Contingencies

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

	Group		Company	
	2009 **RMB million**	2008 RMB million	**2009** **RMB million**	2008 RMB million
Pending lawsuits *(Note a)*	**555**	481	**–**	–
Outstanding loan guarantees *(Note b)*	**682**	149	**8,883**	13,483
	1,237	630	**8,883**	13,483

(a) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision as set out in Note 26 has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for above pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.

(b) The Group and the Company act as the guarantors for various external borrowings made by certain subsidiaries, jointly controlled entities and associates of the Group (refer to details in Note 43) and certain third party entities.

42. Commitments

(a) Capital Commitments

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

	Group		Company	
	2009 **RMB million**	2008 RMB million	**2009** **RMB million**	2008 RMB million
Property, plant and equipment	**720**	1,658	**720**	1,658

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

42. Commitments *(Continued)*

(a) Capital Commitments *(Continued)*

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

	Group	
	2009	2008
	RMB million	RMB million
Property, plant and equipment	**2,804**	5,152
Intangible assets – concession assets	**13,343**	16,984
	16,147	22,136

(b) Operating Lease Commitments – Where the Group is the Lessee

The Group leases various offices, warehouses, residential properties machinery and vessels under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB million	RMB million	**RMB million**	RMB million
No later than 1 year	**1,041**	591	**1**	1
Later than 1 year and no later than 5 years	**1,445**	1,291	**–**	1
Later than 5 years	**176**	109	**–**	–
	2,662	1,991	**1**	2

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

42. Commitments *(Continued)*

(c) Lease Payments Receivable

The Group rents out various offices under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payment receivable under non-cancelable operating leases are as follows:

	Group	
	2009	2008
	RMB million	RMB million
No later than 1 year	**68**	81
Later than 1 year and no later than 5 years	**67**	68
Later than 5 years	**26**	29
	161	178

The Company has no lease payments receivable.

43. Related-party Transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by CCCG, the parent company and a state-owned enterprise established in the PRC. CCCG is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "government-related entities"). In accordance with IAS 24 "Related Party Disclosures", issued by IASB in November 2009, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC Government are regarded as related parties of the Group. On that basis, related parties include CCCG, other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and CCCG as well as their close family members. For the purpose of the related party transaction disclosures, the Group early adopted IAS 24 (Revised) (refer to details in Note 2.1(c)), and management believes that meaningful information relating to related party transactions has been adequately disclosed.

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

43. Related-party Transactions *(Continued)*

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other government-related entities, during the year and balances arising from related party transactions as at 31 December 2009.

(a) Significant Related Party Transactions

The following transactions were carried out with related parties other than government-controlled entities:

	Year ended 31 December	
	2009	2008
	RMB million	RMB million
Transactions with CCCG		
Expenses		
– Rental expense	**59**	10
Others		
– Outstanding bonds guarantees provided by CCCG	**10,100**	–
Transactions with jointly controlled entities and associates		
Revenue		
– Revenue from provision of construction services	**1,834**	2,247
– Revenue from sales of machinery	**215**	54
Expenses		
– Subcontracting fees	**1,043**	502
– Purchase of materials	**184**	131
– Services	**20**	90
– Other costs	**5**	5
Others		
– Outstanding loan guarantees provided by the Group	**632**	99

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

43. Related-party Transactions *(Continued)*

(a) Significant Related Party Transactions *(Continued)*

	Year ended 31 December	
	2009	2008
	RMB million	RMB million
Transactions with minority interests of subsidiaries		
Revenue		
– Revenue from provision of construction services	**156**	187
– Revenue from provision of design services	**1**	–
Expenses		
– Subcontracting fees	**2**	10
– Rental expenses	**2**	7
– Interest expense	**–**	1

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

(b) Key Management Compensation

	2009	2008
	RMB'000	RMB'000
Basis salaries, housing allowances and other allowances	**5,949**	5,824
Contributions to pension plans	**330**	295
Discretionary bonuses	**4,059**	3,626
	10,338	9,745

