1. General information and Reorganisation

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

In connection with the Reorganisation, the principal operations and businesses of CCCG (the "Core Operations") were transferred to the Company which include:

(i) all operating assets and liabilities relating to the infrastructure construction of ports, roads and bridges;

(ii) all operating assets and liabilities relating to the infrastructure design;

(iii) all operating assets and liabilities relating to dredging;

(iv) all operating assets and liabilities relating to the manufacturing of port machinery; and

(v) substantially all of the other core operating assets and liabilities relating to other business operations of CCCG.

On 8 October 2006, in consideration for CCCG transferring the above Core Operations to the Company, the Company issued 10,800,000,000 ordinary shares of RMB1.00 per share to CCCG.

The Reorganisation was completed in October 2006. Accordingly, the Company became the holding company of the companies now comprising the Group.

The H shares of the Company were listed on the Hong Kong Stock Exchange on 15 December 2006 (the "Listing Date"). Details of movements in the Company's share capital are set out in Note 21 to the consolidated financial statements.

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 14 April 2007.

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 presentation

The Group resulting from the Reorganisation referred in Note 1 above is regarded as a continuing entity. Accordingly, the consolidated financial statements for the year ended 31 December 2006, including comparative figures, have been prepared as a combination of business under common control in a manner similar to pooling-of-interest as if the Company had been the holding company of those companies comprising the Group throughout the two years ended 31 December 2005 and 2006 presented, or since their respective dates of incorporation/establishment or from the effective dates of acquisition/up to the effective dates of disposal, whichever is the shorter period.

The Company was established on 8 October 2006, and accordingly no comparative figures were presented in the company balance sheet.

Certain operating assets and liabilities (the "Retained Operations"), which mainly represented companies engaged in development, design and manufacture of road construction machinery and accessories, including motor and electronic products and equipment sets, that either were similar to the Group's business operations, did not operate autonomously or, their principal activities were integral to CCCG, were included in the consolidated financial statements before the Reorganisation. The Retained Operations were retained by CCCG after incorporation of the Company on 8 October 2006 and thereafter, the Retained Operations are excluded from the Group's financial statements.

2. Summary of significant accounting policies (Continued)

2.2 Basis of preparation

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

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

(a) Amendments and interpretations to published standards effective in 2006, and relevant to the Group

- IAS19 (Amendment), Employee Benefits. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the consolidated financial statements.

- IFRIC 4, Determining whether an Arrangement contains a Lease. The Group has reviewed its contracts and concluded there was no significant impact on the revenue and expense recognised in respect of them.

- IAS21 (Amendment), Net Investment in a Foreign Operations. The adoption of this amendment did not have any significant effect on the consolidated financial statements of the Group.

- IAS39 and IFRS 4 (Amendment), Financial Guarantee Contracts. The adoption of this amendment did not have any significant effect on the consolidated financial statements of the Group.

(b) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Company's operations:

- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

- IAS 39 (Amendment), The Fair Value Option;

- IAS 1 (Amendment), First-time Adoption of International Financial Reporting Standards;

- IFRS 6 and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;

- IFRIC-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and

- IFRIC-Int 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment;

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

2.2 Basis of preparation *(Continued)*

(c) Interpretation that is not yet effective but early adopted by the Group

- IFRIC 12, Service Concession Arrangements, effective for annual periods beginning on or after 1 January 2008, was early adopted in 2006. Further details of this accounting treatment are set out in Note 2.9 in this section.

(d) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods that the Group has not early adopted:

- IFRS 7, Financial instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures, effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007;

- IFRIC 8, Scope of IFRS 2, effective for annual periods beginning on or after 1 May 2006. IFRIC 8 requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements;

- IFRIC 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group already assesses if embedded derivative should be separated using principles consistent with IFRIC 9; and

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the Group's financial statements.

(e) Interpretation to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretation to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations.

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

2.3 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.

Except for the group reorganisation transactions which have been accounted for as a combination of businesses under common control in a manner similar to pooling-of-interests as explained in Note 2.1 of this section, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. 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 income statement.

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

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

(b) Transactions and 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 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. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

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

2.3 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 investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition, which are initially recognised at cost and thereafter adjusted for share of profit plus equity movement less any impairment of the equity-accounted investment.

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

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

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

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

(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.

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

2.5 Foreign currency translation *(Continued)*

(c) Group companies

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

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

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

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

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

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

2.6 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.

Repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

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

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

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended 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.

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

2.6 Property, plant and equipment *(Continued)*

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 2.10).

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

2.7 Investment properties

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

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

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

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

2.8 Lease prepayments

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

2.9 Intangible assets

(a) Patent and proprietary technologies

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

(b) Computer software

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

(c) Concession assets

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

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

2.10 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

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 classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which 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.

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.

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

2.11 Financial assets *(Continued)*

(d) Available-for-sale financial assets *(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; 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 established 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.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in Note 2.14.

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 recognised 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.

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. Summary of significant accounting policies *(Continued)*

2.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

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.

2.17 Trade payables

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.

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 are expensed when incurred.

2.19 Deferred income tax

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 substantially 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.

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.

Prior to 1 January 2006, the Group also provided supplementary pension subsidies to retired employees in Mainland China. 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

Past service costs are recognised immediately as income, 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.

(b) Other post-employment obligations

Some Group companies in Mainland China provide post-retirement healthcare benefits to their retired employees. 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. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

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

(d) Housing funds

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

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

2.20 Employee benefits *(Continued)*

(e) Bonus entitlements

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

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

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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax 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 the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight line basis over the expected lives of the related assets.

2.23 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.

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

2.23 Contract work *(Continued)*

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

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 specific criteria have been met for each of the Group's activities as described below.

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

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

(b) Services rendered

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

(c) Sales of products

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

(d) Rental income

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

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

(f) Dividend income

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

2.25 Operating leases

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

(a) As a lessee

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

(b) As a lessor

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

2.26 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 financial statements in the period in which the dividends are approved by the Company's shareholders.

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 Group's functional currency 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 cash and bank balances and borrowings as at 31 December 2006, denominated in foreign currencies, mainly United States Dollars (''US$"), Euro, Japanese Yen ("JPY") and Hong Kong Dollars (''HK$''), are disclosed in Notes 19 and 24 respectively.

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments. During the year ended 31 December 2006, certain subsidiaries of the Group used foreign currency forward contracts transacted with domestic and overseas registered banks, to hedge the exposure to foreign currency risk on individual transactions in connection with RMB.

(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 2006, approximately RMB20,587 million (2005: RMB17,278 million) of the Group's borrowings was at fixed rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 24.

During the year ended 31 December 2006, certain subsidiaries of the Group used interest rate swaps to hedge its exposure to interest rate risk.

(iii) Hedging

Certain subsidiaries of the Group used forward foreign currency contracts to hedge the exposure to foreign exchange risk, and interest rate swaps to hedge the exposure to interest rate risk. These derivative instruments do not qualify for hedge accounting and changes in their fair value are recognised immediately in the consolidated income statement.

(iv) Price risk

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

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, investments and other current assets except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies that limit the amount of credit exposure to any financial institutions. The 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 evaluations of its customers. No single customer accounted for more than 10% of the Group's total revenues during the year (2005: None).

Transactions involving derivative financial instruments that hedge foreign exchange and interest rate exposures are with counterparties that have high credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity risk

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.

Due to the 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.

3.2 Fair value estimation

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

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

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

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

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

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

4. Critical accounting estimates 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.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(a) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value and useful lives for its property, plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. These could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) 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.

(c) 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.

(d) Construction contracts

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

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

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

4.1 Critical accounting estimates and assumptions *(Continued)*

(e) Provision for impairment of accounts receivable

The Group's management determines the provision for impairment of accounts receivable. This estimate is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis.

(f) Pension benefits

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

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

4.2 Critical judgments in applying the Group's accounting policies

(a) Impairment of available-for sale financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operating and financing cash flow.

(b) Contingent liabilities in respect of litigations and claims

The Group has been involved in a number of litigations and claims in respect of certain construction works. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions for the possible obligation have been made based on management's best estimates and judgments.

5. Segment information

5.1 Primary reporting format - business segments

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

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

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

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

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

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

5. Segment information

5.1 Primary reporting format - business segments

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

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

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

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

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

The segment results for the year ended 31 December 2006 and other segment items included in the consolidated income statement are as follows:

	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Port machinery *RMB million*	Other *RMB million*	Elimination *RMB million*	Total *RMB million*
Total gross segment turnover	76,220	5,502	10,450	19,028	5,111	(1,430)	114,881
Inter-segment turnover	(497)	(184)	(177)	(561)	(11)	1,430	—
Turnover	75,723	5,318	10,273	18,467	5,100	—	114,881
Segment result	1,932	863	1,317	2,339	139	—	6,590
Unallocated costs							(102)
Operating profit							6,488
Interest income							347
Finance costs							(1,337)
Share of loss of jointly controlled entities							(93)
Share of profit of associates							109
Profit before income tax							5,514
Income tax expense							(1,228)
Profit for the year							4,286
Other segment items							
Depreciation	1,175	99	392	456	44	—	2,166
Amortisation	21	5	8	4	1	—	39
Provision for impairment of inventories	17	—	—	11	1	—	29
Provision for/(reversal of) foreseeable losses on construction contracts	698	—	(3)	25	—	—	720
(Reversal of) / provision for impairment of trade and other receivables	(14)	8	(33)	54	9	—	24

5. Segment information *(Continued)*

5.1 Primary reporting format - business segments *(Continued)*

The segment results for the year ended 31 December 2005 and other segment items included in the consolidated income statement are as follows:

