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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The Board of Directors (the “**Board**”) of China Communications Construction Company Limited (the “**Company**” or “**CCCC**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and all of its subsidiaries (hereinafter collectively referred to as “the Company” except where the context otherwise requires) prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for the six months ended 30 June 2009 as follows.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2009	2008	change(%)
(RMB million, except per share data)			
Revenue	96,840	75,749	27.8
Profit for the period	3,590	2,861	25.5
Profit attributable to equity holders of the Company	3,025	2,200	37.5
Earnings per share	0.20	0.15	37.5

	As at		change(%)
	30 June 2009	31 December 2008	
(RMB million, except per share data)			
Total assets	241,217	218,098	10.6
Total liabilities	182,806	165,929	10.2
Total equity	58,411	52,169	12.0
Equity attributable to equity holders of the Company	46,903	41,171	13.9
Equity attributable to equity holders of the Company per share	3.16	2.78	13.9

	For the six months ended 30 June		
	2009	2008	change(%)
RMB million			
New contracts	155,444	128,970	20.5

	As at		change(%)
	30 June 2009	31 December 2008	
RMB million			
Backlog	360,128	334,300	7.7

BUSINESS OVERVIEW

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

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

In the first half of 2009, faced with persisting impact of the global financial crisis and basis of economic recovery in the PRC not yet solid, the PRC government proactively implemented fiscal policies and relatively relaxed monetary policy. The PRC government swiftly implemented the stimulus plan to boost domestic demand and the magnitude of increase in investments in basic infrastructure, such as railways, roads, bridges and airports, was notably higher and the number of new projects kicked off increased rapidly. As at 30 June 2009, the planned new investment for fixed asset projects in China increased by 87.3% in comparison with the corresponding period of 2008.

As the leading transportation infrastructure group in China, the Company is well-positioned to benefit from the economic stimulus plan of China and has experienced a relatively fast increase in the number of domestic project orders received in the first half of 2009, of which a number of large-scale bridges and high-grade roads were kicked off simultaneously. The value of new contracts signed by the Company also increased rapidly. The railway projects under construction progressed smoothly and, on numerous occasions, the Company received recognitions at the peer evaluation comparisons conducted by the Ministry of Railways and maintained its leading position in the railway market. The construction of Chinese coastal port industrial zones, surrounding land reclamation and dredging projects was accelerated in progress which positively reassured the continued development of our dredging business.

On the other hand, due to the slowdown of global economic growth resulting from the global financial market crisis, import and export trading of China decreased by 23.5% in the first half of 2009 compared to the corresponding period of 2008. Our port construction, port and navigation channel dredging as well as port machinery manufacturing business of heavy machinery manufacturing business segments were affected to different extents. In particular, the orders received by the port machinery manufacturing business with global market orientation experienced a substantial contraction in demand as compared to the past years. In the meantime, the overall demand in the international construction market experienced volatility. Market competition in developing countries became increasingly fierce and the volume of contracting work in certain regions therefore decreased. The number of new large contracts secured by the Company decreased as compared with the same period of last year. Notwithstanding these adverse

circumstances, the Company fully capitalised on the government subsidised overseas construction projects and the high-end Middle East market and achieved further market penetration. Impact on the expansion of our overseas operation was very limited.

During the first half of 2009, the Company closely followed changes in the industry dynamics, devoted efforts on both domestic and overseas markets, expanded scope of operation, optimised resources allocation, expanded production capacity and controlled operational risk. Our overall operations maintained steady development while key performance indicators improved on a year-on-year basis and our mid-year targets were achieved in principal.

In the second half of 2009, the Company is fully confident on market expansion and will place a greater emphasis on the overall management improvement, with more detailed and enhanced management control. Key areas of improvement include: 1) standardising project management and continuing to push forward centralised management of raw material purchases and deepen the activities for “the Year of Efficient Management”; 2) undertaking more large-scale projects with greater room for profitability and enhancing overall profitability of the Company; 3) under the guidance of the Scientific Outlook on Development, comprehensively analyzing comparative advantages and disadvantages of the Company among industry peers with a view to achieve the optimal positioning for the Company and well position itself for the direction and goals of future development; 4) strictly controlling various investments and preparing well for risk control; and 5) devoting additional efforts to the collection of trade receivables, and to reduce costs and enhance efficiency.