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

43. Related-party Transactions *(Continued)*

(c) Year-end Balances with Related Parties

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Trade and other receivables				
Trade receivables due from				
– Jointly controlled entities and associates	**13**	393	**11**	388
– Subsidiaries	**–**	–	**53**	23
– Minority interests	**96**	166	**–**	–
	109	559	**64**	411
Prepayments				
– Subsidiaries	**–**	–	**3,287**	1,568
Other receivables due from				
– Jointly controlled entities and associates	**240**	267	**–**	–
– Minority interests	**10**	24	**–**	–
	250	291	**–**	–
Loans to subsidiaries	**–**	–	**8,289**	5,061
Amounts due from subsidiaries	**–**	–	**4,958**	4,192
	359	850	**16,598**	11,232

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

43. Related-party Transactions *(Continued)*

(c) Year-end Balances with Related Parties *(Continued)*

	Group		Company	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million
Trade and other payables				
Trade and bills payable due to				
– Subsidiaries	**–**	–	**5,188**	2,553
– Jointly controlled entities and associates	**209**	371	**–**	–
– Minority interests	**7**	12	**–**	–
	216	383	**5,188**	2,553
Advances from customers				
– Subsidiaries	**–**	–	**–**	2
– Jointly controlled entities and associates	**–**	32	**–**	–
– Minority interests	**6**	15	**–**	–
	6	47	**–**	2
Other payables due to				
– Subsidiaries	**–**	–	**362**	96
– Jointly controlled entities and associates	**57**	88	**–**	–
– Minority interests	**38**	71	**–**	–
	95	159	**362**	96
Amount due to subsidiaries	**–**	–	**15,695**	7,925
	317	589	**21,245**	10,576
Amounts due from customers for contract work with				
– Jointly controlled entities and associates	**208**	35	**202**	–
Amounts due to customers for contract work with				
– Jointly controlled entities and associates	**2**	402	**–**	387

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

43. Related-party Transactions *(Continued)*

(d) Transactions and Year-end Balances with Other Government-Controlled Entities

The Group's major customers are PRC Government agencies and other government-controlled entities. A significant portion of revenue from provision of construction, design, dredging and other services, and sales of heavy machinery is conducted with other government-controlled entities. The Group also incurred some portion of subcontracting costs, rentals and purchases of materials and services from other government-controlled entities. These transactions are carried out on terms agreed with the counter parties in the ordinary course of business. As a result, a major portion of the Group's trade and other receivables and payables, as well as amount due from/due to customers for contract work, is with other government-controlled entities.

In addition, the Group has the following transactions and balances with other government-controlled entities:

	Group	
	2009 **RMB million**	2008 RMB million
Transactions with other government-controlled entities		
– Interest income from bank deposits	**236**	215
– Interest expenses on bank borrowings	**1,929**	2,077

	Group		Company	
	2009 **RMB million**	2008 RMB million	**2009** **RMB million**	2008 RMB million
Balances with other government-controlled entities				
– Restricted cash	**632**	581	**–**	–
– Cash and cash equivalents	**25,172**	20,491	**11,185**	7,932
	25,804	21,072	**11,185**	7,932
– Borrowings	**36,482**	42,640	**3,395**	4,778

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

44. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates

(a) Subsidiaries

As at 31 December 2009, the Company had direct and indirect interests in the following principal subsidiaries:

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Indirectly held	Principal activities
Listed –						
Shanghai Zhenhua Heavy Industry Co., Ltd.	PRC	Limited liability company	RMB4,390	28.71%	17.40%	Manufacturing of heavy machinery
Road and Bridge International Co., Ltd.	PRC	Limited liability company	RMB408	61.06%	0.34%	Infrastructure construction
Unlisted –						
China Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB850	50%	50%	Infrastructure construction
CCCC First Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB2,176	100%	–	Infrastructure construction
CCCC Second Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB1,202	100%	–	Infrastructure construction
CCCC Third Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB1,970	100%	–	Infrastructure construction
CCCC Fourth Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB1,483	100%	–	Infrastructure construction
CCCC Tianjin Dredging Co., Ltd.	PRC	Limited liability company	RMB3,489	100%	–	Dredging
CCCC Shanghai Dredging Co., Ltd.	PRC	Limited liability company	RMB4,890	100%	–	Dredging
CCCC Guangzhou Dredging Co., Ltd.	PRC	Limited liability company	RMB3,501	100%	–	Dredging