	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Port machinery *RMB million*	Other *RMB million*	Elimination *RMB million*	Total *RMB million*
Total gross segment turnover	54,723	4,441	6,823	13,947	4,409	(1,078)	83,265
Inter-segment turnover	(276)	(1)	(67)	(717)	(17)	1,078	—
Turnover	54,447	4,440	6,756	13,230	4,392	—	83,265
Segment result	941	716	540	1,577	124		3,898
Unallocated costs							(89)
Operating profit							3,809
Interest income							117
Finance costs							(433)
Share of loss of jointly controlled entities							(47)
Share of profit of associates							117
Profit before income tax							3,563
Income tax expense							(592)
Profit for the year							2,971
Other segment items							
Depreciation	1,082	85	370	317	39	—	1,893
Amortisation	28	8	1	3	4	—	44
(Reversal of)/provision for impairment of inventories	(5)	—	(1)	2	—	—	(4)
Provision for/(reversal of) foreseeable losses on construction contracts	325	—	(30)	—	—	—	295
Provision for/(reversal of) impairment of trade and other receivables	80	19	(54)	27	(3)	—	69

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Port machinery *RMB million*	Other *RMB million*	Elimination *RMB million*	Total *RMB million*
Segment assets	58,914	5,392	11,113	21,766	1,561	(944)	97,802
Investments in jointly controlled entities							661
Investments in associates							1,412
Unallocated assets							27,077
Total assets							126,952
Segment liabilities	53,998	3,369	8,273	16,234	1,264	(944)	82,194
Unallocated liabilities							8,031
Total Liabilities							90,225
Capital expenditure	3,591	271	1,293	3,241	100	—	8,496

5. Segment information *(Continued)*

5.1 Primary reporting format - business segments *(Continued)*

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	40,770	3,852	8,914	15,944	3,293	(629)	72,144
Investments in jointly controlled entities							205
Investments in associates							1,400
Unallocated assets							5,310
Total assets							79,059
Segment liabilities	36,617	2,073	6,449	11,914	2,919	(629)	59,343
Unallocated liabilities							7,269
Total Liabilities							66,612
Capital expenditure	2,739	186	676	1,606	121	—	5,328

5.2 Secondary reporting format - geographical segments

(a) Turnover

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

	2006	2005
	RMB million	*RMB million*
Mainland China	**92,589**	70,572
Hong Kong and Macau	**3,372**	2,420
Other countries	**18,920**	10,273
	114,881	83,265

(b) Total assets

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

	2006	2005
	RMB million	*RMB million*
Mainland China	**90,811**	67,236
Hong Kong and Macau	**2,352**	1,859
Other countries	**4,639**	3,049
	97,802	72,144
Investments in associates and jointly controlled entities	**2,073**	1,605
Unallocated assets	**27,077**	5,310
	126,952	79,059

5. Segment information *(Continued)*

5.2 Secondary reporting format - geographical segments *(Continued)*

(c) Capital expenditure

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

	2006 ***RMB million***	2005 *RMB million*
Mainland China	**8,122**	4,851
Hong Kong and Macau	**19**	64
Other countries	**355**	413
	8,496	5,328

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 2005						
Cost	4,879	5,120	11,112	2,083	672	23,866
Accumulated depreciation	(1,331)	(2,672)	(5,281)	(1,283)	—	(10,567)
Net book amount	3,548	2,448	5,831	800	672	13,299
Year ended 31 December 2005						
Opening net book amount	3,548	2,448	5,831	800	672	13,299
Additions	149	670	579	368	2,690	4,456
Disposals *(Note 42)*	(45)	(58)	(95)	(58)	—	(256)
Transfer	332	178	1,162	98	(1,770)	—
Depreciation *(Note 32)*	(260)	(513)	(735)	(375)	—	(1,883)
Closing net book amount	3,724	2,725	6,742	833	1,592	15,616
At 31 December 2005						
Cost	5,193	5,559	12,471	2,329	1,592	27,144
Accumulated depreciation	(1,469)	(2,834)	(5,729)	(1,496)	—	(11,528)
Net book amount	3,724	2,725	6,742	833	1,592	15,616
Year ended 31 December 2006						
Opening net book amount	3,724	2,725	6,742	833	1,592	15,616
Additions	203	668	600	471	5,150	7,092
Disposals *(Note 42)*	(96)	(49)	(33)	(140)	—	(318)
Disposals of a subsidiary	(205)	(38)	(31)	(11)	(24)	(309)
Transfer	479	393	2,339	10	(3,221)	—
Depreciation *(Note 32)*	(257)	(511)	(986)	(397)	—	(2,151)
Distribution to CCCG upon completion of the Reorganisation *(note c)*	(392)	(9)	—	(1)	(8)	(410)
Closing net book amount	3,456	3,179	8,631	765	3,489	19,520
At 31 December 2006						
Cost	4,790	6,160	14,983	2,461	3,489	31,883
Accumulated depreciation	(1,334)	(2,981)	(6,352)	(1,696)	—	(12,363)
Net book amount	3,456	3,179	8,631	765	3,489	19,520

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 8 October 2006, date of the Reorganisation						
Opening net book amount	10	28	14	14	—	66
Depreciation	(1)	(2)	(1)	(1)	—	(5)
Closing net book amount	9	26	13	13	—	61
At 31 December 2006						
Cost	11	29	31	28	—	99
Accumulated depreciation	(2)	(3)	(18)	(15)	—	(38)
Net book amount	9	26	13	13	—	61

(a) Depreciation of the Group's property, plant and equipment of RMB1,737 million (2005: RMB1,491 million) has been charged in cost of sales, RMB382 million (2005: RMB371 million) in administrative expenses and RMB32 million (2005: RMB21 million) in selling and marketing expenses.

(b) Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately RMB126 million (2005: RMB218 million) (Note 24).

(c) Upon the incorporation of the Company on 8 October 2006, certain of the Group's buildings with no ownership certificates of approximately RMB410 million were retained by CCCG and accounted for as a distribution by the Group.

(d) As at 31 December 2006, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties with an aggregate carrying value of approximately RMB288 million as at 31 December 2006. The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

7. Lease prepayments

Group

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments with lease term between 30 to 50 years. Their net book value are analysed as follows:

	2006 ***RMB million***	2005 *RMB million*
At beginning of the year		
Cost	**1,265**	1,114
Accumulated amortisation	**(150)**	(118)
Net book amount	**1,115**	996
For the year		
Opening net book amount	**1,115**	996
Additions	**60**	171
Disposals	**(22)**	(18)
Disposal of a subsidiary	**(35)**	—
Amortisation charge *(Note 32)*	**(27)**	(34)
Distribution to CCCG upon completion of the Reorganisation *(note b)*	**(92)**	—
Closing net book amount	**999**	1,115
At end of the year		
Cost	**1,165**	1,265
Accumulated amortisation	**(166)**	(150)
Net book amount	**999**	1,115

7. Lease prepayments *(Continued)*

(a) Amortisation of the Group's lease prepayments of RMB16 million (2005: RMB25 million) has been charged in cost of sales and RMB11 million (2005: RMB9 million) in administrative expenses.

(b) Upon the incorporation of the Company on 8 October 2006, land use rights in respect of certain land occupied by the Group amounting to approximately RMB92 million were retained by CCCG and accounted for as a distribution by the Group.

(c) As at 31 December 2006, 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 RMB12 million as at 31 December 2006. 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

	2006 *RMB million*	2005 *RMB million*
At beginning of the year		
Cost	**265**	269
Accumulated depreciation	**(53)**	(43)
Net book amount	**212**	226
For the year		
Opening net book amount	**212**	226
Additions	**2**	—
Disposals	**(2)**	(4)
Depreciation *(Note 32)*	**(15)**	(10)
Distribution to CCCG upon completion of the Reorganisation *(note c)*	**(4)**	—
Closing net book amount	**193**	212
At end of the year		
Cost	**260**	265
Accumulated depreciation	**(67)**	(53)
Net book amount	**193**	212
Fair value at end of the year	**671**	674

(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. Valuations are based on current prices in an active market for all properties except for some of the properties located in Mainland China because this information is not available there. For these properties, the Group used discounted cash flow projections.

(b) Depreciation of the Group's investment properties of RMB15 million (2005: RMB10 million) has been charged in other expenses in the consolidated income statement.

(c) Upon the incorporation of the Company on 8 October 2006, investment properties held by the Group amounting to approximately RMB4 million were retained by CCCG and accounted for as a distribution by the Group.

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 2005					
Cost	9	33	232	3	277
Accumulated amortisation	(6)	(11)	—	(3)	(20)
Net book amount	3	22	232	—	257
Year ended 31 December 2005					
Opening net book amount	3	22	232	—	257
Additions	—	10	691	—	701
Amortisation charge *(Note 32)*	—	(10)	—	—	(10)
Closing net book amount	3	22	923	—	948
At 31 December 2005					
Cost	9	43	923	3	978
Accumulated amortisation	(6)	(21)	—	(3)	(30)
Net book amount	3	22	923	—	948
Year ended 31 December 2006					
Opening net book amount	3	22	923	—	948
Additions	—	16	1,326	—	1,342
Amortisation charge *(Note 32)*	(1)	(11)	—	—	(12)
Closing net book amount	2	27	2,249	—	2,278
At 31 December 2006					
Cost	9	59	2,249	3	2,320
Accumulated amortisation	(7)	(32)	—	(3)	(42)
Net book amount	2	27	2,249	—	2,278

9. Intangible assets *(Continued)*

Company

	Computer software *RMB Million*
At 8 October 2006, date of the Reorganisation	
Opening net book amount	1
Additions	3
Amortisation charge	(1)
Closing net book amount	3
At 31 December 2006	
Cost	15
Accumulated amortisation	(12)
Net book amount	3

(a) As at 31 December 2005 and 2006, all the concession assets are still under construction and no amortisation has been made in the year.

(b) Amortisation of the Group's intangible assets of RMB3 million (2005: RMB1 million) has been charged in the cost of sales, and RMB9 million (2005: RMB9 million) in administrative expenses.