In the first half of 2009, revenue for the Company was RMB96,840 million, representing a year-on-year increase of 27.8%. The value of new contracts amounted to RMB155,444 million, representing a year-on-year increase of 20.5%. As at 30 June 2009, the backlog for the Company was RMB360,128 million, representing an increase of 7.7% compared to the end of 2008.

1. Infrastructure Construction Business

In the first half of 2009, the Company completed infrastructure construction projects with a total revenue of RMB67,707 million, representing a year-on-year increase of 37.6%. The value of new infrastructure construction contracts reached RMB128,329 million, representing a year-on-year increase of 36.8%. As at 30 June 2009, the backlog for infrastructure construction was RMB301,680 million, representing an increase of 13.6% compared to the end of 2008.

In the first half of 2009, the competitive advantage of the Company in the infrastructure construction market in the PRC was further strengthened with our overall competence visibly enhanced, not only reflecting the state-of-the-art standard in China, but also globally. Suramad Bridge in Indonesia, the largest cross-sea bridge in Southeast Asia, was designed and constructed by the Company according to the PRC construction standard and commenced operation. As for the BT projects undertaken by the Company, Chongqing Chaotianmen Yangtze River Bridge, the largest span steel top arch bridge in the world, was completed and opened for traffic. Guizhou Balinghe Bridge, the world's largest span in mountain area, was closed up successfully. Maijishan Tunnel of Baotian Expressway, the second longest expressway tunnel in Asia, was fully connected. This tunnel crosses the main peak of Qinling Mountain and is by far the longest solo-ended digging tunnel in China. On railway projects

undertaken by the Company, namely, the Beijing-Shanghai High-Speed PDL and the Harbin-Dalian PDL, received several accreditations by the Ministry of Railway in terms of project quality and progress and exhibited the strong capability of the Company in railway market penetration and operation.

(1) Port Construction

In the first half of 2009, new contracts of the Company for the domestic port construction projects reached RMB16,584 million, representing a year-on-year increase of 11.0%. Though during the first half of the year, the overall macro-economic situation showed a gradual improvement, the prolonged effect of global financial crisis resulting in the contraction of import and export trading visibly affected the transportation industry. The extent of negative impact on the profitability for shipping companies and port operators varied and their demand for investment was therefore weakened. In order to adapt to the changing market conditions, the Company leveraged on its competitive edge to reinforce its market leadership in traditional port construction business while continued working with its customers to test out certain upgrade of coastal ports to promote technology upgrade of older ports and functionality adjustment of older port areas. These efforts compensated for the lack of large size port construction. In addition, the Company placed greater emphasis on waterway engineering projects to minimise the fluctuations of the Company's business under the volatile market environment.

In the first half of 2009, the main new orders secured by the Company include bulk berth construction project at the southern port area of Liuwudian in Xiamen Port, water works for the container terminal #1 and #2 at Ningbo-Zhoushan Meishan Bonded Zone, and waterway engineering project for 100,000 ton-class aluminum oxide and fertilizer bulker at Gangqitai port area at Lianyungang Port.

(2) Road and Bridge Construction

In the first half of 2009, new contracts of the Company for the domestic road and bridge projects reached RMB56,454 million, representing a year-on-year increase of 148.5%. During the first half of the year, under the government direction of “maintain growth, expand domestic demand and adjust structure”, the speed of construction of basic transportation infrastructure further accelerated. The number of newly kicked off projects and the scale of investment of fixed assets grew by two-fold. The Company participated in each of the key state, provincial and city-level projects with our effort on market expansion reaping the fruits.

In the first half of 2009, the main new projects secured by the Company include Jiashao Bridge which is the longest and widest multi-tower cable-stayed bridge in the world, the construction project for the Xiamen-Zhangzhou Cross-sea Bridge, and the construction project for the Hanzhong-Lveyang Expressway which is a state and provincial-level key project. The main projects completed by the Company include Jiangsu Taizhou Yangtze River Bridge, Nanjing Forth Yangtze River Bridge, Pingtan Bridge and Nanchang Hongdu Bridge, etc.

(3) Railway Construction

In the first half of 2009, new contracts of the Company for the domestic railway projects reached RMB12,970 million, representing a year-on-year decrease of 5.5%. The railway construction market in China entered into a boom in 2009 with fast growth, bringing unprecedented opportunities for the Company and further reaffirmed our confidence and conviction in entering the railway market. In the first half of the year, the Company continuously reinforced efforts in project planning, optimising construction techniques, deepening expertise training, strengthening cost management, establishing a railway construction management system that is unique for CCCC and accomplishing our vision of “complete a successful project, train up a team and create a brand”.