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

44. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates *(Continued)*

(a) Subsidiaries *(Continued)*

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Unlisted – *(Continued)*						
CCCC Shanghai Equipment Engineering Co., Ltd.	PRC	Limited liability company	RMB10	55%	–	Maintenance and repairing of port machinery
CCCC Water Transportation Planning and Design Institute Co., Ltd.	PRC	Limited liability company	RMB138	100%	–	Infrastructure design
CCCC First Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB238	100%	–	Infrastructure design
CCCC Second Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB90	100%	–	Infrastructure design
CCCC Third Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB273	100%	–	Infrastructure design
CCCC Fourth Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB222	100%	–	Infrastructure design
China Road and Bridge Engineering Corporation	PRC	Limited liability company	RMB1,100	96.36%	3.64%	Infrastructure construction
CCCC First Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB981	100%	–	Infrastructure construction
CCCC Second Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB857	100%	–	Infrastructure construction
CCCC Third Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB600	95%	–	Infrastructure construction
CCCC Fourth Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB300	100%	–	Infrastructure construction

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

44. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates *(Continued)*

(a) Subsidiaries *(Continued)*

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Unlisted – ***(Continued)***						
CCCC Tunnel Engineering Co., Ltd.	PRC	Limited liability company	RMB300	98.67%	1.33%	Infrastructure construction
CCCC Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB257	100%	–	Infrastructure design
CCCC First Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB343	100%	–	Infrastructure design
CCCC Second Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB465	100%	–	Infrastructure design
China Highway Engineering Consulting Group Co., Ltd.	PRC	Limited liability company	RMB192	100%	–	Infrastructure design
CCCC Road and Bridge Consultants Co., Ltd.	PRC	Limited liability company	RMB60	100%	–	Infrastructure design
China Highway Vehicle & Machinery Co., Ltd.	PRC	Limited liability company	RMB101	100%	–	Trading of motor vehicles spare parts
Chongqing Chaotianmen Yangtze River Bridge Co., Ltd.	PRC	Limited liability company	RMB50	90%	10%	Infrastructure construction
Shanghai CHEC East Ocean Bridge Project Co., Ltd.	PRC	Limited liability company	RMB10	100%	–	Infrastructure construction
Zhenhua Logistics Group	PRC	Sino-foreign Joint venture	USD52	37.49%	24.29%	Transportation and logistics
CCCC Xi'an Road Construction Machinery Co., Ltd.	PRC	Limited liability company	RMB328	54.31%	45.69%	Manufacturing of road building machinery

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

44. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates *(Continued)*

(a) Subsidiaries *(Continued)*

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Indirectly held	Principal activities
Unlisted – *(Continued)*						
CCCC Investment Co., Ltd.	PRC	Limited liability company	RMB6,171	100%	–	Investment holding
Chuwa Bussan Co., Ltd.	Japan	Sino-foreign joint venture	JPY 60	75%	–	Trading of machinery
Azingo Limited	Hong Kong	Limited liability company	– *	100%	–	Investment holding

* The paid-in capital of this company is HK$1,000

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

44. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates *(Continued)*

(b) Jointly Controlled Entities

As at 31 December 2009, the Company had interests in the following principal jointly controlled entities (all are unlisted):

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
Tianjin Northern Petrochemicals Terminal Co., Ltd	PRC	Limited liability company	RMB247	–	50%	Storage and transportation of oil
Beijing Capital Expressway Development Co., Ltd.	PRC	Limited liability company	RMB100	50%	–	Infrastructure construction and operation
NYK Zhenhua Logistics Co., Ltd	PRC	Limited liability company	RMB66	–	51%	Transportation and Logistics
Tangshan Dredging Project Co., Ltd	PRC	Limited liability company	RMB70	–	45%	Dredging
Hohhot City Rainbow Road Construction Limited Liability Company	PRC	Limited liability company	RMB151	–	40%	Highway investment
Zhuhai Harbour Construction Engineering Co., Ltd.	PRC	Limited liability company	RMB10	45%	20%	Infrastructure construction

Notes to the Consolidated Financial Statements *(Continued)*

(All amounts in RMB unless otherwise stated)

44. Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates *(Continued)*

(c) Associates

As at 31 December 2009, the Company had interests in the following principal associates (all are unlisted):