10. Investments in and loans to subsidiaries - Company

	2006 ***RMB million***
Listed investment, at cost	6,510
Unlisted investment, at cost	30,760
	37,270
Current assets	
Loans to subsidiaries *(note a)*	2,603
Amounts due from subsidiaries *(note b)*	1,408
Current liabilities	
Amounts due to subsidiaries *(note b)*	2,529

(a) The loans to subsidiaries are unsecured, repayable within 1 year, and bear interest at rates ranging from 4.080% to 5.508% per annum.

(b) The amounts due from subsidiaries represented the dividend receivables from subsidiaries. The amounts due to subsidiaries are unsecured, repayable within 1 year and bear interest at rates ranging from 0.12% to 0.996% per annum.

(c) Details of the principal subsidiaries as at 31 December 2006 are shown in Note 46(a) to the consolidated financial statements.

11. Investments in jointly controlled entities

	Group		Company
	2006 RMB million	2005 RMB million	2006 RMB million
Share of net assets	703	249	267
Less: provision for impairment	(42)	(44)	(42)
	661	205	225

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

	Group		Company
	2006 RMB million	2005 RMB million	2006 RMB million
Beginning of the year/ At 8 October 2006, date of the Reorganisation	205	138	61
Additions	563	112	163
Disposals	(7)	—	—
Share of loss	(93)	(47)	—
Dividend distribution	(9)	—	—
Reversal of impairment	2	2	1
End of the year	661	205	225

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

	Group		Company
	2006 RMB million	2005 RMB million	2006 RMB million
Assets:			
Non-current assets	446	236	221
Current assets	874	374	199
	1,320	610	420
Liabilities:			
Non-current liabilities	(63)	(52)	(140)
Current liabilities	(554)	(309)	(4)
	(617)	(361)	(144)
Net assets	703	249	276

	Year ended 31 December		
	Group		Company
	2006 RMB million	2005 RMB million	2006 RMB million
Income	641	415	106
Expenses	(726)	(458)	(92)
(Loss) / profit before income tax	(85)	(43)	14
Income tax expense	(8)	(4)	(2)
(Loss) / profit for the year	(93)	(47)	12

(c) The particulars of the Group's principal jointly controlled entities are set out in Note 46(b).

12. Investments in associates

Group

	2006 **RMB million**	2005 RMB million
Share of net assets	**1,420**	1,410
Less: Provision for impairment	**(8)**	(10)
	1,412	1,400

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

	2006 **RMB million**	2005 RMB million
Beginning of the year	**1,400**	1,334
Additions	**19**	62
Disposals	**(14)**	(29)
Share of profit	**109**	117
Dividend distribution	**(62)**	(80)
Reversal of / (provision for) impairment loss	**2**	(4)
Exchange reserve	**(42)**	—
End of the year	**1,412**	1,400

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

	2006 **RMB million**	2005 RMB million
Total assets	**2,400**	1,808
Total liabilities	**(980)**	(398)
Net assets	**1,420**	1,410

	Year ended 31 December	
	2006 **RMB million**	2005 RMB million
Revenue	**1,142**	676
Profit for the year	**109**	117

(c) The particulars of the Group's principal associates are set out in Note 46(c).

13. Available-for-sale financial assets

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Beginning of the year/ At 8 October 2006, date of the Reorganisation	**3,045**	2,645	**2,979**
Fair value gain	**4,327**	331	**922**
Additions	**55**	73	**38**
Disposals	**(87)**	(4)	**(2)**
End of the year	**7,340**	3,045	**3,937**

Available-for-sale financial assets include the following:

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Listed equity securities, at fair value			
— Mainland China	**6,543**	2,359	**3,550**
— Hong Kong	**147**	62	**135**
Unlisted equity investments, at fair value	**650**	624	**252**
	7,340	3,045	**3,937**

14. Trade and other receivables

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Trade and bills receivables	**21,063**	15,465	**1,041**
Less: provision for impairment	**(1,775)**	(1,810)	**(496)**
Trade and bills receivables - net	**19,288**	13,655	**545**
Prepayments	**6,417**	5,211	**679**
Retentions	**3,364**	3,099	**37**
Deposits	**3,624**	2,976	**157**
Other receivables	**998**	442	**56**
Staff advances	**489**	385	**3**
Long-term receivables	**818**	212	**—**
Loan receivable	**300**	—	**300**
	35,298	25,980	**1,777**
Less: non-current portion			
— Retentions	**(1,354)**	(784)	**(37)**
— Long-term receivables	**(818)**	(212)	**—**
— Loan receivable	**(300)**	—	**(300)**
Current portion	**32,826**	24,984	**1,440**

Refer to Note 45 for receivables due from related parties.

14. Trade and other receivables (Continued)

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

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Less than 6 months	**15,791**	10,690	**429**
6 months to 1 year	**2,622**	2,102	**107**
1 year to 2 years	**1,276**	1,182	**8**
2 years to 3 years	**384**	426	**1**
Over 3 years	**990**	1,065	**496**
	21,063	15,465	**1,041**

The Group's major customers are PRC Government agencies and other state-owned enterprises. Refer to Note 45 for trade receivables due from PRC state-owned enterprises.

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

(b) The effective interest rates (per annum) on non-current receivables were as follows:

	2006	2005
	6.30%	5.76%

(c) The carrying amounts of the current trade and other receivables approximate their fair value. In addition, as the Group's non-current trade and other receivables have been discounted using the effective interest rates, the carrying amounts of non-current trade and other receivables approximate their fair value.

(d) Loan receivable is secured by land and buildings of the borrower and bear interest at 9.62% per annum. The carrying amount of the loan receivable approximates its fair value.

(e) Retention receivables represented amounts due from customers upon the completion of the maintenance period of the construction work, which normally last from one to two years.

All non-current receivables are due within five years from the balance sheet date.

15. Inventories

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Raw materials	**3,737**	3,270	**37**
Work in progress	**210**	306	**35**
Finished goods	**159**	269	**—**
	4,106	3,845	**72**
Less: Provision for inventories	**(69)**	(40)	**—**
	4,037	3,805	**72**

16. Contract work-in-progress

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Contract cost incurred plus recognised profit less recognised losses	**171,683**	145,684	**3,574**
Less: Progress billings	**(157,123)**	(136,103)	**(3,166)**
Contract work-in-progress	**14,560**	9,581	**408**
Representing:			
Amounts due from customers for contract work	**20,903**	14,001	**588**
Amounts due to customers for contract work	**(6,343)**	(4,420)	**(180)**
	14,560	9,581	**408**

	Year ended 31 December		
	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Contract revenue recognised as revenue in the year	**102,525**	73,363	**2,972**

17. Derivative financial instruments

Group

	2006		2005	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	***RMB million***	*RMB million*	*RMB million*
Interest rate swaps	**—**	**(19)**	—	(13)
Forward foreign exchange contracts	**3**	**—**	72	—
	3	**(19)**	72	(13)

(a) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2006 were RMB4,895 million (2005: RMB5,563 million).

(b) Interest rate swaps

At 31 December 2006, the Group had purchased interest rate swap contracts in which the Group agreed to swap the floating rate at LIBOR with the fixed rate of 5% per annum (2005: 4% per annum). The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2006 were RMB937 million (2005: RMB968 million).

18. Restricted cash

Group

	2006 **RMB million**	2005 RMB million
Restricted cash denominated in:		
— RMB	**445**	76
— US$	**15**	4
— Others	**5**	—
	465	80

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.

19. Cash and cash equivalents

	Group		**Company**
	2006 **RMB million**	2005 RMB million	**2006** **RMB million**
Cash at bank and in hand	**116**	330	**1**
Bank deposits			
— Term deposits with initial term of over three months *(Note 20)*	**332**	358	**41**
— Other bank deposits	**30,345**	10,109	**20,435**
Cash and Cash equivalents	**30,793**	10,797	**20,477**
Denominated in:			
— RMB	**10,700**	8,716	**2,643**
— US$	**1,580**	1,435	**194**
— HK$	**17,734**	94	**17,624**
— JPY	**11**	57	**3**
— EUR	**103**	150	**—**
— Others	**665**	345	**13**
	30,793	10,797	**20,477**

(a) The weighted average effective interest rate on short-term bank deposits, with maturities ranging from one to three months, was 2.1% per annum as at 31 December 2006 (2005: 1.9% per annum).

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

20. Term deposits with initial term of over three months

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Term deposits denominated in:			
— RMB	**330**	350	**41**
— US$	**1**	8	**—**
— Others	**1**	—	**—**
	332	358	**41**

The weighted average effective interest rate on term deposits, with maturities ranging from 3 months to 1 year, was 2.2% per annum as at 31 December 2006 (2005: 2.1% per annum).

21. Share capital

	2006	
	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
H shares of RMB1.00 each	**4,427,500**	4,427,500
As at 31 December 2006	**14,825,000**	14,825,000

A summary of the movements in the Company's issued share capital for the period from 8 October 2006 (date of incorporation of the Company) to 31 December 2006 was as follows:

	Domestic shares *RMB'000*	**H shares** *RMB'000*	**Total** *RMB'000*
Incorporation on 8 October 2006 *(note a)*	10,800,000	—	10,800,000
Domestic shares converted into H shares *(note b)*	(402,500)	402,500	—
Issue of new shares upon listing *(note b)*	—	4,025,000	4,025,000
At 31 December 2006	10,397,500	4,427,500	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 Core Operations 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.

21. Share capital *(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 offering 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 National Social Security Fund.

(c) The share capital presented in the consolidated balance sheet as at 31 December 2005 represents the share capital of the Company, arising on incorporation and completion of the Reorganisation described in Note 21(a) above, which is deemed to have been in issue throughout the accounting periods presented in these financial statements in accordance with the basis of presentation referred to in Note 2.1. The difference between the nominal value of these shares and aggregate of the net asset value of the subsidiaries acquired pursuant to the Reorganisation is accounted for as capital reserve of the Company as at 1 January 2005.

