中國交通建設股份有限公司

CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

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

(stock code:1800)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

- Revenue of the Group in 2007 amounted to RMB150,601 million, representing an increase of RMB35,720 million or 31.1% over 2006.
- Profit attributable to the equity holders of the Company in 2007 was RMB6,032 million, representing an increase of RMB2,833 million or 88.6% over 2006.
- Earnings per share for 2007 was RMB0.41.
- EBITDA in 2007 was RMB13,039 million, representing an increase of RMB4,346 million or 50.0% over 2006.
- The Board recommends payment of a final dividend of approximately RMB1,304.6 million, or RMB0.088 per share for the year of 2007.

The Board of Directors ("the Board") of China Communications Construction Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

(For the year ended 31 December 2007)

	2007	2006
	RMB million	*RMB million*
Revenue	**150,601**	114,881
Cost of sales	**(135,033)**	(103,066)
Gross profit	**15,568**	11,815
Other gains — net	**243**	76
Selling and marketing expenses	**(409)**	(413)
Administrative expenses	**(6,059)**	(5,341)
Other income	**2,226**	1,338
Other expenses	**(983)**	(987)
Operating profit	**10,586**	6,488
Interest income	**491**	347
Finance costs, net	**(1,545)**	(1,337)
Share of loss of jointly controlled entities	**(41)**	(93)
Share of profit of associates	**132**	109
Profit before income tax	**9,623**	5,514
Income tax expense	**(2,049)**	(1,228)
Profit for the year	**7,574**	4,286
Attributable to:		
Equity holders of the Company	**6,032**	3,199
Minority interests	**1,542**	1,087
	7,574	4,286
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)		
— basic	**0.41**	0.29
— diluted	**0.41**	0.29
Dividends	**1,305**	74

CONSOLIDATED BALANCE SHEET

(As at 31 December 2007)

	2007	2006
	RMB million	*RMB million*
ASSETS		
Non-current assets		
Property, plant and equipment	**26,129**	19,520
Lease prepayments	**2,979**	999
Investment properties	**374**	193
Intangible assets	**4,873**	2,278
Investments in jointly controlled entities	**370**	661
Investments in associates	**3,222**	1,412
Available-for-sale financial assets	**16,621**	7,340
Held-to-maturity financial assets	**2**	2
Deferred income tax assets	**2,251**	3,033
Trade and other receivables	**7,744**	2,472
Other non-current assets	**83**	—
	64,648	37,910
Current assets		
Inventories	**5,863**	4,037
Trade and other receivables	**44,782**	32,826
Amounts due from customers for contract work	**28,488**	20,903
Derivative financial instruments	**508**	3
Other financial assets at fair value through profit or loss	**160**	15
Restricted cash	**475**	465
Cash and cash equivalents	**22,473**	30,793
	102,749	89,042
Total assets	**167,397**	126,952

	2007	2006
	RMB million	*RMB million*
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**14,825**	14,825
Share premium	**13,853**	13,853
Other reserves	**15,162**	3,073
Proposed final dividend	**1,305**	74
	45,145	31,825
Minority interests	**8,817**	4,902
Total equity	**53,962**	36,727
LIABILITIES		
Non-current liabilities		
Borrowings	**12,633**	8,591
Deferred income	**246**	155
Deferred income tax liabilities	**3,817**	2,151
Early retirement and supplemental benefit obligations	**3,153**	3,362
	19,849	14,259
Current liabilities		
Trade and other payables	**62,099**	45,416
Amounts due to customers for contract work	**7,627**	6,343
Current income tax liabilities	**1,562**	960
Borrowings	**21,828**	22,098
Derivative financial instruments	**158**	19
Early retirement and supplemental benefit obligations	**202**	217
Provisions	**89**	115
Other current liabilities	**21**	798
	93,586	75,966
Total liabilities	**113,435**	90,225
Total equity and liabilities	**167,397**	126,952
Net current assets	**9,163**	13,076
Total assets less current liabilities	**73,811**	50,986

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Share Capital *RMB million*	**Share Premium** *RMB million*	**Other Reserves** *RMB million*	**Retained Earnings** *RMB million*	**Total** *RMB million*	**Minority Interests** *RMB million*	**Total Equity** *RMB million*
At 1 January 2006	10,800	—	(1,858)	—	8,942	3,505	12,447
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	2,923	—	2,923	—	2,923
Transactions with minority shareholders resulting from share reform schemes of subsidiaries	—	—	(496)	—	(496)	496	—
Deferred tax assets arising from the assets revaluation surplus (deductible for income tax purposes) during Reorganisation	—	—	1,465	—	1,465	—	1,465
Contribution	—	—	220	—	220	—	220
Currency translation differences	—	—	(9)	—	(9)	(8)	(17)
Net income recognised directly in equity	—	—	4,103	—	4,103	488	4,591
Profit for the year	—	—	—	3,199	3,199	1,087	4,286
Total recognised income for the year	—	—	4,103	3,199	7,302	1,575	8,877
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	(267)	(267)
Issue of new shares	4,025	14,601	—	—	18,626	—	18,626
Share issue expenses, net	—	(748)	—	—	(748)	—	(748)
Contribution from minority shareholders of subsidiaries	—	—	—	—	—	95	95
Appropriations	—	—	73	(73)	—	—	—
Distributions	—	—	(245)	(2,052)	(2,297)	(6)	(2,303)
At 31 December 2006	14,825	13,853	2,073	1,074	31,825	4,902	36,727

	Attributable to equity holders of the Company						
	Share Capital *RMB million*	Share Premium *RMB million*	Other Reserves *RMB million*	Retained Earnings *RMB million*	Total *RMB million*	Minority Interests *RMB million*	Total Equity *RMB million*
At 1 January 2007	14,825	13,853	2,073	1,074	31,825	4,902	36,727
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	6,924	—	6,924	2	6,926
Transaction with minority shareholders resulting from disposal of equity interest of a subsidiary	—	—	176	—	176	41	217
Transactions with minority shareholders resulting from additional capital injection to certain subsidiaries	—	—	(2)	—	(2)	2	—
Reduction of deferred tax assets in relation to the assets revaluation surplus arising from the Reorganisation due to change of tax rate	—	—	(251)	—	(251)	—	(251)
Reduction of deferred tax liabilities arising from changes in fair value of available-for-sale financial asset due to change of tax rate	—	—	416	—	416	—	416
Cash flow hedges, net of deferred tax	—	—	81	—	81	105	186
Currency translation differences	—	—	18	—	18	(10)	8
Net income recognised directly in equity	—	—	7,362	—	7,362	140	7,502
Profit for the year	—	—	—	6,032	6,032	1,542	7,574
Total recognised income for the year	—	—	7,362	6,032	13,394	1,682	15,076
2006 final dividend	—	—	—	(74)	(74)	—	(74)
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	(451)	(451)
Contribution from minority shareholders of subsidiaries	—	—	—	—	—	2,684	2,684
Appropriations	—	—	154	(154)	—	—	—
Reversal of statutory reserve appropriated in prior year	—	—	(73)	73	—	—	—
Appropriations to safety fund	—	—	83	(83)	—	—	—
At 31 December 2007	14,825	13,853	9,599	6,868	45,145	8,817	53,962