In the first half of 2009, the main new projects won by the Company were Lanzhou-Sichuan Railway, Section XG-2 of Hunan-Guilin Railway, Section SHZH-1 of Suzhou-Huai'an Railway, Section CMLZQ-6 of Chengdu-Mianyang-Leshan PDL and so on. In terms of projects under construction, the Company achieved satisfactory progresses for Beijing-Shanghai High-Speed PDL, Harbin-Dalian PDL, Shanghai-Nanjing Intercity Railway and Shijiazhuang-Wuhan PDL. The Company received on numerous occasions recognitions during the peer evaluation comparisons conducted by the Ministry of Railways.

(4) Investment Business

In the first half of 2009, new contracts of the Company for the domestic investment business amounted to RMB1,966 million, representing a year-on-year decrease of 69.9%. In the first half of the year, in the face the complicated macro-economic circumstances and difficult investment environment, in order to better control investment risks, the Company strengthened its monitoring over the projects under construction and made certain improvements and amendments where relevant.

In the first half of 2009, the main projects for which the Company completed construction and began operation or passed on for operation include: the BOO project for Yueyang Chenglingji Port in Hunan, the BOT project for Foshan-Guangming Expressway, the BT project for Chaotianmen Yantze River Bridge in Chongqing, and the BT projects for Fengxiang Road and Qingqi Road in Wuxi, etc.

(5) Overseas Business

In the first half of 2009, new contracts of the Company for the overseas infrastructure construction projects amounted to US\$4,496 million, representing a year-on-year increase of 14.7%. In the first half of the year, the overall demand in the international construction market experienced volatility. Market competition in developing countries became increasingly fierce and the volume of contracting work in certain regions was therefore reduced. The number of new large contracts secured by the Company decreased as compared with the corresponding period of 2008. However, the Company's internal manufacturing resources leveraged on the three brands of CCCC, China Harbour and China Road and Bridge, jointly developed overseas market strategies and fully capitalised on the government subsidised overseas construction projects and the high-end Middle East market and achieved further market penetration notwithstanding the adverse circumstances. Impact on our expansion of overseas expansion was very limited.

In the first half of 2009, the main new projects won by the Company include the reconstruction and improvement project of Tuen Mun Road in Hong Kong, the extension project of Berth #4 and #5 of Nouachott in Mauritania, the reconstruction project of Tajikistan-China Road in Tajikistan and the Bata Port project in Equatorial Guinea and so on.

(6) Other Projects

While solidifying market share in its traditional established domestic market and maintaining an industry leading position, the Company has been exploring into new markets beyond the traditional scope and is actively pursuing untapped market. The number of projects for civil works, subway and housing construction continued to increase, which positively complemented the core business operation.

2. Infrastructure Design Business

In the first half of 2009, revenue for the Company's completed infrastructure design business reached RMB3,485 million, representing a year-on-year increase of 7.6%. The value of new infrastructure design contracts reached RMB5,819 million, representing a year-on-year increase of 30.1%. As at 30 June 2009, the backlog for the infrastructure design business was RMB12,735 million, representing an increase of 16.1% compared to the end of 2008.

In the first half of 2009, the pace of investment for the road and bridge construction market picked up mainly due to: 1) the past project applications have been implemented resulting from gradual implementation of stimulus policy to boost domestic demand by the PRC government, and 2) new project listing work have been accelerated. In the first half of the year, the number of the new projects kicked off increased and the volume for new tender bids also grew faster on a year-on-year basis. The market for exploration and design of road projects were featured by tight timeline and relatively complicated construction conditions. The Company fully captured the opportunities arising from the stimulus policy, increased efforts on operational improvement thereby achieved the best operating result in the history of the Company.

As import and export shipping from ports in China decreased as a result of prolonged impact from global financial crisis, the port construction activities in China were also affected to a certain extent. In the first half of 2009, the value of new contracts for the design of waterway transportation in China decreased slightly.

The Company sees the overseas market as the major growth engine for its infrastructure design business. Expansion into the overseas market is a measure to diversify domestic market risk and at the same time strike a balanced business mix and promote continuous development. The Company will place more emphasis on the overseas business as its direction of development, and strive to achieve a coordinated development between the domestic and overseas markets.

