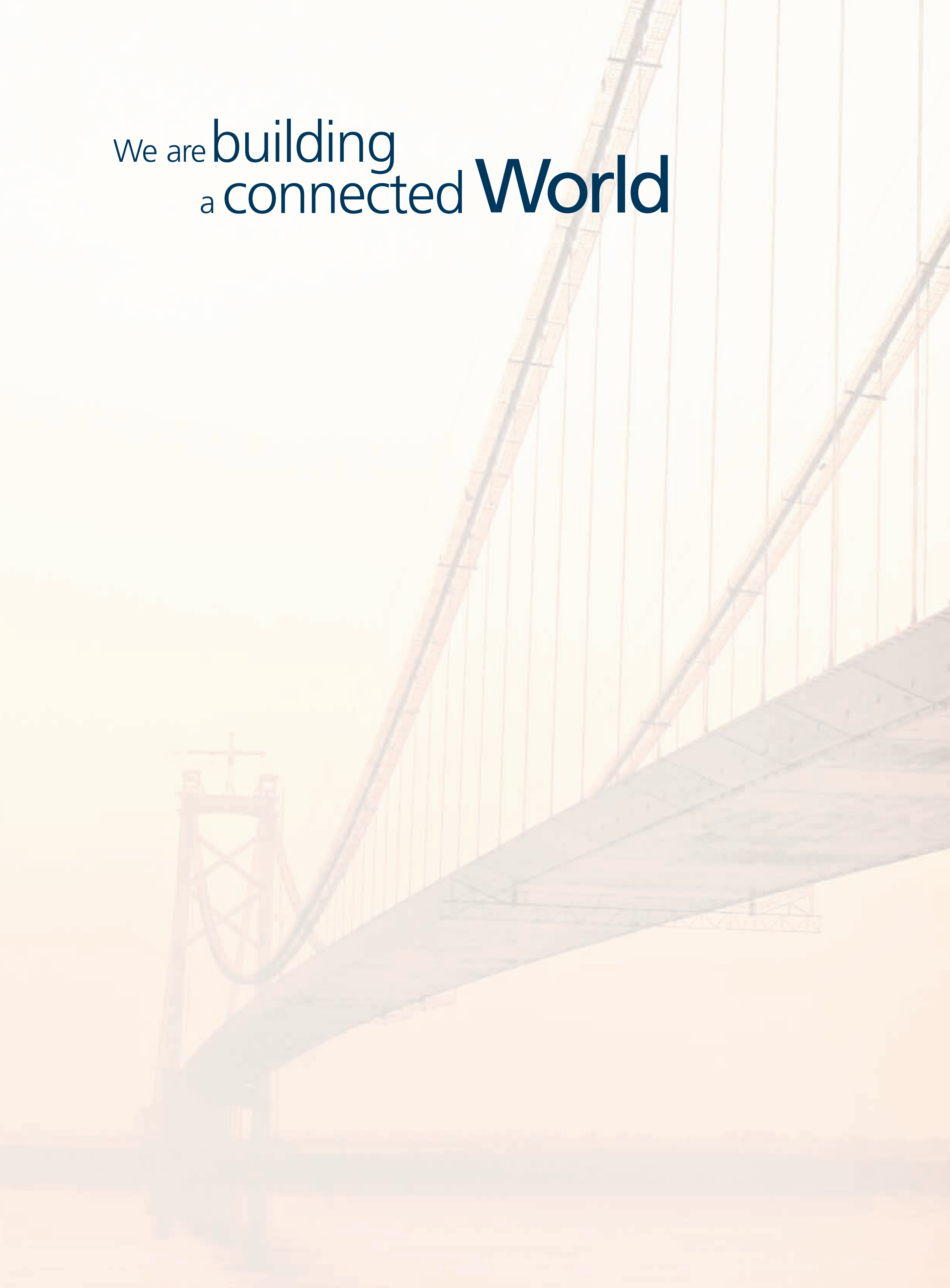
Annual Report 2007

CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

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

(Stock Code: 1800)

We are building a connected World



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Corporate Profile

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

The Company and its subsidiaries (collectively the "Group") are principally engaged in the construction and design of transportation infrastructure, dredging and port machinery manufacturing business. It is the largest port construction and design company in China, a leading company in road and bridge construction and design, and the largest dredging company in China and the third largest dredging company (in terms of dredging capacity) in the world. The Company is also the world's largest container crane manufacturer. The Company currently has 40 wholly-owned or controlled subsidiaries.

Through participation in various milestone construction projects, the Company has made significant contribution to the transportation infrastructure industry in the PRC, and has set several records as well as been recognised as a "top player" in the history of port and bridge construction in not only the PRC but also the rest of Asia and around the world. The Company has been involved in the design and construction of a significant number of large and medium-sized ports and navigation channels along China's coast and inland rivers, major first-class expressways, as well as large and mega bridges and tunnels. The Company's container crane business accounted for more than 70% of the global market share in terms of units ordered in 2007, with products penetrating into 64 countries and regions.

The Company has actively participated in the international market as a construction contractor. It has established an eminent reputation in South East Asia, Africa, Middle East and America for the past 20 years. It has been included in the Engineering News Records ("ENR")' list of the world's top 225 international contractors since 1992 consecutively and ranked the first among the Chinese enterprises in the ENR list in 2007 in terms of revenue from overseas projects.

The Company has been committed to its brand development strategy and technological innovation, which has attracted talent. The Company retains three members of the Chinese Academy of Engineering, one National Reconnaissance Master, 12 National Design Masters and many other senior engineers and experts. The Company also has advanced technologies, research and development capabilities and equipment and owns 10 national design institutes, two national science and research centres and six key laboratories holding various scientific achievements and self-developed intellectual property rights with international standards. In the past 10 years, the Company has won more than 140 awards including the "National Award for Science and Technology Progress", "China Construction Project Luban Award", "China Civil Engineering Zhantianyou Award", and "National High Quality Prize".

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

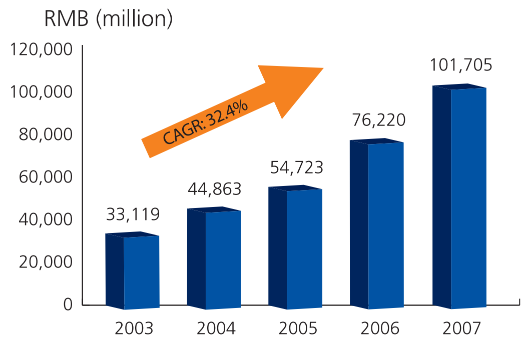
The Company is committed to developing its transportation infrastructure business in the PRC and abroad as well as to providing its customers with high quality services and products by consistently pursuing its corporate mission of "trustworthy service to clients, high quality returns to shareholders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

Financial Highlights

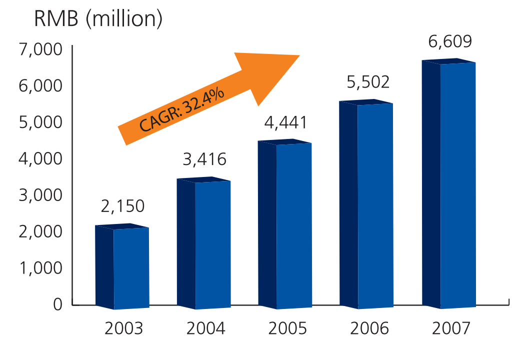
	2007	2006	2006-2007 change (%)
For the year ended 31 December *(RMB million)*			
Revenue	**150,601**	114,881	↑ 31.1
Profit for the year	**7,574**	4,286	↑ 76.7
Profit attributable to equity holders of the Company	**6,032**	3,199	↑ 88.6
As at 31 December *(RMB million)*			
Total assets	**167,397**	126,952	↑ 31.9
Total liabilities	**113,435**	90,225	↑ 25.7
Capital and reserves attributable to equity holders of the Company	**45,145**	31,825	↑ 41.9
Minority interests	**8,817**	4,902	↑ 79.9
Per share *(RMB)*			
Earnings per share	**0.41**	0.29	↑ 41.4
Equity attributable to equity shareholders per share	**3.05**	2.15	↑ 41.9

Segment Revenue for Major Businesses

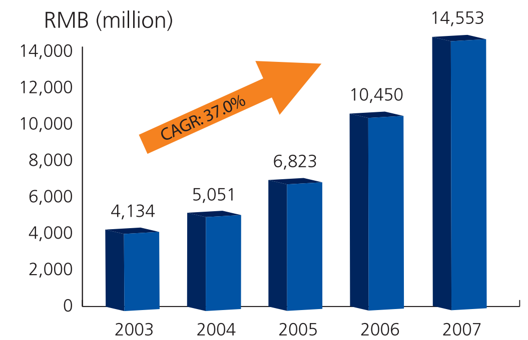
Infrastructure Construction Business



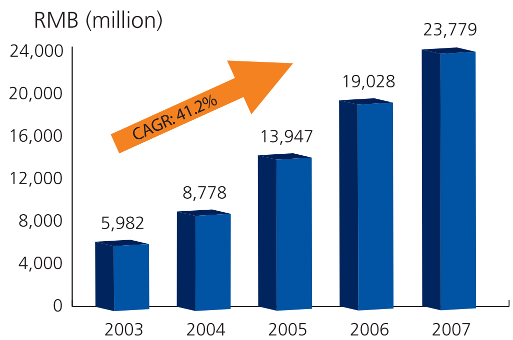
Infrastructure Design Business



Dredging Business



Port Machinery Manufacturing Business



Segment Revenue is before elimination of inter-segment transactions.

Chairman's Statement

Chairman
Zhou Jichang

Dear Shareholders,

I am pleased to present to you the annual report of the Company for year 2007 on behalf of the Board.

In 2007, the Company's management, with the support of the shareholders of the Company, led the entire employees for the Company's development. With their continuous dedication and innovation, the Company made a leap in development. The Company continued its rapid growth momentum and achieved a record performance in its main operations, making it one of the PRC construction enterprises achieving highest economic efficiency. Meanwhile, the Company's stock price performed well. The closing price of the Company's stock on 31 December 2007 increased by 345% compared to the initial offering price. On the same date, the market value of public float amounted to HK$90.5 billion and the total market capitalisation of the Company amounted to HK$303.2 billion.

In 2007, the Company received a number of honours and awards, such as the first prize of the "National Award for Science and Technology Progress", "Special Prize for Technology and Innovation", "Most Trustworthy Company in the PRC Award" and the "Award for PRC Enterprise with the Highest Core Competitiveness". The Company was ranked the 10th among the Top 100 PRC Listed Companies by FORTUNE Magazine and was also ranked the 14th among the largest international contractors in the world by ENR (No. 1 among PRC contractors in terms of revenue from overseas projects). Moreover, the Company was ranked 27th among the Top 500 PRC Enterprises.

1. Financial Results

In 2007, the Company sustained a steady growth by various financial indicators. Revenue for the year amounted to RMB150,601 million, representing a year-on-year ("YOY") increase of 31.1%. Profit attributable to equity holders of the Company amounted to RMB6,032 million, representing a YOY increase of 88.6%. Earnings per share amounted to RMB0.41, representing a YOY increase of 41.4%. The value of new contracts signed during the year amounted to RMB234,265 million, representing a YOY increase of 52.2%.

2. Business Development

In 2007, leveraging on its integrated business model, the Company utilised the synergy between its business segments and provided its customers with quality services and products at each stage of infrastructure projects. The Company's core businesses, namely infrastructure construction, infrastructure design, dredging and port machinery manufacturing, maintained continuous growth and the Company was able to maintain its leading position in the PRC infrastructure industry.

Our infrastructure construction business achieved a steady growth during the year. The Company signed a large number of new construction contracts in respect of national key ports, roads and bridges. The key projects under construction were well progressed and a number of infrastructure projects of leading international standards, including Shenzhen Dachanwan Container Terminal, Caofeidian Coal Terminal, Suzhou-Nantong Yangtze River Highway Bridge and Hangzhou Bay Cross-sea Bridge, were completed. The Company continued its dominant position in port construction and its leading position in technology applied in large-scale bridge and high-grade road construction projects in the domestic market.

Our infrastructure design business achieved a continuous growth and maintained its leading position in the PRC market. Meanwhile, our infrastructure design business made breakthroughs in overseas markets and its overseas operations grew at a faster pace, initially accomplishing its objectives of exporting technology to foreign countries.

Our dredging business achieved strong development and maintained its rapid growth. The replacement and upgrade programme for dredging vessel equipment was well underway. Dredging vessels with quality of leading international standards were delivered in batches and put into operation. The Company's dominant position in the PRC dredging market was further strengthened.

Chairman's Statement

Our port machinery manufacturing business grew steadily and maintained its leading position in the international markets. ZPMC continued to maintain its leading international standards with product presence in 64 countries and regions around the world. The extended operation of port machinery manufacturing made new progress and successfully entered into the markets of heavy marine machinery, steel structure as well as automatic loading and unloading system for container terminals.

While consolidating the leading position in its existing business, the Company vigorously adopted diversified strategies to expand its scale and enhance its economic efficiency. It extended its operations to other related areas and significant achievements were made in overseas expansion. Our overseas operations achieved a rapid growth and the value of newly signed contracts increased significantly, which was the highlight of the Company's business development in 2007. The Company also made great achievements in the railway construction market by winning the bid for the Harbin-Dalian PDL Project, making us one of the three backbone enterprises of railway construction in China. Our BT and BOT projects progressed smoothly and achieved remarkable results, which drove the growth of the Company's principal businesses and enhanced its profitability.

3. Management

In 2007, the Company further strengthened its management and adopted a more scientific and systematic approach. The Company prepared its development plan for 2007-2010, which detailed the strategic objectives for our overall development. The Company also launched the "Year of Efficient Management" for the comprehensive management of the Company starting from target management. The Company improved each aspect of corporate management and strived to increase revenue, reduce costs, broaden sources of income and control costs, which helped to achieve remarkable results. The Company further strengthened its fundamental management, enhanced its ability of management and control, established an integrated management system and improved various aspects of the management system. By doing this, we created a corporate environment in which there were clearer guidelines and rules to follow. We established a remuneration and performance evaluation system for the management and employees to motivate them. We also enhanced the technological innovation system and breakthroughs were made in key and core technologies. We own the intellectual property rights of a number of technologies which have been applied in our engineering construction. Moreover, the Company further strengthened its production safety management and achieved nil major accidents on production safety, water transport, fire and environmental pollution during the year.

While realising its business achievement, the Company well performed its duties as a corporate citizen. The Company, honestly and integratedly, followed laws and regulations, acted in line with social and commercial morality and industrial practice, protected intellectual property rights, discouraged improper competitions and avoided corruptions in its commercial activities. The Company endeavoured to saving resources and energy, protecting the environment and respecting the prevalent customs and social practices. The Company actively participated in the construction for the forthcoming Beijing Olympic Games. The pier for the Qingdao International Marina Centre for the XXIX Olympiad constructed by the Company was delivered and put into operation on schedule. We are honoured to contribute to the success of the Beijing 2008 Olympic Games.

4. Outlook

In 2008, the PRC government is expected to implement a more conservative financial policy and contractionary monetary policy and to strengthen the level of macroeconomic control in order to prevent the economic growth shifting from rapid to overheat, to control rise in prices and to maintain the economic growth within a reasonable level. In view of the domestic market development, it is expected that the PRC government will adopt a combination of measures to solve different economic problems during its macroeconomic control. It is also expected that priority will continue to be given to the development of the transportation industry, investment in transportation infrastructure will remain at a high level and the total number of constructions and projects in the PRC market will maintain its steady growth. Furthermore, it is expected that road networks and port construction will be further improved, construction of railways and metropolitan railways will be accelerated, and the quality of transportation infrastructure and hazard resistance standards will be raised. Constructions of large-scale specialised ports for coal, oil, ore and containers as well as deepwater navigation channels at ports may be further accelerated. Constructions of coastal industrial zones, land reclamations, dredging and reclamation works may progress at a faster pace. A number of mega cross-sea bridges, such as Hong Kong-Zhuhai-Macau Bridge, will commence construction soon. We believe the railway construction market will enter into a golden period with significant amounts of investment. Municipal construction market, such as construction of metropolitan roads and subways, is expected to continue to increase.

From the perspective of the international market, the sub-prime mortgage crisis in the United States will probably slow down the global economic growth. However, the global construction market is expected to maintain its growth, especially in the existing markets of the Company such as Asia, Africa and South America. Certain countries in these regions are undergoing unconventional development, with a rapid growth in the infrastructure construction market at a rate faster than the average growth rate in the world. Along with the growth of China's economic strength, the extent of economic cooperation between China and foreign countries and the size of investment are expected to continue to expand and the number of the projects under government cooperation frameworks may correspondingly increase.

We think that both domestic and overseas overall macroeconomic conditions and market conditions will be favourable to the Company in 2008. However, rising costs of energy, raw materials and wages will pose challenges to the Company and our operations will face greater pressure.

In 2008, the Company will increase its effort to adjust asset structure, optimise resources allocation and efficiently integrate business. The Company will continue to commit to maximising synergies of its existing and potential assets and resources, so as to improve operation quality and profitability. Specifically, the Company will continue to increase its investment in dredging and port machinery manufacturing businesses. The Company 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 Company will be dedicated to fostering and developing the new investment business. The Company intends to launch investment in land development business and develop currently owned land in an integrated way, with a view to maximising synergy and profit. At the same time, the Company is also keen to consolidate the traditional markets and maintain its leading position. In this respect, the Company 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 Company also plans to accelerate the integration of its port machinery manufacturing business, in particular to resolve the intra-group competition in order to achieve a more efficient allocation of the Company's internal resources and maximise economic returns. Meanwhile, the Company will try to vigorously implement an aggressive overseas strategy to capture the emerging opportunities in such markets, and the Company intends to achieve this by increasing its investments in overseas markets and making full use of internal resources to expand the scope of its overseas operation and to diversify source of business and revenue. Aiming to find a new source of growth, the Company 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 Company will further strengthen its corporate management and improve management level with an aim to "boost gross margin and optimise efficiency". The Company will emphasise project management and try to maximise project returns by implementing more precise management and stricter cost control. The Company will also further perfect its outsourcing system in the effort to cut outsourcing costs, implement centralised procurement to lower raw material procurement costs and reduce the risk of raw material price escalation. Furthermore, the Company strives to improve its overall budget management and increase economic benefit by reducing non-productive expenditures and energy consumption. The Company will streamline internal operation so as to leverage its bargaining power with suppliers. Furthermore, the Company will endeavour to improve internal control process and establish a more comprehensive risk management system to minimise operational, financial as well as legal risks.

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

The Company will further improve its technology innovation system, strive to achieve technological breakthroughs in the core, specialised and advanced technologies in a bid to reach a new height in its technological level, strengthen its core competitiveness, as well as to maintain and continuously strengthen the Company's leading position in technology applied in construction of ports, roads and bridges and port machinery manufacturing.

The Company recognises the importance of human resources to our success and will devote more resources in this area. Various measures will be taken to nourish and attract talents to meet the needs for more professionals during our course of rapid development.

The Company will do its part of being a good corporate citizen by further enhancing its safety standards, putting more efforts in environmental protection, energy conservation and reduction of emission, performing its social responsibilities and laying foundation for development in the coming year.

I believe that with our endurance in implementing various measures for the Company's development and relentless efforts in enhancement of corporate management, the Company will achieve more fruitful results in 2008 to provide more value to our shareholders.

Lastly, I would like to take this opportunity to express my heartfelt gratitude to all shareholders and all walks of life in the society who gave their continuous support to the Company's development, and to all employees for their dedication and diligence throughout the year.

Zhou Jichang
Chairman

Beijing, the PRC
14 April 2008

Business Overview

As a leading transportation infrastructure group in the PRC, the Company is an industry leader in each of its four core businesses, namely infrastructure construction, infrastructure design, dredging and port machinery manufacturing. Leveraging on its extensive operating experience, expertise and know-how accumulated in projects undertaken across a wide range of sectors in the past five decades, the Company is capable of providing integrated solutions throughout each stage of an infrastructure project for its customers.

The Company operates its businesses throughout China, and in particular, in three most prosperous and rapidly growing economic regions, namely the Bohai Bay, the Yangtze River Delta and the Pearl River Delta. Meanwhile, the Company has established its global presence in 64 countries and regions, including South East Asia, the Middle East, Africa, Commonwealth of Independent States and South America.

The Company maintained rapid growth in its business in 2007 with a total value of new contracts amounting to RMB234,265 million, representing an increase of 52.2% over 2006. As at 31 December 2007, the Company had a backlog of RMB238,251 million, representing an increase of 53.8% over 2006.

In 2007, the Company achieved a record-breaking performance from its operations. Its total revenue amounted to RMB150,601 million, representing a year-on-year increase of 31.1%. Profit attributable to equity holders of the Company amounted to RMB6,032 million, representing an increase of 88.6% over 2006.

A. Market Review

China's economy experienced rapid growth in 2007 with GDP of approximately RMB24.95 trillion, representing an increase of 11.9% over 2006. In addition, China's foreign trade also grew steadily in 2007 with total value of imports and exports increased by 23.5% over the previous year to US$2.17 trillion. China's fixed asset investment increased by 24.8% over 2006 to RMB13.72 trillion. Urban population in the PRC amounted to 594 million, or 44.9% of the country's total population, representing an increase of 1.0% over 2006.