CONSOLIDATED CASH FLOW STATEMENT

	2007 *RMB million*	2006 *RMB million*
Cash flows from operating activities		
Cash generated from operations	**4,229**	5,560
Interest paid	**(1,538)**	(1,257)
Income tax paid	**(1,094)**	(808)
Net cash generated from operating activities	**1,597**	3,495
Cash flows from investing activities		
Purchase of property, plant and equipment ("PPE")	**(9,655)**	(7,067)
Increase in lease prepayments	**(1,933)**	(60)
Purchase of intangible assets	**(2,613)**	(1,342)
Purchase of investment properties	**(62)**	(2)
Proceeds from disposal of PPE	**560**	375
Proceeds from disposal of lease prepayments	**57**	22
Proceeds from disposal of investment properties	**33**	2
Net cash outflow in respect of disposal of a subsidiary	**—**	(95)
Additional investments in jointly controlled entities	**(148)**	(261)
Additional investments in associates	**(1,798)**	(19)
Purchases of available-for-sale financial assets	**(219)**	(55)
Purchase of other financial assets at fair value through profit or loss	**(3,468)**	(17)
Proceeds from disposal of associates	**6**	14
Proceeds from disposal of available-for-sale financial assets	**165**	28
Increase in long-term receivables	**(900)**	(300)
Proceeds from disposal of other financial assets at fair value through profit or loss	**3,476**	153
Proceeds from disposal of jointly controlled entities	**45**	8
Interest received	**407**	336
Dividends received	**274**	248
Proceeds from disposal of equity interest in a subsidiary	**217**	—
Net cash used in investing activities	**(15,556)**	(8,032)

	2007	2006
	RMB million	*RMB million*
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**—**	17,878
Proceeds from borrowings	**29,124**	29,043
Repayments of borrowings	**(25,025)**	(20,552)
Additional investments from minority shareholders of subsidiaries	**2,684**	95
Special Distribution to CCCG	**—**	(1,556)
Distribution to CCCG upon completion of Reorganisation	**—**	(35)
Special Dividend to CCCG	**(496)**	—
Dividends paid to the Company's shareholders	**(74)**	—
Dividends paid to minority shareholders of subsidiaries	**(451)**	(267)
Net cash generated from financing activities	**5,762**	24,606
Net (decrease)/increase in cash and cash equivalents	**(8,197)**	20,069
Cash and cash equivalents at beginning of year	**30,793**	10,797
Exchange losses on cash and cash equivalents	**(123)**	(73)
Cash and cash equivalents at end of the year	**22,473**	30,793

NOTES TO THE FINANCIAL INFORMATION

1. General information and Reorganisation

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

The 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.

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 judgement in the process of applying the Group's accounting policies.

(a) *Standard, amendment and interpretation effective in 2007, and relevant to the Group*

- IFRS 7, Financial Instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of financial statements — Capital Disclosures, introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures are sensitivity analysis of market risk and capital disclosures;

- IFRIC 10, Interim financial reporting and impairment, 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. This standard does not have any impact on the Group's consolidated financial statements.

(b) *Interpretations effective in 2007 but not relevant for the Group's operation*

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies;

- IFRIC 8, Scope of IFRS 2;

- IFRIC 9, Reassessment of embedded derivatives.

(c) *Interpretation and amendment to existing standard that are 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. In accordance with the IFRIC Interpretation 12 Service Concession Arrangement (IFRIC 12), the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangibles if the operator receives a right (a license) to charge users of the public service or as financial assets if paid by the granting authority. The Group classifies the non-current assets linked to the long-term investment in these concession arrangements as "concession assets" within intangible assets classification on the balance sheet if the intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements is completed, the concession assets are amortised over the term of the concession on a straight-line basis under the intangible asset model;

- IAS 23 (Amendment), Borrowing costs (effective from 1 January 2009), was early adopted in 2007. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. As a result of the early adoption of the amended IAS 23, borrowing cost capitalised in the year ended 31 December 2007 is approximately RMB127 million, of which approximately RMB102 million is charged to cost of sale in 2007 and approximately RMB25 million is included in cost of construction-in-progress as at 31 December 2007.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods that the Group has not early adopted:

- IAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). IAS 1 (Revised) requires all changes in owner's equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The Group will apply IAS 1 (Revised) from 1 January 2009;

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

- IFRIC 14, IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any material impact on the Group's consolidated financial statements;

- IAS 32 and IAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply IAS 32 and IAS 1 Amendments from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements;

- IAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply IAS 27 (Revised) from 1 January 2010, but it is not expected to have any material impact on the Group's consolidated financial statements;

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

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

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- IFRIC 11, IFRS 2 — Group and treasury share transactions (effective from 1 January 2008). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. As none of the Group entities have share-based transactions, IFRIC 11 is not relevant to the Group's operations;

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

- IFRS2 Amendment, Share-based Payment Vesting Conditions and Cancellations (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. As none of the Group entities have share-based payment, IFRS2 Amendment is not relevant to the Group's operations.

3. Segment information

3.1 *Primary reporting format — business segments*

The segment results for the year ended 31 December 2007 and other segment items included in the consolidated income statement 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*
Total gross segment revenue	101,705	6,609	14,553	23,779	7,071	(3,116)	150,601
Inter-segment revenue	(1,253)	(175)	(294)	(1,085)	(309)	3,116	—
Revenue	100,452	6,434	14,259	22,694	6,762	—	150,601
Segment result	4,306	837	1,898	3,499	273	(48)	10,765
Unallocated costs							(179)
Operating profit							10,586
Interest income							491
Finance costs, net							(1,545)
Share of loss of jointly controlled entities							(41)
Share of profit of associates							132
Profit before income tax							9,623
Income tax expense							(2,049)
Profit for the year							7,574

Other segment items included in the consolidated income statement 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*
Other segment items							
Depreciation	1,280	102	449	516	64	—	2,411
Amortisation	20	9	1	5	7	—	42
Provision for/(reversal of) impairment of inventories	15	—	(2)	1	4	—	18
(Reversal of)/provision for foreseeable losses on construction contracts	(164)	(7)	8	17	—	—	(146)
Provision for/(reversal of) impairment of trade and other receivables	65	44	180	3	(23)	—	269

The segment results for the year ended 31 December 2006 and other segment items included in the consolidated income statement 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*
Total gross segment revenue	76,220	5,502	10,450	19,028	5,111	(1,430)	114,881
Inter-segment revenue	(497)	(184)	(177)	(561)	(11)	1,430	—
Revenue	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, net							(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 included in the consolidated income statement 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*
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