In the first half of 2009, the main new projects won by the Company include Section A1 and A3 of survey and design project of Guangzhou-Lechang Expressway, the construction work for the embankment of Dongjiakou Port at Qingdao Port, the reconstruction and extension project for Bata Port in Equatorial Guinea, and the general contract for the international cruise ferry terminal at Wusong Port, Shanghai. In March 2009, the Company was awarded the mandate on the preliminary design project for the main structure of Hong Kong-Zhuhai-Macau Bridge after six years of dedicated preparation and full utilisation of our technologies and knowhow. In June 2009, the Company won the mandate on the design contract for the artificial island reclamation for Zhuhai and Macau ports for Hong Kong-Zhuhai-Macau Bridge. The Company took the first step for the construction of Hong Kong-Zhuhai-Macau Bridge Project and also demonstrated its competence and leading position in the infrastructure design business.

3. Dredging Business

In the first half of 2009, revenue for the Company's dredging business reached RMB10,537 million, representing a year-on-year increase of 21.4%. The value of new dredging contracts reached RMB15,109 million, representing a year-on-year increase of 37.9%. As at 30 June 2009, the backlog for the dredging business was RMB22,896 million, representing an increase of 21.0% compared to the end of 2008.

In the first half of 2009, the Company completed approximately 385 million cubic meters in terms of dredging volume, representing approximately 80% of the total domestic dredging volume in the PRC, of which approximately 193 million cubic meters were for capital and maintenance dredging and approximately 192 million cubic meters were for land reclamation dredging. In the first half of the year, the Company's plan to build its own special purpose mega vessels progressed smoothly. In the second half of 2009, there will be 13 special purpose mega vessels put into operation. According to the standard working condition, our annual production capability will be increased by 120 million cubic meters.

In the first half of 2009, on the one hand, the activity level of the dredging and surrounding land reclamation market in China constantly fluctuated, however, the market expansion is still in a faster developing trend through the Company's efforts. In the first half of the year, the volume of throughput handled by ports in China fell, resulting in the decreased demand for deep water navigation channel dredging and hence slowed the growth in traditional capital dredging market.

On the other hand, there was a large demand for new land arising from the large-scale city basic infrastructure projects in China and the development of coastal port areas leading to a significant demand for land reclamation dredging. To capture these opportunities, the Company proactively adjusted its production resources and effectively compensated for the slowdown in demand from capital and maintenance dredging and thereby achieved an increase in new contracts signed. In the meantime, the dredging equipment added by the Company during the “Eleventh Five-Year Period” gradually started to yield promising results, leading to enhanced production capacity and improved profitability substantially.

In the first half of 2009, the main new projects won by the Company include the Phase III of Channel Extension Project of Tianjin Port, and 250,000 ton-class Navigation Channel Dredging Project of Bayuquan Port Area in Yingkou and Phase II of the reclamation project in Tianjin Harbor Industrial Zone.

4. Heavy Machinery Manufacturing Business

In the first half of 2009, revenue for the Company’s heavy machinery manufacturing business reached RMB14,777 million, representing a year-on-year increase of 20.2%. The value of new heavy machinery contracts reached RMB4,299 million, representing a year-on-year decrease of 74.3%. As at 30 June 2009, the backlog for the heavy machinery manufacturing business was RMB20,308 million, representing a decrease of 42.9% compared to the end of 2008.

Due to the decline in international shipping and demand for port business, the number of orders for the Company’s port machinery products were directly affected. While the Company’s container port machinery products was directly affected, the container port machinery products already account for approximately 78% of the world’s market share. The Company has been continuously adjusting product mix and exploring new direction in developing its heavy machinery manufacturing business with a view to achieve higher return for the shareholders.

In March 2009, Zhenhua Port Machinery Company Limited (“ZPMC”), a subsidiary controlled by the Company, successfully completed a private placement by way of asset injection. The 100% equity interest in CCCC Shanghai Port Machinery Company Limited and 60% equity interest in Shanghai Jiangtian Industrial Co., Ltd. held by the Company were injected into ZPMC. The private placement materialised the integration of technology research and development as well as efficient allocation of operation resources and thus enhanced the competitiveness of ZPMC. In May 2009, ZPMC was renamed as Shanghai Zhenhua Heavy Industry Co., Ltd. as a recognition of marine engineering equipment, large steel structure and steel structured bridge as its new product development areas which accelerated the pace of the adjustment in the product mix.