Demand for transportation infrastructure construction in China has reached a higher level due to the nation's rapid economic growth, the faster pace of urbanisation and the continuous increase of disposable income of its population. China's three decades of reform and the open-door policy have brought substantial improvements and remarkable achievements in its transportation infrastructure, which provides the foundation for development of the country and the growth of its economy. However, the investment in transportation infrastructure still lags behind the needs for economic development to a great extent. In 2007, the PRC government further increased its investment in transportation infrastructure, including ports and navigation channels, roads and bridges, and railways. A number of key projects that commenced in 2007 have progressed well on schedule.

1. Ports

As at 31 December 2007, the number of ports with annual handling capacity of at least 100 million tons in China increased from 12 to 14 at the end of 2006, which makes China the country with the largest number of ports with annual handling capacity of at least 100 million tons in the world. In China, constructions of large-scale deepwater specialised ports for coal, oil, ore and containers continued to progress. Phase II of the Yangshan Deepwater Port Project of Shanghai International Shipping Centre, Phase IV and Phase V of the Qinhuangdao Port Coal Terminal Expansion Project, and the 150,000-ton channel engineering project of Boyuquan in Yingkou Port have been completed and become operational. Phase III of the Yangshan Deepwater Port Project of Shanghai International Shipping Centre and Tangshan Caofeidian Port Project are progressing smoothly. In 2007, a total of approximately 300 new berths were constructed with additional throughput capacity of 537 million tons, approximately 200 of which were 10,000-ton deepwater berths. In 2007, cargo throughput in sizable ports amounted to 5,210 million tons, representing an increase of 13.4% year-on-year growth. Out of the 5,210 million tons, 1,780 million tons were cargo throughput of foreign trade, representing an increase of 12.6% over 2006. Port containers throughput amounted to 112.7 million TEUs, representing an increase of 20.4% over 2006.

2. Roads and Bridges

With the continued effort for 15 years, a national mainline network composed of "five vertical and seven horizontal" throughways with a total length of approximately 35,000 kilometres was completed on the whole 13 years ahead of the scheduled completion date. Various sections of China's expressway system, including the Qingdao-Laiwu, Jingdezhen-Yingtan and Chongqing-Suining sections, were completed and became operational. In total, approximately 8,000 kilometres of expressways were completed in China in 2007, the greatest length of expressways ever constructed in China's history within one year. As at 31 December 2007, the total length of the roads completed in China reached 3.573 million kilometres, including 53,600 kilometres of expressways. In addition, the respective joining of Suzhou-Nantong Yangtze River Highway Bridge ("Sutong Bridge"), Hangzhou Bay Cross-sea Bridge, and Xihoumen Cross-sea Bridge of Zhoushan Islands-Connection Project ("Xihoumen Bridge") broke a number of records in the world's history of bridge construction, making China the country with the largest number of large bridges in the world.

3. Railways

In 2007, the construction of large-scale railway in China was progressed at a faster pace. The construction of various PDLs including Beijing-Tianjin railway, Wuhan-Guangzhou railway, Harbin-Dalian railway and other inter-city railways were commenced during the year. By the end of 2007, the total length of the railways under construction amounted to 5,600 kilometres. The total fixed asset investments in railway infrastructure in China in 2007 amounted to RMB177.21 billion, representing a 14.9% year-on-year growth.

4. Dredging

Construction work to deepen and expand the existing ports in China continued to increase. In order to increase navigational capacity for large-scale container carriers and oil tankers, China's coastal ports are hastening in broadening and deepening harbour basin and waterways. The implementation of the overall improvement proposal for the construction of the Yangtze Golden Waterway has been accelerated. Meanwhile, the construction of new ports and costal industrial parks as well as the soaring demand for land in coastal cities have been driving the increase of reclamation activities. In 2007, the total volume of dredging along China's coast was approximately 710 million cubic metres, representing an increase of 31.0% as compared to that of 2006.

5. Port Machinery

According to the estimates in Global Economic Prospects 2008 published by the World Bank on 8 January 2008, the global economy and trade grew by 3.6% and 8.7%, respectively, in 2007. As a result, the global port machinery manufacturing industry experienced continuous growth in 2007. There were approximately 12,700 large-scale container cranes in use worldwide as of December 2007, representing an increase of approximately 990 units over 2006. The commencement of operation of new container terminals and upgrade of machinery in use led to the continuous growing demand for container machinery all over the world. To facilitate the handling of large-scale vessels and to improve loading and unloading efficiency, ports around the world are aggressively purchasing more new cranes or upgrading existing cranes.

Infrastructure Construction Business

Yangshan Deep Water Port Shanghai International Shipping Centre

B. Business Review

1. Infrastructure Construction Business

In 2007, the Company completed infrastructure construction projects with 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 Company had a backlog of RMB174,157 million for its infrastructure construction business, representing an increase of 69.6% as compared to that of 2006.

In 2007, the Company participated in a large number of infrastructure construction projects including construction of ports, roads and bridges. The Company also achieved remarkable results in developing new markets, such as high-speed PDLs and overseas markets. The Company's on-going key projects in the PRC include Yangshan Deepwater Port, Tangshan Caofeidian Port Project, the Yangtze River Estuary Deepwater Channel Improvement Project, Sutong Bridge, Hangzhou Bay Cross-sea Bridge, Chaotianmen Yangtze River Bridge and Harbin-Dalian PDL.

The Company's infrastructure construction business consists of:

(1) Port Construction

Focusing on the five port areas located at the Bohai Bay, the Yangtze River Delta, the coastal area in south-eastern China, the Pearl River Delta and the coastal area in south-western China, the Company grew its port construction business steadily and maintained its absolute advantage and dominant position in domestic port construction in 2007. During the year, the Company undertook construction projects of container terminals, bulk and special cargo terminals for coal, ore, oil, chemicals, natural gas, iron and steel and grain.

In 2007, the Company completed over 200 units of 10,000-ton deepwater berths, as well as a number of national key construction projects, including the Shenzhen Dachanwan Container Terminal, No. 13 – No. 17 Berths at the Fangcheng Port in Guangxi, Majishan Port Ore Terminal, Shanghai Waigaoqiao Reserve Terminal and Ore Terminal at Phase II of Shanghai Luojing Port.

Shenzhen Yantian Harbour Area Project consists of 17 container berths. Phase II of the project was completed six months ahead of schedule, the first marine project awarded the Luban Prize in South China. Phase III was awarded the 7th China Civil Engineering Zhantianyou Award, demonstrating high standards in port construction in China.

Shenzhen Yantian Harbour Area Project

Business Overview

Phase I of Caofeidian Ore Terminal Project consists of the construction of two 250,000-ton ore berths, a jetty and an approach embankment, etc. The main structure of the wharf is of high-pile girder structure with 735 metres in length and 31 metres in width.

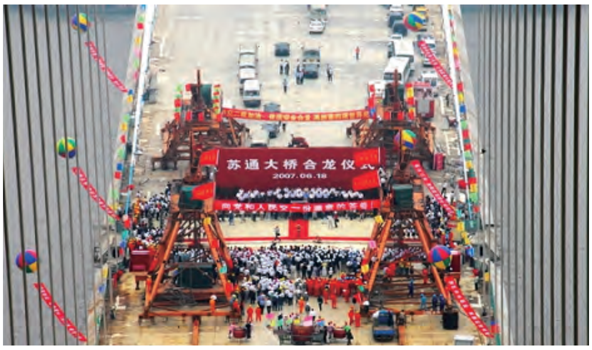
Phase I of Caofeidian Ore Terminal Project

(2) Road and Bridge Construction

Despite the restrictions on the grant of land use rights by the PRC government and the implementation of additional environmental policies in 2007, the Company capitalised on the growth in construction projects in relation to extensions for and redevelopments of high-grade roads and connecting lines in China. The Company constantly strengthened its marketing ability and devoted to developing new markets, thus grew its road and bridge construction business steadily during the year, and in particular has maintained its leading position in China in respect of mega river and sea bridge construction.

In 2007, the Company completed construction of approximately 1,100 kilometres of high-grade roads and constructed 44 bridges. Key projects include the joining of the main span of Sutong Bridge and its opening to traffic, the respective joining of the South Navigation Channel Bridge of Hangzhou Bay Cross-sea Bridge, Guangdong Foshan Gaozan Bridge, Zhejiang Wenzhou Ou'nan Bridge and Lhasa Liuwu Bridge.

Sutong Bridge, designed and constructed by the Company, was awarded "George S. Richardson Medal" by the International Bridge Conference (IBC), and became the first construction project in China that received this international bridge award. The bridge broke four world records in terms of the longest main span, the largest size and the deepest group-pile foundation, the highest towers and the longest stayed cable.



Sutong Bridge was joined in June 2007

Xihoumen Bridge, one of the five cross-sea bridges as part of the project for connecting the mainland of Zhoushan and Zhoushan Archipelago in Ningbo, is a mega cross-sea bridge utilising advanced technology in the construction process. With a main span of 1,650 metres long, Xihoumen Bridge is a suspension bridge with the longest span in China. In addition, it also has the longest steel box-girder in the world with a total length of 2,221 metres.

Xihoumen Bridge

(3) Railway Construction

In 2007, the railway construction market in China experienced further development and the Company seized the opportunity in time to achieve rapid growth in its railway business.

In 2007, the Company undertook 16 railway projects with a total length of approximately 350 kilometres. Projects under construction, including Wuhan-Hefei Railway and Taiyuan-Zhongwai-Yinchuan Railway, have demonstrated the Company's advantages in project management, capital, technology and equipment which lay a solid foundation for the Company to develop more high-grade railway construction projects. In August 2007, the Company won the bid for the construction of the TJ-3 Section of Harbin-Dalian PDL with a contract value of approximately RMB 20.8 billion. It indicated that the Company has turned from a new entrant in the railway construction industry to a main market participant and has become one of the three backbone enterprises of railway construction in China.

TJ-3 Section of Harbin-Dalian PDL connects Siping in Jilin province with Harbin in Heilongjiang province, with a total length of 345.6 kilometres for the main line. This railway is designed for trains with a maximum speed of 200 kilometres per hour. The project items mainly includes CFG piles, mega bridges, large and medium-sized bridges, culverts, track laying, switches and ballast aggregate.

TJ-3 Section of Harbin-Dalian PDL

(4) BOT and BT Projects

In order to adjust the asset structure of the Company and tap into a new source of growth for profit, the Company set up a wholly-owned subsidiary, CCCC Investment Company Limited, in 2007 which mainly engages in the investment business in infrastructure projects through BT and BOT projects. During 2007, the Company invested in seven new BOT and BT projects, including the project of Phase I of Chenglingji Port in Yueyang (Hunan), the project of Qiezixi Terminal in Chongqing, the project of Jiangyin urban trunk, the project of Guiyang-Duyun Expressway and the project of Guangxi Longlin-Baise Expressway. The BOT project of Yicheng-Houma Expressway was completed and became operational in 2007.

Yicheng-Houma Expressway Project, invested and constructed by the Company, is located in the southern part of Shanxi province, with a total length of 66.79 kilometres and of dual four-lane standard design.

BOT project of Yicheng-Houma Expressway

Business Overview

(5) Overseas Business

In 2007, the Company actively pursued the "going out" strategy and strengthened its presence in the South East Asian, Middle East and African markets and penetrated into the South American market by seizing opportunities arising from the booming international construction contracting market, as well as the Chinese government's financial aid programmes and preferential loans to certain developing countries and regions. The Company achieved unprecedented success in the development of overseas business.

New projects secured during the year were mostly large-scale and high-value projects within the Company's principal businesses. These projects included Bata Port Project in Equatorial Guinea, TUSDEER Container Terminal Project in Saudi Arabia, Reclamation Project at Lagos in Nigeria, Phase I of Barbieri Port Construction Project and Pakistan Karakorum Highway Expansion Project.

Offshore detached breakwater with vertical caisson structure. Each caisson weights 17,000 tons and is 25.5 metres high.

LPG Dock Breakwater Project in Mexico

With a total length of 355 kilometres, the Tawu Highway is the largest road construction project of Tajikistan since its foundation, and also the largest transportation infrastructure project so far under the framework of the Shanghai Cooperation Organization.

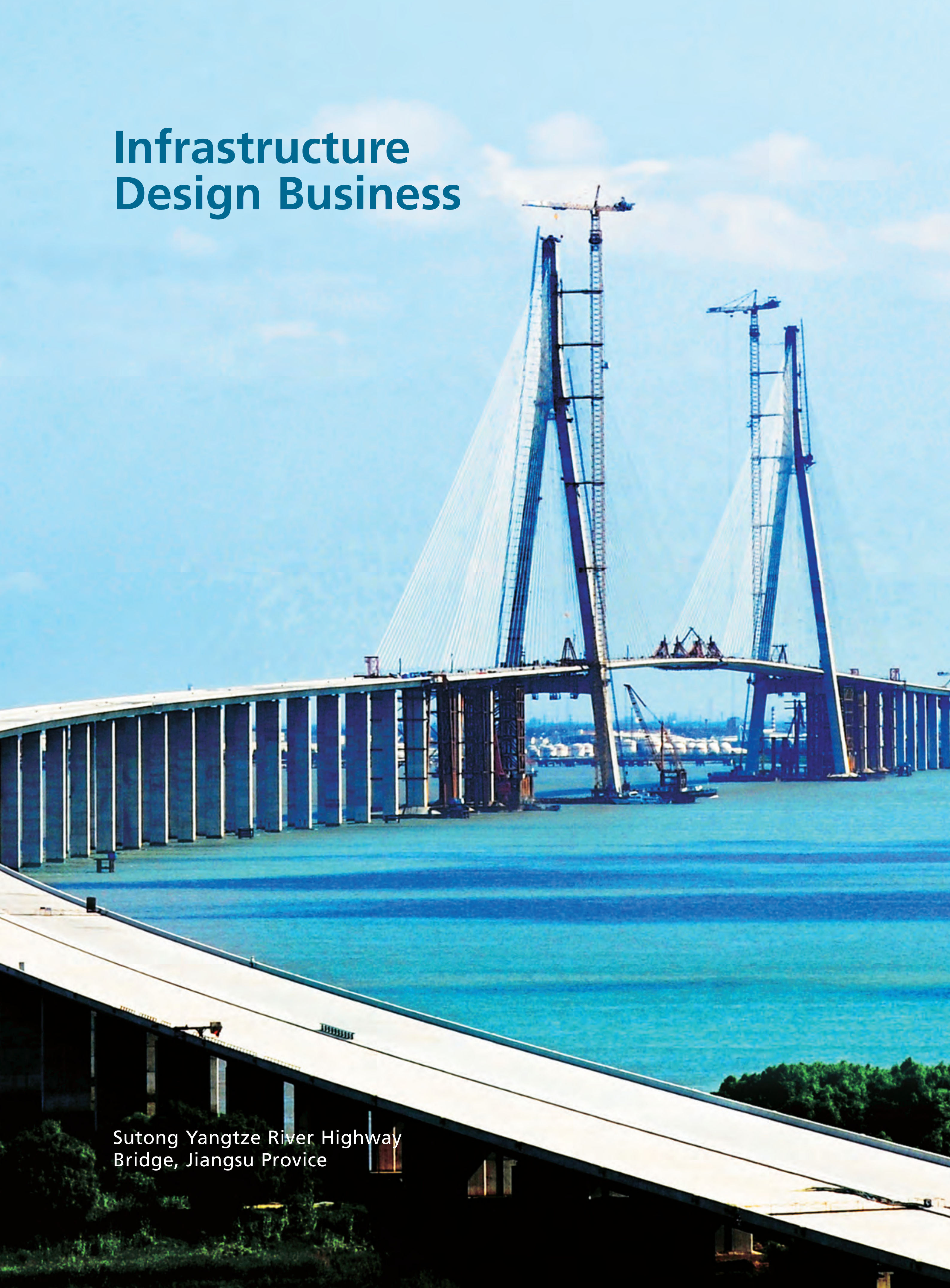
Trucking of equipment for Tawu Highway Project

(6) Other Projects

While strengthening its market share in the established domestic market and maintaining a leading position in the industry, the Company has been actively exploring new businesses outside the conventional business arena by undertaking construction projects in relation to airports, subways and metropolitan railways, reservoirs, as well as shipbuilding business.

With respect to airport construction, in addition to the expansion projects of Beijing Capital International Airport and Shanghai Pudong International Airport, the Company has won the bid for the reclamation and soft foundation treatment works at the flight zone of the Shenzhen Airport. With respect to metropolitan railways, in addition to the bid for certain sections of Guangzhou Subway Construction Project, the Company also won the bids for Wuhan Light Rail Transportation Construction Project, Tianjin No. 3 Subway Project and Lot 11 of North Expansion Sections of Guangzhou No. 3 City Subway Transportation Construction Project. In addition, the Company successfully entered into the water conservancy market by winning the bid for Shanghai Qingcaosha Standby Reservoir Project. By leveraging its advantage on resources, the Company has achieved outstanding results from its shipbuilding and ship-repairing businesses.

Infrastructure Design Business



Sutong Yangtze River Highway Bridge, Jiangsu Provice

2. Infrastructure Design Business

Revenue for the Company'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 signed was RMB8,528 million, representing an increase of 24.2% as compared to that of 2006. As at 31 December 2007, the Company had a backlog of RMB9,544 million for its infrastructure design contracts, representing an increase of 23.3% as compared to that of 2006.

The Company's infrastructure design business has experienced a steady growth in 2007. While maintaining a leading position in the established domestic market, the Company has also actively explored the overseas markets. With unprecedented achievements in the development of overseas business, the Company has also made significant progress in its infrastructure design business in overseas markets. The Company won the mandates for a number of large projects, such as the middle and western sections of the East-West Highway in Algeria and the general contracting project for the hydraulic structure of the coal-fired power plant at Paiton in Indonesia.

Major survey projects completed by the Company in 2007 included a number of large projects such as the design of working drawing for Phase III of North Harbour Basin Container Terminal at Tianjin Port, the project for Section 53 of the Expressway between Ningde and Wuyi Mountain and a survey and design of the Nan'ao Bridge project in Guangdong province.

As one of the national key projects, the Coal Terminal Project at Qinghuangdao Port comprises two 50,000-ton berths, one 100,000-ton berth, one 150,000-ton berth, five bank protection units, one vehicle house and one corrider. The total length of the quay is 1,187 metres with wharf berth in caission gravity type structure.

Design of Phase V of Coal Terminal Project at Qinhuangdao Port

Guangzhou Pearl River Huangpu Bridge, a mega bridge over Pearl River with a main span of 1,108 metres long as part of Guangzhou Eastern Second Ring Expressway Project, is known as "the No. 1 bridge in South China". The single spanned suspension bridge is designed to accommodate a dual six-lane expressway.

Design of the Guangzhou Pearl River Huangpu Bridge Project

Dredging Business

12,888m^3 Self-propelled trailing suction hopper dredger "Xin Hai Long"

3. Dredging Business

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

The Company is the largest dredging company in China and the third largest player in the world in terms of dredging capacity. The Company has been engaged in the dredging and reclamation works at major ports in China over the years. The market demand for dredging in China remained buoyant in 2007. The rapid development of the Company's dredging business has been supported by maintenance, expansion and deepening of navigation channels, especially reclamation projects for the new industrial parks adjacent to ports. Meanwhile, the booming overseas dredging markets also provided a number of opportunities for the Company's rapid growth. The Company accelerated the replacement and upgrade of its dredging vessels and equipment in 2007. A number of the Company's dredging vessels with the leading international standards have been built or delivered for operation in 2007, including "Xin Hai Hu", "Heng Long" and "Yuan Long". With these dredgers in operation, the Company was able to increase its production capacity, improve its competitiveness in dredging business and enhance the level of the Company's overall technological standards. The Company's leading position in the coastal dredging business was also maintained. In 2007, the Company completed approximately 595 million cubic metres of dredging works, or approximately 84% of total dredging works along the coast of China for that period, of which approximately 46 million cubic metres were for maintenance dredging and approximately 549 million cubic metres were for capital and reclamation dredging. Major dredging projects completed by the Company in 2007 included the dredging for Phase III of Dayaowan, upgrade dredging for container berths at West Port Area in Qinhuangdao, and the dredging for Tonggu navigation channels in Shenzhen.

The artificial island is 704 metres long and 416 metres wide with an oval shape. It is surrounded by a road of 2,020 metres long and the finalised level of the artificial island is 8.2 metres. It has 12 wellhead ditches, and 392 drillings.

No. 1 Artificial Island Project of Jidong Nanpu Oilfield

"Tian Niu" is 108 metres long and weighs 2,864 tons with total power of 12,536KW. Currently its total length, total tonnage and power all rank the top among similar dredgers in China.

"Tian Niu", the largest cutter suction dredger in China

Port Machinery Manufacturing Business

ZPMC's Vessels for Shipment of Complete Container Gantry Cranes

4. Port Machinery Manufacturing Business

Revenue for the Company'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 Company 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.