22. Reserves

Group

	Share Premium *RMB million*	Capital Reserve *RMB million*	Statutory Reserve Fund *RMB million*	Investment Revaluation Reserve *RMB million*	Exchange Reserve *RMB million*	Retained Earnings *RMB million*	Total *RMB million*
At 1 January 2005	—	(5,278)	—	1,020	—	—	(4,258)
Profit for the year	—	2,195	—	—	—	—	2,195
Currency translation differences	—	(18)	—	—	—	—	(18)
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	223	—	—	223
At 31 December 2005	—	(3,101)	—	1,243	—	—	(1,858)
At 1 January 2006	—	(3,101)	—	1,243	—	—	(1,858)
Profit for the year	—	—	—	—	—	3,199	3,199
Currency translation differences	—	—	—	—	(9)	—	(9)
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	2,923	—	—	2,923
Issue of new shares	14,601	—	—	—	—	—	14,601
Share issue expenses, net	(748)	—	—	—	—	—	(748)
Transactions with minority shareholders resulting from share reform schemes of subsidiaries *(note b)*	—	(496)	—	—	—	—	(496)
Appropriations *(note c)*	—	—	73	—	—	(73)	—
Deferred tax assets arising from the assets revaluation surplus (deductible for income tax purposes) during the Reorganisation	—	1,465	—	—	—	—	1,465
Contribution *(note d)*	—	220	—	—	—	—	220
Distributions *(Note 40)*	—	(245)	—	—	—	(2,052)	(2,297)
At 31 December 2006	13,853	(2,157)	73	4,166	(9)	1,074	17,000

22. Reserves *(Continued)*

Company

	Share Premium *RMB million*	Capital Reserve *RMB million*	Statutory Reserve Fund *RMB million*	Investment Revaluation Reserve *RMB million*	Accumlated deficit *RMB million*	Total *RMB million*
Upon incorporation of the Company	—	20,952	—	1,629	—	22,581
Profit for the year	—	—	—	—	34	34
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	633	—	633
Issue of new shares	14,601	—	—	—	—	14,601
Share issue expenses, net	(748)	—	—	—	—	(748)
Appropriations *(note c)*	—	—	73	—	(73)	—
Contribution *(note d)*	—	220	—	—	—	220
Special Dividend *(Note 40)*	—	—	—	—	(496)	(496)
At 31 December 2006	13,853	21,172	73	2,262	(535)	36,825

(a) As described in Note 2.1, the consolidated financial statements for the years ended 31 December 2006 and 2005 have been prepared as a combination of business under common control in a manner similar to pooling-of-interest as if the current group structure had been in existence throughout the two years ended 31 December 2005 and 2006. Upon the incorporation of the Company on 8 October 2006, the Company took over the assets and liabilities relating to the Core Operations of CCCG. The net value of the interests in the subsidiaries, jointly controlled entities and associates 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 Company.

(b) Pursuant to the rules and regulations promulgated by the relevant authorities in the PRC, two of the Company's subsidiaries, Shanghai Zhenhua Port Machinery Co., Ltd. ("ZPMC") and CRBC International Co., Ltd. ("CRBCI"), have implemented their share reform schemes in 2006. Through these share reform schemes, the Group has transferred some of its shareholdings in ZPMC and CRBCI to other shareholders and the Group's remaining shareholdings in ZPMC and CRBCI became tradable in the stock market. As this is a transaction with minority shareholders of the ZPMC and CRBCI, the effect of decrease of the Group's interests in ZPMC and CRBCI is charged to capital reserve.

(c) Statutory reserve fund

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

For the year ended 31 December 2006, the Board of Directors proposed appropriation of 10% of profit after tax as determined under the PRC GAAP, of RMB73 million to the statutory surplus reserve fund.

22. Reserves *(Continued)*

(d) In 2002, the Group was named in a lawsuit regarding a corporate guarantee provided by the Group to an associate of CCCG amounting to RMB220 million. Prior to 2003, management estimated a provision for the probable loss of RMB220 million for the outcome of the lawsuit taking into account of the legal advice obtained.

After the incorporation of the Company in October 2006, CCCG agreed to assume the role of the guarantor. The provision was no longer needed upon the assumption of such guarantee by CCCG and was accounted for as an equity contribution in Group's financial statements for the year ended 31 December 2006.

(e) In accordance with the articles of association of the Company, the net profit after tax of the Company for the purpose of dividend payments is based on the lower of the amount determined in accordance with the PRC GAAP and the amount determined in accordance with IFRS. As at 31 December 2006, the amount of retained profits available for distribution (after Special Distribution (Note 40(a)) and Special Dividend (Note 40(b)) to CCCG on profits relating to periods prior to listing and the appropriation of statutory surplus reserve (Note 22(c))) was approximately RMB164 million, being the amount determined in accordance with the PRC GAAP.

23. Trade and other payables

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Trade and bills payables	**25,856**	18,258	**692**
Advance from customers	**11,856**	9,025	**1,495**
Deposits from customers	**2,391**	1,899	**5**
Accrued payroll	**631**	563	**12**
Social securities	**798**	487	**17**
Other taxes	**1,418**	890	**17**
Accrued expenses	**603**	547	**22**
Other payables	**1,367**	1,692	**570**
Special Dividend payable to CCCG *(Note 40(b))*	**496**	—	**496**
	45,416	33,361	**3,326**

Refer to Note 45 for payable due to related parties.

At 31 December 2006 and 2005, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading nature) were as follows:

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Within 1 year	**24,107**	16,885	**656**
1 year to 2 years	**1,333**	914	**22**
2 years to 3 years	**210**	275	**12**
Over 3 years	**206**	184	**2**
	25,856	18,258	**692**

24. Borrowings

		Group		Company
	Note	**2006 RMB million**	2005 RMB million	**2006 RMB million**
Non-current				
Long-term bank borrowings				
— secured	(a)	**3,184**	3,187	**—**
— unsecured	(b)	**5,306**	1,727	**2,098**
		8,490	4,914	**2,098**
Other borrowings				
— secured	(a)	**70**	19	**—**
— unsecured		**31**	47	**—**
		101	66	**—**
Total non-current borrowings		**8,591**	4,980	**2,098**
Current				
Current portion of long-term bank borrowings				
— secured	(a)	**508**	1,229	**39**
— unsecured	(b)	**2,230**	1,548	**731**
		2,738	2,777	**770**
Short-term bank borrowings				
— secured	(a)	**5,429**	7,739	**430**
— unsecured		**10,517**	4,649	**5,030**
		15,946	12,388	**5,460**
Other borrowings				
— secured	(a)	**2**	—	**—**
— unsecured	(c)	**1,098**	1,119	**1,078**
— debentures — unsecured	(d)	**2,314**	1,186	**—**
		3,414	2,305	**1,078**
Total current borrowings		**22,098**	17,470	**7,308**
Total borrowings		**30,689**	22,450	**9,406**

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

(b) Unsecured long-term bank borrowings included loans of approximately RMB1,392 million (equivalent to JPY21,409 million) (2005: RMB1,459 million, equivalent to JPY21,226 million) payable to the Export-Import Bank of China ("EIBOC") at 31 December 2006. Prior to the incorporation of the Company on 8 October 2006, these loans were used by the predecessor operations of the Group 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.

24. Borrowings *(Continued)*

(c) Other current borrowings included loans of approximately RMB1,078 million (2005: RMB1,046 million) payable to the China Orient Assets Management Corporation ("COAMC") at 31 December 2006 (the "Iraq Loans"). Prior to the incorporation of the Company on 8 October 2006, these loans were used by the predecessor operations of the Group to finance a construction project in Iraq in the 1980s. Such loans were originally borrowed from Bank of China and bore interest at rates ranging from 4.16% to 6.23% per annum. Since the Gulf War in 1990, the Group had not settled any principal and interest to Bank of China in accordance with the original loan agreements. As certain portions of these loans had been overdue, all the balance of these loans was reclassified as current liabilities. In 2000, the Iraq Loans were transferred to COAMC from Bank of China. According to relevant regulations issued by the General Office of State Council of the PRC in 1997, since the construction project in Iraq was supported by the PRC Government, the Group was not demanded to pay any penalty arising from the non-settlement.

(d) As approved by the People's Bank of China, the Group has issued two tranches of debentures in 2005 and 2006 at nominal value of RMB1,200 million and RMB2,380 million, respectively, with a maturity of one year from issuance. The debentures were issued with a discount of RMB34 million and RMB84 million, respectively, and are stated at amortised cost.

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

	Group		**Company**
	2006 **RMB million**	2005 *RMB million*	**2006** **RMB million**
Total borrowings			
— 6 months or less	**8,023**	7,198	**188**
— 6 -12 months	**21,274**	13,793	**7,826**
— Over 5 years	**1,392**	1,459	**1,392**
	30,689	22,450	**9,406**

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

	Group		**Company**
	2006 **RMB million**	2005 *RMB million*	**2006** **RMB million**
Total borrowings			
— Within 1 year	**22,098**	17,470	**7,308**
— Between 1 and 2 years	**2,350**	1,100	**814**
— Between 2 and 5 years	**3,617**	3,044	**653**
Wholly repayable within 5 years	**28,065**	21,614	**8,775**
— Over 5 years	**2,624**	836	**631**
	30,689	22,450	**9,406**

24. Borrowings *(Continued)*

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

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Bank borrowings			
— RMB	**19,050**	12,047	**6,091**
— US$	**7,264**	6,375	**1,383**
— HK$	**620**	1,557	**—**
— JPY	**1,494**	915	**1,392**
— EUR	**2,261**	1,548	**540**
— Others	**—**	8	**—**
	30,689	22,450	**9,406**

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

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Bank borrowings			
— RMB	**5.01%**	5.00%	**5.24%**
— US$	**5.57%**	5.35%	**5.22%**
— HK$	**5.53%**	3.23%	**—**
— JPY	**2.45%**	3.09%	**2.51%**
— EUR	**4.44%**	5.48%	**5.22%**
— Others	**—**	1.33%	**—**
Other borrowings			
— RMB	**3.66%**	4.79%	**—**
— US$	**3.36%**	—	**—**
— EUR	**8.89%**	—	**—**

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

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

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Carrying amount	**8,591**	4,980	**2,098**
Fair value	**8,194**	4,513	**2,033**

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.