In 2006, ZPMC began to enter into maritime heavy machinery product segment and manufactured “Hua Tian Long”, a 4,000-ton fully-rotary floating crane, “Lan Jing”, a 7,500-ton full-rotary floating crane, as well as pipe laying vessels, dredgers, auxiliary vessels for various projects, various platforms for the exploration of oil and gas, dynamic positioning devices and large-size anchors. These initiatives prepared the Company well to enter into a new market segment with competent technologies and production equipment. In the first half of 2009, the development of new business of ZPMC continued steadily. New products such as a 27-cubic metre clamshell dredger, which was

designed and built in the PRC, and the 1,200-ton pipe laying vessel, which was the first one ever researched and developed in China, were successively delivered for use.

In the first half of 2009, the main new projects won by ZPMC include the contracts for the world's largest bulk stevedoring equipment, nine units of bulk crane from VALE in Brazil, eight units of quayside container crane from GMP in France, six units of quayside container crane and twelve gantry cranes for Meishan Bonded Zone in Ningbo. On 20 July 2009, ZPMC entered into a marine product contract of US\$2.2 billion for an offshore self-elevating drilling platform, an onshore driller and a floating crane. This served to further strengthen its pace of altering its product composition.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following section should be read in conjunction with the unaudited condensed consolidated interim financial information of the Group and accompanying notes presented in this announcement.

Overview

For the six months ended 30 June 2009, revenue of the Group amounted to RMB96,840 million, representing an increase of 27.8% from the corresponding period of 2008.

Gross profit for the six months ended 30 June 2009 amounted to RMB8,626 million, representing an increase of RMB1,166 million, or 15.6%, from RMB7,460 million in the corresponding period of 2008. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business, heavy machinery manufacturing business and other businesses were 6.2%, 25.3%, 14.9%, 12.1% and 9.6%, respectively, as compared with 7.1%, 24.9%, 13.2%, 14.3% and 7.2% in the corresponding period of 2008.

Mainly as a result of growth in gross profit, operating profit for the six months ended 30 June 2009 amounted to RMB5,532 million, representing an increase of RMB1,358 million, or 32.5%, from RMB4,174 million in the corresponding period of 2008.

For the six months ended 30 June 2009, profit attributable to equity holders of the Company amounted to RMB3,025 million, representing an increase of 37.5% from RMB2,200 million in the corresponding period of 2008. For the six months ended 30 June 2009, earnings per share of the Group was RMB0.20, compared with RMB0.15 in the corresponding period of 2008.

The following is a comparison of financial results between the six months ended 30 June 2009 and 2008.

Consolidated Results of Operations

Revenue

Revenue for the six months ended 30 June 2009 amounted to RMB96,840 million, representing an increase of RMB21,091 million, or 27.8%, from RMB75,749 million in the corresponding period of 2008. Revenue from the infrastructure construction business, infrastructure design business, dredging business, heavy machinery manufacturing business increased by RMB18,503 million, RMB247 million,

RMB1,856 million and RMB2,484 million (all before elimination of inter-segment transactions), respectively, representing a growth rate of 37.6%, 7.6%, 21.4% and 20.2% , respectively, over the corresponding period of 2008; revenue from other businesses segment decreased by RMB1,638 million or 44.6% from the corresponding period of 2008, primarily attributable to the lower revenue generated from our logistics business as a result of lower import and export trading activities experienced during the recent global financial crisis.

Cost of Sales and Gross Profit

Cost of sales for the six months ended 30 June 2009 amounted to RMB88,214 million, representing an increase of RMB19,925 million, or 29.2%, from RMB68,289 million in the corresponding period of 2008. Increases in cost of sales from the infrastructure construction business, infrastructure design business, dredging business and heavy machinery manufacturing business amounted to RMB17,781 million, RMB170 million, RMB1,437 million and RMB2,467 million (all before elimination of inter-segment transactions), respectively, representing an increase of 38.9%, 7.0%, 19.1% and 23.4%, respectively, over the corresponding period of 2008. For the six months ended 30 June 2009, cost of sales from other businesses decreased by RMB1,569 million or 46.1% from the corresponding period of 2008, which was primarily attributable to lower cost of sales from our logistics business.