The Company is the largest provider of container cranes in the world. The Company conducted its port machinery and related product manufacturing business through its subsidiaries ZPMC and SPMP.

With products reaching 64 countries and regions around the world, ZPMC maintains its position as a global leader in the industry. Building on the strength of its successful port machinery manufacturing business, ZPMC seized favourable market opportunities and diversified its equipment manufacturing offerings into offshore heavy machinery equipment (equipment needed for exploration of oil and gas fields), large steel structure and port equipment components. ZPMC also successfully entered into the marine machinery industry, and manufactured the "Hua Tian Long" floating crane, which was known as the "No.1 Crane in Asia". In addition, ZPMC has successfully developed the first fully automated container port handling system in the world.

SPMP has completed the relocation of its production base as scheduled. Its Changxing Island base has also been completed and put into production. In addition, SPMP has also successfully developed tunnel excavators and railway heavy crane equipment including the 14.88-metre sediment-water tunnel excavator and the railway girder-lifting crane, which have been widely used in domestic metropolitan railway projects and railway projects.

The fully automated port features low capital investment, high efficiency and free from environmental pollution. Containers are moved automatically without relying on the use of GPS. It is more accurate, convenient and rapid, and is the best example of information technology-led industrialisation. The application for eight patents has been submitted for this "Unmanned Port" system.

Fully automated container port at the model area at Changxing Island

The 900T tyre pillar-lifting machine may be easily located at a pillar yard. It can move vertically and horizontally in the retained passage at the pillar yard, and can also conveniently lift, load and transfer pillars.

900T rubber-tyred crane for lifting railway girder

Business Overview

C. Technological Innovation

By further investing in technology development and improving its technical system, the Company achieved remarkable results in technological innovation in 2007.

The Company approved 16 ultra large and key technological research and development projects during 2007. The Company's Laboratory for Long and Large Bridge Construction Technologies, Laboratory for Port Rock and Earth Construction Technologies and Laboratory for Port Structure Durability Technologies were recognised as key laboratories by the Ministry of Communications. The "Study on Key Technologies for the Construction of Sutong Bridge" project was listed in China's national technology support programme. The "Key Technology Research for Off-shore Deepwater Port" project was listed in China's mid-and-long term plan. The "Construction Technology for Xihoumen Suspension Bridge with 1,650 Metres Span" project was listed in China's national technology support programme. Other eight projects including "Shallow Batholith Light Structure Terminal for Offshore Deepwater Port" were also included in the national "863 Plan".

The Company won three National Awards for Science and Technology Progress during the year, of which the "Critical Technology for Donghai Bridge (Offshore Ultra Long Bridge) Project and its Application" and the "Complete Set of Technology for the Deepwater Channel Construction in the Yangtze Estuary" won the First Prizes for National Science and Technology Progress, and the "Study on Innovative Technologies for Design and Construction of Ultra Large Span Bridge Steel Tower and Deepwater Foundation of Nanjing No.3 Bridge over Yangtze River" won the Second Prize for National Science and Technology Progress. In addition, the Company also won six China Civil Engineering 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.

The Cable-tower of Sutong Bridge

Tunnel Anchorage of Sidu River Bridge

D. Business Prospect

In 2008, China's economy is expected to maintain positive momentum in general. The PRC government gives priority to the development of transportation industry during the "Eleventh Five-Year" period by further improving the construction of ports and the road network, and accelerating the construction of railways and metropolitan railways. Growth in the port construction market will stimulate the construction of large specialised terminals for coal, oil and ore crate and deepwater navigation channels for ports. The growth is also likely to accelerate the renovation of old ports, the construction of Yangtze golden waterway, the expansion and renovation of Beijing-Hangzhou Grand Canal and the renovation of trunk lines in Xijiang River. In addition, the dredging market is expected to continue to thrive and grow. Annual demand in the dredging market is expected to reach 643 million cubic metres, of which 50% will be arising from the reclamation of coastal industrial land. Certain key projects, including Caofeidian Reclamation Project, Tianjin Port Expansion and the New District of Binhai Reclamation Project, and the construction of an artificial island for Hong Kong-Zhuhai-Macau Bridge, are expected to be carried out. For the highway market, the construction of national expressways and provincial highways in West China will be progressed. It is expected that 5,000 kilometres of expressway will be constructed in 2008. We believe the railway construction market is in its golden period of development. It is expected that RMB300,000 million will be invested in 2008 for the commencement of construction of PDLs including Beijing-Shanghai Railway and Beijing-Shijiazhuang Railway, and further construction of such PDLs, as Harbin-Dalian, Wuhan-Guangzhou, Zhengzhou-Xi'an and Shijiazhuang-Taiyuan Railways, and Taiyuan-Zhongwei-Yinchuan and Yichang-Wanzhou Railways. There is still tremendous demand in port machinery market. There will still be focus on the construction of metropolitan transportation systems with metropolitan railways. The construction market for urban civil works, such as urban road, environmental protection and water supply, will also continue to expand.

Although global economic growth, dragged by sub-prime mortgage crisis in the United States, is likely to be slower in 2008, the global construction market is still expected to continue to maintain its growth. Overseas construction projects will become more diversified, with projects tend to be in larger scale and more integrated. There will be more integration between construction capacity and capital operation capacity, and resource exploitation and the development of infrastructure construction. It is expected that 50 to 60 new projects will commence in ports around the world in 2008, increasing throughout capacity by approximately 50 million TEUs. The demand for port machinery equipment in global markets will continue to increase as well.

In 2008, both domestic and overseas macro economic conditions and market conditions are expected to be favorable to the Company. However, the prospects of the Company will be clouded by tight monetary policy, rising raw materials costs and further appreciation of Renminbi in China. Despite such challenges, the Company is still committed to becoming a world-class construction enterprise with global competitive edges by proactively dealing with the challenges, continuously innovating in technology and management, strengthening resource integration, enhancing its brand image, actively implementing the "going overseas" strategy and "strengthening enterprise by talents" strategies, further improving management capabilities, strengthening risk and financial controls, strictly implementing the labour subcontracting system, and the centralising raw materials purchase.

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.

Management's Discussion and Analysis

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 additional cash generated by the Group's initial public offering in December 2006.

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.

Management's Discussion and Analysis

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 Year ended December 31,		Gross profit Year ended December 31,		Gross profit margin Year ended December 31,		Operating profit[1] Year ended December 31,		Operating profit margin Year ended December 31,	
	2007 RMB million	2006 RMB million	2007 RMB million	2006 RMB million	2007 %	2006 %	2007 RMB million	2006 RMB million	2007 %	2006 %
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.

Management's Discussion and Analysis

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 RMB million	2006 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 RMB million	2006 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.

Management's Discussion and Analysis

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 RMB million	2006 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.

Management's Discussion and Analysis

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 **RMB million**	2006 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 RMB97,989 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

Management's Discussion and Analysis

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 RMB million	2006 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 Number of Days	2006 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.

Management's Discussion and Analysis

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 RMB million	2006 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 RMB million**	2006 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.

Management's Discussion and Analysis

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.

Profile of Directors, Supervisors and Senior Management

Board of Directors

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

Zhou Jichang, aged 57, has been serving as the Chairman and executive Director of the Company since 29 September 2006. Mr. Zhou also serves as the chairman of the board of ZPMC, a major subsidiary of the Company listed on the Shanghai Stock Exchange. Mr. Zhou has in-depth knowledge of the industries in which the Company operates and extensive operational and managerial experience. Mr. Zhou joined the Company in January 1977 and has been working with the Company for nearly 32 years. The most recent positions he held with the Company include the general manager of the China Road and Bridge Corporation from November 1997 to December 2005. Before that, Mr. Zhou once served as deputy general manager of The First Highway Survey & Design Institute of the former China Road and Bridge Corporation (which is one of the predecessors of the Company) from August 1987 to May 1992 and general manager and chairman of China Road and Bridge Construction Company (the predecessor of China Road and Bridge Corporation) from August 1995 to November 1997. From December 2005 to present, Mr. Zhou serves as the chairman of CCCG and since August 2006 he has also served as the president of CCCG. Mr. Zhou graduated from Tongji University with a major in bridge, road and tunnel construction. He is now a doctoral candidate of Beijing Jiaotong University for industry economics study. Mr. Zhou is a Senior Engineer.

Meng Fengchao, aged 49, has been serving as the Vice Chairman and executive Director and the President of the Company since 29 September 2006. Mr. Meng has worked for nearly 27 years in the industry of transportation infrastructure construction and has extensive managerial and operational experience. From January 2000 to December 2004, Mr. Meng was a vice president of China Railway Engineering Company, which is one of the largest railway infrastructure contractors in China, and also served as the chairman of China Zhongtie Major Bridge Engineering Group Co. Ltd. From January 1982 to May 1998, he served in various positions at the Ministry of Railways and its engineering affiliates. Mr. Meng joined us as the president of China Harbour Engineering Company (Group) in January 2005 and subsequently served as a director and the president of CCCG from December 2005 to August 2006. He currently serves as a non-executive director of CCCG. Mr. Meng graduated from Southwest Jiaotong University with a bachelor's degree in tunnel and subway engineering. Mr. Meng is a professor equivalent Senior Engineer.

Fu Junyuan, aged 46, has been serving as an executive Director and the Chief Financial Officer of the Company since 29 September 2006. Mr. Fu also serves as a director of ZPMC. Mr. Fu joined the Company in September 1996 and has been working with the Company for over ten years and has extensive operational and financial management experience. The most recent positions he held with us include chief accountant of China Harbour Engineering Company (Group) from October 1998 to December 2005. Before that, Mr. Fu once worked for over ten years at the financial department and the audit bureau of the Ministry of Communications. From December 2005 to August 2006, he was the chief accountant of CCCG from December 2005 to August 2006 and a non-executive director of CCCG from August 2006 to November 2006. He is also a non-executive director of China Merchants Bank Co., Ltd., which is listed on the Main Board of the Hong Kong Stock Exchange and on the Shanghai Stock Exchange. Mr. Fu graduated from Shanghai Maritime University with a bachelor's degree in economics. Mr. Fu also holds a master's degree in business administration from Asia International Open University (Macau). Mr. Fu is a Senior Accountant. He is now a doctoral candidate of Beijing Jiaotong University for corporate management study.

Profile of Directors, Supervisors and Senior Management

Lu Hongjun, aged 57, has been serving as an independent non-executive Director of the Company since 29 September 2006. Mr. Lu is the president and a professor of Shanghai Institute of International Finance. He set up China's Human Resource Assessment Program in the 1980's and had conducted extensive research on assessment centre and corporate leadership development. Over the course of many years, Mr. Lu had lectured on this topic at Shanghai Jiaotong University and Shanghai Institute of International Finance. In 1999, he completed the Wharton CEO Circle Program conducted by the Wharton School of the University of Pennsylvania. He was also visiting scholar at Stanford University and Japan's Waseda University. Since June 2002, Mr. Lu serves as an independent non-executive director of Shanghai Dragon Corporation and Shanghai New Huang Pu Real Estate Co. Ltd., both of which are listed on the Shanghai Stock Exchange.

Yuan Yaohui, aged 62, has been serving as an independent non-executive Director of the Company since 29 September 2006. Mr. Yuan has extensive experience in both public policy making and corporate administration. He was the head of the policy and regulation department of the General Administration of Civil Aviation of China (being China's national aviation regulatory body) from January 2001 to his retirement in May 2006, when he was in charge of formulating national aviation policy. He had also served as the head of the Economic and Trade Commission of Jiangxi province from 1995 to 1997 during which time he was in charge of the local economic development of that province. In terms of corporate administration experience, Mr. Yuan was the deputy president of Air China International Corporation from December 1998 to December 2000, with primary responsibility for business planning and human resource management. Mr. Yuan also served as a deputy general manager and the general manager, respectively, of Changhe Aircraft Industries Group Co., Ltd., a major aircraft manufacturer in China, for ten years since 1984. Mr. Yuan graduated from the Beijing Institute of Technology. Mr. Yuan is a professor equivalent Senior Engineer and is entitled to government special allowance awarded by the State Council.

Chao Tien Yo, aged 53, has been serving as an independent non-executive Director of the Company since 29 September 2006. Mr. Chao is a partner in the international law firm Morrison & Foerster. Mr. Chao has practised law in Hong Kong since 1984, focusing on capital markets, mergers and acquisitions and private equity investments, particularly involving companies operating in the PRC and Hong Kong. Mr. Chao holds bachelor's degrees from the University of Hong Kong and the University of Keele and a master of arts degree from the University of Manchester, and qualified as a solicitor in England and Wales in 1983 and in Hong Kong in 1984.

Koo Fook Sun, **Louis**, aged 51, has been serving as an independent non-executive Director of the Company since 29 September 2006. Mr. Koo is the founder and managing director of Hercules Capital Limited, a corporate finance advisory firm. He has many years of experience in investment banking and professional accounting. He was the managing director and head of corporate finance department of a major international bank, and served as a director and chief executive officer of a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Koo currently acts as an independent non-executive director of Li Ning Company Limited, Weichai Power Company Limited, Xingda International Holdings Limited, Midland Holdings Limited and Good Friend International Holdings Inc., which are listed on the Main Board of the Hong Kong Stock Exchange, and of Midland IC&I Limited and Richfield Group Holdings Limited, which are listed on the Growth Enterprise Market of the Hong Kong Stock Exchange. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley and is a certified public accountant and an associate member of the Hong Kong Institute of Certified Public Accountants.

Supervisory Committee

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

Liu Xiangdong, aged 49, has been serving as a Supervisor of the Company since 29 September 2006. Prior to joining CCCG, Mr. Liu served as an inspector of the Enterprises Reform Bureau of SASAC from May 2003 to December 2005. From January 1995 to May 2003, Mr. Liu held a number of positions at the former State Economy and Trade Commission and the former Ministry of Domestic Trade of the PRC. Mr. Liu holds a master of science degree from Hunan University, China.

Xu Sanhao, aged 53, has been serving as a Supervisor of the Company since 29 September 2006. Mr. Xu was deputy general manager of China Road and Bridge Corporation from March 2001 to September 2005. Mr. Xu graduated from Jilin University of Technology with a major in automobile application engineering. Mr. Xu is a Senior Engineer.

Wang Yongbin, aged 42, has been serving as a Supervisor of the Company since 29 September 2006. Mr. Wang is the head of the auditing department of our Company. Mr. Wang joined China Harbour Engineering Company (Group) in July 2001 and has been working with us for about six years. Mr. Wang graduated from Changsha Communications University with a bachelor's degree in project finance and accounting. Mr. Wang is a Senior Accountant.

Senior Management

Vice Presidents:	Chen Yun, Chen Yusheng, Hou Jinlong, Chen Fenjian, Zhu Bixin, Yang Liqiang
Chief Financial Officer:	Fu Junyuan
Chief Economist and Secretary of the Board:	Liu Wensheng
Joint Company Secretaries:	Liu Wensheng and Luu Yeu Khiem
Qualified Accountant:	Luu Yeu Khiem

Chen Yun, aged 44, is a Vice President of the Company. Mr. Chen joined the Company in September 1998 and has extensive operational experience. The most recent positions he held with us include deputy general manager of China Harbour Engineering Company (Group) from December 2001 to December 2005. Before that, Mr. Chen once served as the general manager of assets management division of China Harbour Engineering Company (Group) from September 1999 to February 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from East China Institute of Water Conservancy with a bachelor's degree in harbour and channel engineering. Mr. Chen also holds a master's degree in business administration from Tsinghua University. Mr. Chen is a Senior Engineer.

Chen Yusheng, aged 52, is a Vice President of the Company. Mr. Chen also serves as a director of CRBC International. Mr. Chen joined the Company in June 1999 and has extensive operational experience. The most recent positions he held with us include deputy general manager of China Road and Bridge Corporation from March 2001 to December 2005 and assistant president of China Road and Bridge Corporation from March 2000 to March 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from Distance Learning College of Central Party School with a major in politics and law. Mr. Chen is a Senior Economist.

Profile of Directors, Supervisors and Senior Management

Hou Jinlong, aged 55, is a Vice President of the Company. Mr. Hou joined us in September 1970 and has been working with the Company for nearly 38 years and has extensive operational experience. The most recent positions he held with us include the head of The First Highway Engineering Bureau of CRBC Group from July 2001 to December 2005 and chief engineer of The Second Highway Engineering Bureau of the CRBC Group from October 1995 to January 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Hou graduated from Chongqing Construction Engineering College with a major in bridge and tunnel. Mr. Hou also holds a master's degree in road and railway engineering from Southeast University of China. Mr. Hou is a professor equivalent Senior Engineer and is entitled to governmental special allowance awarded by the State Council. He is a member of the Expert Commission of the Ministry of Communications and a member of the Technical Expert Commission of the Ministry of Construction.

Chen Fenjian, aged 45, is a Vice President of the Company. Mr. Chen joined the Company in August 1983 and has been working with us for over 21 years and has extensive operational experience. The most recent positions he held with us include general manager of Fourth Navigational Engineering Bureau of the former China Harbour Engineering Company (Group) (which is one of the predecessors of the Company) from September 2002 to December 2005 and deputy general manager of Fourth Navigational Engineering Bureau of CHEC Group from July 2000 to September 2002. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from Changsha Communications University with a bachelor's degree in harbour and channel engineering. He also holds a master's degree in business administration from Guanghua School of Peking University. Mr. Chen is a professor equivalent Senior Engineer.

Zhu Bixin, aged 42, is a Vice President of the Company. Mr. Zhu joined us in April 1995 and has been working with the Company for over 12 years. The most recent positions he held with us include secretary of the discipline commission of the Chinese Communist Party committee of China Road and Bridge Corporation and head of trade union of China Road and Bridge Corporation from March 2001 to December 2005. He was a vice president of CCCG from December 2005 to August 2006. Mr. Zhu graduated from Chongqing Jiaotong University with a bachelor's degree in transportation management. Mr. Zhu also holds a master's degree in business administration from Peking University. Mr. Zhu is a Senior Economist.

Yang Liqiang, aged 51, is a Vice President of the Company. Mr. Yang was the head of trade union of China Harbour Engineering Company (Group) from April 2002 to December 2005. He was the head of the trade union of CCCG from January 2006 to August 2006. He worked with the Ministry of Communications for ten years before joining us. Mr. Yang holds a master's degree in business administration from Honolulu University, Hawaii, USA.

Liu Wensheng, aged 47, is the Secretary of the Board, the Joint Company Secretary and the Chief Economist of the Company. He also serves as a director of ZPMC. Mr. Liu has been working with us for nearly 27 years and has extensive operational experience. The most recent positions Mr. Liu held with the Company include deputy chief economist of China Harbour Engineering Company (Group) and general manager of its corporate planning department from March 2003 to November 2005, and deputy general manager of CHEC Tianjin Dredging Corp., a major subsidiary of the Company, from June 1999 to March 2003. He was the chief economist of CCCG from December 2005 to August 2006. Mr. Liu graduated from Dalian Maritime University with a bachelor's degree in engineering. He is a Senior Engineer.

Luu Yeu Khiem, aged 54, is the Joint Company Secretary and Qualified Accountant (employed on a full-time basis as stipulated by the Hong Kong Listing Rules) of the Company. He is a Fellow of Chartered Certified Accountants, UK and a CPA. Before joining the Company in June 2001, Mr. Luu was employed by Sing Tao News Corporation Limited, a company listed on the Hong Kong Stock Exchange, for over 20 years in its accounting department, where he was involved in Sing Tao News Corporation Limited's listing application process and post-listing compliance work and gained sufficient knowledge of the Hong Kong Listing Rules. In June 2001, Mr. Luu joined Zhen Hua Engineering Co., Ltd., a major overseas subsidiary of the Company, as a senior accountant. Mr. Luu graduated from Hong Kong Shue Yan University with a diploma in accounting.

Report of the Board of Directors

The Board of Directors (the "Board") of the Company is pleased to present its report together with the audited financial statements of the Group prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2007.

Principal Business

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

Results

Results of the Group for the year ended 31 December 2007 and the financial position of the Company and the Group as at 31 December 2007 are set out in the audited financial statements in this annual report.

Dividends

On 8 April 2008, the Board proposed a final dividend of RMB0.088 per share (totaling approximately RMB1,304.6 million) for the year ended 31 December 2007. The dividend proposal will be submitted for shareholders' approval at the annual general meeting to be held on 18 June 2008. If approved, the final dividends are expected to be paid to shareholders whose names appear on the register of members of the Company on 18 June 2008. The register of members will be closed from 19 May to 18 June 2008 (both days inclusive), during which period no transfers will be registered. Dividends will be denominated and declared in Renminbi. Dividends on domestic shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate will be the mean of the middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the period between 19 May 2008 (being the date for closure of the Company's register of members) and the date of the annual general meeting.