The segment assets and liabilities at 31 December 2007 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*
Assets	80,409	5,838	14,872	32,376	5,161	(1,738)	136,918
Investments in jointly controlled entities							370
Investments in associates							3,222
Unallocated assets							26,887
Total assets							167,397
Liabilities	52,939	3,313	5,588	9,369	3,488	(1,738)	72,959
Unallocated liabilities							40,476
Total liabilities							113,435
Capital expenditure	5,774	237	2,401	5,473	437	—	14,322

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

	Assets *RMB million*	**Liabilities** *RMB million*
Segment assets/liabilities	136,918	72,959
Investments in jointly controlled entities	370	—
Investments in associates	3,222	—
Unallocated:		
Deferred income tax assets/liabilities	2,251	3,817
Current income tax liabilities	—	1,562
Current borrowings	—	21,828
Non-current borrowings	—	12,633
Available-for-sale financial assets	16,621	—
Other financial assets at fair value through the profit and loss	160	—
Derivative financial instruments	508	158
Corporate assets/liabilities	7,347	478
Total	167,397	113,435

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*
Assets	56,377	5,078	10,512	21,514	1,544	(944)	94,081
Investments in jointly controlled entities							661
Investments in associates							1,412
Unallocated assets							30,798
Total assets							126,952
Liabilities	41,458	2,908	5,586	6,174	899	(944)	56,081
Unallocated liabilities							34,144
Total liabilities							90,225
Capital expenditure	3,591	271	1,293	3,241	100	—	8,496

Segment assets and liabilities at 31 December 2006 are reconciled to entity assets and liabilities as follows:

	Assets	**Liabilities**
	RMB million	*RMB million*
Segment assets/liabilities	94,081	56,081
Investments in jointly controlled entities	661	—
Investments in associates	1,412	—
Unallocated:		
Deferred income tax assets/liabilities	3,033	2,151
Current income tax liabilities	—	960
Current borrowings	—	22,098
Non-current borrowings	—	8,591
Available-for-sale financial assets	7,340	—
Other financial assets at fair value through the profit and loss	15	—
Derivative financial instruments	3	19
Corporate assets/liabilities	20,407	325
Total	126,952	90,225

3.2 *Secondary reporting format — geographical segments*

The Group's revenue by geographical segment for the years ended 31 December 2007 and 31 December 2006 are as follows:

	2007	2006
	RMB million	*RMB million*
Mainland China	**117,599**	92,589
Hong Kong and Macau	**4,450**	3,372
Other countries	**28,552**	18,920
	150,601	114,881

4. Expenses by nature

	2007	2006
	RMB million	*RMB million*
Raw materials and consumables used	**55,910**	44,332
Subcontracting costs	**40,163**	29,126
Employee benefits	**10,995**	8,532
Transportation costs	**4,953**	3,401
Equipment usage cost	**4,854**	3,574
Business tax and other transaction taxes	**3,525**	2,666
Rentals	**3,214**	2,386
Depreciation of property, plant and equipment and investment properties	**2,411**	2,166
Fuel	**2,308**	1,611
Repair and maintenance expenses	**1,849**	1,436
Travel	**928**	858
Research and development costs	**279**	179
Provision for impairment of trade and other receivables	**269**	24
Changes in inventories of finished goods and work-in-progress	**327**	(105)
Insurance	**182**	136
(Reversal of)/provision for foreseeable losses on construction contracts	**(146)**	720
Auditors' remuneration	**50**	48
Amortisation of lease prepayments	**24**	27
Advertising	**20**	20
Amortisation of intangible assets	**18**	12
Provision for impairment of inventories	**18**	29
Other expenses	**9,350**	7,642
Total cost of sales, distribution costs and administrative expenses	**141,501**	108,820

5. Taxation

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

	2007	2006
	RMB million	*RMB million*
Current income tax		
— Hong Kong profits tax	**2**	5
— PRC enterprise income tax	**1,649**	1,013
— Others	**45**	51
	1,696	1,069
Deferred income tax	**353**	159
	2,049	1,228

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

Certain of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 33% (2006: 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% (2006: 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.

6. 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 2006.

	2007	2006
Profit attributable to equity holders of the Company (RMB million)	**6,032**	3,199
Weighted average number of ordinary shares in issue (thousands)	**14,825,000**	10,967,708
Basic earnings per share (RMB per share)	**0.41**	0.29

(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 2007 and 2006.

7. Final dividend proposed

	2007	2006
	RMB million	*RMB million*
Final, proposed, of RMB0.088 per ordinary share (2006: 0.005)	**1,305**	74

At the board meeting held on 8 April 2008, the Directors recommended the payment of a final dividend of RMB0.088 per ordinary share, totalling approximately RMB1,305 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 18 June 2008. This recommended dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

OUTSTANDING RESULTS

In 2007, the Group achieved outstanding operating results, maintained its leading position in its four core businesses, namely infrastructure construction, infrastructure design, dredging and port machinery manufacturing and honoured its promises to shareholders and at the same time, the Group continued its core strategic blueprints to seek for excellent growth opportunities in business.

1. Infrastructure Construction Business

In 2007, the Group participated in a large number of infrastructure construction projects including construction of ports, roads and bridges. The Group also achieved remarkable results in developing new markets such as the high-speed passenger dedicated railway line and overseas markets. In 2007, the Group completed infrastructure construction projects with a total revenue of RMB101,705 million, representing an increase of 33.4% over 2006. The value of new infrastructure construction contracts reached RMB169,652 million, representing an increase of 61.2% over 2006. As at 31 December 2007, the Group had a backlog of RMB174,157 million for its infrastructure construction contracts, representing an increase of 69.6% as compared to that of 2006.

2. Infrastructure Design Business

The Group's infrastructure design business experienced a steady growth in 2007. While maintaining its leading position in the established market in China, the Group also actively explored the overseas markets. With unprecedented achievements in the development of overseas business, the Group also made significant progress in its infrastructure design business in overseas markets. Revenue for the Group's infrastructure design business in 2007 amounted to RMB6,609 million, representing an increase of 20.1% as compared to that of 2006. The value of new infrastructure design contracts reached RMB8,528 million, representing an increase of 24.2% as compared to that of 2006. As at 31 December 2007, the Group had a backlog of RMB9,544 million for its infrastructure design contracts, representing an increase of 23.3% as compared to that of 2006.

3. Dredging Business

The Group maintained its leading position in coastal dredging business in 2007. The Group recorded a revenue of RMB14,553 million for its dredging business in 2007, representing an increase of 39.3% as compared to that of 2006. The value of new dredging contracts amounted to RMB18,214 million, representing an increase of 59.9% as compared to that of 2006. As at 31 December 2007, the Group had a backlog of RMB15,040 million for its dredging contracts, representing an increase of 32.9% as compared to that of 2006.