For the six months ended 30 June 2009, cost of raw materials and consumables used increased by 32.7% to RMB39,275 million from RMB29,592 million in the corresponding period of 2008; subcontracting costs increased by 35.6% to RMB23,064 million from RMB17,005 million; employee benefits increased by 29.4% to RMB7,720 million from RMB5,968 million in the corresponding period of 2008 and a significant portion of employee benefits was accounted for in cost of sales; equipment usage cost increased by 30.4% to RMB3,016 million from RMB2,312 million; depreciation of property, plant and equipment and investment properties increased by 47.1% to RMB2,151 million from RMB1,462 million and a significant portion of depreciation was accounted for in cost of sales; repair and maintenance expenses increased by 30.7% to RMB1,141 million from RMB873 million in the corresponding period of 2008. These increases in cost of sales were partially offset by the decrease in transportation cost of 40.6% from RMB2,705 million to RMB1,607 million, mainly attributable to the decrease in activities from our logistics business.

As a result, gross profit for the six months ended 30 June 2009 amounted to RMB8,626 million, representing an increase of RMB1,166 million, or 15.6%, from RMB7,460 million in the corresponding period of 2008. Gross profit margin decreased to 8.9% for the six months ended 30 June 2009 from 9.8% in the corresponding period of 2008, primarily due to increased number of projects that were newly kicked off during this period while the progress has not met the conditions which allow for gross profit to be recognised according to the percentage of completion method we adopt as well as due to a higher level of overall depreciation charge across our business as a result of large capital expenditure investment during 2008.

Operating Profit

Operating profit for the six months ended 30 June 2009 amounted to RMB5,532 million, representing an increase of RMB1,358 million, or 32.5%, from RMB4,174 million in the corresponding period of

2008. The increase was mainly due to the increase in gross profit from the infrastructure construction business, infrastructure design business, dredging business and heavy machinery manufacturing business, amounting to RMB722 million, RMB77 million, RMB419 million and RMB17 million (all before elimination of inter-segment transactions and unallocated profit) respectively, representing an increase of 20.8%, 9.6%, 36.4% and 1.0%, respectively. In addition, the Group recorded other net gains of RMB280 million for the six months ended 30 June 2009, as compared with other net loss of RMB549 million for the corresponding period of 2008, which was primarily attributable to the increase in net foreign exchange gains and the reduced losses on foreign exchange forward contracts. These changes in other net gains in turn contributed positively to the operating profit by RMB829 million.

For the six months ended 30 June 2009, operating profit from the infrastructure construction business, infrastructure design business, dredging business, heavy machinery business and other businesses increased by RMB707 million, RMB33 million, RMB417 million, RMB173 million and RMB24 million (all before elimination of inter-segment transactions and unallocated profit), representing a growth rate of 39.6%, 8.4%, 50.2%, 15.7% and 53.3% respectively, from the corresponding period of 2008.

As a result, operating profit margin increased to 5.7% for the six months ended 30 June 2009 from 5.5% for the corresponding period of 2008.

Interest Income

Interest income for the six months ended 30 June 2009 amounted to RMB321 million, representing an increase of RMB25 million, or 8.4%, from RMB296 million for the corresponding period of 2008.

Finance Costs, net

Net finance costs for the six months ended 30 June 2009 amounted to RMB1,299 million, representing an increase of RMB473 million, or 57.3%, from RMB826 million for the corresponding period of 2008. This increase was primarily attributable to the decrease of RMB455 million in net foreign exchange gains on borrowings resulting from smaller appreciation of Renminbi against foreign currencies compared with the corresponding period of 2008.

Share of Profit/(Loss) of Jointly Controlled Entities

Share of profit from jointly controlled entities for the six months ended 30 June 2009 amounted to RMB10 million, compared with share of loss of jointly controlled entities of RMB78 million in the corresponding period of 2008.

Share of Profit/(Loss) of Associates

Share of the profit of associates for the six months ended 30 June 2009 amounted to RMB4 million, compared with share of loss of associates of RMB11 million in the corresponding period of 2008.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax for the six months ended 30 June 2009 amounted to RMB4,568 million, representing an increase of RMB1,013 million, or 28.5%, from RMB3,555 million during the corresponding period of 2008.

