中國交通建設股份有限公司

CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

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

(stock code:1800)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

The Group delivered a solid performance from revenue to profit for the year ended 31 December 2008, which was a turbulent and unprecedented year. Originating from the U.S. sub-prime crisis, the disorder in the global financial markets had tremendous rippling effects that were far reaching and adversely affected all major industries worldwide, triggering a global economic recession.

- Revenue in 2008 amounted to RMB178,889 million, representing an increase of 18.8% from RMB150,601 million in 2007.
- Profit for the year in 2008 amounted to RMB7,876 million, representing an increase of 4.0% from RMB7,574 million in 2007.
- Profit attributable to equity holders of the Company in 2008 amounted to RMB6,075 million, representing an increase of 0.7% from RMB6,032 million in 2007.
- Earnings per share remained unchanged in 2008 as compared to 2007 at RMB0.41.
- The value of new contracts amounted to RMB283,040 million, representing a year-on-year increase of 20.8%.
- As at 31 December 2008, the backlog for the Group was RMB334,300 million, representing a year-on-year increase of 40.3%.
- The Group also pro-actively tackled the pressure from rising cost for the second half of 2008 and successfully improved profitability including gross profit, operating profit, EBITDA and profit margin as compared to the margins achieved for the first half of 2008.
- The Board recommends payment of final dividend of approximately RMB1,453 million, or RMB0.098 per share for the year in 2008.

The Board of Directors ("the Board") of China Communications Construction Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT
(For the year ended 31 December 2008)

	2008 *RMB million*	2007 *RMB million*
Revenue	**178,889**	150,601
Cost of sales	**(161,031)**	(135,033)
Gross profit	**17,858**	15,568
Other income	**2,212**	2,226
Other gains — net	**1,171**	243
Selling and marketing expenses	**(490)**	(409)
Administrative expenses	**(7,447)**	(6,059)
Other expenses	**(1,417)**	(983)
Operating profit	**11,887**	10,586
Interest income	**657**	491
Finance costs, net	**(2,636)**	(1,545)
Share of loss of jointly controlled entities	**(88)**	(41)
Share of profit of associates	**11**	132
Profit before income tax	**9,831**	9,623
Income tax expense	**(1,955)**	(2,049)
Profit for the year	**7,876**	7,574
Attributable to:		
Equity holders of the Company	**6,075**	6,032
Minority interests	**1,801**	1,542
	7,876	7,574
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)		
— basic	**0.41**	0.41
— diluted	**0.41**	0.41
Dividends	**1,453**	1,305

CONSOLIDATED BALANCE SHEET
(As at 31 December 2008)

	2008	2007
	RMB million	*RMB million*
ASSETS		
Non-current assets		
Property, plant and equipment	**37,205**	26,129
Lease prepayments	**3,406**	2,979
Investment properties	**320**	374
Intangible assets	**6,218**	4,873
Investments in jointly controlled entities	**651**	370
Investments in associates	**3,146**	3,222
Available-for-sale financial assets	**6,733**	16,621
Held-to-maturity financial assets	**2**	2
Deferred income tax assets	**1,900**	2,251
Trade and other receivables	**11,229**	7,744
Other non-current assets	**98**	83
	70,908	64,648
Current assets		
Inventories	**16,360**	5,863
Trade and other receivables	**63,777**	44,782
Amounts due from customers for contract work	**38,682**	28,488
Derivative financial instruments	**1,382**	508
Other financial assets at fair value through profit or loss	**49**	160
Restricted cash	**662**	475
Cash and cash equivalents	**26,278**	22,473
	147,190	102,749
Total assets	**218,098**	167,397

	2008	2007
	RMB million	*RMB million*
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**14,825**	14,825
Share premium	**13,853**	13,853
Other reserves	**11,040**	15,162
Proposed final dividend	**1,453**	1,305
	41,171	45,145
Minority interests	**10,998**	8,817
Total equity	**52,169**	53,962
LIABILITIES		
Non-current liabilities		
Borrowings	**19,996**	12,633
Deferred income	**313**	246
Deferred income tax liabilities	**972**	3,817
Early retirement and supplemental benefit obligations	**2,856**	3,153
	24,137	19,849
Current liabilities		
Trade and other payables	**88,031**	62,099
Amounts due to customers for contract work	**13,224**	7,627
Current income tax liabilities	**1,647**	1,562
Borrowings	**37,878**	21,828
Derivative financial instruments	**725**	158
Early retirement and supplemental benefit obligations	**197**	202
Provisions	**90**	89
Other current liabilities	**—**	21
	141,792	93,586
Total liabilities	**165,929**	113,435
Total equity and liabilities	**218,098**	167,397
Net current assets	**5,398**	9,163
Total assets less current liabilities	**76,306**	73,811

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(For the year ended 31 December 2008)

	Attributable to equity holders of the Company						
	Share Capital *RMB million*	**Share Premium** *RMB million*	**Other Reserves** *RMB million*	**Retained Earnings** *RMB million*	**Total** *RMB million*	**Minority Interests** *RMB million*	**Total Equity** *RMB million*
At 1 January 2007	14,825	13,853	2,073	1,074	31,825	4,902	36,727
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	6,924	—	6,924	2	6,926
Reversal of deferred tax assets in relation to the assets revaluation surplus arising from the Reorganisation due to change of tax rate	—	—	(251)	—	(251)	—	(251)
Reversal of deferred tax liabilities arising from changes in fair value of available-for-sale financial assets 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	—	—	7,188	—	7,188	97	7,285
Profit for the year	—	—	—	6,032	6,032	1,542	7,574
Total recognised income for the year	—	—	7,188	6,032	13,220	1,639	14,859
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
Transaction with minority shareholders resulting from disposal of equity interest of a subsidiary	—	—	176	—	176	41	217
Transactions with minority shareholders resulting from additional capital injection to certain subsidiaries	—	—	(2)	—	(2)	2	—
Transfer to statutory reserve fund	—	—	154	(154)	—	—	—
Reversal of statutory reserve appropriated in prior year	—	—	(73)	73	—	—	—
Appropriations to safety fund	—	—	83	(83)	—	—	—
At 31 December 2007	14,825	13,853	9,599	6,868	45,145	8,817	53,962

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

CONSOLIDATED CASH FLOW STATEMENT

(For the year ended 31 December 2008)