4. Port Machinery Manufacturing Business

The Group is the largest provider of container cranes in the world. The Group conducts its port machinery and related product manufacturing business through its subsidiaries Shanghai Zhenhua Port Machinery Compay Limited ("ZPMC") and Shanghai Port Machinery Plant Co. Limited ("SPMP"). Revenue for the Group's port machinery manufacturing business in 2007 amounted to RMB23,779 million, representing an increase of 25.0% as compared to that of 2006. The value of newly secured port machinery manufacturing contracts amounted to RMB30,068 million, representing an increase of 16.2% as compared to that of 2006. As at 31 December 2007, the Group had a backlog of RMB34,648 million for its port machinery manufacturing contracts, representing an increase of 21.2% as compared to that of 2006.

TECHNOLOGICAL INNOVATION

By further investing in technology development and with its improving technical system, the Group achieved remarkable results in technological innovation in 2007. The Group won three National Prizes for Scientific and Technical Progress, six Zhantianyou Awards, 10 Awards for Science and Technology from China Institute of Navigation, 22 Awards for Science and Technology from China Highway and Transportation Society, two national patent awards, 69 authorised patents, 21 state level construction methods and 12 new records under China Enterprise New Record during the year.

OUTLOOK

In 2008, the Group will increase its effort to adjust asset structure, optimise resources allocation and efficiently integrate business. The Group will keep committed to maximising synergies of its existing and potential assets and resources, so as to improve operation quality and profitability. Specifically, the Group will continue to increase its investment in dredging and port machinery businesses, and will be dedicated to fostering and developing new investment business in order to achieve a more optimal asset structure. The Group is also keen to speed up the replacement and upgrade of dredging equipment and the construction of production base, so as to expand its production capacity and realise return as soon as possible. In addition, the Group will launch investment in the real estate development business and develop potential land in an integrated way, with a view to maximising synergy and profit. At the same time, the Group is also keen to consolidate the traditional markets and maintain its leading position. In this respect, the Group will strive to increase its market share, expand the extended business and foster certain subsidiaries' development into emerging markets, so as to reinforce its competitive edge, market scale and industrial influence. The Group also plans to accelerate the integration of its port machinery business, in particular to resolve the intra-group competition in order to achieve an efficient allocation of the Group's internal resources and maximize economic returns. Meanwhile, the Group will try to vigorously implement the aggressive overseas strategy to capture the emerging opportunities in such markets, and the Group intends to achieve this by increasing its investments in overseas markets and making full use of resources to expand its overseas operating scope and to diversify source of business and revenue. Aiming to find a new source of growth, the Group will vigorously implement its overseas merger and acquisition strategy, so as to expand its operating scale, increase cost-efficiency, speed up development and improve development quality.

In 2008, while focusing on business development, the Group will further strengthen its corporate management and improve management level with an aim to "boost gross margin and optimise efficiency". The Group will emphasise project management and try to maximise project returns by implementing precise management and strict cost control. The Group will also perfect its outsourcing system to cut outsourcing costs, implement centralized procurement to lower raw material procurement costs and reduce the risk of raw material price escalation. Furthermore, the Group strives to improve its overall budget management and increase economic benefit by reducing non-productive expenditures and energy consumption. The Group will streamline internal operation so as to leverage its bargaining power with suppliers. Furthermore, the Group will endeavour to improve internal control process and establish a complete risk management system to minimise operational, financial and legal risks.

In summary, the primary tasks of the Group for 2008 are to capitalise on market opportunities to boost development, implement innovations to accelerate development and improve operating efficiency to sustain development. The Group will put more effort to maintain the sustainable growth of its revenue and profit, generate higher return for the shareholders of the Group and lay a solid foundation for continuous business growth and future development through various measures such as structure adjustment, overseas expansion, merger and acquisition, and management enhancement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

For the year ended 31 December 2007, revenue of the Group amounted to RMB150,601 million, representing a year-over-year increase of 31.1%. Profit attributable to equity holders of the Company amounted to RMB6,032 million, representing a year-over-year increase of 88.6%. Earnings per share of the Group for 2007 was RMB0.41, compared with RMB0.29 in 2006.

The following is a comparison of financial results between the years ended 31 December 2007 and 2006.

Consolidated Results of Operations

Revenue

Revenue in 2007 amounted to RMB150,601 million, representing an increase of RMB35,720 million or 31.1% from RMB114,881 million in 2006. Revenue increase from all of the Group's business segments, namely the infrastructure construction business, infrastructure design business, dredging business, port machinery manufacturing business and other businesses, amounted to RMB25,485 million, RMB1,107 million, RMB4,103 million, RMB4,751 million and RMB1,960 million (all before elimination of inter-segment transactions), respectively, representing an increase of 33.4%, 20.1%, 39.3%, 25.0% and 38.3%, respectively.

Cost of Sales and Gross Profit

Cost of sales in 2007 amounted to RMB135,033 million, representing an increase of RMB31,967 million or 31.0% from RMB103,066 million in 2006. The increase in cost of sales from the infrastructure construction business, infrastructure design business, dredging business, port machinery manufacturing business and other businesses amounted to RMB23,060 million, RMB968 million, RMB3,420 million, RMB4,364 million and RMB1,847 million, respectively, representing an increase of 32.3%, 25.1%, 39.9%, 27.2% and 39.6%, respectively. Cost of sales in 2007 increased in line with the increase in the scale of the Group.

As a result, gross profit in 2007 amounted to RMB15,568 million, representing an increase of RMB3,753 million or 31.8% from RMB11,815 million in 2006. Gross profit margin in 2007 remained stable, at 10.3%, similar to the 2006 level.

Operating Profit

Operating profit in 2007 amounted to RMB10,586 million, representing an increase of RMB4,098 million or 63.2% from RMB6,488 million in 2006. The increase in operating profit was mainly attributable to the growth in the infrastructure construction business, dredging business, port machinery manufacturing business and other businesses, amounting to RMB2,374 million, RMB581 million, RMB1,160 million and RMB134 million (all before elimination of inter-segment transactions and unallocated costs), respectively, representing an increase of 122.9%, 44.1%, 49.6% and 96.4%, respectively. These increases were partially offset by the modest decrease of RMB26 million in operating profit from the infrastructure design business.

The Group's operating profit margin increased from 5.6% in 2006 to 7.0% in 2007, which primarily resulted from the efficient management initiative taken by the Group at the beginning of 2007. In addition, in connection with the 2010 World Expo in Shanghai, one of the Company's subsidiaries received compensation from the Bureau of Shanghai Expo Coordination for the costs of relocating production facilities and losses from relocation-caused disruption in operations. Approximately RMB744 million of the compensation has been recognised as other income for the year ended 31 December 2007.

Interest Income

Interest income amounted to RMB491 million in 2007, representing an increase of RMB144 million or 41.5% from RMB347 million in 2006. It was mainly due to the Group's strengthened balance sheet as a result of its initial public offering in December 2006 and its strong cash generating capabilities.

Net finance Costs

Net finance costs amounted to RMB1,545 million in 2007, representing an increase of RMB208 million or 15.6% from RMB1,337 million in 2006. The increase was mainly due to the increase in interest expenses and other finance costs, which was partially offset by the increase in the net foreign exchange gains on borrowings.