24. Borrowings *(Continued)*

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

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Floating rate			
— Expiring within one year	**15**	3	**—**
— Expiring beyond one year	**5**	30	**—**
Fixed rate			
— Expiring within one year	**19,373**	8,340	**14,951**
— Expiring beyond one year	**17,255**	104	**11,333**
	36,648	8,477	**26,284**

25. Deferred income tax

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

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Deferred tax assets:			
— Deferred tax assets to be recovered after more than 12 months	**2,841**	1,362	**117**
— Deferred tax assets to be recovered within 12 months	**192**	301	**—**
	3,033	1,663	**117**
Deferred tax liabilities:			
— Deferred tax liabilities to be settled after more than 12 months	**(2,151)**	(655)	**(1,346)**
— Deferred tax liabilities to be settled within 12 months	**—**	(16)	**—**
	(2,151)	(671)	**(1,346)**
	882	992	**(1,229)**

25. Deferred income tax *(Continued)*

(a) *(Continued)*

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

	Group		Company
	2006 **RMB million**	2005 *RMB million*	**2006** **RMB million**
Beginning of the year/At 8 October 2006, date of the Reorganisation	**992**	1,329	**(883)**
Recognised in the income statement *(Note 36)*	**(159)**	(229)	**(34)**
Recognised in equity	**61**	(108)	**(312)**
Distribution to CCCG upon completion of the Reorganisation	**(12)**	—	**—**
End of the year	**882**	992	**(1,229)**

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

Deferred tax liabilities:

	Group			
	Available-for-sale financial assets *RMB million*	**Investment in subsidiaries, jointly controlled entities and associates** *RMB million*	**Other** *RMB million*	**Total** *RMB million*
At 1 January 2005	(495)	(31)	(47)	(573)
Charged to the income statement	—	(75)	(17)	(92)
Charged directly to equity	(108)	—	—	(108)
At 31 December 2005	(603)	(106)	(64)	(773)
Credited/(charged) to the income statement	19	(112)	(32)	(125)
Charged directly to equity	(1,404)	—	(1)	(1,405)
At 31 December 2006	(1,988)	(218)	(97)	(2,303)

	Company			
	Available-for-sale financial assets *RMB million*	**Investment in subsidiaries, jointly controlled entities and associates** *RMB million*	**Other** *RMB million*	**Total** *RMB million*
At 8 October 2006, date of the Reorganisation	(802)	(186)	—	(988)
Charged to the income statement	—	(30)	(16)	(46)
Charged directly to equity	(312)	—	—	(312)
At 31 December 2006	(1,114)	(216)	(16)	(1,346)

25. Deferred income tax *(Continued)*

(b) *(Continued)*

Deferred tax assets:

	Group						
	Provision for impairment of assets *RMB million*	**Depreciation of property, plant, and equipment** *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 2005	353	52	92	1,251	27	127	1,902
Charged to the income statement	(9)	(20)	(36)	(59)	(9)	(4)	(137)
At 31 December 2005	344	32	56	1,192	18	123	1,765
(Charged)/credited to the income statement	(54)	(131)	176	(101)	(3)	79	(34)
Credited directly to equity *(note i)*	—	1,388	—	—	—	78	1,466
Distribution to CCCG upon completion of the Reorganisation	(12)	—	—	—	—	—	(12)
At 31 December 2006	278	1,289	232	1,091	15	280	3,185

	Company				
	Provision for impairment of assets *RMB million*	**Depreciation of property, plant, and equipment** *RMB million*	**Provision for employee benefits** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
At 8 October 2006, date of the Reorganisation	40	2	46	17	105
(Charged)/credited to the income statement	(9)	—	(6)	27	12
At 31 December 2006	31	2	40	44	117

(i) As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, all the Group's assets and liabilities as at 31 December 2005 were revalued by independent valuers registered in the PRC. As a result of this revaluation, the Group has an asset revaluation surplus of approximately RMB7,960 million, which was recorded by the Group in the financial statements prepared under the PRC accounting standards. Such asset revaluation surplus is not recognised in the Group's financial statements prepared in accordance with IFRS.

Upon completion of the Reorganisation in October 2006, the Group has applied to the Ministry of Finance and the State Administration of Taxation of the PRC to obtain formal approval of allowing the Group to deduct the additional depreciation and amortisation on the asset revaluation surplus for the PRC enterprise income tax purposes. As the Group did not recognise the above asset revaluation surplus in its financial statements prepared in accordance with IFRS, a deferred tax asset of approximately RMB1,465 million relating to the revaluation surplus of property, plant and equipment and lease prepayments of RMB5,215 million, is resulted in 2006 and is recognised and credited to "capital reserve" in 2006 . Such deferred tax asset is charged to taxation during each year based on the depreciation and amortisation charges on the asset revaluation surplus.

25. Deferred income tax (Continued)

(c) Deferred tax liabilities have not been recognised in respect of the Group's underlying investments in subsidiaries amounting to RMB690 million as at 31 December 2006 (2005: RMB1,186 million). These amounts mainly comprised:

(i) Deemed disposal of the Group's share in net assets of ZPMC arising from the issuance of shares by ZPMC in connection with its initial public offering on the Shanghai Stock Exchange in the year ended 31 December 1997, and the issuance of additional shares by ZPMC in the years ended 31 December 2000 and 2004. As a result, the Group's interest in ZPMC was decreased from 100% to 50.3% as at 31 December 2005. In addition, pursuant to the share reform scheme undertaken by ZPMC (Note 22), the Group's interest in ZPMC has been decreased to 43.3% as at 31 December 2006; and

(ii) Deemed disposal of the Group's share in net assets of CRBCI arising from the issuance of shares by CRBCI in connection with its initial public offering on the Shanghai Stock Exchange in the year ended 31 December 2000. In addition, pursuant to the share reform scheme undertaken by CRBCI (Note 22), the Group's interest in CRBCI has been decreased to 64.1% as at 31 December 2006.

(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 RMB38 million (2005: RMB63 million) in respect of tax losses amounting to RMB114 million (2005: RMB190 million) as at 31 December 2006 as management believes it is more likely than not that such tax losses would not be utilised before they expire. As at 31 December 2006, the tax losses carried forward as follows:

	2006 ***RMB million***	2005 *RMB million*
Year of expiry of tax losses		
2007	—	23
2008	**34**	32
2009	**14**	70
2010	**24**	29
2011	**42**	36
	114	190

26. Early retirement and supplemental benefit obligations

The Group paid supplementary pension subsidies to its retired employees in Mainland China who retired prior to 1 January 2006. In addition, the Group was 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. Subsequent 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.

The amount of early retirement and supplemental benefit obligations recognised in the balance sheet are determined as follows:

	Group		**Company**
	2006 ***RMB million***	2005 *RMB million*	**2006** ***RMB million***
Present value of defined benefits obligations	**3,576**	3,808	**57**
Unrecognised actuarial gains	**3**	59	**1**
Liability on the balance sheet	**3,579**	3,867	**58**
Less: current portion	**(217)**	(221)	**(4)**
	3,362	3,646	**54**

26. Early retirement and supplemental benefit obligations *(Continued)*

The movement of early retirement and supplemental benefit obligations in the balance sheet is as follows:

	Group		Company
	2006 **RMB million**	2005 *RMB million*	**2006** **RMB million**
At beginning of the year/At 8 October 2006, date of the Reorganisation	**3,867**	4,062	**75**
For the year			
— Payment	**(351)**	(344)	**(5)**
— Interest cost *(Note 33)*	**127**	159	**(12)**
— Actuarial gain *(Note 33)*	**—**	(10)	**—**
— Distribution to CCCG upon completion of the Reorganisation	**(64)**	—	**—**
At the end of the year	**3,579**	3,867	**58**

The above obligations were determined based on actuarial valuations performed by an independent actuary, Towers Perrin, Hong Kong, using the projected unit credit method.

The material actuarial assumptions used in valuing these obligations are as follows:

(a) Discount rates adopted (per annum):

2006	2005
3.25%	3.50%

(b) Early-retirees' salary and supplemental benefits inflation rate: 4.5%

(c) Medical cost trend rate: 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.

27. Provisions for other liabilities and charges

Group

	Guarantee *RMB million*	**Pending Lawsuits** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
At 1 January 2006	220	70	9	299
Charged to the income statement				
— Additional provisions	40	—	10	50
Utilised / reversed during the year *(Note 22)*	(220)	(2)	(12)	(234)
At 31 December 2006	40	68	7	115

Company

	Guarantee *RMB million*	**Pending Lawsuits** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
At 8 October 2006, date of Reorganisation	220	—	—	220
Charged to the income statement				
— Additional provisions	40	—	—	40
Reversed during the period *(Note 22)*	(220)	—	—	(220)
At 31 December 2006	40	—	—	40

28. Other current liabilities

In connection with World Expo 2010 in Shanghai, the PRC, one of the subsidiaries of the Group entered into an agreement with Bureau of Shanghai World Expo Coordination ("Shanghai Expo") in 2005 in which the Group agreed to relocate its production facilities and business operation situated on a parcel of land in Pudong, Shanghai. According to the agreement, Shanghai Expo had paid a total amount of approximately RMB762 million to the Group in 2005 to compensate for the costs of relocating the production facilities to a new location. Part of the compensation has been used in 2005 and the remaining balance of the compensation of approximately RMB739 million was recorded as "other current liabilities" in the Group's consolidated balance sheet as at 31 December 2005.