	2008	2007
	RMB million	*RMB million*
Cash flows from operating activities		
Cash generated from operations	**2,767**	4,229
Interest paid	**(2,217)**	(1,538)
Income tax paid	**(1,745)**	(1,094)
Net cash (used in)/generated from operating activities	**(1,195)**	1,597
Cash flows from investing activities		
Purchase of property, plant and equipment ("PPE")	**(14,960)**	(9,655)
Increase in lease prepayments	**(536)**	(1,933)
Purchase of intangible assets	**(1,814)**	(2,613)
Purchase of investment properties	**—**	(62)
Proceeds from disposal of PPE	**785**	560
Proceeds from disposal of lease prepayments	**45**	57
Proceeds from disposal of investment properties	**53**	33
Additional investments in jointly controlled entities	**(98)**	(148)
Additional investments in associates	**(272)**	(1,798)
Additional investments in subsidiaries	**(88)**	—
Purchases of available-for-sale financial assets	**(1,192)**	(219)
Purchase of other financial assets at fair value through profit or loss	**(41)**	(3,468)
Increase in other short-term investments	**(705)**	—
Proceeds from disposal of associates	**—**	6
Proceeds from disposal of available-for-sale financial assets	**703**	165
Increase in long-term receivables	**—**	(900)
Proceeds from disposal of other financial assets at fair value through profit or loss	**75**	3,476
Proceeds from disposal of jointly controlled entities	**—**	45
Interest received	**646**	407
Dividends received	**569**	274
Proceeds from disposal of equity interest in subsidiaries	**99**	217
Net cash used in investing activities	**(16,731)**	(15,556)

	2008	2007
	RMB million	*RMB million*
Cash flows from financing activities		
Proceeds from borrowings	**55,067**	29,124
Repayments of borrowings	**(31,571)**	(25,025)
Additional investments from minority shareholders of subsidiaries	**153**	2,684
Special dividend to CCCG	**—**	(496)
Dividends paid to the Company's shareholders	**(1,305)**	(74)
Dividends paid to minority shareholders of subsidiaries	**(457)**	(451)
Net cash generated from financing activities	**21,887**	5,762
Net increase/(decrease) in cash and cash equivalents	**3,961**	(8,197)
Cash and cash equivalents at beginning of the year	**22,473**	30,793
Exchange losses on cash and cash equivalents	**(156)**	(123)
Cash and cash equivalents at end of the year	**26,278**	22,473

NOTES TO THE FINANCIAL INFORMATION

1. General information

The Company was established in the People's Republic of China (the "PRC") on 8 October 2006 as a joint stock company with limited liability under the Company Law of the PRC, as part of the group reorganisation ("Reorganisation") of China Communications Construction Group Ltd. ("CCCG"), in preparation for a listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The H shares of the Company were listed on the Hong Kong Stock Exchange on 15 December 2006.

The Group are principally engaged in infrastructure construction, infrastructure design, dredging and manufacturing of port machinery and other businesses.

2. Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) *Amendment and interpretations effective in 2008, and relevant to the Group*

- IAS 39 (Amendment), "Reclassification of financial assets". An amendment to the standard, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The Group has elected not to reclassify such financial assets; as such, this amendment has no impact on the Group's consolidated financial statements;

- IFRIC 12, "Service concession arrangements", effective for annual periods beginning on or after 1 January 2008, was early adopted in 2006; and

- IFRIC 14, "IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction", 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 adoption of this interpretation does not have any significant effect on the Group's consolidated financial statements.

(b) *Interpretation effective in 2008 but not relevant for the Group's operation*

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations:

- IFRIC 11, "IFRS 2 — Group and treasury share transactions"

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

- IAS 23 (Revised), "Borrowing costs" (effective from 1 January 2009), was early adopted in 2007. The new standard 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. IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009), was early adopted in 2008. The amendment is part of the IASB's annual improvement project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 "Financial instruments: Recognition and measurement". This eliminates the inconsistency of terms between IAS 39 and IAS 23.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

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

- IAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements;

- IAS 1 (Amendment), "Presentation of financial statements" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, “Financial instruments: Recognition and measurement” are examples of current assets and liabilities respectively. The Group will apply the Amendment from 1 January 2009, but it is not expected to have any material impact on the Group’s consolidated financial statements;

- IAS 19 (Amendment), “Employee benefits” (effective from 1 January 2009). The amendment is part of the IASB’s annual improvement project published in May 2008.

  — The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  — The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  — The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  — IAS 37, “Provisions, contingent liabilities and contingent assets” requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent in this regard.

  The Group will apply the IAS 19 (Amendment) from 1 January 2009. The detailed impact is still being assessed in detail by management;

- IAS 27 (Amendment), “Consolidated and separate financial statements” (effective from 1 January 2009). The amendment is part of the IASB’s annual improvement project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, “Financial instruments: recognition and measurement”, is classified as held for sale under IFRS 5, “Non-current assets held for sale and discontinued operations”, IAS 39 would continue to be applied. The amendment will not have an impact on the Group’s operation because it is the Group’s policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity;

- IAS 27 (Revised) “Consolidated and separate financial statements” (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010, but it is not expected to have any material impact on the Group’s consolidated financial statements;

- IAS 28 (Amendment), “Investments in associates” (and consequential amendments to IAS 32, “Financial Instruments: Presentation” and IFRS 7, “Financial instruments: Disclosures”) (effective from 1 January 2009). The amendment is part of the IASB’s annual improvement project published in May 2008. An investment in an associate is treated as a single asset for the purposes of impairment testing, and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009, but it is not expected to have any material impact on the Group’s consolidated financial statements;

- IAS 28 (Amendment), "Investments in associates" (and consequential amendments to IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures") (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. Where an investment in an associate is accounted for in accordance with IAS 39 "Financial instruments: recognition and measurement", only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures". The amendment will not have an impact on the Group's operation because it is the Group's policy for an investment in an associate to be equity accounted in the consolidated financial statements;

- IAS 31 (Amendment), "Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures". The amendment will not have an impact on the Group's operation as it is the Group's policy for an investment in a joint venture to be equity accounted in the consolidated financial statements;

- IAS 32 (Amendment), "Financial instruments, Pesentation", and IAS 1 (Amendment), "Presentation of financial statements" — "Puttable financial instruments and obligations arising on liquidation" (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of 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, provided the financial instruments have particular features and meet specific conditions. 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 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009;

- IAS 38 (Amendment), "Intangible assets" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements;

- IAS 39 (Amendment), "Financial instruments: Recognition and measurement" (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008.

  — This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  — The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

— The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, "Operating segments" which requires disclosure for segments to be based on information reported to the chief operating decision maker. Currently, for segment reporting purposes, each subsidiary designates and documents (including effectiveness testing) contracts with group treasury as fair value or cash flow hedges so that the hedges are reflected in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision maker) but the Group will not formally document and test this hedging relationship.