Interest costs amounted to RMB1,497 million in 2007, representing an increase of RMB188 million or 14.4% from RMB1,309 million in 2006, as a result of the interest rate increases by the lending institutions in China and the increase in the Group's total borrowings.

Other finance cost amounted to RMB375 million in 2007, representing an increase of RMB192 million from RMB183 million in 2006 primarily due to the discounting impact of increased balances of long term receivables and retentions.

Net foreign exchange gains on borrowings amounted to RMB327 million in 2007, representing an increase of RMB172 million from RMB155 million in 2006, primarily attributable to the appreciation of Renminbi against the U.S. dollar.

Share of Loss of Jointly Controlled Entities

Share of losses from jointly controlled entities decreased to RMB41 million in 2007 from RMB93 million in 2006.

Share of Profit of Associates

Share of profits of associates amounted to RMB132 million in 2007, representing an increase of RMB23 million from RMB109 million in 2006.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax amounted to RMB9,623 million in 2007, representing an increase of RMB4,109 million or 74.5% from RMB5,514 million in 2006.

Income Tax Expense

Income tax expense amounted to RMB2,049 million in 2007, representing an increase of RMB821 million or 66.9% from RMB1,228 million in 2006. The effective tax rate for the Group for 2007 decreased to 21.3% from 22.3% in 2006, mainly due to the increase in tax effect of RMB122 million from the increased non-taxable income and RMB578 million from the differences in tax rates applicable to certain domestic and foreign subsidiaries, which was partially offset by the deferred tax charge of RMB164 million attributable to the new Corporate Income Tax Law of the PRC.

Minority Interests

Minority interests amounted to RMB1,542 million in 2007, an increase of RMB455 million or 41.9% from RMB1,087 million in 2006, primarily as a result of an increase in profit from ZPMC, which is a 43.26%-owned subsidiary of the Company as at 31 December 2007 and 2006.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company in 2007 amounted to RMB6,032 million, an increase of RMB2,833 million or 88.6% from RMB3,199 million in 2006. Profit margin with respect to profit attributable to equity holders of the Company increased to 4.0% in 2007 from 2.8% in 2006.

Discussion of Segment Operations

The following table sets forth the revenue, gross profit and operating profit of the Group for the years ended 31 December 2007 and 2006.

	Revenue		**Gross profit**		**Gross profit margin**		**Operating profit[1]**		**Operating profit margin**	
	Year ended December 31,		**Year ended December 31,**		**Year ended December 31,**		**Year ended December 31,**		**Year ended December 31,**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RMB million		*RMB million*		%		*RMB million*		%	
Construction	**101,705**	76,220	**7,303**	4,878	**7.2**	6.4	**4,306**	1,932	**4.2**	2.5
% of total	**66.1**	65.5	**46.9**	41.3			**39.8**	29.3		
Design	**6,609**	5,502	**1,792**	1,653	**27.1**	30.0	**837**	863	**12.7**	15.7
% of total	**4.3**	4.7	**11.5**	14.0			**7.7**	13.1		
Dredging	**14,553**	10,450	**2,570**	1,887	**17.7**	18.1	**1,898**	1,317	**13.0**	12.6
% of total	**9.5**	9.0	**16.5**	16.0			**17.6**	20.0		
Port machinery	**23,779**	19,028	**3,343**	2,956	**14.1**	15.5	**3,499**	2,339	**14.7**	12.3
% of total	**15.5**	16.4	**21.5**	25.0			**32.4**	35.5		
Others	**7,071**	5,111	**554**	441	**7.8**	8.6	**273**	139	**3.9**	2.7
% of total	**4.6**	4.4	**3.6**	3.7			**2.5**	2.1		
Subtotal	**153,717**	116,311	**15,562**	11,815			**10,813**	6,590		
Inter-segment elimination and unallocated costs	**(3,116)**	(1,430)	**6**	0			**(227)**	(102)		
Total	**150,601**	114,881	**15,568**	11,815	**10.3**	10.3	**10,586**	6,488	**7.0**	5.6

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

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the years ended 31 December 2007 and 2006.

	Year ended 31 December	
	2007	2006
	RMB million	*RMB million*
Revenue	**101,705**	76,220
Cost of sales	**(94,402)**	(71,342)
Gross profit	**7,303**	4,878
Selling and marketing expenses	**(22)**	(54)
Administrative expenses	**(3,301)**	(3,063)
Other income, net[(1)]	**326**	171
Segment result	**4,306**	1,932
Depreciation and amortisation	**1,300**	1,196

(1) Other income, net in the Group's segment discussion reflects other income, expenses and other gains/(losses), net combined.

Revenue. Revenue from the infrastructure construction business in 2007 was RMB101,705 million, an increase of RMB25,485 million, or 33.4%, as compared with RMB76,220 million in 2006, primarily due to an increase in the aggregate value of projects undertaken by the Group, driven by demand for the Group's services as a result of the continuous growth in infrastructure expenditure by the Group's domestics and overseas customers. The value of new contracts entered into for the infrastructure construction business in 2007 was RMB169,652 million, an increase of RMB64,438 million or 61.2%, as compared with RMB105,214 million in 2006. No single project accounted for more than 5% of the Group's total revenue in 2007 or 2006.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2007 was RMB94,402 million, an increase of RMB23,060 million or 32.3%, as compared with RMB71,342 million in 2006. Cost of sales as a percentage of revenue decreased from 93.6% in 2006 to 92.8% in 2007, primarily as a result of the Group's increasing economies of scale, and cost control over raw materials and employee benefits, although as the growth in the Group's business outpaced the growth in its capacity, subcontracting costs incurred by certain of the subsidiaries of the Group's infrastructure construction business increased in 2007.

Gross profit from the infrastructure construction business in 2007 was RMB7,303 million, an increase of RMB2,425 million, or 49.7%, as compared with RMB4,878 million in 2006. Gross profit margin increased to 7.2% in 2007 as compared to 6.4% in 2006.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2007 were RMB22 million, a decrease of RMB32 million, or 59.3%, as compared with RMB54 million in 2006 primarily due to the Group's increasing economies of scale.

Administrative expenses. Administrative expenses for the infrastructure construction business in 2007 were RMB3,301 million, an increase of RMB238 million, or 7.8%, as compared with RMB3,063 million in 2006, primarily due to the increase in employee benefits and provisions for impairment of trade and other receivables. Administrative expenses as a percentage of revenue decreased from 4.0% in 2006 to 3.2% in 2007 as a result of the Group's efficient management initiative and increasing economies of scale.

Other income, net. Other income, net for the infrastructure construction business increased by RMB155 million from RMB171 million in 2006 to RMB326 million in 2007.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2007 was RMB4,306 million, an increase of RMB2,374 million, or 122.9%, as compared with RMB1,932 million in 2006. Segment result margin increased to 4.2% in 2007 as compared to 2.5% in 2006.