In 2006, Shanghai Expo agreed to pay an additional amount of approximately RMB152 million to the Group in anticipation of the increase in the estimated relocation costs.

As at 31 December 2006, the total remaining compensation of approximately RMB798 million is recorded as "other current liabilities" in the Group's consolidated balance sheet.

29. Other gains - net

	2006 ***RMB million***	2005 *RMB million*
Gain on disposal of property, plant and equipment	**115**	79
Derivative instruments *(Note 17)*:		
— Foreign exchange forward contracts	**(19)**	(13)
— Interest rate swap	**3**	72
	(16)	59
Net foreign exchange (losses)/gains *(Note 37)*	**(118)**	67
Net gain on disposal of a subsidiary *(Note 42)*	**95**	—
	76	205

30. Other income

	2006 ***RMB million***	2005 *RMB million*
Rental income	**195**	161
Income from sale of materials	**402**	396
Dividend income on available-for-sale financial assets:		
— Listed equity securities	**132**	41
— Unlisted equity securities	**45**	11
Government grants	**46**	22
Others	**518**	370
	1,338	1,001

31. Other expenses

	2006 RMB million	2005 RMB million
Loss on disposal of property, plant and equipment	**58**	52
Rental expenses	**130**	118
Cost of sale of materials	**356**	363
Loss on disposal of available-for-sale-financial assets	**59**	—
Others	**384**	439
	987	972

32. Expenses by nature

	2006 RMB million	2005 RMB million
Raw materials and consumables used	**44,332**	31,917
Subcontracting costs	**28,672**	19,165
Employee benefits *(Note 33)*	**8,532**	7,236
Changes in contract work-in-progress	**4,980**	4,101
Equipment usage cost	**3,574**	3,442
Transportation costs	**3,401**	2,761
Business tax and other transaction taxes	**2,666**	2,042
Rentals	**2,386**	2,199
Depreciation of property, plant and equipment and investment properties *(Notes 6, 8)*	**2,166**	1,893
Fuel	**1,611**	1,020
Repair and maintenance expense	**1,436**	906
Travel	**858**	652
Provision for foreseeable losses on construction contracts	**720**	295
Research and development costs	**179**	57
Insurance	**136**	89
Auditors' remuneration	**48**	12
Changes in inventories of finished goods and work-in-progress	**(105)**	60
Amortisation of lease prepayments *(Note 7)*	**27**	34
Provision for / (reversal of) impairment of inventories	**29**	(4)
Provision for impairment of trade and other receivables	**24**	69
Advertising	**20**	19
Amortisation of intangible assets *(Note 9)*	**12**	10
Other expenses	**3,116**	1,715
Total cost of sales, distribution costs and administrative expenses	**108,820**	79,690

33. Employee benefit expense

	2006 RMB million	2005 RMB million
Salaries, wages and bonuses	**5,590**	5,059
Contributions to pension plans *(note a)*	**669**	505
Early retirement and supplemental pension benefits *(note b)*		
— interest cost	**127**	159
— actuarial gain	**—**	(10)
Housing benefits *(note c)*	**349**	287
Welfare, medical and other expenses	**1,797**	1,236
	8,532	7,236

(a) The employees of the subsidiaries in Mainland China participate in various retirement benefit plans organised by the relevant municipal and provincial government in Mainland China under which the Group is required to make monthly contributions to these plans at rates ranging from 17.0% to 27.5%, 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.

Prior to 1 January 2006, the Group also provided supplementary pension subsidies to retired employees. 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 30% of the employees' basic salary) in Mainland China.

34. Interest income

	2006 RMB million	2005 RMB million
Interest income:		
— Bank deposits	**160**	101
— Oversubscription proceeds from initial public offering	**135**	—
	295	101
Others	**52**	16
	347	117

35. Finance costs

	2006 RMB million	2005 RMB million
Interest expenses:		
— Bank borrowings	**1,171**	862
— Other borrowings	**106**	72
— Debentures	**32**	20
	1,309	954
Net foreign exchange gains on borrowings *(Note 37)*	**(155)**	(591)
Others	**183**	70
	1,337	433

36. 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 17.5% for the year ended 31 December 2006 (2005: 17.5%), on the estimated assessable profit of each of these companies during 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 33% of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except for certain subsidiaries of the Company, which were exempted from tax or taxed at preferential rates of 7.5% to 16.5%.

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

The amount of income tax expense charged to the consolidated income statements represents:

	2006 RMB million	2005 RMB million
Current income tax		
— Hong Kong profits tax	**5**	—
— PRC enterprise income tax	**1,013**	353
— Others	**51**	10
	1,069	363
Deferred income tax *(Note 25)*	**159**	229
	1,228	592

36. Taxation *(Continued)*

(a) Income tax expense *(Continued)*

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

	2006 **RMB million**	2005 *RMB million*
Profit before income tax	**5,514**	3,563
Tax calculated at PRC statutory tax rates 33%	**1,820**	1,176
Income not subject to tax	**(294)**	(43)
Expenses not deductible for tax purposes	**116**	82
Tax losses for which no deferred income tax asset was recognised	**22**	29
Temporary differences for which no deferred income tax assets/liabilities were recognised	**—**	6
Tax credit available on certain notional employee cost and benefits *(note i)*	**—**	(290)
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(436)**	(368)
Income tax expense	**1,228**	592

(i) In January 2005, according to the relevant regulations promulgated by Ministry of Finance and the applicable tax regulations, the Group is entitled to an income tax credit in respect of certain notional employee costs and benefits relating to prior years, which are determined in accordance with certain prescribed criteria. Such deduction was not previously available. Accordingly, the Group has offset the credit of RMB290 million against income tax expense in 2005.

(b) Business tax ("BT") and related taxes

Certain of the companies of the Group are subject to BT at rates ranging from 3% to 5% of the service fee income received and receivable. In addition, the Group is subject to city construction tax ("CCT") and educational surcharge ("ES") based on 7% and 3% of BT payable, respectively.

(c) Value-added tax ("VAT") and related taxes

Certain of the companies are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. Certain products of the subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The subsidiaries are also subject to CCT and ES based on 7% and 3% of net VAT payable, respectively.

37. Net foreign exchange gain

The exchange differences recognised in the consolidated income statement are included as follows:

	2006 **RMB million**	2005 *RMB million*
Finance costs *(Note 35)*	**(155)**	(591)
Other losses/(gains) - net *(Note 29)*	**118**	(67)
	(37)	(658)

38. 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 RMB34 million.

39. 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.

The comparative basic earnings per share is calculated based on the profit attributable to the equity holders of the Company and on the assumption that 10,800,000,000 domestic shares issued upon the incorporation of the Company in connection with the Reorganisation had been in issue since 1 January 2005.

	2006	2005
Profit attributable to equity holders of the Company (RMB million)	**3,199**	2,195
Weighted average number of ordinary shares in issue (thousands)	**10,967,708**	10,800,000
Basic earnings per share (RMB per share)	**0.29**	0.20

(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 2006 and 2005.

40. Distributions

	2006 *RMB million*
Special Distribution to CCCG *(note a)*	1,556
Special Dividend *(note b)*	496
Transfer of certain subsidiaries and assets *(note c)*	245
	2,297

(a) Pursuant to the Reorganisation and the applicable PRC financial regulations, the Company is required to make a distribution (the ''Special Distribution'') to CCCG in an amount equal to its net profit as determined in accordance with PRC GAAP, generated from 1 January 2006 to 7 October 2006, the date immediately prior to the date on which the Company was incorporated. The Company has paid the Special Distribution of approximately RMB1,556 million in November 2006.

(b) At the general meeting held on 25 November 2006, it was resolved that CCCG shall be entitled to all of the distributable profits generated by the Group from 8 October 2006 to 30 November 2006 (the "Special Dividend"), which is the lower of the respective amounts of net profit for that period determined under PRC GAAP and IFRS. Accordingly, the Special Dividend distributable to CCCG was RMB496 million as determined based on the audited consolidated income statement prepared in accordance with the PRC GAAP.

(c) Subsequent to the incorporation of the Company on 8 October 2006, certain operating assets and liabilities historically associated to CCCG (the "Retained Operations") (Note 42(c)), buildings and lease prepayments that do not have perfected titles and ownership certificates (Note 6(d) and Note 8(c)) with an aggregate net carrying amount of approximately RMB245 million are retained by CCCG pursuant to the Reorganisation. The Group has not included the operating results and financial position of the Retained Operations in its financial statements since 8 October 2006.

(d) Final dividend proposed

	2006 *RMB million*
Final, proposed, of RMB 0.005 per ordinary share (2005: N/A)	**74**

At the board meeting held on 10 April 2007, the Directors proposed a final dividend of RMB0.005 per ordinary share for the year ended 31 December 2006, and was subject to the approval by the Company's shareholders in the annual general meeting. This proposed 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 2007.