Share Capital

The share capital of the Company in issue as fully paid or credited as fully paid as at 31 December 2007 was RMB14,825,000,000 divided into 14,825,000,000 shares with a nominal value of RMB1.00 each. As at 31 December 2007, the share capital structure of the Company is as follows:

	As at 31 December 2007	
Class of shares	**Number of shares**	**Percentage of total issued share capital** (%)
Domestic shares	10,397,500,000	70.1
H shares	4,427,500,000	29.9

Report of the Board of Directors

Use of Proceeds from the Company's Initial Public Offering

The net proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2006 amounted to approximately HK$17,772 million. Approximately RMB13,623 million (or HK$14,548 million, calculated at the rate of RMB0.9364 to HK$1.00, being the middle exchange rate as announced by the People's Bank of China on 31 December 2007) have been applied by 31 December 2007 in accordance with the proposed applications set out in the Company's listing prospectus.

Public Float

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

Directors, Supervisors and Senior Management of the Company

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

Name	Age	Position in the Company	Date of Appointment
ZHOU Jichang	57	Chairman of the Board and Executive Director	29 September 2006
MENG Fengchao	49	Vice Chairman of the Board, Executive Director and President	29 September 2006
FU Junyuan	46	Executive Director and Chief Financial Officer	29 September 2006
LU Hongjun	57	Independent Non-executive Director	29 September 2006
YUAN Yaohui	62	Independent Non-executive Director	29 September 2006
CHAO Tien Yo	53	Independent Non-executive Director	29 September 2006
KOO Fook Sun, Louis	51	Independent Non-executive Director	29 September 2006
CHEN Yun	44	Vice President	29 September 2006
CHEN Yusheng	52	Vice President	29 September 2006
HOU Jinlong	55	Vice President	29 September 2006
CHEN Fenjian	45	Vice President	29 September 2006
ZHU Bixin	42	Vice President	29 September 2006
YANG Liqiang	51	Vice President	29 September 2006
LIU Wensheng	47	Secretary of the Board, Joint Company Secretary and Chief Economist	29 September 2006
LUU Yeu Khiem	54	Joint Company Secretary and Qualified Accountant	29 September 2006

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

Name	Age	Position in the Company	Date of Appointment
LIU Xiangdong	49	Chairman of the Supervisory Committee	29 September 2006
XU Sanhao	53	Supervisor	29 September 2006
WANG Yongbin	42	Supervisor (representative of our employees)	29 September 2006

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

Report of the Board of Directors

Independence of the Independent Non-executive Directors

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

Board Committees

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

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

As at 31 December 2007, the interests or short positions of every person (other than Directors, Supervisors and chief executive of the Company) who have an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed by the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (the "SFO") are as follows:

Name of shareholder	Number of shares held	Type of shares	Percentage of the respective type of shares (%)	Percentage of the total number of shares in issue (%)	Capacity in which the shares are held
China Communications Constructions Group (Limited)	10,397,500,000	Domestic shares	100	70.13	Beneficial owner
National Council for Social Security Fund of the PRC	352,491,000	H shares	7.96	2.38	Beneficial owner
The Northern Trust Company (ALA)	222,477,601 (lending pool)	H shares	5.02	1.50	Approved lending agent
KBC Group NV(1)	221,240,520	H shares	4.99	1.49	Interests by attribution
	59,190,230 (short position)	H shares	1.33	0.40	
Macquarie Bank Limited	219,623,335	H shares	4.96	1.48	Person having a security interest in shares
	217,530,552 (short position)	H shares	4.91	1.47	
Citigroup Inc.	198,246,964	H shares	4.48	1.34	Interests by attribution
	92,145,933 (short position)	H shares	2.08	0.62	
	28,510,431 (lending pool)	H shares	0.64	0.19	

Report of the Board of Directors

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

Note:

(1) KBC Group NV, through its controlled entities, had an attributable interest of 221,240,520 H shares of the Company and maintained a short position of 59,190,230 H shares of the Company, out of which KBC Investments Hong Kong directly held 221,240,520 H shares and maintained a short position of 59,190,230 H shares.

Save as stated above, as at 31 December 2007, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

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

As at 31 December 2007, none of our Directors or Supervisors had any interest or short position in the shares, underlying shares of equity derivatives or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 31 December 2007, the Company had not granted its Directors or Supervisors, or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for shares or debentures.

Competing Business

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

Directors' Financial, Business and Family Relations

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

Directors' and Supervisors' Interests in Contracts and Service Contracts

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

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

Directors' and Supervisors' Interests in Contracts and Service Contracts *(Continued)*

Apart from the service contracts with the Company or its subsidiaries (if applicable), in the year ended 31 December 2007, none of the Directors and Supervisors of the Company was materially interested, whether directly or indirectly, in any contract of significance to which the Company, its subsidiary or holding company or a subsidiary of the Company's holding company is a party.

Emoluments of Directors and Supervisors

Please refer to note 41 of the audited financial statements for details of the emoluments of the Directors and Supervisors of the Company in 2007.

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

Purchase, Sale and Redemption of Shares

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

Summary of Financial Information for the Last Five Years

The tables below set out a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2007.

Consolidated income statement

	Year ended 31 December				
	2007 RMB million	2006 RMB million	2005 RMB million	2004 RMB million	2003 RMB million
Revenue	**150,601**	114,881	83,265	65,912	48,482
Gross profit	**15,568**	11,815	8,155	6,334	4,865
Profit before income tax	**9,623**	5,514	3,563	1,854	988
Profit for the year	**7,574**	4,286	2,971	1,397	627
Attributable to:					
Equity holders of the Company	**6,032**	3,199	2,195	1,071	435
Minority interests	**1,542**	1,087	776	326	192
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)					
— basic	**0.41**	0.29	0.20	N/A	N/A
— diluted	**0.41**	0.29	0.20	N/A	N/A
Dividends	**1,305**	74	N/A	N/A	N/A

Report of the Board of Directors

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

Consolidated balance sheet

	As at 31 December				
	2007	2006	2005	2004	2003
	RMB million	RMB million	RMB million	RMB million	RMB million
Total assets	**167,397**	126,952	79,059	64,389	52,022
Total liabilities	**113,435**	90,225	66,612	55,140	45,131
Capital and reserves attributable to equity holders of the Company	**45,145**	31,825	8,942	6,542	5,272
Minority interests	**8,817**	4,092	3,505	2,707	1,619

Bank Loans and Other Borrowings

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

Fixed Assets

Please refer to note 6 of the audited financial statements for movements in the property, plant and equipment of the Group for the year ended 31 December 2007.

Capitalised Interest

Please refer to note 35 of the audited financial statements for details of the capitalised interest of the Group for the year ended 31 December 2007.

Reserves

Please refer to note 22 of the audited financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2007.

Donations

For the year ended 31 December 2007, the Group made charitable and other donations in a total amount of approximately RMB55 million.

Subsidiaries, Jointly Controlled Entities and Associated Companies

Please refer to notes 11, 12 and 46 of the audited financial statements for details of the Company's subsidiaries and the Group's interests in jointly controlled entities and associated companies as at 31 December 2007.

Changes in Equity

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

Retirement Benefits

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

Stock Appreciation Rights

In order to motivate and incentivise our management and other key employees, we intend to adopt a share appreciation rights plan. The Board is still formulating the details of such share appreciation rights plan and will submit that plan to shareholders for approval once such plan is finalised.

Pre-emptive Rights

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

Major Customers and Suppliers

For the year ended 31 December 2007, sales to the five largest customers of the Group represented an amount not exceeding 30% of the operating revenue of the Group.

For the year ended 31 December 2007, purchases from the five largest suppliers of the Group represented an amount not exceeding 30% of the total annual purchases of the Group.

Connected Transactions

Below are the details of connected transactions of the Group in year 2007 which are not exempt under Rule 14A.33 of the Listing Rules.

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

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

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

Report of the Board of Directors

Connected Transactions *(Continued)*

I. Continuing Connected Transactions with Xi'an Tongrui Road Construction Company *(Continued)*

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

The Company has obtained a waiver from the HKSE from the announcement requirement in respect of transactions with Xi'an Tongrui, which will expire on 31 December 2008. The maximum aggregate annual value ("cap") permitted by the HKSE and the aggregate annual value actually occurred for the above mentioned continuing connected transactions for the year ended 31 December 2007 is set out below:

Transaction	**Cap** RMB million	**Actual Amount** RMB million
Construction subcontracting between the Group and Xi'an Tongrui	100	15

II. Continuing Connected Transactions with Macao Tourism and Amusement Company

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

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

The Company has obtained a waiver from the Hong Kong Stock Exchange from the announcement requirement in respect of transactions with MTAC, which expired on 31 December 2007. However, revenue for these transactions exceeded the cap permitted by the HKSE for the year ended 31 December 2007. The cap and revenue for the above mentioned continuing connected transactions for the year ended 31 December 2006 and 2007 respectively are set out below:

	Year 2006		**Year 2007**	
Transaction	Cap RMB million	Actual Amount RMB million	**Cap** **RMB million**	**Actual Amount** **RMB million**
Construction and construction-related transactions between the Group and MTAC	1,000	260	**830**	**1,800**

Connected Transactions *(Continued)*

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

Reasons for the excess of the cap

The Company arrived at the cap for the connected transactions in 2006 taking into account the amounts payable by MTAC under then existing service contracts between the Group and MTAC, mainly the engagement to construct the Pier 16 Complex and the New Yaohan Department Store in Macau, which in aggregate had a contract value of approximately US$110 million for 2006 and approximately US$100 million for 2007. The Company expected the engaged construction work for 2006 and 2007 to be performed nearly evenly and set the caps for the two years accordingly. However, MTAC, the project owner of Pier 16 Complex and New Yaohan Department Store, made several adjustments on the project design and construction plans for the two projects in 2006 and 2007. As a result, the Group slowed down the construction until the finalised new construction plans became available and only a small portion of the construction work for the two projects was actually performed in the year ended 31 December 2006. The remaining substantial portion of the work was performed in the year ended 31 December 2007. Furthermore, according to the adjusted project design, the Group was engaged by MTAC to conduct a significant amount of work in 2007 in addition to the work covered by the original engagement. Therefore, there was a significant increase in the amount of work performed by the Group in the year ended 31 December 2007, which resulted in the revenue from the connected transactions exceeding the originally expected cap.

Pursuant to Listing Rules 14A.36, the Company is required to re-comply with the reporting, announcement and independent shareholders' approval requirements as applicable. As the relevant ratios are more than 0.1% but less than 2.5%, the connected transactions are subject to announcement and reporting requirements but exempted from independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules. The Company has made an announcement in respect of the connected transactions with MTAC on 9 April 2008.

Proposed Cap for Year 2008

When the Company submitted the annual caps for the two connected transactions to the Stock Exchange in 2006, the Company did not expect to conduct any construction for the two connected transactions in 2008 and hence did not set a cap for the year of 2008. However, as a result of adjustments on project design and construction plans, the total construction work has exceeded what was originally engaged and MTAC should pay for all additional construction work resulted from the adjustment according to the construction agreements. In 2006 and 2007, only approximately 80% of the adjusted construction of the two projects was finished, and the remaining 20% of the adjusted construction work will be finished in 2008. Given that revenue in 2006 and 2007 for 80% of the construction was RMB2,060 million, the Company estimates that revenue for the remaining 20% of the construction will be approximately RMB500 million. Also taking into account that MTAC may further adjust the current project design, the Company estimates that the additional cost thus resulted may reach approximately RMB150 million. Accordingly, the Company has arrived at an annual cap for the two connected transactions for the year of 2008 as follows pursuant to Listing Rules 14A.35(2).

	Cap for Year 2008
Construction and construction-related transactions between the Group and MTAC	RMB650 million

Connected Transactions *(Continued)*

III. Confirmation from Independent Non-executive Directors

The Independent Non-executive Directors of the Company have confirmed that all continuing connected transactions for the year ended 31 December 2007 to which the Group was a party:

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

2. had been entered into either:

   (i) on normal commercial terms; or

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

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

IV. Confirmation from the Auditors

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

1. the transactions had been approved by the Board;

2. selected samples of transactions were entered into in accordance with the pricing policies of the Company and its subsidiaries as disclosed in note 45 of the audited financial statements;

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

4. except for the transactions with MTAC, the Company's continuing connected transactions did not exceed the relevant annual limits as set out in the prospectus dated 1 December 2006.

Employees

As at 31 December 2007, the Group has 87,022 employees illustrated as follows:

	Number of Employees	**Percentage**
Infrastructure Construction Business	56,221	64.7
Infrastructure Design Business	9,263	10.6
Dredging Business	10,037	11.5
Port Machinery Manufacturing Business	8,199	9.4
Others	3,302	3.8
Total	87,022	100

Employees *(Continued)*

As at 31 December 2007, approximately 1,461 employees were located overseas.

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

Compliance with Code on Corporate Governance Practices

Please see the "Corporate Governance Report " set out in page 58 of this annual report for details of our compliance with the Code on Corporate Governance Practices.

Material Legal Proceedings

As at 31 December 2007, as far as the Directors are aware of, except for those disclosed in note 43 of the audited financial statements, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company.

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. PricewaterhouseCoopers has audited the accompanying financial statements, which have been prepared in accordance with International Financial Reporting Standards. The Company has retained PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company since the date of its listing.

By order of the Board
Zhou Jichang
Chairman of the Board

Beijing, the PRC
14 April 2008

Report of the Supervisory Committee

Dear Shareholders,

On behalf of the first session of the Supervisory Committee of China Communications Construction Company Limited (the "Company"), I would like to submit to the shareholders a report on the work of the Supervisory Committee in the year of 2007.

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

1. Meetings convened during the reporting period

1. The third meeting of the first session of the Supervisory Committee was held on 9 April 2007, at which the 2006 Report of the Supervisory Committee was considered and approved and was resolved to be proposed to the Company's shareholders' meeting of 2006 for consideration and approval.

2. The fourth meeting of the first session of the Supervisory Committee was held on 12 September 2007, at which the Working Rules for the Supervisory Committee of China Communications Construction Company Limited were considered and approved and agreed for promulgation and implementation.

2. Work of the Company's Supervisory Committee

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

In 2007, the Supervisory Committee mainly carried out the following work:

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

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

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

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

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

3. Supervision of the Company's daily operating activities

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

4. Supervision of the Company's financial position

   The Supervisory Committee reviewed the 2007 financial report audited by PricewaterhouseCoopers, supervised and inspected the Company's consistent implementation of relevant financial policies and legislation as well as details on the Company's assets, financial income and expenditure and connected transactions. The Supervisory Committee is of the opinion that the 2007 financial report truly reflected the financial position and operating results of the Company on an objective basis, and that the Company's accounts are accurate with clear records and complete information.

5. Information disclosure

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

6. Supervision of the use of proceeds

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

The Supervisory Committee is confident in the prospect of the Company. In 2008, the Supervisory Committee will continue to perform its duties diligently in strict compliance with the Articles of Association and other relevant regulations, in order to safeguard the shareholders' interests and enhance the Company's competitiveness and strength against keen competition.

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

Beijing, the PRC,
14 April 2008

Report on Corporate Governance Practices

The Company is committed to upholding the principles of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. The Board of Directors understands good corporate governance is crucial to enhancing investors' confidence in the Company as well as sustaining continued business growth of the Company. The Company complied with all provisions of the Code in 2007.

The Board of Directors

(1) Composition of the Board of Directors

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

Chairman of the Board: Zhou Jichang

Vice-chairman of the Board and President: Meng Fengchao

Executive Directors: Zhou Jichang, Meng Fengchao, Fu Junyuan

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

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

The Company has received the annual confirmation on independence from each of the Independent Non-executive Directors for the year 2007 and the Company considers each Independent Non-executive Director is independent.

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

(2) Board Meetings

In 2007, the Company held five board meetings. The table below sets out the details of board meeting attendance of each Director in 2007.

Director	Number of Board Meetings Attended	Attendance Rate
Zhou Jichang	5	100%
Meng Fengchao(1)	3	60%
Fu Junyuan	5	100%
Li Hongjun	5	100%
Yuan Yaohui	5	100%
Chao Tien Yo(2)	4	80%
Koo Fook Sun, Louis	5	100%

(1) Mr. Meng was not able to attend two board meetings when he was on business trips. He, however, voted through proxy at both meetings.

(2) Mr. Chao voted through proxy for the meeting which he was not able to attend.

The Board of Directors *(Continued)*

(3) Responsibilities and Operation of the Board of Directors

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

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

(4) Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by its Directors and Supervisors. After specific enquiries to all Directors and Supervisors of the Company, the Company confirms that the Directors and Supervisors complied with the standards set out in the Model Code for the year ended 31 December 2007.

(5) Committees under the Board

(a) Strategy Committee

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

The Strategy Committee held one meeting in 2007 to review the development plan of the Company for 2007–2010 and to provide their advice to the Board of Directors. All members of the Strategy Committee attended the meeting.

(b) Audit Committee

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

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and

The Board of Directors *(Continued)*

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

(b) Audit Committee *(Continued)*

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

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

The Audit Committee held three meetings in 2007 to review the Company's interim and annual results, as well as the effectiveness of the internal control system of the Group. Mr. Chao Tien Yo attended and voted at two meetings in person and voted through proxy at one meeting. Mr. Koo and Mr. Lu attended all the meetings in person.

(c) Remuneration and Appraisal Committee

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

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

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

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

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

The Remuneration and Appraisal Committee held two meetings in 2007 to discuss reforms to the remuneration of the Directors and the senior management. All members of the Remuneration and Appraisal Committee attended the meetings.

(d) Nomination Committee

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

The Board of Directors *(Continued)*

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

(d) Nomination Committee *(Continued)*

All current Directors of the Board were nominated by CCCG, being the promoter and then sole shareholder of the Company in September 2006, in preparation of the incorporation of the Company. The Directors were nominated by the criteria such as personal integrity, work experience relating to the Company's core business, track record of performance, professional background, familiarity with corporate governance of listed companies, etc.

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

The Nomination Committee did not hold any meeting in 2007.

Supervisory Committee

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

In 2007, the Supervisory Committee held two meetings, at which the Committee considered and approved the 2006 Report of the Supervisory Committee and the Working Rules for the Supervisory Committee.

Auditors' Remuneration

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company are appointed as the international and domestic auditors of the Company, respectively. PricewaterhouseCoopers Zhong Tian CPAs Limited Company is also appointed as the auditors of ZPMC, a subsidiary of the Company. An amount of RMB42 million was charged for the audit of the Company's interim and annual financial statements for the year ended 31 December 2007.

Internal Control

The Board takes ultimate responsibility for the internal controls of the Group, and reviews the effectiveness of the system through the audit committee. The audit committee has conducted a review of the effectiveness of the system of internal control of the Group, which covers, among other things, financial, operational and compliance controls and risk management functions. The Company has also engaged independent consultants to advise the Company on further improvement to the Group's internal control system.

Accountability of the Directors in relation to Financial Statements

The Directors are responsible for overseeing the preparation of the financial statements for each fiscal period. In preparing the financial statements for the year ended 31 December 2007, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Group and of the results and cash flow for that fiscal year.

Investor Relations

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

Investor Relations

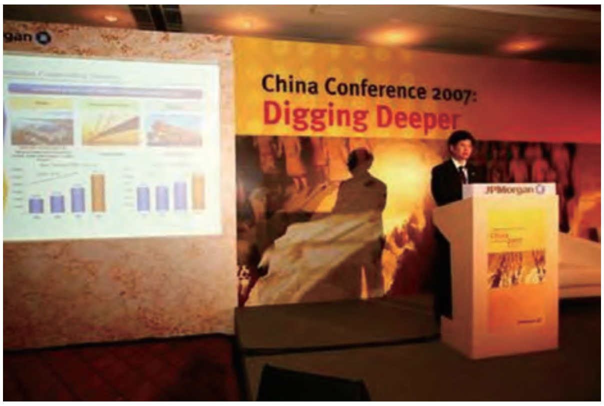
Overview

The Company has established an investor relations department dedicated to providing investors with necessary information on, including but not limited to, the strategic planning, operational management, results and performance, financial conditions and prospects of the Company. The Company, based on regulated and sufficient disclosure of information as well as the principle of integrity and interaction, aims to have accurate, timely and bilateral communication with investors and other capital market participants so as to set up a transparent corporate governance system, maintain the fair market value of the Company's shares, protect the legitimate interests of investors and maximise shareholders' interests. Along with the further improvement in the fundamentals of the Company, the share price of the Company increased progressively in 2007. On 31 December 2007, the closing price of the Company's shares was HK$20.45, representing an increase of 143% as compared to that of 2 January 2007. In 2007, the Company's shares generated attractive returns to the shareholders and outperformed the Hang Seng China Enterprises Index.

Review

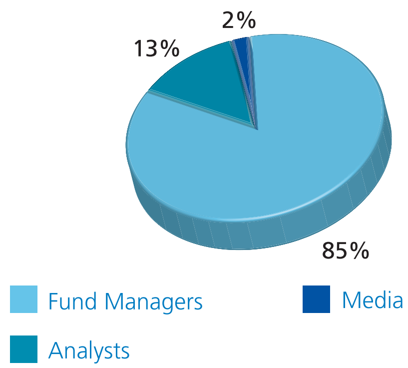
The Company keeps close contact with investors and research analysts. By holding routine meetings with institutional investors and maintaining constant communications via emails and hotlines, the Company strives to provide investors with comprehensive services. The Company has also selectively participated in investors' forums sponsored by international investment banks to maintain an effective communication with institutional investors and to promote the Company's image and transparency in the capital market. In addition, by establishing an investor database, the Company has dedicated to providing better services to investors by complying with the best practice of international public companies. In 2007, the investor relations department of the Company met about 600 investors through conference calls or at face-to-face meetings. Besides, the Company's investor relations representatives attended seven international investors' forums and annual meetings to meet with more than 350 investors and research analysts.