Infrastructure Design Business

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

The following table sets out the principal profit and loss information for the infrastructure design business for the years ended 31 December 2007 and 2006.

	Year ended 31 December	
	2007	2006
	RMB million	*RMB million*
Revenue	**6,609**	5,502
Cost of sales	**(4,817)**	(3,849)
Gross profit	**1,792**	1,653
Selling and marketing expenses	**(81)**	(93)
Administrative expenses	**(887)**	(787)
Other income, net(1)	**13**	90
Segment result	**837**	863
Depreciation and amortisation	**111**	104

(1) Other income, net in the Group's segment discussion reflects other income, expenses and other gains/(losses), net combined.

Revenue. Revenue from the infrastructure design business in 2007 was RMB6,609 million, an increase of RMB1,107 million, or 20.1%, as compared with RMB5,502 million in 2006. This increase was primarily attributable to an increase in the aggregate value of design contracts, including comprehensive contracts. An increase in the aggregate value of design contracts was primarily due to growing infrastructure expenditure by the Group's domestic and overseas customers and the increase in the number of the Group's overseas customers, as well as higher demand for the Group's specialised design skills and experience in complex projects. The value of new contracts entered into for the infrastructure design business in 2007 was RMB8,528 million, an increase of RMB1,660 million, or 24.2%, as compared with RMB6,868 million in 2006.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2007 was RMB4,817 million, an increase of RMB968 million, or 25.1%, as compared with RMB3,849 million in 2006. Cost of sales as a percentage of revenue increased from 70.0% in 2006 to 72.9% in 2007, primarily due to an increase in subcontracting costs arising from an increase in some of the construction projects undertaken by the infrastructure design business.

Gross profits from the infrastructure design business in 2007 was RMB1,792 million, an increase of RMB139 million or 8.4%, as compared with RMB1,653 million in 2006. Gross profit margin for the infrastructure design business decreased to 27.1% in 2007 as compared to 30.0% in 2006.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2007 were RMB81 million, a decrease of RMB12 million, or 12.9%, as compared with RMB93 million in 2006.

Administrative expenses. Administrative expenses for the infrastructure design business in 2007 were RMB887 million, an increase of RMB100 million, or 12.7%, as compared with RMB787 million in 2006, primarily due to the increase in employee benefit costs. Administrative expenses as a percentage of revenue decreased from 14.3% in 2006 to 13.4% in 2007, as the scale of the Group increases.

Other income, net. Other income, net for the infrastructure design business in 2007 was RMB13 million, a decrease of RMB77 million, as compared with RMB90 million in 2006.

Segment result. As a result of the above, segment result for the infrastructure design business in 2007 was RMB837 million, a decrease of RMB26 million or 3.0%, as compared with RMB863 million in 2006. Segment result margin decreased to 12.7% in 2007 as compared to 15.7% in 2006.

Dredging Business

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

The following table sets out the principal profit and loss information for the dredging business for the years ended 31 December 2007 and 2006.

	Year ended 31 December	
	2007	2006
	RMB million	*RMB million*
Revenue	**14,553**	10,450
Cost of sales	**(11,983)**	(8,563)
Gross profit	**2,570**	1,887
Selling and marketing expenses	**(18)**	(25)
Administrative expenses	**(741)**	(637)
Other income, net[(1)]	**87**	92
Segment result	**1,898**	1,317
Depreciation and amortisation	**450**	400

(1) Other income, net in the Group's segment discussion reflects other income, expenses and other gains/(losses), net combined.

Revenue. Revenue from the dredging business in 2007 was RMB14,553 million, an increase of RMB4,103 million, or 39.3%, as compared with RMB10,450 million in 2006. The increase in revenue was primarily attributable to increased port development and coastal line reclamation activities in the PRC, which led to higher demand for the Group's dredging services, the Group's more prominent market position and stronger bargaining power. The value of new contracts entered into for the dredging business in 2007 was RMB18,214 million, an increase of RMB6,822 million, or 59.9%, as compared with RMB11,392 million in 2006.

Cost of sales and gross profit. Cost of sales for the dredging business in 2007 was RMB11,983 million, an increase of RMB3,420 million, or 39.9%, as compared with RMB8,563 million in 2006. Cost of sales as a percentage of revenue for the Group's dredging business in 2007 increased to 82.3% as compared to 81.9% in 2006 primarily due to the increase in subcontracting costs incurred by the Group's subsidiaries which are engaged in the dredging business.

Gross profit from the dredging business in 2007 was RMB2,570 million, an increase of RMB683 million or 36.2%, as compared with RMB1,887 million in 2006. Gross profit margin for the dredging business decreased to 17.7% in 2007 as compared to 18.1% in 2006 primarily due to the increase in subcontracting costs incurred by the Group's subsidiaries engaged in the dredging business, which was partially offset by the benefit of the economies of scale.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2007 were RMB18 million, a decrease of RMB7 million, or 28.0%, as compared with RMB25 million in 2006.

Administrative expenses. Administrative expenses for the dredging business in 2007 were RMB741 million, an increase of RMB104 million, or 16.3%, as compared with RMB637 million in 2006. Administrative expenses as a percentage of revenue decreased from 6.1% in 2006 to 5.1% in 2007, primarily due to the benefit of increasing economies of scale.

Other income, net. Other income, net for the dredging business in 2007 was income of RMB87 million, a decrease of RMB5 million, as compared with income of RMB92 million in 2006.

Segment result. As a result of the above, segment result for the dredging business in 2007 was RMB1,898 million, an increase of RMB581 million, or 44.1%, as compared with RMB1,317 million in 2006. Segment result margin increased to 13.0% in 2007 as compared to 12.6% in 2006.

Port Machinery Manufacturing Business

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

The following table sets out the principal profit and loss information for the port machinery manufacturing business for the years ended 31 December 2007 and 31 December 2006.

	Year ended 31 December	
	2007	2006
	RMB million	*RMB million*
Revenue	**23,779**	19,028
Cost of sales	**(20,436)**	(16,072)
Gross profit	**3,343**	2,956
Selling and marketing expenses	**(57)**	(46)
Administrative expenses	**(694)**	(511)
Other income/(expenses), net[(1)]	**907**	(60)
Segment result	**3,499**	2,339
Depreciation and amortisation	**521**	460

(1) Other income/(expenses), net in the Group's segment discussion reflects other income, expenses and other gains/(losses), net combined.

Revenue. Revenue from the port machinery manufacturing business in 2007 was RMB23,779 million, an increase of RMB4,751 million, or 25.0%, as compared with RMB19,028 million in 2006. This increase reflects the increasing market demand for the Group's products, such as port machinery and heavy marine machinery, driven by the growth in global container transportation. The value of new contracts entered into for the port machinery manufacturing business in 2007 was RMB30,068 million, an increase of RMB4,200 million, or 16.2%, as compared with RMB25,868 million in 2006.