— When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The Group will apply the IAS 39 (Amendment) from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements;

- IAS 39 (Amendment), "Eligible hedged items" (effective from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Group will apply this amendment from 1 January 2010, but it is not expected to have a material impact on the Group's consolidated financial statements;

- IFRS 1 (Amendment), "First-time adoption of IFRS" and IAS 27 "Consolidated and separate financial statements" (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply the amendment to IAS 27 from 1 January 2009, but it is not expected to have an impact on the Group's consolidated financial statements;

- IFRS 3 (Revised), "Business combinations" (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 revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. 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;

- IFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and consequential amendment to IFRS 1, "First-time adoption of IFRS") (effective from 1 July 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010;

- IFRS 7 (Amendment) (effective from 1 January 2009), "Financial instruments: Disclosures". The amendment forms part of the IASB's response to the financial crisis and addresses the G20 conclusions aimed at improving transparency and enhance accounting guidance. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. The Group will apply this amendment from 1 January 2009, but it is not expected to have a material impact on the Group's consolidated financial statements;

- There are a number of minor amendments to IFRS 7, "Financial instruments: Disclosures", IAS 8, "Accounting policies, changes in accounting estimates and errors", IAS 10, "Events after the reporting period", IAS 18, "Revenue" and IAS 34, "Interim financial reporting", which are part of the IASB's annual improvement project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Group's consolidated financial statements and have therefore not been analysed in detail;

- IFRIC 15, "Agreements for construction of real estates" (effective from 1 January 2009). The interpretation clarifies whether IAS 18, "Revenue" or IAS 11, "Construction contracts" should be applied to particular transactions, and will likely result in IAS 18 being applied to a wider range of transactions. The Group will apply IFRIC 15 from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements; and

- IFRIC 17, "Distributions of non-cash assets to owners" (effective from 1 July 2009). IFRIC 17 clarifies the accounting treatment for non-cash distributions of non-cash assets to owners. The Group will apply IFRIC 17 from 1 January 2010, but it is not expected to have an impact on the Group's consolidated financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

- IAS 16 (Amendment), "Property, plant and equipment" (and consequential amendment to IAS 7, "Statement of cash flows") (effective from 1 January 2009);

- IAS 20 (Amendment), "Accounting for government grants and disclosure of government assistance" (effective from 1 January 2009);

- IAS 29 (Amendment), "Financial reporting in hyperinflationary economies" (effective from 1 January 2009);

- IAS 38 (Amendment), "Intangible assets" (effective from 1 January 2009);

- IAS 40 (Amendment), "Investment property" (and consequential amendments to IAS 16) (effective from 1 January 2009);

- IAS 41 (Amendment), "Agriculture" (effective from 1 January 2009);

- IFRS 2 (Amendment), "Share-based payment" (effective from 1 January 2009);

- IFRIC 13, "Customer loyalty programmes" (effective from 1 July 2008);

- IFRIC 16, "Hedges of a net investment in a foreign operation" (effective from 1 October 2008);

- The minor amendments to IAS 20, "Accounting for government grants and disclosure of government assistance", IAS 29, "Financial reporting in hyperinflationary economies", IAS 40, "Investment property", and IAS 41, "Agriculture", which are part of the IASB's annual improvement project published in May 2008 (not addressed above);

- IFRIC 18, "Transfers of Assets from Customers" (effective for transfers on or after 1 July 2009).

3. Segment information

3.1 *Primary reporting format — business segments*

The segment results for the year ended 31 December 2008 and other segment items included in the consolidated income statement are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Total gross segment revenue	122,107	7,655	18,986	26,327	8,252	(4,438)	178,889
Inter-segment revenue	(1,171)	(303)	(808)	(1,861)	(295)	4,438	—
Revenue	120,936	7,352	18,178	24,466	7,957	—	178,889
Segment result	4,863	1,071	2,223	3,523	313	—	11,993
Unallocated costs							(106)
Operating profit							11,887
Interest income							657
Finance costs, net							(2,636)
Share of loss of jointly controlled entities							(88)
Share of profit of associates							11
Profit before income tax							9,831
Income tax expense							(1,955)
Profit for the year							7,876

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

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Other segment items							
Depreciation	1,710	113	605	912	67	—	3,407
Amortisation	27	10	2	47	7	—	93
(Reversal of write-down)/ write-down of inventories	(3)	—	—	3	1	—	1
(Reversal of)/provision for foreseeable losses on construction contracts	(4)	12	1	10	—	—	19
Provision for/(reversal of) impairment of trade and other receivables	143	62	(32)	(13)	2	—	162

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

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

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

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Other segment items							
Depreciation	1,280	102	449	516	64	—	2,411
Amortisation	20	9	1	5	7	—	42
Write-down/(reversal of write-down) 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 assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Assets	110,937	6,608	24,197	51,807	4,933	(1,236)	197,246
Investments in jointly controlled entities							651
Investments in associates							3,146
Unallocated assets							17,055
Total assets							218,098
Liabilities	74,478	4,010	10,736	13,763	2,883	(1,236)	104,634
Unallocated liabilities							61,295
Total liabilities							165,929
Capital expenditure	6,393	250	4,015	6,557	335	—	17,550

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

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

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

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	—
Held-to-maturity financial assets	2	—
Other financial assets at fair value through profit or loss	160	—
Derivative financial instruments	508	158
Corporate assets/liabilities	7,345	478
Total	167,397	113,435

3.2 *Secondary reporting format — geographical segments*

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

	2008 ***RMB million***	2007 *RMB million*
Mainland China	**139,973**	117,599
Hong Kong and Macau	**2,419**	4,450
Other countries	**36,497**	28,552
	178,889	150,601

4. Expenses by nature

	2008	2007
	RMB million	*RMB million*
Raw materials and consumables used	**66,528**	55,910
Subcontracting costs	**46,806**	40,163
Employee benefits	**12,792**	10,995
Transportation costs	**5,335**	4,953
Equipment usage cost	**5,848**	4,854
Business tax and other transaction taxes	**4,375**	3,525
Rentals	**3,865**	3,214
Depreciation of property, plant and equipment and investment properties	**3,407**	2,411
Fuel	**2,845**	2,308
Repair and maintenance expenses	**2,217**	1,849
Travel	**1,235**	928
Research and development costs	**1,087**	279
Provision for impairment of trade and other receivables	**162**	269
Changes in inventories of finished goods and work-in-progress	**1,268**	327
Insurance	**209**	182
Provision for/(reversal of) foreseeable losses on construction contracts	**19**	(146)
Auditors' remuneration	**43**	50
Amortisation of lease prepayments	**67**	24
Advertising	**29**	20
Amortisation of intangible assets	**26**	18
Write-down of inventories	**1**	18
Other expenses	**10,804**	9,350
Total cost of sales, distribution costs and administrative expenses	**168,968**	141,501

5. Taxation

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2007: 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 25% (2007: 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 15% to 18% (2007: 7.5% to 16.5%).

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

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

	2008	2007
	RMB million	*RMB million*
Current income tax		
— Hong Kong profits tax	**1**	2
— PRC enterprise income tax	**1,809**	1,649
— Others	**9**	45
	1,819	1,696
Deferred income tax	**136**	353
	1,955	2,049

6. Earnings per share

(a) *Basic*

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

	2008	2007
Profit attributable to equity holders of the Company (RMB million)	**6,075**	6,032
Weighted average number of ordinary shares in issue (million)	**14,825**	14,825
Basic earnings per share (RMB per share)	**0.41**	0.41

(b) *Diluted*

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2008 and 2007.