Meeting Investors

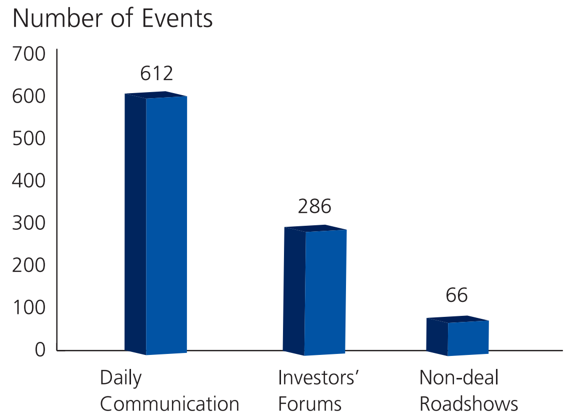


China Investment Conference 2007

Types of Investors



Investor Events



In October 2007, the Company held its first reverse roadshow in Shanghai after its listing. More than 30 experienced analysts and fund managers from over 20 prestigious investment banks and fund houses visited the Sutong Bridge. During the visit, the Company presented a special report on the development of dredging industry in China to the participants. These analysts and fund managers shared their views on related business issues with the Company and obtained a direct and thorough understanding of the excellent operation mode and the outstanding project management of the Company.

Visit to Sutong Bridge

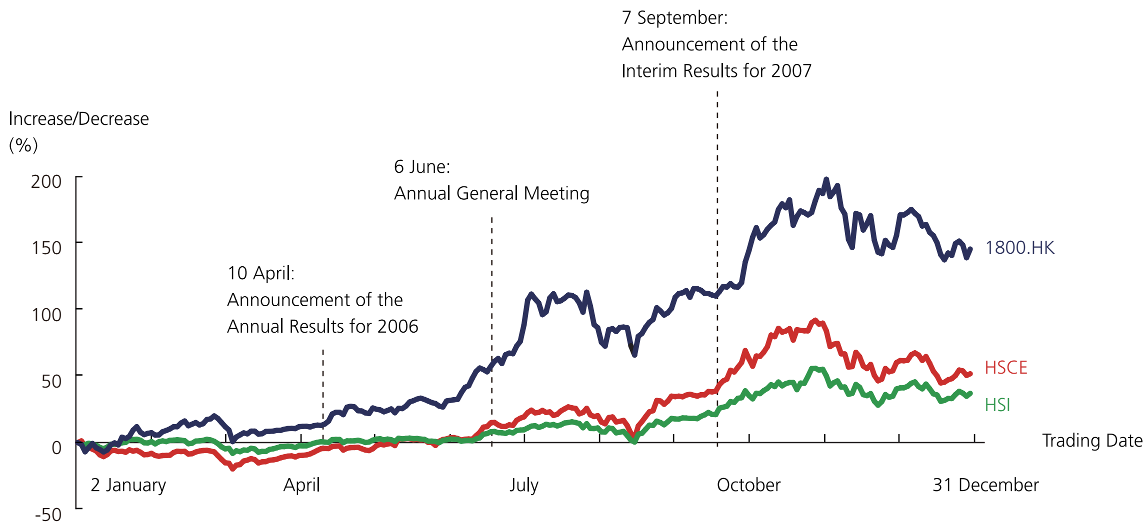
Presentation of the Report on Dredging

To facilitate effective communication between the Company and its investors, the Company has set up an official website, www.cccltd.cn, for publication of the latest news, financial information and other information on business development and operation of the Company.

Investor Relations

Apart from annual general meetings and announcements on financial results to shareholders and investors, the Company also announces substantial business progress and events via press release, announcements and the company website in accordance with various requirements. Furthermore, the Company holds press conferences and research analyst meetings in respect of its financial results and major transactions from time to time.

Trend of Share Price in 2007



Prospects

In 2008, the Company will further enhance the investor communication channels to improve investors' understanding on the Company so as to improve services provided to investors. Meanwhile, the Company expects more support and attention from the investors which the Company believes will contribute to a sustainable increase of its intrinsic value.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of China Communications Construction Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 67 to 165, which comprise the consolidated and the Company balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2007, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 April 2008

Balance Sheets

As at 31 December 2007

		Group		Company	
	Note	2007 RMB million	2006 RMB million	2007 RMB million	2006 RMB million
ASSETS					
Non-current assets					
Property, plant and equipment	6	**26,129**	19,520	**103**	61
Lease prepayments	7	**2,979**	999	**—**	—
Investment properties	8	**374**	193	**—**	—
Intangible assets	9	**4,873**	2,278	**4**	3
Investments in subsidiaries	10	**—**	—	**48,547**	37,270
Investments in jointly controlled entities	11	**370**	661	**62**	225
Investments in associates	12	**3,222**	1,412	**1,736**	—
Available-for-sale financial assets	14	**16,621**	7,340	**8,898**	3,937
Held-to-maturity financial assets		**2**	2	**—**	—
Deferred income tax assets	25	**2,251**	3,033	**107**	117
Trade and other receivables	15	**7,744**	2,472	**539**	337
Other non-current assets		**83**	—	**83**	—
		64,648	37,910	**60,079**	41,950
Current assets					
Inventories	16	**5,863**	4,037	**36**	72
Trade and other receivables	15	**44,782**	32,826	**2,718**	1,440
Loans to subsidiaries	10	**—**	—	**4,193**	2,603
Amounts due from subsidiaries	10	**—**	—	**3,055**	1,408
Amounts due from customers for contract work	17	**28,488**	20,903	**827**	588
Derivative financial instruments	18	**508**	3	**66**	—
Other financial assets at fair value through profit or loss		**160**	15	**—**	—
Restricted cash	19	**475**	465	**—**	—
Cash and cash equivalents	20	**22,473**	30,793	**8,273**	20,477
		102,749	89,042	**19,168**	26,588
Total assets		**167,397**	126,952	**79,247**	68,538
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	**14,825**	14,825	**14,825**	14,825
Share premium	21(b)	**13,853**	13,853	**13,853**	13,853
Other reserves	22	**15,162**	3,073	**27,715**	22,898
Proposed final dividend	40(d)	**1,305**	74	**1,305**	74
		45,145	31,825	**57,698**	51,650
Minority interests		**8,817**	4,902	**—**	—
Total equity		**53,962**	36,727	**57,698**	51,650

The notes on pages 73 to 165 are an integral part of these financial statements.

Balance Sheets

As at 31 December 2007

	Note	Group		Company	
		2007 RMB million	2006 RMB million	2007 RMB million	2006 RMB million
LIABILITIES					
Non-current liabilities					
Borrowings	24	12,633	8,591	1,974	2,098
Deferred income		246	155	—	—
Deferred income tax liabilities	25	3,817	2,151	2,112	1,346
Early retirement and supplemental benefit obligations	26	3,153	3,362	49	54
		19,849	14,259	4,135	3,498
Current liabilities					
Trade and other payables	23	62,099	45,416	4,481	3,326
Amounts due to subsidiaries	10	—	—	5,828	2,529
Amounts due to customers for contract work	17	7,627	6,343	151	180
Current income tax liabilities		1,562	960	103	3
Borrowings	24	21,828	22,098	6,781	7,308
Derivative financial instruments	18	158	19	26	—
Early retirement and supplemental benefit obligations	26	202	217	4	4
Provisions	27	89	115	40	40
Other current liabilities	28	21	798	—	—
		93,586	75,966	17,414	13,390
Total liabilities		113,435	90,225	21,549	16,888
Total equity and liabilities		167,397	126,952	79,247	68,538
Net current assets		9,163	13,076	1,754	13,198
Total assets less current liabilities		73,811	50,986	61,833	55,148

Zhou Jichang
Director

Fu Junyuan
Director

The notes on pages 73 to 165 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 RMB million	2006 RMB million
Revenue	5	**150,601**	114,881
Cost of sales	32	**(135,033)**	(103,066)
Gross profit		**15,568**	11,815
Other gains — net	29	**243**	76
Selling and marketing expenses	32	**(409)**	(413)
Administrative expenses	32	**(6,059)**	(5,341)
Other income	30	**2,226**	1,338
Other expenses	31	**(983)**	(987)
Operating profit		**10,586**	6,488
Interest income	34	**491**	347
Finance costs, net	35	**(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	36	**(2,049)**	(1,228)
Profit for the year		**7,574**	4,286
Attributable to:			
Equity holders of the Company	38	**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	39	**0.41**	0.29
— diluted	39	**0.41**	0.29
Dividends	40	**1,305**	74

The notes on pages 73 to 165 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

		Attributable to equity holders of the Company						
		Share Capital	Share Premium	Other Reserves	Retained Earnings	Total	Minority Interests	Total Equity
	Note	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2006	22	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	22	—	—	(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	22	—	—	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	40	—	—	(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

The notes on pages 73 to 165 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

		Attributable to equity holders of the Company						
	Note	Share Capital RMB million	Share Premium RMB million	Other Reserves RMB million	Retained Earnings RMB million	Total RMB million	Minority Interests RMB million	Total Equity RMB million
At 1 January 2007	22	14,825	13,853	2,073	1,074	31,825	4,902	36,727
Changes in fair value of available-for-sale financial assets, net of deferred tax		—	—	6,924	—	6,924	2	6,926
Transaction with minority shareholders resulting from disposal of equity interest of a subsidiary	22	—	—	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	22	—	—	(73)	73	—	—	—
Appropriations to safety fund	22	—	—	83	(83)	—	—	—
At 31 December 2007		14,825	13,853	9,599	6,868	45,145	8,817	53,962

The notes on pages 73 to 165 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 RMB million	2006 RMB million
Cash flows from operating activities			
Cash generated from operations	42	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	42	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)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	21	—	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	40	—	(1,556)
Distribution to CCCG upon completion of Reorganisation		—	(35)
Special Dividend to CCCG	40	(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	20	30,793	10,797
Exchange losses on cash and cash equivalents		(123)	(73)
Cash and cash equivalents at end of the year	20	22,473	30,793

The notes on pages 73 to 165 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

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 RMB 1.00 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 2008.

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 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 year ended 31 December 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.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

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

2.1 Basis of presentation *(Continued)*

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 consolidated financial statements.

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(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.

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

2.2 Basis of preparation *(Continued)*

(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. Further details of the accounting treatment are set out in Note 2.9 (c) in this section;

- 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 standard 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;

(All amounts in RMB unless otherwise stated)

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

2.2 Basis of preparation *(Continued)*

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

- 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.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

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

2.2 Basis of preparation *(Continued)*

(e) Amendment, 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.

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.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

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

2.3 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

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

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

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

(b) Transactions 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 a jointly controlled entity is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and is adjusted thereafter to recognise the Group's share of the post-acquisition results and distributions received of the jointly controlled entity, and other necessary alternations in the Group's proportionate interest in jointly controlled entity arising from changes in equity of jointly controlled entity that have not been included in the consolidated income statement.

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

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. 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 investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

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

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

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

2.4 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.

(b) Transactions and balances

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

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

2.5 Foreign currency translation *(Continued)*

(b) Transactions and balances *(Continued)*

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

(c) Group companies

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

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

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

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

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

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

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the 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.

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

2.6 Property, plant and equipment *(Continued)*

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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. Summary of significant accounting policies *(Continued)*

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 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.

2.10 Impairment of non-financial assets

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

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

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

(b) Loans and receivables

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

(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.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

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, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

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

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

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

2.12 Derivative financial instruments and hedging activities

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

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

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

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

(a) Cash flow hedge

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

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

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

(b) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

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

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

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

2.13 Inventories

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

2.14 Trade and other receivables

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

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

2.19 Current and deferred income tax

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

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

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.

2.20 Employee benefits

(a) Pension obligations

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

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

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

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

2.20 Employee benefits *(Continued)*

(a) Pension obligations *(Continued)*

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 retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. 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.

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

2.21 Provisions

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

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

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

2.22 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.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

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 by project basis. For projects where the progress billings exceed the value of contract work-in-progress, the balance is recognised under current liabilities instead of under current assets. The respective balance sheet items are "amounts due from customers for contract work" and "amounts due to customers for contract work".

2.24 Revenue recognition

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

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

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

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

(b) Services rendered

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

(c) Sales of products

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

(d) Rental income

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

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

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

3. Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

Details of the Group's trade and other receivables, cash and bank balances and borrowings as at 31 December 2007, denominated in foreign currencies, mainly United States Dollars ("US$"), Euro ("EUR"), Japanese Yen ("JPY") and Hong Kong Dollars ("HK$"), are disclosed in Notes 15, 20 and 24 respectively.

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments. During the year ended 31 December 2007, certain subsidiaries of the Group used foreign currency forward contracts transacted with domestic and overseas registered banks, to hedge the exposure to foreign currency risk on individual transactions primarily vis-à-vis US$, EUR, JPY and HK$.

As at 31 December 2007, if RMB had strengthened/weakened by 5% against US$ with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB233 million higher/lower (2006: RMB149 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. Profit is more sensitive to movements in RMB/US$ exchange rates in 2007 than 2006 because of the increased amount of US$ denominated borrowings.

As at 31 December 2007, if RMB had strengthened/weakened by 5% against EUR with all other variables held constant, profit attributable to equity holders of the Company for the year would have been approximately RMB59 million higher/lower (2006: RMB87 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables. Profit is less sensitive to movements in RMB/EUR exchange rates in 2007 than 2006 because of the increased amount of EUR denominated cash and cash equivalents.

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

As at 31 December 2007, if RMB had strengthened/weakened by 5% against JPY with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been approximately RMB50 million higher/lower (2006: RMB69 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and other receivables, cash and cash equivalents and borrowings. Profit is less sensitive to movements in RMB/JPY exchange rates in 2007 than 2006 because of the decreased amount of JPY denominated borrowings.

As at 31 December 2007, if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been approximately RMB1 million lower/higher (2006: RMB870 million lower/higher), mainly as a result of foreign exchange losses/gains on translation of foreign currency denominated trade and other receivables and cash and cash equivalents. Profit is less sensitive to movements in RMB/HK$ exchange rates in 2007 than 2006 because of the decreased amount of HK$ denominated cash and cash equivalents. Equity would have been approximately RMB13 million lower/higher (2006: RMB12 million lower/higher), arising mainly from foreign exchange losses/gains on translation of HK$ denominated equity securities classified as available-for-sale. Equity is more sensitive to movements in RMB/HK$ exchange rate in 2007 than 2006 because of the increased amount of HK$-denominated equity securities classified as available-for-sale.

(ii) Interest rate risk

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

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2007, approximately RMB17,144 million (2006: RMB20,587 million) of the Group's borrowings were at fixed rates. The Group's borrowings at variable rates were denominated in US$, EUR and HK$. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 24.

At 31 December 2007, if interest rates on borrowings had been 5 basis points higher/lower with all other variables held constant, profit attributable to the equity holders of the Company for the year would have been RMB30 million lower/higher (2006: RMB13 million lower/higher), mainly as a result of higher interest expenses on floating rate borrowings.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk *(Continued)*

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. During the year ended 31 December 2007, certain subsidiaries of the Group used interest rate swaps to hedge the exposure to interest rate risk. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

(iii) Price risk

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

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

	2007	2006
Change in equity price	**5%**	5%

	2007 RMB million	2006 RMB million
Impact on profit attributable to equity holders of the Company		
Increase/(decrease) in profit attributable to equity holders of the Company for the year		
— as a result of increase in equity price	**8**	1
— as a result of decrease in equity price	**(8)**	(1)
Impact on equity		
Increase/(decrease) in equity for the year		
— as a result of increase in equity price	**791**	335
— as a result of decrease in equity price	**(791)**	(335)

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

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

The table below shows the bank deposits with the nine major banks as at 31 December 2006 and 2007. The Directors do not expect any losses from non-performance by these banks.

Group

	2007 RMB million	2006 RMB million
China Construction Bank	**3,348**	2,778
Industrial and Commercial Bank of China	**3,248**	2,483
Agricultural Bank of China	**2,319**	1,315
Bank of Communications	**2,091**	1,170
Bank of China	**1,893**	2,268
China Merchants Bank	**1,811**	16,384
China Minsheng Banking Corporation Limited	**1,073**	648
China CITIC Bank	**929**	319
China Industrial Bank	**724**	321
Other bank deposits	**5,382**	3,456
	22,818	31,142

Company

	2007 RMB million	2006 RMB million
Bank of Communications	**1,436**	665
China Construction Bank	**1,191**	744
China Merchants Bank	**1,018**	15,367
Agricultural Bank of China	**1,013**	380
Industrial and Commercial Bank of China	**689**	944
China Minsheng Banking Corporation Limited	**457**	250
China Industrial Bank	**453**	247
China CITIC Bank	**365**	122
Bank of China	**349**	1,045
Other bank deposits	**1,301**	712
	8,272	20,476

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

The Group's major customers are PRC Government agencies at the national, provincial and local levels, and other state-owned enterprises, which accounted for significant amounts of the Group's total operating revenue during the year. The Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. No single customer accounted for more than 10% of the Group's total revenues during the year (2006: 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 capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

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

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at 31 December 2007				
Borrowings	23,334	4,467	6,843	4,959
Derivative financial instruments	158	—	—	—
Trade and other payables	62,099	—	—	—
	85,591	4,467	6,843	4,959
As at 31 December 2006				
Borrowings	23,026	2,734	4,255	3,767
Derivative financial instruments	19	—	—	—
Trade and other payables	45,416	—	—	—
	68,461	2,734	4,255	3,767

Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at 31 December 2007				
Borrowings	7,144	1,156	573	488
Derivative financial instruments	26	—	—	—
Trade and other payables	4,481	—	—	—
	11,651	1,156	573	488
As at 31 December 2006				
Borrowings	7,496	878	740	695
Trade and other payables	3,326	—	—	—
	10,822	878	740	695

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Capital risk management

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

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

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

	2007 RMB million	2006 RMB million
Total borrowings *(Note 24)*	**34,461**	30,689
Less: Cash and cash equivalents *(Note 20)*	**(22,473)**	(30,793)
Net debt/(cash)	**11,988**	(104)
Total equity	**53,962**	36,727
Total capital	**65,950**	36,623
Gearing ratio	**18%**	—

The increase in the gearing ratio during 2007 resulted primarily from the significant decrease in cash and cash equivalents, which is mainly due to the increase in cash used in investing activities.