Cost of sales and gross profit. Cost of sales for the port machinery manufacturing business in 2007 was RMB20,436 million, an increase of RMB4,364 million, or 27.2%, as compared with RMB16,072 million in 2006, primarily due to an increase in revenue. Cost of sales as a percentage of revenue increased to 85.9% in 2007 as compared to 84.5% in 2006 primarily due to the increase in steel and other raw material costs and fuel costs.

Gross profit from the port machinery manufacturing business in 2007 was RMB3,343 million, an increase of RMB387 million or 13.1%, as compared with RMB2,956 million in 2006. Gross profit margin decreased to 14.1% in 2007 as compared to 15.5% in 2006.

Selling and marketing expenses. Selling and marketing expenses for the port machinery manufacturing business in 2007 were RMB57 million, an increase of RMB11 million, as compared with RMB46 million in 2006.

Administrative expenses. Administrative expenses for the port machinery manufacturing business in 2007 were RMB694 million, an increase of RMB183 million, or 35.8%, as compared with RMB511 million in 2006, primarily due to the increased spending on research and development and employee benefits in relation to technical personnel, partially offset by the Group's increasing economies of scale. Administrative expenses as a percentage of revenue for the port machinery manufacturing business increased from 2.7% in 2006 to 2.9% in 2007.

Other income/(expenses), net. Other income/(expenses), net for the port machinery manufacturing business in 2007 was income of RMB907 million, as compared with expenses of RMB60 million in 2006. In connection with the 2010 World Expo in Shanghai, one of the Company's subsidiaries received compensation from the Bureau of Shanghai Expo Coordination for the costs of relocating production facilities and losses from relocation-caused disruption in operations. Approximately RMB744 million of the compensation has been recognised as other income for the year ended 31 December 2007.

Segment result. As a result of the above, segment result for the port machinery manufacturing business in 2007 was RMB3,499 million, an increase of RMB1,160 million, or 49.6%, as compared with RMB2,339 million in 2006. Segment result margin increased to 14.7% in 2007 as compared to 12.3% in 2006.

Liquidity and Capital Resources

The Group's business requires a significant amount of working capital to finance the purchase of raw materials and the performance of engineering, construction and other work on projects before payment is received from clients. The Group historically met its working capital and other capital requirements principally from cash generated from operating activities, while the balance of the requirements was primarily financed through borrowings. As at 31 December 2007, the Company had unutilised credit facilities in the amount of RMB98,198 million. The Group has also supplemented its financial resources with proceeds raised from its initial public offering in December 2006 and the Group's access to financial markets since its public listing has provided additional financing flexibility.

Cash Flow Data

The following table presents selected cash flow data from the Company's consolidated cash flow statements for 2007 and 2006.

	Year ended 31 December	
	2007	2006
	RMB million	*RMB million*
Net cash generated from operating activities	**1,597**	3,495
Net cash used in investment activities	**(15,556)**	(8,032)
Net cash generated from financing activities	**5,762**	24,606
Net (decrease)/increase in cash and cash equivalents	**(8,197)**	20,069
Cash and cash equivalents at beginning of the year	**30,793**	10,797
Exchange losses on cash and cash equivalents	**(123)**	(73)
Cash and cash equivalents at end of the year	**22,473**	30,793

Cash flow from operating activities

In 2007, net cash generated from operating activities decreased to RMB1,597 million from RMB3,495 million in 2006. This decrease of RMB1,898 million or 54.3% was primarily due to the increase in changes in working capital in 2007.

Cash generated from operations before changes in working capital in 2007 amounted to RMB12,042 million representing an increase of RMB3,023 million or 33.5% as compared to RMB9,019 million in 2006. Changes in working capital in 2007 amounted to RMB7,813 million representing an increase of RMB4,354 million or 125.9% from RMB3,459 million in 2006. This substantial increase in working capital was primarily due to substantial increase in trade and other receivables and inventories. Addition to trade and other receivables in 2007 amounted to RMB16,017 million, representing an increase of RMB6,551 million or 69.2% as compared to RMB9,466 million in 2006, which resulted from the Group's increased BT ("Build and Transfer") projects and prepayments for steel and other raw materials. The amount of increase due to BT projects in 2007 was RMB4,115 million, an increase of RMB3,297 million from 2006. Addition to inventories in 2007 amounted to RMB1,844 million representing an increase of RMB1,496 million or 429.9% as compared to RMB348 million in 2006, which resulted from the increase in steel required by ZPMC and certain subsidiaries of the Company's infrastructure construction business.

Cash flow from investing activities

Net cash used in investing activities in 2007 was RMB15,556 million as compared with RMB8,032 million in 2006. The increase of RMB7,524 million, or 93.7% was primarily due to increases in purchases of property, plant and equipment, investment in intangible assets, lease prepayments and additional investments in associates. In 2007, the Group's purchase of property, plant and equipment, including purchase of equipment and vessels for ZPMC, as well as the Group's dredging business and infrastructure construction business, amounted to RMB9,655 million, an increase of RMB2,588 million from 2006. The Group's investment in intangible assets, principally BOT projects, amounted to RMB2,613 million in 2007, an increase of RMB1,271 million from 2006. Increase in lease prepayments in 2007 amounted to RMB1,933 million, an increase of RMB1,873 million from 2006, primarily due to land purchases by the Group's port machinery manufacturing business. Additional investments in associates in 2007 were RMB1,798 million, which resulted from the Group's investment in a 17.54% stake in the Tai Yuan — Zhong Wei — Yin Chuan Railway Co., Ltd., represented an increase of RMB1,779 million from 2006.

Cash flow from financing activities

Net cash generated from financing activities in 2007 amounted to RMB5,762 million as compared to RMB24,606 million in 2006. The decrease was primarily due to the one off proceeds received from the Company's initial public offering of RMB17,878 million in December 2006 which was partially offset by an increase of RMB2,589 million in additional investments from minority shareholders of subsidiaries. Investments from minority shareholders of subsidiaries amounted to RMB2,684 million in 2007 due to the follow-on offering completed by ZPMC in 2007.

Capital Expenditure

The Group's capital expenditure principally comprises expenditure from purchases of equipment, vessels, land and property and investment in BOT projects. The following table set forth the Group's capital expenditure by business for the years ended 31 December 2007 and 2006.

	Year ended 31 December	
	2007	2006
	RMB million	*RMB million*
Infrastructure construction business	**5,774**	3,591
— BOT projects	**2,580**	1,326
Infrastructure design business	**237**	271
Dredging business	**2,401**	1,293
Port machinery manufacturing business	**5,473**	3,241
Other	**437**	100
Total	**14,322**	8,496

Capital expenditure in 2007 was RMB14,322 million, as compared to RMB8,496 million in 2006. The increase of RMB5,826 million or 68.6% was primarily due to the purchase of equipment and vessels for the Group's infrastructure construction business, dredging business and port machinery manufacturing business, land purchases for the Group's port machinery manufacture business and further investments in BOT projects by the Group's infrastructure construction business.