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest		Principal activities
				Directly held	Indirectly held	
TaiYuan-ZhongWei-YinChuan Railway Co., Ltd.	PRC	Limited liability company	RMB10,500	17.54%	–	Railway Construction and operation
Shanghai Jianshe-Luqiao Machinery Co., Ltd.	PRC	Limited liability company	USD10	–	25%	Manufacturing of machinery
Tianjin Port CIMC-Zhenhua Logistics Co., Ltd	PRC	Limited liability company	RMB200	–	34%	Transportation and Logistics
Tianjin Ganghang Engineering Co., Ltd.	PRC	Limited liability company	RMB58	–	49%	Manufacturing of machinery
Xi'an Qiyuan Mechanical and Electrical Equipment Co., Ltd.	PRC	Limited liability company	RMB45.5		25%	Manufacturing of mechanical and electrical equipment
Shanghai Third Navigation ASP Pipe Ltd.	PRC	Limited liability company	USD6.32	–	33%	Manufacturing of machinery

45. Holding Company

The Company's directors regard CCCG, a company established in the PRC, as the immediate and ultimate holding company of the Company.

Terms & Glossaries

"berth"	a place in which a vessel is moored or secured; place alongside a quay where a ship loads or discharges cargo
"BOT"	build, operate and transfer
"BT"	build and transfer
"CAGR"	compound annual growth rate
"CCCG"	China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds 70.1% interest in the Company
"CHEC"	China Harbour Engineering Co., Ltd., a wholly-owned subsidiary of CCCC incorporated on 8 December 2005
"CRBC"	China Road and Bridge Engineering Corporation, a wholly owned subsidiary of CCCC incorporated on 8 December 2005
"CRBC International"	CRBC International Co., Ltd. (renamed as Road and Bridge International Co., Ltd. in March 2010)
"dock"	for ships, a cargo handling area parallel to the shoreline
"Eleventh Five-Year Plan"	the Eleventh Five-Year Plan for National Economic and Social Development (2006-2010) promulgated by the State Council on the Tenth National People's Congress in 2006
"GDP"	gross domestic product
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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

Terms & Glossaries *(Continued)*

"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standard Board ("IASB"). IFRS includes International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations
"MOP"	Macau Pataca, the lawful currency of the Macau Special Administrative Region
"PDL"	passenger dedicated line
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan
"R&D"	research and development
"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"SPMP"	Shanghai Port Machinery Plant Co. Limited, a company incorporated on 7 July 1988 in the PRC
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"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."	United States of America
"U.S. dollars" or "US$" or "USD"	United States dollars, the lawful currency of the U.S.
"ZPMC"	Shanghai Zhenhua Heavy Industry Co., Ltd (originally named Shanghai Zhenhua Port Machinery Company Limited), a company incorporated on 14 February 1992 in the PRC and listed on the Shanghai Stock Exchange, which the Company owns, directly and indirectly, a controlling equity interest of approximately 46.11%

Note: Any discrepancies between the amounts herein and the amounts set out in the tables herein are due to rounding.

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 Ha, Wendy *(ACS, ACIS)*

Authorised Representatives

FU Junyuan
LIU Wensheng

International Auditors

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
22nd Floor, Prince's Building
Central, Hong Kong

PRC Auditors

PricewaterhouseCoopers Zhong Tian CPAs
Limited Company
Certified Public Accountants, PRC
11th Floor PricewaterhouseCoopers Center
Building 2, Corporate Avenue
202 Hu Bin Road
Luwan District
Shanghai 200021, China

Hong Kong Legal Advisors

Freshfields Bruckhaus Deringer
11/F, Two Exchange Square, Hong Kong

PRC Legal Advisors

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

H Share Registrar and Transfer Office

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

Investor Relations Contact

China Communications Construction Company Limited
Board of Directors' Office
Investor Relations Team
Address: 85 De Sheng Men Wai Street,
Xicheng District, Beijing 100088, China
Tel: (8610) 82016562
Fax: (8610) 82016524
Email: ir@cccltd.cn

CHINA COMMUNICATIONS
CONSTRUCTION COMPANY LIMITED

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

www.ccccltd.cn