7. Dividends

	2008	2007
	RMB million	*RMB million*
Final, proposed, of RMB0.098 per ordinary share (2007: RMB0.088)	**1,453**	1,305

The dividends paid in 2008 and 2007 were RMB1,305 million (RMB0.088 per share) and RMB74 million (RMB0.005 per share) respectively. At the board meeting held on 14 April 2009, the Directors recommended the payment of a final dividend of RMB0.098 per ordinary share, totalling RMB1,453 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 18 June 2009. 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 2009.

BUSINESS PERFORMANCE

The Group maintained growth in its business and achieved a solid performance from its operations in 2008. Revenue for the Group was RMB178,889 million, representing a year-on-year increase of 18.8%. Out of the total revenue, revenue from Hong Kong, Macau, and other countries and regions outside Mainland China was RMB38,916 million, representing a year-on-year increase of 17.9%. The value of new contracts amounted to RMB283,040 million, representing a year-on-year increase of 20.8%. As at 31 December 2008, the backlog for the Group was RMB334,300 million, representing a year-on-year increase of 40.3%.

1. Infrastructure Construction Business

In 2008, the Group completed infrastructure construction projects with a total revenue of RMB122,107 million, representing a year-on-year increase of 20.1%. The value of new infrastructure construction contracts reached RMB212,048 million, representing a year-on-year increase of 25.0%. As at 31 December 2008, the backlog for infrastructure construction was RMB265,550 million, representing a year-on-year increase of 52.5%.

Domestically, value of new contracts for port, road and bridge, and railway construction projects amounted to RMB38,246 million, RMB46,713 million, and RMB31,500 million, respectively. Value of new contracts for investment business amounted to RMB20,680 million. The value of newly signed overseas infrastructure construction contracts amounted to US$8,685 million in aggregate.

2. Infrastructure Design Business

In 2008, revenue for the Group's infrastructure design business reached RMB7,655 million, representing a year-on-year increase of 15.8%. The value of new infrastructure design contracts reached RMB9,808 million, representing a year-on-year increase of 15.0%, of which new contacts for overseas business was US$136 million. As at 31 December 2008, the backlog for the infrastructure design business was RMB10,965 million, representing a year-on-year increase of 14.9%.

3. Dredging Business

In 2008, revenue for the Group's dredging business amounted to RMB18,986 million, representing a year-on-year increase of 30.5%. The value of new dredging contracts reached RMB24,356 million, representing a year-on-year increase of 33.7%, of which new contacts for overseas business was US$382 million. As at 31 December 2008, the backlog for the dredging business was RMB18,920 million, representing a year-on-year increase of 25.8%.

4. Port Machinery Manufacturing Business

In 2008, revenue for the Group's port machinery manufacturing business reached RMB26,327 million, representing a year-on-year increase of 10.7%. The value of new port machinery contracts reached RMB30,935 million, representing a year-on-year increase of 2.9%. As at 31 December 2008, the backlog for the port machinery manufacturing business was RMB35,565 million, representing a year-on-year increase of 2.6%.

PROSPECT

In order to mitigate the impact arising from the financial crisis, the PRC government is expected to implement proactive fiscal policies and relaxed monetary policy in 2009. The investment plan of "RMB4 trillion for Stimulation of Domestic Demand" will speed up the investment in infrastructure including railways, highways and airports. In 2009, the scale of investment in fixed assets for transportation and communication purpose in China is likely to reach approximately RMB1 trillion. Planned investment for railway construction is RMB600 billion in 2009. As the leading communication construction enterprise in China, the Group is well-positioned to benefit from the economic stimulus plan of China.

As to the international market, growth in global economy has clearly slowed down during 2008. In order to improve the worsening global economic environment, many countries are planning immediate introduction of large-scale economic stimulus plans. It is forecasted that countries such as Malaysia, Saudi Arabia, Angola, Nigeria, Algeria and Ethiopia will be able to maintain their GDP growth at a rate of between 3% to 8% and the infrastructure construction market in these countries will continue to demonstrate robust growth momentum. These countries are the focused markets for the Group's overseas business. However, the growth in global trade volume in 2009 is expected to be, for the first time since 1982, negative; this may lead to a decline in new port construction projects, less demand for port machinery and equipment, or a contracted volume of dredging works globally.

In 2009, while facing the complicated and changing economic situation within and outside China, as well as the opportunities and challenges ahead, the Group will, with the core mission of expanding its scope of operation and enhancing its profitability, minimizing risks in connection to foreign exchange rates and fluctuations in prices of raw materials, capturing the development opportunities arising from the domestic railway market and overseas construction market, constantly exploring new markets and new businesses of good prospects and profitability, leveraging its economies of scale and de-bottlenecking business segment with insufficient production capacity, consolidate its position as a Global Top 500 Enterprise, move ahead as a world-class construction enterprise, and deliver excellent return to its shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview

For the year ended 31 December 2008, revenue of the Group amounted to RMB178,889 million, representing a year-on-year increase of 18.8%. Profit attributable to equity holders of the Company amounted to RMB6,075 million, representing a year-on-year increase of 0.7%. Earnings per share remained unchanged in 2008 as compared to 2007 at RMB0.41.

The following is a comparison of financial results between the years ended 31 December 2008 and 2007 and unaudited financial results for the six months ended 30 June 2008.

Consolidated Results of Operations

Revenue

Revenue in 2008 amounted to RMB178,889 million, representing an increase of RMB28,288 million, or 18.8%, from RMB150,601 million in 2007. The growth was mainly attributable to the increase in revenue in all of the Group's business segments, namely the infrastructure construction business, infrastructure design business, dredging business, port machinery manufacturing business and other businesses, amounting to RMB20,402 million, RMB1,046 million, RMB4,433 million, RMB2,548 million and RMB1,181 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 20.1%, 15.8%, 30.5%, 10.7% and 16.7%, respectively.

Cost of Sales and Gross Profit

Cost of sales in 2008 amounted to RMB161,031 million, representing an increase of RMB25,998 million, or 19.3%, from RMB135,033 million in 2007. The growth was mainly attributable to the increase in cost of sales in all of the Group's business segments, namely the infrastructure construction business, infrastructure design business, dredging business, port machinery manufacturing business and other businesses, amounting to RMB18,815 million, RMB757 million, RMB4,295 million, RMB2,525 million and RMB922 million (all before elimination of inter-segment transactions), respectively, representing an increase of 19.9%, 15.7%, 35.8%, 12.4% and 14.1%, respectively.

For 2008, cost of sales consisted mainly of cost of raw materials and consumables used as well as subcontracting cost. Cost of raw materials and consumables used in 2008 amounted to RMB66,528 million, representing an increase of RMB10,618 million, or 19.0%, from RMB55,910 million in 2007; subcontracting cost in 2008 amounted to RMB46,806 million, representing an increase of RMB6,643 million, or 16.5%, from RMB40,163 million in 2007.