Trade receivable and trade payable

The following table sets forth the turnover of the Group's average trade receivable and average trade payable for the years ended 31 December 2007 and 2006.

	Year ended 31 December	
	2007	2006
	Number of Days	*Number of Days*
Turnover of average trade and bills receivable(1)	**53**	52
Turnover of average trade payable and bills payable(2)	**85**	78

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

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

The Group's turnover of trade and bills receivable remained stable in 2007. The following table sets forth an aging analysis of trade and bills receivables as at 31 December 2007 and 2006.

	Year ended 31 December	
	2007	2006
	RMB million	*RMB million*
Less than 6 months	**20,397**	15,791
6 months to 1 year	**2,634**	2,622
1 year to 2 years	**1,924**	1,276
2 years to 3 years	**699**	384
Over 3 years	**1,047**	990
Total	**26,701**	21,063

The Group's credit terms with its customers in 2007 remained the same as 2006. Management closely monitors the recovery of the Group's overdue trade and bills receivables on a regular basis, and, when appropriate, makes for impairment provision for these trade and bills receivables. As at 31 December 2007, the Group had a provision for impairment of RMB2,054 million, as compared with RMB1,775 million as at 31 December 2006.

The following table sets forth an aging analysis of trade and bills payables as at 31 December 2007 and 2006.

	Year ended 31 December	
	2007	2006
	RMB million	*RMB million*
Within 1 year	**34,935**	24,107
1 year to 2 years	**1,449**	1,333
2 years to 3 years	**295**	210
Over 3 years	**173**	206
Total	**36,852**	25,856

The Group's credit terms with its suppliers in 2007 remained the same as 2006. Payments to suppliers and subcontractors may be delayed as a result of delays in settlement from the Group's customers. Nevertheless, there have been no material disputes arising from the non-timely payment of outstanding balances under the Group's supplier contracts or contracts with subcontractors.

Retentions

The following table sets forth the fair value of the retentions as at 31 December 2007 and 2006.

	Year ended 31 December	
	2007	2006
	RMB million	*RMB million*
Current	**2,469**	2,010
Non-current	**2,513**	1,354
Total	**4,982**	3,364

Indebtedness

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2007 and 2006.

	Year ended 31 December	
	2007	2006
	RMB million	*RMB million*
Total Borrowings		
— Within 1 year	**21,828**	22,098
— Between 1 year and 2 years	**3,621**	2,350
— Between 2 years and 5 years	**5,873**	3,617
Wholly repayable within 5 years	**31,322**	28,065
— Over 5 years	**3,139**	2,624
Total	**34,461**	30,689

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Euro, Hong Kong dollars and Japanese Yen. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 31 December 2007 and 2006.

	Year ended 31 December	
Total Borrowings	**2007**	2006
	RMB million	*RMB million*
Renminbi	**19,933**	19,050
U.S. dollar	**10,659**	7,264
Hong Kong dollar	**506**	620
Japanese yen	**1,108**	1,494
Euro	**2,219**	2,261
Others	**36**	—
Total	**34,461**	30,689

The Group's gearing ratio, calculated as net debt divided by total capital, in 2007 was 18.2%. As at 31 December 2006, the Group had a net cash of RMB104 million after completing its initial public offering in December 2006.

Contingent Liabilities

The Group has contingent liabilities with respect to legal claims arising from the ordinary course of business.

	Year ended 31 December	
	2007	2006
	RMB million	*RMB million*
Pending lawsuits(1)	**309**	134
Outstanding loan guarantees(2)	**196**	283
Total	**505**	417

(1) The Group has been named in a number of lawsuits arising in the ordinary course of business. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the probability of loss is remote.

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

Market Risks

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

Interest rate risk

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

The Group's exposure to changes in interest rates is mainly attributable to the Group's borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2007 and 2006, approximately RMB17,144 million and RMB20,587 million of the Group's borrowings were at fixed rates.

Foreign exchange risk

The Group's functional currency of a majority of the entities within the Group is Renminbi with most of the Group's transactions settled in Renminbi. The Group uses, however, foreign currencies to settle the Group's invoices from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. In addition, a significant proportion of the Group's bank borrowings are denominated in foreign currencies, particularly the U.S. dollar, the Euro and the Japanese Yen. Renminbi is not freely convertible into other foreign currencies and conversion of the Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against the U.S. dollar. As at 31 December 2007, Renminbi had appreciated by approximately 9.6% against the U.S. dollar since July 2005. The PRC government may in the future make further adjustments to the exchange rate system. When Renminbi appreciates, the value of foreign currency denominated assets will decline against Renminbi.

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

During the years ended 31 December 2007 and 2006, certain subsidiaries within the Group used foreign currency forward contracts for transaction with domestic and overseas registered banks, to hedge the Group's exposure to foreign currency risk on individual transactions primarily vis-à-vis U.S. dollar, the Euro and Japanese Yen.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year 2007.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has made specific inquiry with all of its Directors and Supervisors. Each of the Directors and Supervisors has confirmed his compliance with the requirements set out in the Model Code for the year ended 31 December 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2007.

DISTRIBUTIONS AND DIVIDENDS

The Board has proposed a final dividend of RMB0.088 per share (totalling approximately RMB1,304.6 million which represents approximately 27% of the Company's distributable profits for the year ended 31 December 2007, which is subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 18 June 2008. The final dividends will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 18 June 2008.

AUDIT COMMITTEE

The members of the audit committee of the Company's Board include Mr. KOO Fook Sun, Louis, Mr. LU Hongjun and Mr. CHAO Tien Yo. The audit committee has reviewed the annual results of the Company.

ANNUAL GENERAL MEETING

The 2007 annual general meeting of the Company will be held on 18 June 2008 in Hong Kong. For further details of the annual general meeting, please refer to the Notice of Annual General Meeting, which will be despatched in due course.

AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were appointed as the international and domestic auditors of the Company for the year ended 31 December 2007, respectively. The financial figures in this announcement in respect of the preliminary consolidated results for the year ended 31 December 2007 have been agreed by PricewaterhouseCoopers to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2007. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 May 2008 to 18 June 2008 (both days inclusive) and during that period no transfer of shares will be registered. In order to qualify for the final dividends and be eligible to attend the 2007 annual general meeting of the Company, all transfer documents must be lodged, together with the relevant share certificates, with Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 16 May 2007.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2007 which contains all the information required by the Listing Rules including audited financial statements will be despatched to shareholders by 30 April 2008 and will be published on the website of the Hong Kong Stock Exchange and on the website of the Company (www.cccltd.cn).

By order of the Board
China Communications Construction Company Limited
ZHOU Jichang
Chairman

Beijing, the PRC, 8 April 2008

As at the date of this announcement, the Directors of the Company are ZHOU Jichang, MENG Fengchao, FU Junyuan, LU Hongjun#, YUAN Yaohui, CHAO Tien Yo# and KOO Fook Sun, Louis#.

\# *Independent non-executive Director*