41. Directors', supervisors' and senior management's emoluments

(a) Directors' and supervisors' emoluments

	2006 RMB'000	2005 RMB'000
Directors and supervisors		
— Basis salaries, housing allowances, other allowances and benefits-in-kind	**1,529**	1,069
— Contributions to pension plans	**87**	83
— Discretionary bonuses	**2,198**	1,703
	3,814	2,855

The emoluments of every Director and supervisor for the year ended 31 December 2006 are set out below:

Name	Basis salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
Mr. Zhou Jichang	247	16	464	727
Mr. Meng Fengchao	240	16	464	720
Mr. Fu Junyuan	204	16	394	614
Independent non-executive directors				
Mr. Lu Hongjun	50	—	—	50
Mr. Yuan Yaohui	50	—	—	50
Mr. Chao Tien Yo	50	—	—	50
Mr. Koo Fook Sun	50	—	—	50
Supervisors				
Mr. Liu Xiangdong	209	7	394	610
Mr. Xu Sanhao	209	16	394	619
Mr. Wang Yongbin	220	16	88	324
	1,529	87	2,198	3,814

The emoluments of every Director and supervisor for the year ended 31 December 2005 are set out below:

Name	Basis salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors				
Mr. Zhou Jichang	236	16	411	663
Mr. Meng Fengchao	216	16	411	643
Mr. Fu Junyuan	199	16	359	574
Supervisors				
Mr. Liu Xiangdong	51	3	90	144
Mr. Xu Sanhao	203	16	359	578
Mr. Wang Yongbin	164	16	73	253
	1,069	83	1,703	2,855

41. 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:

	2006	2005
Directors and supervisors		
— Nil to HK$1,000,000 (equivalent to approximately RMB1,004,670)	**10**	6

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 41(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:

	2006 *RMB'000*	2005 *RMB'000*
Basic salaries, housing allowances, share options, other allowances and benefits-in-kind	**4,072**	3,728
Contributions to pension plans	**151**	31
Discretionary bonuses	**1,250**	1,241
	5,473	5,000

The emoluments of the above individuals fall within the following bands:

	2006	2005
— Nil to HK$1,000,000 (equivalent to approximately RMB1,004,670)	**3**	1
— HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB1,004,671 to RMB1,507,005)	**2**	3
— HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,507,006 to RMB2,009,340)	**—**	1
	5	5

42. Cash generated from operations

(a) Reconciliation of profit for the year to cash generated from operations:

	2006 **_RMB million_**	2005 _RMB million_
Profit for the year	**4,286**	2,971
Adjustments for:		
— Income tax expense *(Note 36)*	**1,228**	592
— Depreciation of property, plant and equipment and investment properties *(Notes 6, 8)*	**2,166**	1,893
— Amortisation of intangible assets and leasehold land and land use rights *(Notes 7, 9)*	**39**	44
— Net gain on disposal of property, plant and equipment (see below)	**(57)**	(27)
— Fair value loss/(gains) on derivative financial instruments *(Note 29)*	**16**	(59)
— Fair value (gains)/loss on other financial assets at fair value through profit and loss	**(33)**	2
— Gain on disposal of a subsidiary	**(95)**	—
— Gain on disposal of jointly controlled entities	**(1)**	—
— Loss on disposal of available-for-sale financial assets	**59**	—
— (Reversal of)/provision for impairment of jointly controlled entities and associates	**(4)**	2
— Provision for/(reversal of) impairment of inventories	**29**	(4)
— Provision for impairment of trade and other receivables	**24**	69
— Provision for foreseeable losses on construction contracts	**720**	295
— Dividend income from available-for-sale financial assets	**(177)**	(52)
— Interest income	**(347)**	(117)
— Interest expenses *(Note 35)*	**1,337**	954
— Share of loss from jointly controlled entities *(Note 11)*	**93**	47
— Share of profit from associates *(Note 12)*	**(109)**	(117)
— Exchange gains on borrowings *(Note 35)*	**(155)**	(591)
	9,019	5,902
Changes in working capital (excluding the effects of disposal and exchange differences on consolidation):		
— Inventories	**(348)**	(598)
— Trade and other receivables	**(9,466)**	(4,733)
— Contract work-in-progress	**(5,699)**	(4,396)
— Restricted cash	**(385)**	22
— Early retirement and supplemental benefit obligations	**(224)**	(195)
— Trade and other payables	**12,447**	7,428
— Derivative financial instruments	**59**	(86)
— Provisions	**36**	1
— Deferred income	**62**	38
— Increase in other current liabilities	**59**	739
Cash generated from operations	**5,560**	4,122

42. Cash generated from operations *(Continued)*

(a) Reconciliation of profit for the year to cash generated from operations: *(Continued)*

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2006 **RMB million**	2005 RMB million
Net book amount *(Note 6)*	**318**	256
Gain on disposal of property, plant and equipment *(Note 29)*	**115**	79
Loss on sale of property, plant and equipment *(Note 31)*	**(58)**	(52)
Proceeds from sale of property, plant and equipment	**375**	283

(b) Disposal of a subsidiary

In November 2006, an independent third party injected RMB374 million cash into Zhenhua Logistics Group Ltd. ("ZHLG"), formerly a 100% owned subsidiary of the Group, in exchange for a 45% equity interest in ZHLG. Thereafter, the Group's equity interest in ZHLG was diluted from 100% to 55% and ZHLG became a jointly controlled entity of the Group. Details of the assets and liabilities of ZHLG as at the date of the disposal are as follows:

	2006 *RMB million*
Net assets disposed of (at 100% interest):	
Property, plant and equipment and lease prepayments	**344**
Investment in jointly controlled entities	**39**
Trade and other receivables	**361**
Inventories	**7**
Bank balances and cash	**95**
Trade and other payables	**(600)**
	246
Increase in investment in jointly controlled entity	**341**
Net gain on disposal of a subsidiary	**95**

Net cash outflow in respect of the disposal of subsidiary is analysed as follows:

	2006 *RMB million*
Cash received	**—**
Bank balances and cash in hand disposed of	**(95)**
Net cash outflow in respect of disposal of a subsidiary	**(95)**

42. Cash generated from operations *(Continued)*

(c) Distribution to CCCG upon completion of Reorganisation

In connection with the Reorganisation, all the Retained Operations were retained by CCCG after incorporation of the Company on 8 October 2006. Details of the Retained Operations on 8 October 2006 are as follows:

	2006 ***RMB million***
Property, plant and equipment, lease prepayment and investment properties	**506**
Trade and other receivables	**147**
Inventories	**80**
Deferred tax assets	**12**
Bank balances and cash	**35**
Short-term bank borrowings	**(91)**
Trade and other payables	**(368)**
Long-term bank borrowings	**(6)**
Early retirement and supplement benefit obligations	**(64)**
Minority interests	**(6)**
	245

	2006 ***RMB million***
Cash received	**—**
Bank balances and cash in hand disposed of	**(35)**
Net cash outflow in respect of Reorganisation	**(35)**

43. Contingencies

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

	Group		**Company**
	2006 ***RMB million***	2005 *RMB million*	**2006** ***RMB million***
Pending lawsuits *(note a)*	**134**	67	**—**
Outstanding loan guarantees *(note b)*	**283**	473	**5,304**
	417	540	**5,304**

(a) The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision as set out in Note 27 has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the probability of loss is remote.

(b) The Group and the Company have acted as the guarantor for various external borrowings made by certain subsidiaries, jointly controlled entities and associates of the Group (refer to details in Note 45) and certain third party entities.

(c) The above amounts do not include those items for which provisions have been made as disclosed in Note 27.

44. Commitments

(a) Capital commitments

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

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Property, plant and equipment and intangible assets	**15,043**	627	**15,018**

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

Group

	2006	2005
	RMB million	*RMB million*
Property, plant and equipment, and intangible assets	**3,692**	5,505

(b) Investment commitments

According to relevant agreement, the Group has the following investment commitments at the balance sheet date:

Group

	2006	2005
	RMB million	*RMB million*
Jointly controlled entities and associates	**—**	15

(c) Operating lease commitments - where the Group is the lessee

The Group leases various offices, warehouses, residential properties and machinery 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
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
No later than 1 year	**260**	82	**22**
Later than 1 year and no later than 5 years	**243**	66	**16**
Later than 5 years	**761**	90	**—**
	1,264	238	**38**

44. Commitments - Group *(Continued)*

(d) 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

	2006 RMB million	2005 RMB million
No later than 1 year	**61**	65
Later than 1 year and no later than 5 years	**81**	82
Later than 5 years	**33**	52
	175	199

The Company has no lease payments receivable commitment.

(e) Other commitment

In 2005, the Group signed an agreement with a bank in which the Group agreed to act as a guarantor should a customer of the Group (being an independent third party) borrow a loan of RMB1 billion from the bank which is expected not to be occured prior to 2009.

45. Related-party transactions

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

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

In addition to the related party information disclosed in Note 1, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the year and balances arising from related party transactions as at 31 December 2006.

(a) Significant related party transactions

The following transactions were carried out with related parties:

	Year ended 31 December	
	2006 RMB million	2005 RMB million
Transactions with CCCG		
Expenses		
— Rental expense	**10**	—

	2006 RMB million	2005 RMB million
Transactions with fellow subsidiaries		
Expenses		
— Purchase of materials	**30**	10

45. Related-party transactions *(Continued)*

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

	Year ended 31 December 2006 RMB million	2005 RMB million
Transactions with jointly controlled entities and associates		
Revenue		
— Revenue from provision of construction services	**2**	1
— Revenue from provision of dredging services	**—**	6
— Revenue from sales of port machinery	**26**	85
Expenses		
— Subcontracting fees	**317**	113
— Purchase of materials	**32**	4
— Services	**41**	54
— Other costs	**—**	4
Others		
— Outstanding loan guarantees provided by the Group	**149**	293
Transactions with other state-owned enterprises		
Revenue		
— Revenue from provision of construction services	**36,150**	31,218
— Revenue from provision of design services	**1,485**	2,201
— Revenue from provision of dredging services	**8,570**	6,624
— Revenue from sales of port machinery	**7,140**	5,179
— Revenue from provision of other services	**56**	50
Interest income		
— Interest income from bank deposits	**170**	200
Expenses		
— Subcontracting fees	**985**	612
— Rental expenses	**12**	43
— Purchase of materials	**5,681**	5,949
— Services	**719**	465
— Interest expense on bank borrowings	**768**	713
— Other	**122**	79