As a result, gross profit in 2008 amounted to RMB17,858 million, representing an increase of RMB2,290 million, or 14.7%, from RMB15,568 million in 2007. Gross profit margin decreased from 10.3% in 2007 to 10.0% in 2008 primarily due to lower gross profit margin of 9.8% in the six months ended 30 June 2008.

Operating Profit

Operating profit in 2008 amounted to RMB11,887 million, representing an increase of RMB1,301 million, or 12.3%, from RMB10,586 million in 2007. The growth was mainly attributable to the increase in operating profit in all of the Group's business segments, namely the infrastructure construction business, infrastructure design business, dredging business, port machinery manufacturing business and other businesses, amounting to RMB557 million, RMB234 million, RMB325 million, RMB24 million and RMB40 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 12.9%, 28.0%, 17.1%, 0.7% and 14.7%, respectively.

Operating profit margin decreased from 7.0% in 2007 to 6.6% in 2008 primarily due to lower operating profit margin of 5.5% in the six months ended 30 June 2008.

Interest Income

Interest income in 2008 amounted to RMB657 million, representing an increase of RMB166 million, or 33.8%, from RMB491 million in 2007, primarily due to increase in interest income related to Build-Transfer projects.

Finance Costs, net

Net finance costs in 2008 amounted to RMB2,636 million, representing an increase of RMB1,091 million, or 70.6%, from RMB1,545 million in 2007. This change was largely due to an increase in interest expenses by RMB1,096 million, or 73.2%, from RMB1,497 million in 2007, primarily as a result of increase in the Group's total borrowings, and was partially offset by the increase in net foreign exchange gains on borrowings amounting to RMB26 million.

Share of Loss of Jointly Controlled Entities

Share of loss of jointly controlled entities in 2008 amounted to RMB88 million, representing an additional loss of RMB47 million, or 114.6% as compared to share of loss of RMB41 million in 2007.

Share of Profit of Associates

Share of the profit of associates in 2008 amounted to RMB11 million, representing a decrease of RMB121 million, or 91.7%, from RMB132 million in 2007, primarily due to decrease in operating profit of certain associates of the Group.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax in 2008 amounted to RMB9,831 million, representing an increase of RMB208 million, or 2.2%, from RMB9,623 million in 2007.

Income Tax Expense

Income tax expense in 2008 amounted to RMB1,955 million, representing a decrease of RMB94 million, or 4.6%, from RMB2,049 million in 2007. Effective tax rate for the Group in 2008 decreased to 19.9% from 21.3% in 2007, mainly due to the change of PRC statutory corporate tax rate from 33% to 25% in accordance with the Corporate Income Tax Law which became effective on 1 January 2008.

Minority Interests

Minority interests in 2008 amounted to RMB1,801 million, representing an increase of RMB259 million, or 16.8%, from RMB1,542 million in 2007.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company in 2008 amounted to RMB6,075 million, representing an increase of RMB43 million, or 0.7%, from RMB6,032 million in 2007.

Profit margin with respect to profit attributable to equity holders of the Company decreased from 4.0% in 2007 to 3.4% in 2008, primarily due to lower profit margin attributable to equity holders of the Company of 2.9% in the six months ended 30 June 2008.

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 2008 and 2007.

	Revenue		Gross profit		Gross profit margin		Operating profit(1)		Operating profit margin	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	RMB million		*RMB million*		%		*RMB million*		%	
Business										
Infrastructure Construction	**122,107**	101,705	**8,890**	7,303	**7.3**	7.2	**4,863**	4,306	**4.0**	4.2
% of total	**66.6**	66.1	**49.8**	46.9			**40.5**	39.8		
Infrastructure Design	**7,655**	6,609	**2,081**	1,792	**27.2**	27.1	**1,071**	837	**14.0**	12.7
% of total	**4.2**	4.3	**11.7**	11.5			**8.9**	7.7		
Dredging	**18,986**	14,553	**2,708**	2,570	**14.3**	17.7	**2,223**	1,898	**11.7**	13.0
% of total	**10.4**	9.5	**15.2**	16.5			**18.5**	17.6		
Port Machinery Manufacturing	**26,327**	23,779	**3,366**	3,343	**12.8**	14.1	**3,523**	3,499	**13.4**	14.7
% of total	**14.4**	15.5	**18.8**	21.5			**29.4**	32.4		
Others	**8,252**	7,071	**813**	554	**9.9**	7.8	**313**	273	**3.8**	3.9
% of total	**4.4**	4.6	**4.5**	3.6			**2.7**	2.5		
Subtotal	**183,327**	153,717	**17,858**	15,562			**11,993**	10,813		
Inter-segment elimination and unallocated costs	**(4,438)**	(3,116)	**—**	6			**(106)**	(227)		
Total	**178,889**	150,601	**17,858**	15,568	**10.0**	10.3	**11,887**	10,586	**6.6**	7.0

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

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Revenue	**122,107**	101,705
Cost of sales	**(113,217)**	(94,402)
Gross profit	**8,890**	7,303
Selling and marketing expenses	**(29)**	(22)
Administrative expenses	**(3,996)**	(3,301)
Other (expense)/income, net	**(2)**	326
Segment result	**4,863**	4,306
Depreciation and amortization	**1,737**	1,300

Revenue. Revenue from the infrastructure construction business in 2008 was RMB122,107 million, representing an increase of RMB20,402 million, or 20.1%, from RMB101,705 million in 2007, primarily due to an increase in the aggregate value of projects undertaken by the Group, driven by the strong demand for the Group's services as a result of the continuous growth in infrastructure expenditure by the Group's domestic and overseas customers. The value of new contracts entered into for the infrastructure construction business in 2008 was RMB212,048 million, representing an increase of RMB42,396 million, or 25.0%, from RMB169,652 million in 2007. No single project accounted for more than 5% of the Group's total revenue in 2008 or 2007.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2008 was RMB113,217 million, representing an increase of RMB18,815 million, or 19.9%, from RMB94,402 million in 2007. Cost of sales as a percentage of revenue decreased from 92.8% in 2007 to 92.7% in 2008.

Gross profit from the infrastructure construction business in 2008 was RMB8,890 million, representing an increase of RMB1,587 million, or 21.7%, from RMB7,303 million in 2007. Gross profit margin increased from 7.2% in 2007 to 7.3% in 2008.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2008 were RMB29 million, representing an increase of RMB7 million, or 31.8%, from RMB22 million in 2007.

Administrative expenses. Administrative expenses for the infrastructure construction business in 2008 were RMB3,996 million, representing an increase of RMB695 million, or 21.1%, from RMB3,301 million in 2007, primarily due to the increased spending on research and development activities by the Group's subsidiaries. Administrative expenses as a percentage of revenue increased from 3.2% in 2007 to 3.3% in 2008.