3.2 Fair value estimation

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

3. Financial risk management *(Continued)*

3.2 Fair value estimation *(Continued)*

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 (h). Other techniques, such as estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

4. Critical accounting estimates, assumptions and judgments

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

4.1 Income taxes and deferred tax

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

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

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

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

4.1 Income taxes and deferred tax *(Continued)*

Certain entities within the Group, which were granted the status of technologically-advanced enterprises prior to 1 January 2008, are subject to enterprise income tax at a preferential rate of 15%. As discussed in Note 25(d), in March 2007 the National People's Congress of the People's Republic of China issued the new CIT law (defined in Note 25 (d)), effective from 1 January 2008, pursuant to which enterprises that have applied and been granted High /New Technology status ("HNTE") would be able to enjoy a reduced tax rate of 15%. However, as of 31 December 2007, the detailed implementation rules relating to obtaining the HNTE status had not been published. Consequently, when recognising deferred taxes as at 31 December 2007, the above-mentioned entities applied a tax rate of 25% on the temporary differences and tax losses that can be carried forward. The Directors are of the view that such entities will be granted the HNTE status and will apply for the status as soon as the criteria and process become clear. If they had been granted the HNTE status as at 31 December 2007, deferred taxes would have been recognised at a rate of 15% and the impact on the consolidated financial statements would have been as follow:

	Year ended 31 December 2007
Deferred tax assets:	
— Decrease in income tax credit	33
— Decrease in equity	14
Decrease in deferred tax assets	47
Deferred tax liabilities:	
— Decrease in income tax expenses	(5)
— Increase in equity	(17)
Decrease in deferred tax liabilities	(22)

4.2 Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

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

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

4.3 Construction contracts

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

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

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

4.4 Pension benefits

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

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

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

5. Segment information

5.1 Primary reporting format — business segments

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

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

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

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

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

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

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

5. Segment information *(Continued)*

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

5. Segment information *(Continued)*

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

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

	Construction RMB million	Design RMB million	Dredging RMB million	Port machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Other segment items							
Depreciation	1,280	102	449	516	64	—	2,411
Amortisation	20	9	1	5	7	—	42
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 RMB million	Design RMB million	Dredging RMB million	Port machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Total gross segment revenue	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

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

5. Segment information *(Continued)*

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

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

	Construction RMB million	Design RMB million	Dredging RMB million	Port machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Other segment items							
Depreciation	1,175	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 RMB million	Design RMB million	Dredging RMB million	Port machinery RMB million	Other RMB million	Elimination RMB million	Total RMB million
Assets	80,409	5,838	14,872	32,376	5,161	(1,738)	136,918
Investments in jointly controlled entities							370
Investments in associates							3,222
Unallocated assets							26,887
Total assets							167,397
Liabilities	52,939	3,313	5,588	9,369	3,488	(1,738)	72,959
Unallocated liabilities							40,476
Total liabilities							113,435
Capital expenditure	5,774	237	2,401	5,473	437	—	14,322

5. Segment information *(Continued)*

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

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

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	136,918	72,959
Investments in jointly controlled entities	370	—
Investments in associates	3,222	—
Unallocated:		
Deferred income tax assets/liabilities	2,251	3,817
Current income tax liabilities	—	1,562
Current borrowings	—	21,828
Non-current borrowings	—	12,633
Available-for-sale financial assets	16,621	—
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

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

5. Segment information *(Continued)*

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

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

	Assets RMB million	Liabilities 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

5.2 Secondary reporting format — geographical segments

(a) Revenue

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

	2007 RMB million	2006 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

5. Segment information *(Continued)*

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

(b) Total assets

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

	2007 RMB million	2006 RMB million
Mainland China	**124,171**	87,090
Hong Kong and Macau	**2,226**	2,352
Other countries	**10,521**	4,639
	136,918	94,081
Investment in associates and jointly controlled entities	**3,592**	2,073
Unallocated assets	**26,887**	30,798
	167,397	126,952

(c) Capital expenditure

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

	2007 RMB million	2006 RMB million
Mainland China	**13,959**	8,122
Hong Kong and Macau	**12**	19
Other countries	**351**	355
	14,322	8,496

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

6. Property, plant and equipment

Group

	Buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction-in-progress RMB million	Total RMB million
At 1 January 2006						
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)
Disposal 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
Year ended 31 December 2007						
Opening net book amount	3,456	3,179	8,631	765	3,489	19,520
Additions	650	1,075	624	551	6,686	9,586
Disposals *(Note 42)*	(78)	(68)	(176)	(92)	—	(414)
Transfer to investment properties *(Note 8)*	(184)	—	—	—	—	(184)
Transfer	564	209	2,274	15	(3,062)	—
Depreciation *(Note 32)*	(247)	(589)	(1,178)	(365)	—	(2,379)
Closing net book amount	4,161	3,806	10,175	874	7,113	26,129
At 31 December 2007						
Cost	5,737	7,229	17,483	2,841	7,113	40,403
Accumulated depreciation	(1,576)	(3,423)	(7,308)	(1,967)	—	(14,274)
Net book amount	4,161	3,806	10,175	874	7,113	26,129

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)
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
Year ended 31 December 2007						
Opening net book amount	9	26	13	13	—	61
Additions	—	15	6	63	—	84
Disposals	—	—	—	(4)	—	(4)
Depreciation	(1)	(6)	(5)	(26)	—	(38)
Closing net book amount	8	35	14	46	—	103
At 31 December 2007						
Cost	11	44	37	107	—	199
Accumulated depreciation	(3)	(9)	(23)	(61)	—	(96)
Net book amount	8	35	14	46	—	103

(a) Depreciation of the Group's property, plant and equipment of RMB1,953 million (2006: RMB1,737 million) has been charged in cost of sales, RMB388 million (2006: RMB382 million) in administrative expenses and RMB38 million (2006: RMB32 million) in selling and marketing expenses.

(b) Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately RMB110 million (2006: RMB126 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 2007, 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 RMB212 million (2006: RMB288 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

(All amounts in RMB unless otherwise stated)

7. Lease prepayments

Group

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

	2007 RMB million	2006 RMB million
At beginning of the year		
Cost	**1,165**	1,265
Accumulated amortisation	**(166)**	(150)
Net book amount	**999**	1,115
For the year		
Opening net book amount	**999**	1,115
Additions	**2,061**	60
Disposals	**(57)**	(22)
Disposal of a subsidiary	**—**	(35)
Amortisation charge *(Note 32)*	**(24)**	(27)
Distribution to CCCG upon completion of the Reorganisation *(Note b)*	**—**	(92)
Closing net book amount	**2,979**	999
At end of the year		
Cost	**3,168**	1,165
Accumulated amortisation	**(189)**	(166)
Net book amount	**2,979**	999

(a) Amortisation of the Group's lease prepayments of RMB15 million (2006: RMB16 million) has been charged in cost of sales and RMB9 million (2006: RMB11 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 2007, the Group is in the process of applying for or changing registration of the title certificates for certain of its land use rights with an aggregate carrying value of approximately RMB1,319 million as at 31 December 2007 (2006: RMB12 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

8. Investment properties

Group

	2007 RMB million	2006 RMB million
At beginning of the year		
Cost	**260**	265
Accumulated depreciation	**(67)**	(53)
Net book amount	**193**	212
For the year		
Opening net book amount	**193**	212
Transfer from property, plant and equipment *(Note 6)*	**184**	—
Additions	**62**	2
Disposals	**(33)**	(2)
Depreciation *(Note 32)*	**(32)**	(15)
Distribution to CCCG upon completion of the Reorganisation *(Note c)*	**—**	(4)
Closing net book amount	**374**	193
At end of the year		
Cost	**467**	260
Accumulated depreciation	**(93)**	(67)
Net book amount	**374**	193
Fair value at end of the year	**1,140**	671

(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 RMB32 million (2006: RMB15 million) has been charged to 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.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

9. Intangible assets

Group

	Patent and proprietary technologies RMB million	Computer software RMB million	Concession assets RMB million	Others RMB million	Total RMB million
At 1 January 2006					
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
Year ended at 31 December 2007					
Opening net book amount	2	27	2,249	—	2,278
Additions	8	17	2,580	8	2,613
Amortisation charge *(Note 32)*	(1)	(9)	(7)	(1)	(18)
Closing net book amount	9	35	4,822	7	4,873
At 31 December 2007					
Cost	17	76	4,829	11	4,933
Accumulated amortisation	(8)	(41)	(7)	(4)	(60)
Net book amount	9	35	4,822	7	4,873

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
Year ended 31 December 2007	
Opening net book amount	3
Additions	2
Amortisation charge	(1)
Closing net book amount	4
At 31 December 2007	
Cost	17
Accumulated amortisation	(13)
Net book amount	4

(a) As at 31 December 2007, concession operations and related amortisation have started in respect of concession assets with cost of RMB2,753 million (2006: nil). Other concession assets with cost of RMB2,076 million (2006: RMB2,249 million) are still under construction and no amortisation has been made in the year.

(b) Amortisation of the Group's intangible assets of RMB8 million (2006: RMB3 million) has been charged in cost of sales, and RMB10 million (2006: RMB9 million) in administrative expenses.

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(All amounts in RMB unless otherwise stated)

10. Investments in and loans to subsidiaries — Company

	2007 RMB million	2006 RMB million
Listed investments, at cost	**8,028**	6,510
Unlisted investment, at cost	**40,519**	30,760
	48,547	37,270
Market value of listed shares	**25,031**	10,742
Current assets		
Loans to subsidiaries *(Note a)*	**4,193**	2,603
Amounts due from subsidiaries *(Note b)*	**3,055**	1,408
Current liabilities		
Amounts due to subsidiaries *(Note b)*	**5,828**	2,529

(a) The loans to subsidiaries are unsecured, repayable within 1 year, and bear interest at rates ranging from nil to 6.723% (2006: nil to 5.508%) per annum.

(b) The amounts due from subsidiaries represent the dividends receivable from subsidiaries. The amounts due to subsidiaries are unsecured, repayable within 1 year and bear interest at rates ranging from 0.1% to 1.15% (2006: 0.12% to 0.996%) per annum.

(c) Details of the principal subsidiaries as at 31 December 2007 are shown in Note 46(a) to the consolidated financial statements.

11. Investments in jointly controlled entities

Group

	2007 RMB million	2006 RMB million
Share of net assets	**412**	703
Less: Provision for impairment	**(42)**	(42)
	370	661

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

11. Investments in jointly controlled entities *(Continued)*

Company

	2007 RMB million	2006 RMB million
Investment cost	**104**	267
Less: Provision for impairment	**(42)**	(42)
	62	225

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

	Group		Company	
	2007 RMB million	2006 RMB million	2007 RMB million	2006 RMB million
Beginning of the year/At 8 October 2006, date of the Reorganisation	**661**	205	**225**	61
Additions	**148**	563	**—**	163
Disposals	**(391)**	(7)	**(163)**	—
Share of loss	**(41)**	(93)	**—**	—
Dividend distribution	**(7)**	(9)	**—**	—
Reversal of impairment	**—**	2	**—**	1
End of the year	**370**	661	**62**	225

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

	2007 RMB million	2006 RMB million
Assets:		
Non-current assets	**395**	446
Current assets	**516**	874
	911	1,320
Liabilities:		
Non-current liabilities	**(108)**	(63)
Current liabilities	**(391)**	(554)
	(499)	(617)
Net assets	**412**	703

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

11. Investments in jointly controlled entities *(Continued)*

(b) *(Continued)*

	Year ended 31 December	
	2007	2006
	RMB million	RMB million
Income	**482**	641
Expenses	**(514)**	(726)
Loss before income tax	**(32)**	(85)
Income tax expense	**(9)**	(8)
Loss after tax	**(41)**	(93)

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

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

12. Investments in associates

Group

	2007	2006
	RMB million	RMB million
Share of net assets	**3,228**	1,420
Less: Provision for impairment	**(6)**	(8)
	3,222	1,412

Company

	2007
	RMB million
Investment cost	**1,736**
Less: Provision for impairment	**—**
	1,736

12. Investments in associates *(Continued)*

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

	Group		Company
	2007 RMB million	2006 RMB million	**2007 RMB million**
Beginning of the year	**1,412**	1,400	**—**
Additions	**1,798**	19	**1,736**
Disposals	**(6)**	(14)	**—**
Share of profit	**132**	109	**—**
Dividend distribution	**(63)**	(62)	**—**
Reversal of impairment loss	**2**	2	**—**
Exchange reserve	**(53)**	(42)	**—**
End of the year	**3,222**	1,412	**1,736**

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

	2007 RMB million	2006 RMB million
Total assets	**4,353**	2,400
Total liabilities	**(1,125)**	(980)
Net assets	**3,228**	1,420

	Year ended 31 December	
	2007 RMB million	2006 RMB million
Revenue	**1,456**	1,142
Profit for the year	**132**	109

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

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

13. Financial instruments by category

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

Group

	Loans and receivables RMB million	Assets at fair value through the profit and loss RMB million	Held-to maturity financial assets RMB million	Available for-sale financial assets RMB million	Total RMB million
Assets as per consolidated balance sheet					
31 December 2007					
Available-for-sale financial assets *(Note 14)*	—	—	—	16,621	16,621
Held-for-maturity financial assets	—	—	2	—	2
Derivative financial instruments *(Note 18)*	—	508	—	—	508
Other financial assets at fair value through profit or loss	—	160	—	—	160
Trade and other receivables *(Note 15)*	52,526	—	—	—	52,526
Cash and cash equivalents *(Note 20)*	—	22,473	—	—	22,473
Total	52,526	23,141	2	16,621	92,290
31 December 2006					
Available-for-sale financial assets *(Note 14)*	—	—	—	7,340	7,340
Held-for-maturity financial assets	—	—	2	—	2
Derivative financial instruments *(Note 18)*	—	3	—	—	3
Other financial assets at fair value through profit or loss	—	15	—	—	15
Trade and other receivables *(Note 15)*	35,298	—	—	—	35,298
Cash and cash equivalents *(Note 20)*	—	30,793	—	—	30,793
Total	35,298	30,811	2	7,340	73,451

	Liabilities at fair value through the profit and loss RMB million	Other financial liabilities RMB million	Total RMB million
Liabilities as per consolidated balance sheet			
31 December 2007			
Borrowings *(Note 24)*	—	34,461	34,461
Derivative financial instruments *(Note 18)*	158	—	158
Total	158	34,461	34,619
31 December 2006			
Borrowings *(Note 24)*	—	30,689	30,689
Derivative financial instruments *(Note 18)*	19	—	19
Total	19	30,689	30,708

13. Financial instruments by category *(Continued)*

Company

	Loans and receivables RMB million	Assets at fair value through the profit and loss RMB million	Held-to maturity financial assets RMB million	Available for-sale financial assets RMB million	Total RMB million
Assets as per balance sheet					
31 December 2007					
Available-for-sale financial assets *(Note 14)*	—	—	—	8,898	8,898
Derivative financial instruments *(Note 18)*	—	66	—	—	66
Trade and other receivables *(Note 15)*	3,257	—	—	—	3,257
Loans to subsidiaries *(Note 10)*	4,193	—	—	—	4,193
Amounts due from subsidiaries *(Note 10)*	3,055	—	—	—	3,055
Cash and cash equivalents *(Note 20)*	—	8,273	—	—	8,273
Total	10,505	8,339	—	8,898	27,742
31 December 2006					
Available-for-sale financial assets *(Note 14)*	—	—	—	3,937	3,937
Trade and other receivables *(Note 15)*	1,777	—	—	—	1,777
Loans to subsidiaries *(Note 10)*	2,603	—	—	—	2,603
Amounts due from subsidiaries *(Note 10)*	1,408	—	—	—	1,408
Cash and cash equivalents *(Note 20)*	—	20,477	—	—	20,477
Total	5,788	20,477	—	3,937	30,202

	Liabilities at fair value through the profit and loss RMB million	Other financial liabilities RMB million	Total RMB million
Liabilities as per balance sheet			
31 December 2007			
Borrowings *(Note 24)*	—	8,755	8,755
Amounts due to subsidiaries *(Note 10)*	—	5,828	5,828
Derivative financial instruments *(Note 18)*	26	—	26
Total	26	14,583	14,609
31 December 2006			
Borrowings *(Note 24)*	—	9,406	9,406
Amounts due to subsidiaries *(Note 10)*	—	2,529	2,529
Total	—	11,935	11,935

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

14. Available-for-sale financial assets

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Beginning of the year/ At 8 October 2006, date of the Reorganisation	**7,340**	3,045	**3,937**	2,979
Fair value gain	**9,153**	4,327	**4,961**	922
Additions	**219**	55	**—**	38
Disposals	**(91)**	(87)	**—**	(2)
End of the year	**16,621**	7,340	**8,898**	3,937

Available-for-sale financial assets include the following:

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Listed equity securities, at fair value *(Note a)*				
— Mainland China	**15,606**	6,543	**8,447**	3,550
— Hong Kong	**218**	147	**199**	135
Unlisted equity investments, at fair value	**797**	650	**252**	252
Total	**16,621**	7,340	**8,898**	3,937
Market value of listed securities	**19,092**	8,384	**10,590**	4,644

(a) These securities represent promoters' shares held by the Group which can be freely traded in the stock market upon expiry of certain prescribed restriction periods pursuant to the share reform schemes implemented in 2006. The fair value of these shares, which were still subject to trading restrictions as at 31 December 2007, was determined by reference to the closing quoted market prices after incorporating certain discount factors.

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

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
RMB	**16,358**	7,097	**8,699**	3,802
HKD	**263**	243	**199**	135
	16,621	7,340	**8,898**	3,937

15. Trade and other receivables

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Trade and bills receivables	**26,701**	21,063	**1,648**	1,041
Less: Provision for impairment	**(2,054)**	(1,775)	**(466)**	(496)
Trade and bills receivables — net	**24,647**	19,288	**1,182**	545
Prepayments	**11,526**	6,417	**1,445**	679
Retentions	**4,982**	3,364	**272**	37
Deposits	**4,507**	3,624	**5**	157
Other receivables	**1,453**	998	**46**	56
Staff advances	**591**	489	**7**	3
Long-term receivables	**4,520**	818	**—**	—
Loan receivable	**300**	300	**300**	300
	52,526	35,298	**3,257**	1,777
Less: non-current portion				
— Retentions	**(2,513)**	(1,354)	**(239)**	(37)
— Long-term receivables	**(4,435)**	(818)	**—**	—
— Loan receivable	**(300)**	(300)	**(300)**	(300)
— Prepayments for equipment	**(496)**	—	**—**	—
Current portion	**44,782**	32,826	**2,718**	1,440

Refer to the Note 45 for receivables due from related parties.

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

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Less than 6 months	**20,397**	15,791	**1,159**	429
6 months to 1 year	**2,634**	2,622	**22**	107
1 year to 2 years	**1,924**	1,276	**2**	8
2 years to 3 years	**699**	384	**1**	1
Over 3 years	**1,047**	990	**464**	496
	26,701	21,063	**1,648**	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 rate of non-current receivables was 7.56% per annum as at 31 December 2007 (2006: 6.30%).

15. Trade and other receivables *(Continued)*

(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 bearing interest at 9.62% per annum. The carrying amount of the loan receivable approximates its fair value.

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

(f) The Group transferred certain trade receivables amounting to RMB429 million to certain banks with recourse in exchange for cash during the year ended 31 December 2007 (2006: nil). Such transactions did not qualify for derecognition and have been accounted for as secured borrowings (note 24).

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

(h) As of 31 December 2007, trade receivables of RMB1,109 million (2006: RMB589 million) were fully performing.

(i) As of 31 December 2007, trade receivables of RMB20,120 million (2006: RMB15,467 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2007 RMB million	2006 RMB million
Less than 6 months	**18,305**	13,937
6 months to 1 year	**1,123**	914
1 year to 2 years	**451**	492
2 years to 3 years	**174**	44
Over 3 years	**67**	80
	20,120	15,467

(j) As of 31 December 2007, trade receivables of RMB5,472 million (2006: RMB5,007 million) were impaired and provided for. The amount of the provision was RMB2,054 million as of 31 December 2007 (2006: RMB1,775 million). It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Group	
	2007 RMB million	2006 RMB million
Less than 6 months	**978**	1,238
6 months to 1 year	**1,073**	1,278
1 year to 2 years	**1,059**	593
2 years to 3 years	**281**	118
Over 3 years	**27**	5
	3,418	3,232

15. Trade and other receivables *(Continued)*

(k) Movement on the Group's provision for impairment of trade receivables are as follows:

	2007 RMB million	2006 RMB million
At 1 January	**1,775**	1,810
Provision for the year	**710**	346
Unused amount reversed	**(431)**	(381)
At 31 December	**2,054**	1,775

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement (Note 32). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

	2007 RMB million	2006 RMB million
RMB	**44,074**	30,709
US$	**5,089**	2,762
HKD	**721**	512
Other currencies	**2,642**	1,315
	52,526	35,298

(m) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

16. Inventories

	Group		Company	
	2007 RMB million	2006 RMB million	2007 RMB million	2006 RMB million
Raw materials	**5,254**	3,737	**36**	37
Work in progress	**405**	210	**—**	35
Finished goods	**291**	159	**—**	—
	5,950	4,106	**36**	72
Less: Provision for inventories	**(87)**	(69)	**—**	—
	5,863	4,037	**36**	72

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(All amounts in RMB unless otherwise stated)

17. Contract work-in-progress

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Contract cost incurred plus recognised profit less recognised losses	**265,948**	171,683	**10,710**	3,574
Less: Progress billings	**(245,087)**	(157,123)	**(10,034)**	(3,166)
Contract work-in-progress	**20,861**	14,560	**676**	408
Representing:				
Amounts due from customers for contract work	**28,488**	20,903	**827**	588
Amounts due to customers for contract work	**(7,627)**	(6,343)	**(151)**	(180)
	20,861	14,560	**676**	408

	Year ended 31 December			
	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Contract revenue recognised as revenue in the year	**134,221**	102,525	**7,847**	2,972

18. Derivative financial instruments

Group

	2007		2006	
	Assets RMB million	**Liabilities RMB million**	Assets RMB million	Liabilities RMB million
Interest rate swaps	**5**	**(23)**	3	—
Forward foreign exchange contracts	**503**	**(135)**	—	(19)
Total	**508**	**(158)**	3	(19)

Company

	2007		2006	
	Assets RMB million	**Liabilities RMB million**	Assets RMB million	Liabilities RMB million
Forward foreign exchange contracts	**66**	**(26)**	—	—
Total	**66**	**(26)**	—	—

(a) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2007 were RMB14,760 million (2006: RMB4,895 million).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity (Note 22) on forward foreign exchange contracts as of 31 December 2007 are recognised in the consolidated income statement in the period or periods during which the hedged forecast transaction affects the consolidated income statement.

18. Derivative financial instruments *(Continued)*

(b) Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2007 were RMB2,337 million (2006: RMB937 million).