	2006 RMB million	2005 RMB million
Others		
— Outstanding loan guarantees provided by the Group	**134**	128
Transactions with minority interests		
Revenue		
— Revenue from provision of construction services	**295**	121
Expense		
— Subcontracting fees	**59**	—

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

45. Related-party transactions *(Continued)*

(b) Key management compensation

	2006 **RMB'000**	2005 *RMB'000*
Basis salaries, housing allowances, other allowances and benefits-in-kind	**2,995**	2,638
Contributions to pension plans	**195**	215
Discretionary bonuses	**4,959**	4,536
	8,149	7,389

(c) Year-end balances with related parties

	Group		**Company**
	2006 **RMB million**	2005 *RMB million*	**2006** **RMB million**
Trade and other receivables			
Trade receivables due from			
— Jointly controlled entities and associates	**19**	10	**118**
— Minority interests	**53**	15	**—**
— Other state-owned enterprises	**14,866**	10,424	**416**
	14,938	10,449	**534**
Prepayments			
— Subsidiaries	**—**	—	**304**
— Other state-owned enterprises	**3,927**	1,424	**285**
	3,927	1,424	**589**
Other receivables due from			
— Subsidiaries	**—**	—	**6**
— Fellow subsidiaries	**38**	18	**—**
— Jointly controlled entities and associates	**153**	121	**—**
— Minority interests	**5**	3	**—**
— Other sate-owned enterprises	**745**	266	**38**
	941	408	**44**
	19,806	12,281	**1,167**

45. Related-party transactions *(Continued)*

(c) Year-end balances with related parties *(Continued)*

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Trade and other payables			
Trade and bills payable due to			
— Subsidiaries	**—**	—	**408**
— Fellow subsidiaries	**7**	8	**—**
— Jointly controlled entities and associates	**257**	76	**—**
— Minority interests	**10**	—	**—**
— Other state-owned enterprises	**2,973**	640	**196**
	3,247	724	**604**
Advances from customers			
— Subsidiaries	**—**	—	**26**
— Other state-owned enterprises	**6,853**	7,094	**1,315**
	6,853	7,094	**1,341**
Other payables due to			
— CCCG	**55**	—	**55**
— Subsidiaries	**—**	—	**75**
— Fellow subsidiaries	**3**	10	**—**
— Jointly controlled entities and associates	**114**	77	**—**
— Minority interests	**67**	53	**—**
— Other sate-owned enterprises	**980**	1,398	**249**
	1,219	1,538	**379**
	11,319	9,356	**2,324**

	Group		Company
	2006	2005	**2006**
	RMB million	*RMB million*	***RMB million***
Amounts due from customers for contract work with			
— Jointly controlled entities and associates	**8**	—	**—**
— Other state-owned enterprises	**8,175**	7,339	**289**
	8,183	7,339	**289**
Amounts due to customers for contract work with			
— Jointly controlled entities and associates	**18**	6	**—**
— Other sate-owned enterprises	**2,629**	2,038	**119**
	2,647	2,044	**119**

45. Related-party transactions (Continued)

(c) Year-end balances with related parties (Continued)

	Group		Company
	2006 RMB million	2005 RMB million	2006 RMB million
Other balances with other state-owned enterprises			
— Financial assets	—	3	—
— Restricted cash	286	80	—
— Cash and cash equivalents	27,985	9,363	20,135
— Borrowings	20,485	13,143	7,708

46. Particulars of principal subsidiaries, jointly controlled entities and associates

(a) Subsidiaries

As at 31 December 2006, 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	Attributable equity interest Indirectly held	Principal activities
Listed -						
Shanghai Zhenhua Port Machinery Co., Ltd.	PRC	Limited liability company	RMB3,082	24.55%	18.71%	Manufacturing of port machinery
CRBC International Co., Ltd.	PRC	Limited liability company	RMB408	63.72%	0.34%	Infrastructure construction
Unlisted -						
China Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB850	50%	50%	Infrastructure construction
First Navigational Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB1,876	100%	—	Infrastructure construction
Second Navigational Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB902	100%	—	Infrastructure construction
Third Navigational Engineering Bureau Co., Ltd.	PRC	Limited liability company	RM1,970	100%	—	Infrastructure construction
Fourth Navigational Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB1,128	100%	—	Infrastructure construction
Tianjin Dredging Co., Ltd.	PRC	Limited liability company	RMB1,219	100%	—	Dredging
Shanghai Dredging Co., Ltd.	PRC	Limited liability company	RMB2,142	100%	—	Dredging
Guangzhou Dredging Co., Ltd.	PRC	Limited liability company	RMB1,280	100%	—	Dredging
Shanghai Port Machinery Plant Co., Ltd.	PRC	Limited liability company	RMB205	100%	—	Manufacturing of port machinery

46. 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
Shanghai equipment Engineering Co., Ltd.	PRC	Limited liability company	RMB10	55%	—	Maintenance and repairing of port machinery
Water Transportation Planning and Design Institute Co., Ltd.	PRC	Limited liability company	RMB138	100%	—	Infrastructure design
First Navigational Engineering Design Institute Co., Ltd.	PRC	Limited liability company	RMB238	100%	—	Infrastructure design
Second Navigational Engineering Design Institute Co., Ltd.	PRC	Limited liability company	RMB90	100%	—	Infrastructure design
Third Navigational Engineering Design Institute Co., Ltd.	PRC	Limited liability company	RMB273	100%	—	Infrastructure design
Fourth Navigational Engineering Design Institute Co., Ltd.	PRC	Limited liability company	RMB222	100%	—	Infrastructure design
China Road and Bridge Engineering Co., Ltd.	PRC	Limited liability company	RMB800	95%	5%	Infrastructure construction
First Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB631	100%	—	Infrastructure construction
Second Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB507	100%	—	Infrastructure construction
Third Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB143	79%	—	Infrastructure construction
Fourth Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB63	100%	—	Infrastructure construction
Tunnel Construction Engineering Co., Ltd.	PRC	Limited liability company	RMB80	95%	5%	Infrastructure construction
Highway Planning and Design Institute Co., Ltd.	PRC	Limited liability company	RMB257	100%	—	Infrastructure design
First Highway Survey & Design Institute Co., Ltd.	PRC	Limited liability company	RMB343	100%	—	Infrastructure design
Second Highway Survey & Design Institute Co., Ltd.	PRC	Limited liability company	RMB465	100%	—	Infrastructure design
China Highway Engineering Consulting Co., Ltd.	PRC	Limited liability company	RMB192	100%	—	Infrastructure design
The Bridge Technology Co., Ltd.	PRC	Limited liability company	RMB30	61%	27%	Infrastructure design

46. 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
China Highway Vehicle and Machinery Co., Ltd.	PRC	Limited liability company	RMB71	100%	—	Trading of motor vehicles spare parts
Shanghai Jiangtian Business Co., Ltd.	PRC	Limited liability company	RMB157	60%	40%	Trading of construction materials
Chongqing Chaotianmen Yangtze River Bridge Co., Ltd.	PRC	Limited liability company	RMB50	90%	10%	Infrastructure construction
Shanxi Jingcheng-Houma Expressway Co., Ltd.	PRC	Limited liability company	RMB685	89.78%	—	Infrastructure construction
Shanghai CHEC East Ocean Bridge Project Co., Ltd.	PRC	Limited liability company	RMB10	100%	—	Infrastructure construction
Tianjin Industrial & Trading Co., Ltd.	PRC	Limited liability company	RMB30	100%	—	Trading of machinery
Foshan Sihang Guangming Highway Co., Ltd.	PRC	Limited liability company	RMB50	90%	10%	Construction and management of highway
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

(b) Jointly controlled entities

As at 31 December 2006, the Company had interests in the following principal jointly controlled entities (all are unlisted):

Name	Country/Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Indirectly held	Principal activities
Zhenhua Logistics Group	PRC	Sino-foreign Joint venture	USD44	27%	28%	Transportation and logistics
Capital Expressway Development Co., Ltd.	PRC	Limited liability company	RMB100	50%	—	Infrastructure construction
Hohhot City Rainbow Road Construction Limited Liability Company	PRC	Limited liability company	RMB151	—	40%	Highway investment
Yantai China Communication Navigation Engineering Company Ltd.	PRC	Limited liability company	RMB60	—	50%	Port construction
Tangshan Caofeidian Dredging and Reclamation Co., Ltd.	PRC	Limited liability company	RMB67	—	45%	Dredging

46. Particulars of principal subsidiaries, jointly controlled entities and associates *(Continued)*

(c) Associates

As at 31 December 2006, the Company had indirect 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 Indirectly held	Principal activities
CII Limited	Hong Kong	Limited liability company	HKD1,000	48%	Investment holding
Shanghai Jianshe-Luqiao Machinery Co., Ltd.	PRC	Limited liability company	USD10	25%	Manufacturing of machinery
Tianjin Ganghang Enginnering Co., Ltd.	PRC	Limited liability company	RMB58	49%	Manufacturing of machinery
Shanghai Sanhang Benteng Engineering Co., Ltd.	PRC	Limited liability company	RMB81	25%	Manufacturing of machinery
Shanghai Third Navigation ASP Pipe Ltd.	PRC	Limited liability company	USD6.32	33%	Manufacturing of machinery

47. Events after the balance sheet date

The following events took place subsequent to 31 December 2006 and up to the date of this report:

(a) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China ("the new CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements are approved for issue, detailed measures concerning these items has yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 31 December 2006. The Group will continue to evaluate the impact as more detailed regulations are announced.

(b) On 10 April 2007, the shareholders of ZPMC, a subsidiary of the Company, at an extraordinary general meeting approved a resolution to issue not more than 200 million additional A shares. The detailed implementation plan for the issurance of these additional A shares has yet to be decided by the board of directors of ZPMC.

48. Holding company

The Company's directors regard CCCG, a company established in the PRC, as the immediate and ultimate holding company of the Company.