Other (expenses)/income, net. Other expenses, net, for the infrastructure construction business in 2008 were RMB2 million, representing a decrease of RMB328 million, from other income, net, of RMB326 million in 2007, primarily due to foreign exchange losses from operating activities and fair value loss of forward foreign exchange contracts by the Group.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2008 was RMB4,863 million, representing an increase of RMB557 million, or 12.9%, from RMB4,306 million in 2007. Segment result margin decreased from 4.2% in 2007 to 4.0% in 2008 primarily due to lower segment result margin of 3.6% in the six months ended 30 June 2008.

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 infrastructure design business for the years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Revenue	**7,655**	6,609
Cost of sales	**(5,574)**	(4,817)
Gross profit	**2,081**	1,792
Selling and marketing expenses	**(87)**	(81)
Administrative expenses	**(952)**	(887)
Other income, net	**29**	13
Segment result	**1,071**	837
Depreciation and amortization	**123**	111

Revenue. Revenue from the infrastructure design business in 2008 was RMB7,655 million, representing an increase of RMB1,046 million, or 15.8%, from RMB6,609 million in 2007. This growth was primarily attributable to increase in the aggregate value of design contracts, which was in turn driven by growing infrastructure expenditure by the Group's domestic and overseas customers and the increase in the number of the Group's overseas customers, as well as more 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 2008 was RMB9,808 million, representing an increase of RMB1,280 million, or 15.0%, from RMB8,528 million in 2007.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2008 was RMB5,574 million, representing an increase of RMB757 million, or 15.7%, from RMB4,817 million in 2007. Cost of sales as a percentage of revenue decreased from 72.9% in 2007 to 72.8 % in 2008.

Gross profit from the infrastructure design business in 2008 was RMB2,081 million, representing an increase of RMB289 million, or 16.1%, from RMB1,792 million in 2007. Gross profit margin increased from 27.1% in 2007 to 27.2% in 2008 primarily due to better cost control.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2008 were RMB87 million, representing an increase of RMB6 million, or 7.4%, from RMB81 million in 2007.

Administrative expenses. Administrative expenses for the infrastructure design business in 2008 were RMB952 million, representing an increase of RMB65 million, or 7.3%, from RMB887 million in 2007. Administrative expenses as a percentage of revenue decreased from 13.4% in 2007 to 12.4% in 2008 primarily due to the Group's increasing economies of scale and better cost control.

Other income, net. Other income, net, for the infrastructure design business in 2008 was RMB29 million, representing an increase of RMB16 million, or 123.1%, from RMB13 million in 2007.

Segment result. As a result of the above, segment result for the infrastructure design business in 2008 was RMB1,071 million, representing an increase of RMB234 million, or 28.0%, from RMB837 million in 2007. Segment result margin increased from 12.7% in 2007 to 14.0% in 2008.

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 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Revenue	**18,986**	14,553
Cost of sales	**(16,278)**	(11,983)
Gross profit	**2,708**	2,570
Selling and marketing expenses	**(21)**	(18)
Administrative expenses	**(697)**	(741)
Other income, net	**233**	87
Segment result	**2,223**	1,898
Depreciation and amortisation	**607**	450

Revenue. Revenue from the dredging business in 2008 was RMB18,986 million, representing an increase of RMB4,433 million, or 30.5%, from RMB14,553 million in 2007. The revenue growth 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 value of new contracts entered into for the dredging business in 2008 was RMB24,356 million, representing an increase of RMB6,142 million, or 33.7%, from RMB18,214 million in 2007.

Cost of sales and gross profit. Cost of sales for the dredging business in 2008 was RMB16,278 million, representing an increase of RMB4,295 million, or 35.8%, from RMB11,983 million in 2007. Cost of sales as a percentage of revenue for the dredging business increased from 82.3% in 2007 to 85.7% in 2008, primarily due to higher fuel price, heavier reliance on subcontracting by the Group's dredging subsidiaries and increase of other costs related to dredging business in 2008.

Gross profit from the dredging business in 2008 was RMB2,708 million, representing an increase of RMB138 million, or 5.4%, from RMB2,570 million in 2007. Gross profit margin for the dredging business decreased from 17.7% in 2007 to 14.3% in 2008, primarily due to lower gross profit margin of 13.2% in the six months ended 30 June 2008.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2008 were RMB21 million, representing an increase of RMB3 million, or 16.7%, from RMB18 million in 2007.

Administrative expenses. Administrative expenses for the dredging business in 2008 were RMB697 million, representing a decrease of RMB44 million, or 5.9%, from RMB741 million in 2007. Administrative expenses as a percentage of revenue decreased from 5.1% in 2007 to 3.7% in 2008, primarily due to the Group's increasing economies of scale and better cost control.

Other income, net. Other income, net, for the dredging business in 2008 was RMB233 million, representing an increase of RMB146 million, or 167.8%, from RMB87 million in 2007, primarily due to gain from disposal of lease prepayments in relation to the land use rights owned by the Group's subsidiary.

Segment result. As a result of the above, segment result for the dredging business in 2008 was RMB2,223 million, representing an increase of RMB325 million, or 17.1%, from RMB1,898 million in 2007. Segment result margin decreased from 13.0% in 2007 to 11.7% in 2008, primarily due to lower segment profit margin of 9.6% in the six months ended 30 June 2008.

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 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Revenue	**26,327**	23,779
Cost of sales	**(22,961)**	(20,436)
Gross profit	**3,366**	3,343
Selling and marketing expenses	**(73)**	(57)
Administrative expenses	**(1,393)**	(694)
Other income, net	**1,623**	907
Segment result	**3,523**	3,499
Depreciation and amortisation	**959**	521

Revenue. Revenue from the port machinery manufacturing business in 2008 was RMB26,327 million, representing an increase of RMB2,548 million, or 10.7%, from RMB23,779 million in 2007. This increase was primarily attributable to the Group's new series of products, growth in global container transportation and increasing market demand for the Group's products. The value of new contracts entered into for the port machinery manufacturing business in 2008 was RMB30,935 million, representing an increase of RMB867 million, or 2.9%, from RMB30,068 million in 2007.

Cost of sales and gross profit. Cost of sales for the port machinery manufacturing business in 2008 was RMB22,961 million, representing an increase of RMB2,525 million, or 12.4%, from RMB20,436 million in 2007, primarily due to increase in sales volume. Cost of sales as a percentage of revenue increased from 85.9% in 2007 to 87.2% in 2008, primarily due to higher cost of raw materials in Shanghai Port Machinery Plant Co. Limited ("SPMP") during 2008.