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

19. Restricted cash

Group

	2007 RMB million	2006 RMB million
Restricted cash denominated in:		
— RMB	**316**	445
— US$	**80**	15
— EUR	**76**	—
— Others	**3**	5
	475	465

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

20. Cash and cash equivalents

	Group		**Company**	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Cash at bank and on hand	**130**	116	**1**	1
Bank deposits				
— Term deposits with initial term of over three months	**152**	332	**—**	41
— Other bank deposits	**22,191**	30,345	**8,272**	20,435
Cash and cash equivalents	**22,473**	30,793	**8,273**	20,477
Maximum exposure to credit risk	**22,473**	30,793	**8,273**	20,477
Denominated in:				
— RMB	**19,185**	10,700	**8,164**	2,643
— US$	**1,553**	1,580	**94**	194
— HK$	**144**	17,734	**3**	17,624
— JPY	**106**	11	**4**	3
— EUR	**507**	103	**4**	—
— Others	**978**	665	**4**	13
	22,473	30,793	**8,273**	20,477

20. Cash and cash equivalents *(Continued)*

(a) The weighted average effective interest rate on short-term bank deposits, with maturities ranging from one to three months, was 2.96% per annum as at 31 December 2007 (2006: 2.1% 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.

21. Share capital and premium

	2007		2006	
	Number of shares (thousands)	**Nominal value (RMB'000)**	Number of shares (thousands)	Nominal value (RMB'000)
Registered, issued and fully paid				
Domestic shares of RMB1.00 each	**10,397,500**	**10,397,500**	10,397,500	10,397,500
H shares of RMB1.00 each	**4,427,500**	**4,427,500**	4,427,500	4,427,500
As at 31 December	**14,825,000**	**14,825,000**	14,825,000	14,825,000

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

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

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

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

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

22. Other reserves

Group

	Capital Reserve RMB million	Statutory Reserve Fund RMB million	Investment Revaluation Reserve RMB million	Hedging Reserve RMB million	Safety Fund RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million
At 1 January 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
Transactions with majority 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 Reorganisation	1,465	—	—	—	—	—	—	1,465
Contribution *(Note d)*	220	—	—	—	—	—	—	220
Distributions *(Note 40)*	(245)	—	—	—	—	—	(2,052)	(2,297)
At 31 December 2006	(2,157)	73	4,166	—	—	(9)	1,074	3,147

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(All amounts in RMB unless otherwise stated)

22. Other reserves *(Continued)*

Group *(Continued)*

	Capital Reserve RMB million	Statutory Reserve Fund RMB million	Investment Revaluation Reserve RMB million	Hedging Reserve RMB million	Safety Fund RMB million	Exchange Reserve RMB million	Retained Earnings RMB million	Total RMB million
At 1 January 2007	(2,157)	73	4,166	—	—	(9)	1,074	3,147
Profit for the year	—	—	—	—	—	—	6,032	6,032
Currency translation differences	—	—	—	—	—	18	—	18
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	6,924	—	—	—	—	6,924
Transaction with minority shareholders resulting from disposal of equity interest of a subsidiary	176	—	—	—	—	—	—	176
Transactions with minority shareholders resulting from additional capital injection to certain subsidiaries	(2)	—	—	—	—	—	—	(2)
Reduction of deferred tax assets in the assets revaluation surplus arising from the Reorganisation due to change of tax rate *(Note 25(d))*	(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 *(Note 25(d))*	—	—	416	—	—	—	—	416
Cash flow hedges, net of deferred tax	—	—	—	81	—	—	—	81
2006 final dividend	—	—	—	—	—	—	(74)	(74)
Appropriations *(Note c)*	—	154	—	—	—	—	(154)	—
Reversal of statutory reserve appropriated in prior year *(Note c)*	—	(73)	—	—	—	—	73	—
Appropriations to safety fund *(Note e)*	—	—	—	—	83	—	(83)	—
At 31 December 2007	(2,234)	154	11,506	81	83	9	6,868	16,467

22. Other reserves *(Continued)*

Company

	Capital Reserve RMB million	Statutory Reserve Fund RMB million	Investment Revaluation Reserve RMB million	Hedging Reserve RMB million	Safety Fund RMB million	(Accumulated Deficit)/ Retained Earnings 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
Appropriations *(Note c)*	—	73	—	—	—	(73)	—
Contribution *(Note d)*	220	—	—	—	—	—	220
Special Dividend *(Note 40)*	—	—	—	—	—	(496)	(496)
At 31 December 2006	21,172	73	2,262	—	—	(535)	22,972
At 1 January 2007	21,172	73	2,262	—	—	(535)	22,972
Profit for the year	—	—	—	—	—	2,131	2,131
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	3,721	—	—	—	3,721
Reduction of deferred tax liabilities arising from changes in fair value of available-for-sale financial asset due to change of tax rate	—	—	270	—	—	—	270
2006 final dividend	—	—	—	—	—	(74)	(74)
Appropriations *(Note c)*	—	154	—	—	—	(154)	—
Reversal of statutory reserve appropriated in prior year *(Note c)*	—	(73)	—	—	—	73	—
Appropriations to safety fund *(Note e)*	—	—	—	—	5	(5)	—
At 31 December 2007	21,172	154	6,253	—	5	1,436	29,020

(a) As described in Note 2.1 above, the consolidated financial statements for the year ended 31 December 2006 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 year ended 31 December 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.

22. Other reserves *(Continued)*

(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 2007, the Board of Directors proposed appropriation of 10% of profit after tax as determined under the PRC GAAP, of RMB154 million (2006: RMB73 million) to the statutory surplus reserve fund.

Pursuant to Interpretation No. 1 to the Accounting Standards for Business Enterprises of the PRC ("Interpretation No. 1") issued by the Ministry of Finance in 2007, investment in subsidiaries on the Company's balance sheet should be stated at cost less provision for impairment losses, which represents a change from the previous equity method of accounting. According to Interpretation No. 1, the cost of investment in subsidiaries on the Company's balance sheet is retroactively adjusted as if investment in subsidiaries had been stated at cost since the inception. Accordingly, the net profit arising from investment in subsidiaries under the equity method of accounting under PRC GAAP for the period from 8 October 2006 (date of incorporation of the Company) to 31 December 2006 amounting to RMB800 million was reversed, which resulted in an accumulated deficit of RMB546 million on the Company's balance sheet as at 1 January 2007. The statutory surplus reserve fund of RMB73 million as at 31 December 2006, which arose from an appropriation at 10% of the profit after tax as determined in accordance with PRC GAAP in 2006, was reversed accordingly.

(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.

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22. Other reserves *(Continued)*

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

23. Trade and other payables

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Trade and bills payables	**36,852**	25,856	**2,823**	692
Advances from customers	**15,947**	11,856	**1,134**	1,495
Deposits from customers	**2,626**	2,391	**17**	5
Accrued payroll	**899**	631	**4**	12
Social securities	**902**	798	**1**	17
Other taxes	**1,877**	1,418	**132**	17
Accrued expenses	**657**	603	**41**	22
Other payables	**2,339**	1,367	**329**	570
Special Dividend payable to CCCG *(Note 40(b))*	**—**	496	**—**	496
	62,099	45,416	**4,481**	3,326

Refer to Note 45 for payable due to related parties.

At 31 December 2007 and 2006, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading nature) was as follows:

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Within 1 year	**34,935**	24,107	**2,727**	656
1 year to 2 years	**1,449**	1,333	**79**	22
2 years to 3 years	**295**	210	**7**	12
Over 3 years	**173**	206	**10**	2
	36,852	25,856	**2,823**	692

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(All amounts in RMB unless otherwise stated)

24. Borrowings

		Group		Company	
	Note	2007 RMB million	2006 RMB million	2007 RMB million	2006 RMB million
Non-current					
Long-term bank borrowings					
— secured	(a)	5,629	3,184	—	—
— unsecured	(b)	6,923	5,306	1,974	2,098
		12,552	8,490	1,974	2,098
Other borrowings					
— secured	(a)	64	70	—	—
— unsecured		17	31	—	—
		81	101	—	—
Total non-current borrowings		12,633	8,591	1,974	2,098
Current					
Current portion of long-term bank borrowings					
— secured	(a)	904	508	—	39
— unsecured	(b)	971	2,230	808	731
		1,875	2,738	808	770
Short-term bank borrowings					
— secured	(a)	6,380	5,429	—	430
— unsecured		12,463	10,517	4,880	5,030
		18,843	15,946	4,880	5,460
Other borrowings					
— secured	(a)	17	2	—	—
— unsecured	(c)	1,093	1,098	1,093	1,078
— debentures — unsecured		—	2,314	—	—
		1,110	3,414	1,093	1,078
Total current borrowings		21,828	22,098	6,781	7,308
Total borrowings		34,461	30,689	8,755	9,406

24. Borrowings *(Continued)*

(a) All these borrowings were secured by the Group's property, plant and equipment, trade receivables and receivables to be recognised in the future according to sales and construction contracts, and guarantees provided by certain subsidiaries of the Group.

(b) Unsecured long-term bank borrowings included loans of approximately RMB1,022 million (equivalent to JPY15,115 million) (2006: RMB1,392 million, equivalent to JPY21,409 million) payable to the Export-Import Bank of China ("EIBOC") at 31 December 2007. Prior to the incorporation of the Company on 8 October 2006, these loans were used by the predecessor operations of CCCG to finance the acquisition of machinery. Such loans were originally borrowed from Ministry of Foreign Trade and Economic Cooperation ("MOFTEC") via EIBOC, which in turn borrowed such loans from the Japanese Government. All these loans were denominated in Japanese Yen, bore interest at rates ranging from 2.5% to 3.5% per annum, repayable semi-annually by equal installments up to 2019, and were stated at amortised cost.

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

(c) Other current borrowings included loans of approximately RMB1,093 million (2006: RMB1,078 million) payable to the China Orient Assets Management Corporation ("COAMC") at 31 December 2007 (the "Iraq Loans"). Prior to the incorporation of the Company on 8 October 2006, these loans were used by the predecessor operations of CCCG to finance a construction project in Iraq in the 1980s. Such loans were originally borrowed from Bank of China and bore interest at rates ranging from 4.16% to 6.23% per annum. Since the Gulf War in 1990, the Group had not settled any principal and interest to Bank of China in accordance with the original loan agreements. As certain portions of these loans had been overdue, all the balance of these loans was reclassified as current liabilities. In 2000, the Iraq Loans were transferred to COAMC from Bank of China. According to relevant regulations issued by the General Office of State Council of the PRC in 1997, since the construction project in Iraq was supported by the PRC Government, the Group was not demanded to pay any penalty arising from the non-settlement.

(d) The 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**	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Total borrowings				
— 6 months or less	**11,711**	8,023	**—**	188
— 6–12 months	**21,728**	21,274	**7,733**	7,826
— Over 5 years	**1,022**	1,392	**1,022**	1,392
	34,461	30,689	**8,755**	9,406

(All amounts in RMB unless otherwise stated)

24. Borrowings *(Continued)*

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

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Total borrowings				
— Within 1 year	**21,828**	22,098	**6,781**	7,308
— Between 1 and 2 years	**3,621**	2,350	**1,133**	814
— Between 2 and 5 years	**5,873**	3,617	**363**	653
Wholly repayable within 5 years	**31,322**	28,065	**8,277**	8,775
— Over 5 years	**3,139**	2,624	**478**	631
	34,461	30,689	**8,755**	9,406

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

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Total borrowings				
— RMB	**19,933**	19,050	**6,077**	6,091
— US$	**10,659**	7,264	**1,166**	1,383
— HK$	**506**	620	**—**	—
— JPY	**1,108**	1,494	**1,022**	1,392
— EUR	**2,219**	2,261	**490**	540
— Others	**36**	—	**—**	—
	34,461	30,689	**8,755**	9,406

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

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Bank borrowings				
— RMB	**6.06%**	5.01%	**5.95%**	5.24%
— US$	**5.92%**	5.57%	**2.07%**	5.22%
— HK$	**5.55%**	5.53%	**—**	—
— JPY	**2.50%**	2.45%	**2.51%**	2.51%
— EUR	**5.08%**	4.44%	**5.63%**	5.22%
— Others	**5.75%**	—	**—**	—
Other borrowings				
— RMB	**6.12%**	3.66%	**—**	—
— US$	**3.61%**	3.36%	**—**	—
— EUR	**4.85%**	4.85%	**—**	—

24. Borrowings *(Continued)*

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

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

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Carrying amount	**12,633**	8,591	**1,974**	2,098
Fair value	**12,166**	8,194	**1,826**	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.

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

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Floating rate				
— Expiring within one year	**416**	15	**—**	—
— Expiring beyond one year	**–**	5	**—**	—
Fixed rate				
— Expiring within one year	**41,354**	19,373	**11,800**	14,951
— Expiring beyond one year	**56,219**	17,255	**28,010**	11,333
	97,989	36,648	**39,810**	26,284

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

25. Deferred income tax

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

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Deferred tax assets:				
— Deferred tax assets to be recovered after more than 12 months	**1,869**	2,841	**95**	117
— Deferred tax assets to be recovered within 12 months	**382**	192	**12**	—
	2,251	3,033	**107**	117
Deferred tax liabilities:				
— Deferred tax liabilities to be settled after more than 12 months	**(3,795)**	(2,151)	**(2,109)**	(1,346)
— Deferred tax liabilities to be settled within 12 months	**(22)**	—	**(3)**	—
	(3,817)	(2,151)	**(2,112)**	(1,346)
	(1,566)	882	**(2,005)**	(1,229)

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

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Beginning of the year/ At 8 October 2006, date of the Reorganisation	**882**	992	**(1,229)**	(883)
Recognised in the income statement *(Note 36)*	**(353)**	(159)	**194**	(34)
Recognised in equity	**(2,095)**	61	**(970)**	(312)
Distribution to CCCG upon completion of the Reorganisation	**—**	(12)	**—**	—
End of the year	**(1,566)**	882	**(2,005)**	(1,229)

25. Deferred income tax *(Continued)*

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

Deferred tax liabilities

	Group			
	Available-for-sale financial assets	**Investment in subsidiaries, jointly controlled entities and associates**	**Others**	**Total**
	RMB million	RMB million	RMB million	RMB million
At 1 January 2006	(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)
(Charged)/credited to the income statement	(4)	218	(98)	116
Charged directly to equity	(1,811)	—	(33)	(1,844)
At 31 December 2007	(3,803)	—	(228)	(4,031)

	Company			
	Available-for-sale financial assets	**Investment in subsidiaries, jointly controlled entities and associates**	**Others**	**Total**
	RMB million	RMB million	RMB million	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)
Credited/(Charged) to the income statement	—	216	(12)	204
Charged directly to equity	(970)	—	—	(970)
At 31 December 2007	(2,084)	—	(28)	(2,112)

(All amounts in RMB unless otherwise stated)

25. Deferred income tax *(Continued)*

(b) *(Continued)*

Deferred tax assets

	Group						
	Provision for impairment of assets RMB million	Depreciation and amortisation RMB million	Provision for foreseeable contract losses RMB million	Provision for employee benefits RMB million	Tax losses RMB million	Others RMB million	Total RMB million
At 1 January 2006	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
Credited/(charged) to the income statement	46	(78)	(162)	(297)	(3)	25	(469)
Charged directly to equity *(Note i)*	—	(251)	—	—	—	—	(251)
At 31 December 2007	324	960	70	794	12	305	2,465

	Company				
	Provision for Impairment of assets RMB million	Depreciation and amortisation RMB million	Provision for employee benefits RMB million	Others RMB million	Total RMB million
At 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
(Charged)/credited to the income statement	(13)	(1)	(6)	10	(10)
At 31 December 2007	18	1	34	54	107

25. Deferred income tax *(Continued)*

(b) *(Continued)*

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

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

(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 2007 (2006: RMB 690 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 year ended 31 December 2000 and 2004. As a result, the Group's interest in ZPMC was decreased from 100% to 50.3% as at 31 December 2005. In addition, pursuant to the share reform scheme undertaken by ZPMC (Note 22), the Group's interest in ZPMC has been decreased to 43.3% as at 31 December 2006. ZPMC issued additional shares in the year ended 31 December 2007 and the Group subscribed the shares in proportion to retain the Group's interest in ZPMC as 43.3% as at 31 December 2007; 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. The Group disposed 2.67% equity interest in CRBCI to third party minority shareholders during the year ended 31 December 2007 and the Group's interest in CRBCI has been decreased to 61.4% as at 31 December 2007.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

25. Deferred income tax *(Continued)*

(d) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the new "CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% 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 a result of the new CIT Law, the carrying value of deferred tax assets and deferred tax liabilities has been written down by RMB609 million and RMB610 million during the year ended 31 December 2007 as follow:

	Year ended 31 December 2007
Deferred tax assets:	
— Charged to income statement	358
— Charged to equity	251
	609
Deferred tax liabilities:	
— Credited to income statement	(194)
— Credited to equity	(416)
	(610)
	(1)

(e) 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 RMB 22 million (2006: RMB38 million) in respect of tax losses amounting to RMB 66 million (2006: RMB114 million) as at 31 December 2007 as management believes it is more likely than not that such tax losses would not be utilised before they expire. As at 31 December 2007, the tax losses carried forward are as follows:

	2007 RMB million	2006 RMB million
Year of expiry of tax losses		
2008	20	34
2009	12	14
2010	8	24
2011	12	42
2012	14	—
	66	114

26. Early retirement and supplemental benefit obligations

The Group paid supplementary pension subsidies and medical benefits to its retired employees in Mainland China who retired prior to 1 January 2006. In addition, the Group has committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 1 January 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in Mainland China who retired on or after 1 January 2006.

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

	Group		**Company**	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Present value of defined benefits obligations	**3,087**	3,576	**49**	57
Unrecognised actuarial gains	**268**	3	**4**	1
Liability on the balance sheet	**3,355**	3,579	**53**	58
Less: current portion	**(202)**	(217)	**(4)**	(4)
	3,153	3,362	**49**	54

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

	Group		**Company**	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
At beginning of the year/At 8 October 2006, date of Reorganisation	**3,579**	3,867	**58**	75
During the year				
— Payment	**(335)**	(351)	**(1)**	(5)
— Interest cost (Note 33)	**111**	127	**(4)**	(12)
— Distribution to CCCG upon completion of the Reorganisation	**—**	(64)	**—**	—
At the end of the year	**3,355**	3,579	**53**	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.

(a) Discount rates adopted (per annum):

	2007	2006
	4.5%	3.25%

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

(b) Early-retirees' salary and supplementary 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
Charged to the income statement:				
— Additional provisions	—	15	—	15
Utilised/reversed during the year	—	(34)	(7)	(41)
At 31 December 2007	40	49	—	89

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 and 31 December 2007	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 RMB962 million to the Group during the years from 2005 to 2007 to compensate for the costs of relocating the production facilities to a new location. Part of the compensation has been used and the compensation relating to the relocation in 2007 amounting to approximately RMB744 million has been recognised as other income in the consolidated income statement. The remaining balance of the compensation of approximately RMB21 million (2006: RMB798 million) is recorded as "other current liabilities" in the Group's consolidated balance sheet as at 31 December 2007.

29. Other gains — net

	2007 RMB million	2006 RMB million
Gain on disposal of property, plant and equipment	**178**	115
Gain on disposal of other financial assets at fair value through profit or loss	**136**	—
Fair value gain from other financial assets at fair value through profit or loss	**17**	—
Derivative instruments (Note 18):		
— Foreign exchange forward contracts	**205**	(19)
— Interest rate swap	**(21)**	3
Gain on disposal of available-for-sale financial assets	**74**	—
Net foreign exchange losses (Note 37)	**(346)**	(118)
Net gain on disposal of a subsidiary	**—**	95
	243	76

30. Other income

	2007 RMB million	2006 RMB million
Income from compensation for the cost of relocation (Note 28)	**744**	—
Rental income	**230**	195
Income from sale of materials	**429**	402
Dividend income on available-for-sale financial assets		
— Listed equity securities	**64**	132
— Unlisted equity securities	**140**	45
Government grants	**18**	46
Others	**601**	518
	2,226	1,338

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

31. Other expenses

	2007 RMB million	2006 RMB million
Loss on disposal of property, plant and equipment	**32**	58
Rental expenses	**172**	130
Cost of sale of materials	**420**	356
Loss on disposal of available-for-sale financial assets	**—**	59
Others	**359**	384
	983	987

32. Expenses by nature

	2007 RMB million	2006 RMB million
Raw materials and consumables used	**55,910**	44,332
Subcontracting costs	**40,163**	29,126
Employee benefits (Note 33)	**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 (Notes 6, 8)	**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 (Note 7)	**24**	27
Advertising	**20**	20
Amortisation of intangible assets (Note 9)	**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

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

33. Employee benefit expense

	2007 RMB million	2006 RMB million
Salaries, wages and bonuses	**7,762**	5,590
Contributions to pension plans (Note a)	**941**	669
Early retirement and supplemental pension benefits (Note b)		
— interest cost (Note 26)	**111**	127
Housing benefits (Note c)	**457**	349
Welfare, medical and other expenses	**1,724**	1,797
	10,995	8,532
Number of employees	**87,022**	81,373

(a) The employees of the subsidiaries in the Mainland China participate in various retirement benefit plans organised by the relevant municipal and provincial governments in Mainland China under which the Group is required to make monthly contributions to these plans at rates ranging from 18.0% to 37.0% (2006: 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 have been advised of the specific terms. These specific terms vary among the early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplementary pension subsidies to retired employees who retired prior to 1 January 2006. The costs of providing these pension subsidies are charged to the consolidated income statement so as to spread the service cost over the average service lives of the retirees. Employees who retire after 1 January 2006 are no longer entitled to such pension subsidies.