Gross profit from the port machinery manufacturing business in 2008 was RMB3,366 million, representing an increase of RMB23 million, or 0.7%, from RMB3,343 million in 2007. Gross profit margin decreased from 14.1% in 2007 to 12.8% in 2008. Revenue from the port machinery manufacturing business was primarily recognized from contracts denominated in foreign currencies such as the U.S. dollar and Euro while a substantial portion of the cost of sales associated with such contracts were incurred in Renminbi. The appreciation of Renminbi against foreign currencies translated into depressed revenue in Renminbi terms of these contracts thereby affecting the gross profit margin negatively. In addition, SPMP had a lower gross profit margin in 2008 as compared to 2007 lowering the overall gross profit margin of the port machinery manufacturing business in 2008.

Selling and marketing expenses. Selling and marketing expenses for the port machinery manufacturing business in 2008 were RMB73 million, representing an increase of RMB16 million, or 28.1%, from RMB57 million in 2007.

Administrative expenses. Administrative expenses for the port machinery manufacturing business in 2008 were RMB1,393 million, representing an increase of RMB699 million, or 100.7%, from RMB694 million in 2007, primarily due to the increased spending on research and development activities by Shanghai Zhenhua Port Machinery Company Limited ("ZPMC"). Administrative expenses as a percentage of revenue for the port machinery manufacturing business increased from 2.9% in 2007 to 5.3% in 2008.

Other income, net. Other income, net, for the port machinery manufacturing business in 2008 was RMB1,623 million, representing an increase of RMB716 million, or 78.9%, from RMB907 million in 2007, primarily due to the increase in fair value gains of forward foreign exchange contracts of ZPMC.

Segment result. As a result of the above, segment result for the port machinery manufacturing business in 2008 was RMB3,523 million, representing an increase of RMB24 million, or 0.7%, from RMB3,499 million in 2007. Segment result margin decreased from 14.7% in 2007 to 13.4% in 2008, primarily due to lower segment result margin of 9.2% in the six months ended 30 June 2008.

Other Businesses

The financial information for the other businesses 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 other businesses for the years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Revenue	**8,252**	7,071
Cost of sales	**(7,439)**	(6,517)
Gross profit	**813**	554
Selling and marketing expenses	**(280)**	(231)
Administrative expenses	**(209)**	(180)
Other (expense)/income, net	**(11)**	130
Segment result	**313**	273
Depreciation and amortisation	**74**	71

Revenue. Revenue from the other businesses in 2008 was RMB8,252 million, representing an increase of RMB1,181 million, or 16.7%, from RMB7,071 million in 2007. This revenue growth was primarily attributable to the revenue increase from Zhenhua Logistics Group ("Zhenhua Logistics") and Beijing United Development Co., Ltd. ("United Development").

Cost of sales and gross profit. Cost of sales for the other businesses in 2008 was RMB7,439 million, representing an increase of RMB922 million, or 14.1%, from RMB6,517 million in 2007, primarily due to the increase in cost of sales from Zhenhua Logistics. Cost of sales as a percentage of revenue decreased from 92.2% in 2007 to 90.1% in 2008.

Gross profit from the other businesses in 2008 was RMB813 million, representing an increase of RMB259 million, or 46.8%, from RMB554 million in 2007. Gross profit margin increased from 7.8% in 2007 to 9.9% in 2008, primarily due to contribution from the higher margin business of United Development.

Selling and marketing expenses. Selling and marketing expenses for the other businesses in 2008 were RMB280 million, representing an increase of RMB49 million, or 21.2%, from RMB231 million in 2007, primarily attributable to Zhenhua Logistics.

Administrative expenses. Administrative expenses for the other businesses in 2008 were RMB209 million, representing an increase of RMB29 million, or 16.1%, from RMB180 million in 2007. Administrative expenses as a percentage of revenue for the other business remained constant in 2007 and 2008 at 2.5%.

Other (expenses)/income, net. Other expenses, net, for the other businesses in 2008 was RMB11 million, representing a decrease of RMB141 million from other income, net, of RMB130 million in 2007.

Segment result. As a result of the above, segment result for the other businesses in 2008 was RMB313 million, representing an increase of RMB40 million, or 14.7%, from RMB273 million in 2007. Segment result margin decreased from 3.9% in 2007 to 3.8% in 2008, primarily due to lower segment result margin at 1.3% in the six months ended 30 June 2008.

Liquidity and Capital Resources

The Group's business requires a significant amount of working capital to finance the purchase of raw materials and the performance of engineering, construction and other work on projects before payment is received from clients. The Group historically met its working capital and other capital requirements principally from cash generated from operating activities, while financing the remainder of the Group's requirements primarily through borrowings. As at 31 December 2008, the Group had unutilised credit facilities in the amount of RMB101,197 million. The Group has also supplemented its financial resources with proceeds raised from issuing short-term financing bonds in January 2008 and medium term notes in April and June 2008 and from its initial public offering in December 2006. 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 Group's consolidated cash flow statements for 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Net cash (used in)/generated from operating activities	**(1,195)**	1,597
Net cash used in investing activities	**(16,731)**	(15,556)
Net cash generated from financing activities	**21,887**	5,762
Net increase/(decrease) in cash and cash equivalents	**3,961**	(8,197)
Cash and cash equivalents at beginning of the year	**22,473**	30,793
Exchange losses on cash and cash equivalents	**(156)**	(123)
Cash and cash equivalents at end of the year	**26,278**	22,473

Cash flow from operating activities

In 2008, net cash used in operating activities was RMB1,195 million as compared to net cash generated from operating activities of RMB1,597 million in 2007. This decrease of RMB2,792 million, was primarily due to the decrease in cash generated from operations, increase in interest paid and increase in income tax paid in 2008.

Cash generated from operations amounted to RMB2,767 million in 2008, representing a decrease of RMB1,462 million, or 34.6%, from RMB4,229 million in 2007. Cash generated from operations before changes in working capital in 2008 amounted to RMB13,860 million, representing an increase of RMB1,818 million, or 15.1%, from RMB12,042 million in 2007. Changes in working capital in 2008 amounted to RMB11,093 million, representing an increase of RMB3,280 million, or 42.0%, from RMB7,813 million in 2007. This substantial increase in working capital was primarily due to substantial increase in inventories, primarily attributable to the increase in steel required by ZPMC and certain subsidiaries of the Group's infrastructure construction business. The effect from the increase in trade and other receivables and contract work-in-progress were mostly offset by the increase in trade and other payables.

Cash flow from investing activities

Net cash used in investing activities in 2008 was RMB16,731 million as compared with RMB15,556 million in 2007. The increase of RMB1,175 million, or 7.6%, in 2008 was primarily due to increases in purchases of property, plant and equipment and strategic investments as included in available-for-sale financial assets. Such increases were partially offset by a smaller increase in both lease prepayments and additional investments in associates. In 2008, the Group's purchase of property, plant and equipment, primarily for Group's port machinery manufacturing business, infrastructure construction business (inclusive of BOT projects) and dredging business amounted to RMB14,960 million, representing an increase of RMB5,305 million, or 54.9%, from RMB9,655 million in 2007. Net increase in Group's strategic investments as included in available-for-sale financial assets amounted to RMB489 million in 2008.