(c) These represent contributions to the government-sponsored housing funds (at rates ranging from 5% to 25% of the employees' basic salary) in Mainland China.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

34. Interest income

	2007 RMB million	2006 RMB million
Interest income:		
— Bank deposits	**332**	160
— Oversubscription proceeds from initial public offering	**—**	135
	332	295
Others	**159**	52
	491	347

35. Finance costs, net

	2007 RMB million	2006 RMB million
Interest expenses:		
— Bank borrowings	**1,284**	1,171
— Other borrowings	**147**	106
— Debentures	**66**	32
	1,497	1,309
Net foreign exchange gains on borrowings *(Note 37)*	**(327)**	(155)
Others	**375**	183
	1,545	1,337

Borrowing costs, which were directly attributable to the construction and acquisition of qualifying assets, were capitalised by RMB127 million, of which approximately RMB102 million is charged to cost of sales in 2007 and approximately RMB25 million is included in cost of construction-in-progress as at 31 December 2007. A general capitalisation rate of 5.92% was used, representing the borrowing costs of the loans used to finance the qualifying assets.

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% (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.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

36. Taxation *(Continued)*

(a) Income tax expense *(Continued)*

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

	2007 RMB million	2006 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 *(Note 25)*	353	159
	2,049	1,228

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

	2007 RMB million	2006 RMB million
Profit before income tax	9,623	5,514
Tax calculated at PRC statutory tax rate of 33%	3,176	1,820
Income not subject to tax	(416)	(294)
Expenses not deductible for tax purposes	30	116
Tax losses for which no deferred income tax asset was recognised	109	22
Reduction of deferred tax assets and liabilities due to change in tax rate arising from the new CIT Law	351	—
Reversal of deferred tax liabilities previously recognised on undistributed profits of domestic subsidiaries, jointly controlled entities and associates due to new CIT Law	(187)	—
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	(1,014)	(436)
Income tax expense	2,049	1,228

(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.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

36. Taxation *(Continued)*

(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 (losses)/gains

The exchange differences (charged)/credited to the consolidated income statement are included as follows:

	2007 RMB million	2006 RMB million
Finance costs *(Note 35)*	**327**	155
Other gains — net *(Note 29)*	**(346)**	(118)
	(19)	37

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 RMB2,131 million (2006: 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 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.

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"), buildings and lease prepayments that do not have perfected titles and ownership certificates (Note 6(c), Note 7(b) 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

	2007 RMB million	2006 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 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.

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(All amounts in RMB unless otherwise stated)

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

(a) Directors' and supervisors' emoluments

	2007 RMB million	2006 RMB million
Directors and supervisors		
— Basis salaries, housing allowances, other allowances and benefits-in-kind	**2,576**	1,529
— Contributions to pension plans	**126**	87
— Discretionary bonuses	**2,365**	2,198
	5,067	3,814

The emoluments of every Director and supervisor for the year ended 31 December 2007 are set out below:

Name	Basis salaries, Housing Allowances, other Allowances and Benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
Mr. Zhou Jichang	334	21	482	837
Mr. Meng Fengchao	334	21	482	837
Mr. Fu Junyuan	285	21	410	716
Independent non-executive directors				
Mr. Lu Hongjun	200	—	—	200
Mr. Yuan Yaohui	200	—	—	200
Mr. Chao Tien Yo	200	—	—	200
Mr. Koo Fook Sun	200	—	—	200
Supervisors				
Mr. Liu Xiangdong	285	21	410	716
Mr. Xu Sanhao	285	21	410	716
Mr. Wang Yongbin	253	21	171	445
	2,576	126	2,365	5,067

41. Directors', supervisors' and senior management's emoluments *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

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

Name	Basis salaries, Housing Allowances, other Allowances and Benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	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 the Directors and supervisors of the Company fall within the following bands:

	2007	2006
Directors and supervisors — Nil to HK$1,000,000 (equivalent to approximately RMB936,400)	**10**	10

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.

41. Directors', supervisors' and senior management's emoluments *(Continued)*

(b) Five highest paid individuals

None of the Directors' emoluments as disclosed in Note 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:

	2007 RMB million	2006 RMB million
Basis salaries, housing allowances, share options, other allowances and benefits-in-kind	**3,882**	4,072
Contributions to pension plans	**98**	151
Discretionary bonuses	**2,235**	1,250
	6,215	5,473

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

	2007	2006
— Nil to HK$1,000,000 (equivalent to approximately RMB936,400)	**—**	3
— HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB936,401 to RMB1,404,600)	**5**	2
	5	5

42. Cash generated from operations

	2007 RMB million	2006 RMB million
Profit for the year	**7,574**	4,286
Adjustments for:		
— Income tax expense	**2,049**	1,228
— Depreciation of property, plant and equipment and investment properties	**2,411**	2,166
— Amortisation of intangible assets and lease prepayments	**42**	39
— Net gain on disposal of property, plant and equipment	**(146)**	(57)
— Fair value (gain)/loss on derivative financial instruments	**(184)**	16
— Fair value gain on other financial assets at fair value through profit and loss	**(17)**	(33)
— Gain on disposal of a subsidiary	**—**	(95)
— Gain on disposal of jointly controlled entities	**—**	(1)
— (Gain)/loss on disposal of available-for-sale financial assets	**(74)**	59
— Gain on disposal of other financial assets at fair value through profit or loss	**(136)**	—
— Reversal of impairment of jointly controlled entities and associates	**(2)**	(4)
— Provision for impairment of inventories	**18**	29
— Provision for impairment of trade and other receivables	**269**	24
— (Reversal of)/provision for foreseeable losses on construction contracts	**(146)**	720
— Dividend income from available-for-sale financial assets	**(204)**	(177)
— Interest income	**(491)**	(347)
— Interest expenses	**1,497**	1,337
— Share of loss from jointly controlled entities	**41**	93
— Share of profit from associates	**(132)**	(109)
— Exchange gains on borrowings	**(327)**	(155)
	12,042	9,019
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Inventories	**(1,844)**	(348)
— Trade and other receivables	**(16,017)**	(9,466)
— Contract work-in-progress	**(6,053)**	(5,699)
— Restricted cash	**(10)**	(385)
— Early retirement and supplemental benefit obligations	**(224)**	(224)
— Trade and other payables	**17,093**	12,447
— Derivative financial instruments	**37**	59
— (Decrease)/increase in provisions	**(26)**	36
— Deferred income	**91**	62
— (Decrease)/increase in other current liabilities	**(777)**	59
— Increase in other non-current assets	**(83)**	—
Cash generated from operations	**4,229**	5,560

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

42. Cash generated from operations *(Continued)*

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

	2007 RMB million	2006 RMB million
Net book amount	**414**	318
Gain on disposal of property, plant and equipment	**178**	115
Loss on sale of property, plant and equipment	**(32)**	(58)
Proceeds from sale of property, plant and equipment	**560**	375

43. Contingencies

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

	Group		**Company**	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Pending lawsuits *(Note a)*	**309**	134	**—**	—
Outstanding loan guarantees *(Note b)*	**196**	283	**7,384**	5,304
	505	417	**7,384**	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.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

44. Commitments

(a) Capital commitments

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

	Group		Company	
	2007 **RMB million**	2006 RMB million	**2007** **RMB million**	2006 RMB million
Property, plant and equipment, and intangible assets	**4,255**	15,043	**4,255**	15,018

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

Group

	2007 **RMB million**	2006 RMB million
Property, plant and equipment, and intangible assets	**5,975**	3,692

(b) 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	
	2007 **RMB million**	2006 RMB million	**2007** **RMB million**	2006 RMB million
No later than 1 year	**305**	260	**10**	22
Later than 1 year and no later than 5 years	**93**	243	**—**	16
Later than 5 years	**123**	761	**—**	—
	521	1,264	**10**	38

44. Commitments *(Continued)*

(c) Lease payments receivable

The Group rents out various offices under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payment receivable under non-cancelable operating leases are as follows:

Group

	2007 RMB million	2006 RMB million
No later than 1 year	**83**	61
Later than 1 year and no later than 5 years	**89**	81
Later than 5 years	**42**	33
	214	175

The Company has no lease payments receivable.

(d) Other commitment

In 2005, the Group signed an agreement and agreed to act as a guarantor for a bank loan of RMB1 billion to be borrowed by an independent third party customer in 2009.

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 the purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

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 2007.

45. Related-party transactions *(Continued)*

(a) Significant related party transactions

The following transactions were carried out with related parties:

	Year ended 31 December	
	2007 RMB million	2006 RMB million
Transactions with CCCG		
Expenses	**10**	10
Transactions with fellow subsidiaries		
Expenses		
— Purchase of materials	**17**	30
— Services	**6**	—
— Rental	**3**	5
Transactions with jointly controlled entities and associates		
Revenue		
— Revenue from provision of construction services	**5**	2
— Revenue from sales of port machinery	**9**	26
Expenses		
— Subcontracting fees	**447**	317
— Purchase of materials	**86**	32
— Services	**80**	41
— Other costs	**4**	—
Others		
— Outstanding loan guarantees provided by the Group	**133**	149

45. Related-party transactions *(Continued)*

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

	Year ended 31 December	
	2007 RMB million	2006 RMB million
Transactions with other state-owned enterprises		
Revenue		
— Revenue from provision of construction services	**53,336**	36,150
— Revenue from provision of design services	**2,390**	1,485
— Revenue from provision of dredging services	**8,831**	8,570
— Revenue from sales of port machinery	**7,275**	7,140
— Revenue from provision of other services	**8**	56
Interest income		
— Interest income from bank deposits	**229**	170
Expenses		
— Subcontracting fees	**2,071**	985
— Rental expenses	**18**	12
— Purchase of materials	**10,100**	5,681
— Services	**1,436**	719
— Interest expense on bank borrowings	**1,277**	768
— Others	**71**	122
Others		
— Outstanding loan guarantees provided by the Group	**63**	134
Transactions with minority interests		
Revenue		
— Revenue from provision of construction services	**630**	295
— Revenue from provision of design services	**8**	—
Expense		
— Subcontracting fees	**6**	59
— Interest expense	**1**	—

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

(b) Key management compensation

	2007 RMB million	2006 RMB million
Basis salaries, housing allowances, other allowances and benefits-in-kind	**3,759**	2,995
Contributions to pension plans	**290**	195
Discretionary bonuses	**5,187**	4,959
	9,236	8,149

45. Related-party transactions *(Continued)*

(c) Year-end balances with related parties

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Trade and other receivables				
Trade receivables due from				
— Jointly controlled entities and associates	**10**	19	**—**	—
— Subsidiaries	**—**	—	**69**	118
— Minority interests	**79**	53	**—**	—
— Other state-owned enterprises	**18,563**	14,866	**1,108**	416
	18,652	14,938	**1,177**	534
Prepayments				
— Subsidiaries	**—**	—	**1,132**	304
— Other state-owned enterprises	**5,685**	3,927	**278**	285
	5,685	3,927	**1,410**	589
Other receivables due from				
— Subsidiaries	**—**	—	**2**	6
— Fellow subsidiaries	**5**	38	**—**	—
— Jointly controlled entities and associates	**135**	153	**—**	—
— Minority interests	**21**	5	**—**	—
— Other state-owned enterprises	**1,024**	745	**39**	38
	1,185	941	**41**	44
	25,522	19,806	**2,628**	1,167
Trade and other payables				
Trade and bills payable due to				
— Subsidiaries	**—**	—	**1,829**	408
— Fellow subsidiaries	**11**	7	**—**	—
— Jointly controlled entities and associates	**322**	257	**—**	—
— Minority interests	**17**	10	**—**	—
— Other state-owned enterprises	**5,639**	2,973	**351**	196
	5,989	3,247	**2,180**	604
Advances from customers				
— Subsidiaries	**—**	—	**84**	26
— Minority interests	**9**	—	**—**	—
— Other state-owned enterprises	**12,754**	6,853	**541**	1,315
	12,763	6,853	**625**	1,341

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

45. Related-party transactions *(Continued)*

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

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Other payables due to				
— CCCG	**123**	55	**123**	55
— Subsidiaries	**—**	—	**54**	75
— Fellow subsidiaries	**57**	3	**—**	—
— Jointly controlled entities and associates	**136**	114	**—**	—
— Minority interests	**45**	67	**—**	—
— Other state-owned enterprises	**1,314**	980	**137**	249
	1,675	1,219	**314**	379
	20,427	11,319	**3,119**	2,324

	Group		Company	
	2007 RMB million	2006 RMB million	**2007 RMB million**	2006 RMB million
Amounts due from customers for contract work with				
— Jointly controlled entities and associates	**9**	8	**—**	—
— Other state-owned enterprises	**9,995**	8,175	**482**	289
	10,004	8,183	**482**	289
Amounts due to customers for contract work with				
— Jointly controlled entities and associates	**20**	18	**—**	—
— Other state-owned enterprises	**1,611**	2,629	**117**	119
	1,631	2,647	**117**	119
Other balances with other state-owned enterprises				
— Restricted cash	**382**	286	**—**	—
— Cash and cash equivalents	**17,741**	27,985	**7,793**	20,135
— Borrowings	**25,726**	20,485	**7,361**	7,708

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

(a) Subsidiaries

As at 31 December 2007, 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	RMB3,207	24.94%	18.32%	Manufacturing of port machinery
CRBC International Co., Ltd.	PRC	Limited liability company	RMB408	61.06%	0.34%	Infrastructure construction
Unlisted —						
China Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB850	50%	50%	Infrastructure construction
First Navigational Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB2,176	100%	—	Infrastructure construction
Second Navigational Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB1,202	100%	—	Infrastructure construction
Third Navigational Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB1,970	100%	—	Infrastructure construction
Fourth Navigational Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB1,483	100%	—	Infrastructure construction
Tianjin Dredging Co., Ltd.	PRC	Limited liability company	RMB2,069	100%	—	Dredging
Shanghai Dredging Co., Ltd.	PRC	Limited liability company	RMB3,746	100%	—	Dredging
Guangzhou Dredging Co., Ltd.	PRC	Limited liability company	RMB2,471	100%	—	Dredging
Shanghai Port Machinery Plant Co., Ltd.	PRC	Limited liability company	RMB1,185	100%	—	Manufacturing of port machinery
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

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

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	Attributable equity interest Indirectly held	Principal activities
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	RMB1,100	95%	5%	Infrastructure construction
First Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB981	100%	—	Infrastructure construction
Second Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB857	100%	—	Infrastructure construction
Third Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB300	90%	—	Infrastructure construction
Fourth Highway Engineering Bureau Co., Ltd.	PRC	Limited liability company	RMB300	100%	—	Infrastructure construction
Tunnel Construction Engineering Co., Ltd.	PRC	Limited liability company	RMB300	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

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(All amounts in RMB unless otherwise stated)

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	Attributable equity interest Indirectly held	Principal activities
The Bridge Technology Co., Ltd.	PRC	Limited liability company	RMB30	61%	27%	Infrastructure design
China Highway Vehicle and Machinery Co., Ltd.	PRC	Limited liability company	RMB101	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 Yicheng-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
Zhenhua Logistics Group	PRC	Sino-foreign Joint venture	USD44	27%	28%	Transportation and logistics
Xi'an Road Construction Machinery Co., Ltd.	PRC	Limited liability company	RMB328	54.31%	28.05%	Manufacturing of road building machinery
CCCC Investment Co., Ltd.	PRC	Limited liability company	RMB200	100%	—	Investment holding
Chuwa Bussan Co., Ltd.	Japan	Sino-foreign joint venture	JPY 60	75%	—	Trading of machinery
Azingo Limited	Hong Kong	Limited liability company	—*	100%	—	Investment holding

* *The paid-in capital of this company is HK$1,000*

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(All amounts in RMB unless otherwise stated)

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

(Continued)

(b) Jointly controlled entities

As at 31 December 2007, the Company had interests in the following principal jointly controlled entities (all are unlisted):

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Capital Expressway Development Co., Ltd.	PRC	Limited liability company	RMB100	50%	—	Infrastructure construction and operation
Hohhot City Rainbow Road Construction Limited Liability Company	PRC	Limited liability company	RMB151	—	40%	Highway investment
Tangshan Caofeidian Dredging and reclamation Co., Ltd	PRC	Limited liability company	RMB70	—	50%	Dredging
NYK Zhenhua Logistics Co., Ltd	PRC	Limited liability company	RMB66	—	51%	Transportation and Logistics

(c) Associates

As at 31 December 2007, the Company had interests in the following principal associates (all are unlisted):

Name	Country/ Place of incorporation/ operation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	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
Shanghai Sanhang Benteng Engineering Co., Ltd.	PRC	Limited liability company	RMB81	—	25%	Manufacturing of machinery
Tianjin Ganghang Engineering Co., Ltd.	PRC	Limited liability company	RMB58	—	49%	Manufacturing of machinery
Shanghai Third Navigation ASP Pipe Ltd.	PRC	Limited liability company	USD6.32	—	33%	Manufacturing of machinery
TaiYuan-ZhongWei-YinChuan Railway Co., Ltd.	PRC	Limited liability company	RMB300	17.54%	—	Railway Construction and operation
Zhuhai Harbor Construction Engineering Co., Ltd.	PRC	Limited liability company	RMB10	45%	—	Infrastructure construction

(All amounts in RMB unless otherwise stated)

47. Events after the balance sheet date

The following events took place subsequent to 31 December 2007 and up to the date of approval of these financial statements.

At the meeting of the Board of Directors held on 8 April 2008, it is resolved that ZPMC will offer additional A shares, at the price of RMB17.78 per share, to the Company in exchange for the 100% equity interest in Shanghai Port Machinery Plant Co., Ltd. and a 60% equity interest in Shanghai Jiangtian Business Co., Ltd. held by the Company. After the transaction, Shanghai Port Machinery Plant Co., Ltd. and Jiangtian Business Co., Ltd. will become fully owned subsidiaries of ZMPC.

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.

Terms & Glossaries

"berth"	a place in which a vessel is moored or secured; place alongside a quay where a ship loads or discharges Cargo
"BT"	build and transfer
"BOT"	build, operate and transfer
"CAGR"	compound annual growth rate
"CCCG"	China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds 70.1% interest in the Company
"dock"	for ships, a cargo handling area parallel to the shoreline
"Eleventh Five-Year Plan"	the Eleventh Five-Year Plan for National Economic and Social Development (2006–2010) promulgated by the State Council on the Tenth National People's Congress in 2006
"GDP"	gross domestic product
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H shares"	overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standard Board ("IASB"). IFRS includes International Accounting Standards ("IAS") and interpretations
"Ministry of Communications"	the Ministry of Communications of the PRC (中華人民共和國交通運輸部)
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"PDL"	passenger dedicated line
"PRC" or "China" or "Chinese"	the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan
"RMB" or "Renminbi"	the lawful currency of the PRC
"SPMP"	Shanghai Port Machinery Plant Co. Limited, a company incorporated on 7 July 1988 in the PRC and wholly-owned by the Company
"suspension bridge"	a type of bridge. A typical suspension bridge is a continuous girder with one or more towers erected above piers in the middle of the span. The girder itself is usually a truss or box girder though in shorter spans, plate girders are not uncommon. At both ends of the bridge large anchors or counter weights are placed to hold the ends of the cables

"terminal"	an assigned area in which containers and cargo are prepared for loading onto a vessel, train, truck or plane or are stacked immediately after discharge from the vessel, train, truck or plane
"TEU"	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of 8 feet and 6 inches and width of 8 feet
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"ZPMC"	Shanghai Zhenhua Port Machinery Company Limited, a company incorporated on 14 February 1992 in the PRC and listed on the Shanghai Stock Exchange in which the Company owns a controlling equity interest of approximately 43.3%

Corporate Information

Registered Office

No. 88C, An Ding Men Wai Street,
Dongcheng District, Beijing 100011,
China

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

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

Website Address

www.ccccltd.cn

Joint Company Secretaries

LIU Wensheng
LUU Yeu Khiem *(FCCA, CPA)*

Qualified Accountant

LUU Yeu Khiem *(FCCA, CPA)*

Authorised Representatives

FU Junyuan
LUU Yeu Khiem

International Auditors

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
22nd Floor, Prince's Building
Central, Hong Kong

PRC Auditors

PricewaterhouseCoopers Zhong Tian CPAs
Limited Company
Certified Public Accountants, PRC
11th Floor PricewaterhouseCoopers Center
202 Hu Bin Road
Shanghai 200021, China

Hong Kong Legal Advisors

Freshfields Bruckhaus Deringer
11/F, Two Exchange Square, Hong Kong

PRC Legal Advisors

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

H Share Registrar and Transfer Office

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

Investor Relations Contact

China Communications Construction Company Limited
Board of Directors' Office
Investor Relations Team
Address: 5/F, No. 88C, An Ding Men Wai Street,
Dongcheng District, Beijing 100011, China
Post code: 100011
Tel: (8610) 64282516
(8610) 64280270
Fax: (8610) 62483706
Email: ir@ccccltd.cn

Infrastructure Construction Business

Infrastructure Design Business

Dredging Business

Port Machinery Manufacturing Business