Cash flow from financing activities

Net cash generated from financing activities in 2008 amounted to RMB21,887 million as compared to RMB5,762 million in 2007. The increase of RMB16,125 million was primarily due to the proceeds from borrowings of RMB55,067 million during 2008, which was partially offset by repayments of borrowings of RMB31,571 million. The proceeds from borrowings also included medium-term notes of RMB2,500 million each issued by the Company in April and June 2008, and short-term financing bonds of RMB2,300 million issued by ZPMC in January 2008.

Capital Expenditure

The Group's capital expenditure principally comprises expenditure from the building of plants, purchases of property, vessels and equipment and investments in BOT projects. The following table set forth the Group's capital expenditure by business for the years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Infrastructure Construction Business	**6,393**	5,774
— BOT projects	**1,786**	2,580
Infrastructure Design Business	**250**	237
Dredging Business	**4,015**	2,401
Port Machinery Manufacturing Business	**6,557**	5,473
Other Businesses	**335**	437
Total	**17,550**	14,322

Capital expenditure in 2008 was RMB17,550 million, as compared to RMB14,322 million in 2007. The increase of RMB3,228 million or 22.5% was primarily due to purchase of additional dredgers to increase the Group's dredging capacity, purchase of equipment for the Group's infrastructure construction business and port machinery manufacturing business.

Working Capital

Trade and bills receivables and trade and bills payables

The following table sets forth the turnover of the Group's average trade and bills receivables and average trade and bills payables for the years ended 31 December 2008 and 2007.

	Year ended 31 December	
	2008	2007
	Number of Days	Number of Days
Turnover of average trade and bills receivables[(1)]	**59**	53
Turnover of average trade and bills payables[(2)]	**98**	85

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

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

The Group's turnover of trade and bills receivables lengthened in 2008 as compared to 2007 primarily due to overall economic recession. In line with lengthening in turnover of trade and bills receivables, turnover of trade and bills payables also lengthened. However, the Group's turnover of trade and bills receivables in the year ended 31 December 2008 achieved an improvement as compared to that in the six months ended 30 June 2008 due to the implementation of strengthened working capital management by the Group.

The following table sets forth an ageing analysis of trade and bills receivables as at 31 December 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Less than 6 months	**29,446**	20,397
6 months to 1 year	**2,709**	2,634
1 year to 2 years	**1,594**	1,924
2 years to 3 years	**793**	699
Over 3 years	**1,213**	1,047
Total	**35,755**	26,701

The Group's credit terms with its customers in 2008 remained the same as 2007. 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 2008, the Group had a provision for impairment of RMB2,152 million, as compared with RMB2,054 million as at 31 December 2007.

The following table sets forth an ageing analysis of trade and bills payables as at 31 December 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Within 1 year	**46,955**	34,935
1 year to 2 years	**2,162**	1,449
2 years to 3 years	**409**	295
Over 3 years	**149**	173
Total	**49,675**	36,852

The Group's credit terms with its suppliers in 2008 remained the same as 2007. 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 carrying amounts of the retentions as at 31 December 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Current	**4,107**	2,469
Non-current	**3,692**	2,513
Total	**7,799**	4,982

Indebtedness

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Within 1 year	**37,878**	21,828
Between 1 year and 2 years	**6,016**	3,621
Between 2 years and 5 years	**10,070**	5,873
Wholly repayable within 5 years	**53,964**	31,322
Over 5 years	**3,910**	3,139
Total borrowings	**57,874**	34,461

The Group's borrowings are primarily denominated in Renminbi, the 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 2008 and 2007.

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Renminbi	**40,881**	19,933
U.S. dollar	**13,875**	10,659
Hong Kong dollar	**247**	506
Japanese yen	**960**	1,108
Euro	**1,855**	2,219
Others	**56**	36
Total borrowings	**57,874**	34,461

The Group's gearing ratio, calculated as net debt divided by capitalisation, in 2008 was 37.7%, compared with 18.2% as at 31 December 2007.

Contingent Liabilities

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

	Year ended 31 December	
	2008	2007
	(RMB million)	*(RMB million)*
Pending lawsuits[(1)]	**481**	309
Outstanding loan guarantees[(2)]	**149**	196
	630	505

(1) The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the 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 due to the Group's borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2008, approximately RMB26,642 million of the Company's borrowings were at fixed rates, as compared to that of RMB17,144 million in 2007.

Foreign exchange risk

The Group's functional currency of a majority of the entities within the Group is Renminbi with most of the Group's transactions settled in Renminbi. The Group uses, however, foreign currencies to settle the Group's invoices from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. In addition, the Group generates revenue from certain construction contracts denominated in foreign currencies and a significant proportion of the Group's bank borrowings are denominated in foreign currencies, particularly the U.S. dollar, Euro and 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 2008, Renminbi had appreciated by approximately 15.7% against the U.S. dollar since July 2005. The PRC government may in the future make further adjustments to the exchange rate system. When Renminbi appreciates, the value of foreign currency denominated assets will decline against Renminbi.

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

During the two years ended 31 December 2008 and 2007, certain subsidiaries within the Group used foreign currency forward contracts for transactions with domestic and overseas registered banks, to hedge the Group's exposure to foreign currency risk on individual transactions primarily vis-à-vis the U.S. dollar, Euro and Japanese Yen.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2008.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has made specific inquiry with all of its Directors and Supervisors. Each of the Directors and Supervisors has confirmed his compliance with the requirements set out in the Model Code for the year ended 31 December 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2008.

DISTRIBUTIONS AND DIVIDENDS

The Board has proposed a final dividend of RMB0.098 per share (totalling approximately RMB1,453 million which represents approximately 25% of the Company's distributable profits for the year ended 31 December 2008) which is subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 18 June 2009. The final dividends will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 18 June 2009.

AUDIT COMMITTEE

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

ANNUAL GENERAL MEETING

The 2008 annual general meeting of the Company will be held on 18 June 2009 in Beijing. For further details of the annual general meeting, please refer to the Notice of Annual General Meeting, which will be despatched in due course.

AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were appointed as the international and domestic auditors of the Company for the year ended 31 December 2008, respectively. The financial figures in this announcement in respect of the preliminary consolidated results for the year ended 31 December 2008 have been agreed by PricewaterhouseCoopers to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2008. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 May 2009 to 18 June 2009 (both days inclusive) and during that period no transfer of shares will be registered. In order to qualify for the final dividends and be eligible to attend the 2008 annual general meeting of the Company, all transfer documents must be lodged, together with the relevant share certificates, with Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30p.m. on 18 May 2009.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2008 which contains all the information required by the Listing Rules including audited financial statements will be despatched to shareholders by 30 April 2009 and will be published on the website of the Hong Kong Stock Exchange and on the website of the Company (www.ccccltd.cn).

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

Beijing, the PRC, 14 April 2009

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

\# *Independent non-executive Directors*