Income Tax Expense

Income tax expense for the six months ended 30 June 2009 amounted to RMB978 million, representing an increase of RMB284 million, or 40.9%, from RMB694 million in the corresponding period of 2008. Effective tax rate for the Group for the six months ended 30 June 2009 increased to 21.4% from 19.5% in the corresponding period of 2008, mainly due to change in preferential tax rates of certain subsidiaries.

Profit Attributable to Minority Interests

Minority interests for the six months ended 30 June 2009 amounted to RMB565 million, representing a decrease of RMB96 million, or 14.5%, from RMB661 million in the corresponding period of 2008, mainly attributable to combined factors of the increase in the stake held by us in ZPMC from 43.26% to 46.11% as a result of the completion of private placement of ZPMC in March 2009 and the decrease in the profit of ZPMC during the six months ended 30 June 2009.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company for the six months ended 30 June 2009 amounted to RMB3,025 million, representing an increase of RMB825 million, or 37.5%, from RMB2,200 million in the corresponding period of 2008.

Profit margin with respect to profit attributable to equity holders of the Company was 3.1% for the six months ended 30 June 2009, as compared with 2.9% in the corresponding period of 2008.

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for the six months ended 30 June 2009 and 2008.

	Revenue		Gross Profit		Gross Profit Margin		Operating Profit ⁽¹⁾		Operating Profit Margin	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million	2009 (%)	2008 (%)	2009 RMB million	2008 RMB million	2009 (%)	2008 (%)
Business										
Infrastructure Construction	67,707	49,204	4,199	3,477	6.2	7.1	2,492	1,785	3.7	3.6
% of total	68.7	63.8	48.7	46.6			45.2	42.9		
Infrastructure Design	3,485	3,238	883	806	25.3	24.9	428	395	12.3	12.2
% of total	3.5	4.2	10.2	10.8			7.8	9.5		
Dredging	10,537	8,681	1,569	1,150	14.9	13.2	1,248	831	11.8	9.6
% of total	10.7	11.3	18.2	15.4			22.6	20.0		
Heavy Machinery Manufacturing	14,777	12,293	1,781	1,764	12.1	14.3	1,276	1,103	8.6	9.0
% of total	15.0	15.9	20.7	23.7			23.1	26.5		
Other businesses	2,031	3,669	194	263	9.6	7.2	69	45	3.4	1.2
% of total	2.1	4.8	2.2	3.5			1.3	1.1		
Subtotal	98,537	77,085	8,626	7,460			5,513	4,159		
Intersegment elimination and unallocated profit	(1,697)	(1,336)	—	—			19	15		
Total	96,840	75,749	8,626	7,460	8.9	9.8	5,532	4,174	5.7	5.5

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

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the six months ended 30 June 2009 and 2008.

	Six months ended 30 June	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Revenue	67,707	49,204
Cost of sales	63,508	(45,727)
Gross profit	4,199	3,477
Selling and marketing expenses	16	(14)
Administrative expenses	(1,972)	(1,683)
Other income, net	281	5
Segment result	2,492	1,785
Depreciation and amortisation	1,114	757

Revenue. Revenue from the infrastructure construction business for the six months ended 30 June 2009 was RMB67,707 million, representing an increase of RMB18,503 million, or 37.6%, as compared with RMB49,204 million in the corresponding period of 2008, primarily attributable to increase in the aggregate value of projects undertaken by the Group, driven by the increased demand for the Group's services as a result of the growth in infrastructure expenditure by the Group's domestic and overseas customers. The value of new contracts entered into for the infrastructure construction business for the six months ended 30 June 2009 was RMB128,329 million, representing an increase of RMB34,511 million, or 36.8%, compared with RMB93,818 million the corresponding period of 2008. No single project accounted for more than 5% of the Group's total revenue for the six months ended 30 June 2009 or 2008.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business for the six months ended 30 June 2009 was RMB63,508 million, representing an increase of RMB17,781 million, or 38.9%, as compared with RMB45,727 million in the corresponding period of 2008. Cost of sales as a percentage of revenue increased from 92.9% for the six months ended 30 June 2008 to 93.8% in the corresponding period of 2009.

Gross profit from the infrastructure construction business for the six months ended 30 June 2009 grew by RMB722 million, or 20.8%, to RMB4,199 million from RMB3,477 million over the corresponding period of 2008. Gross profit margin decreased to 6.2% for the six months ended 30 June 2009 from 7.1% in the corresponding period of 2008, primarily due to increased number of projects that were newly kicked off during this period while the progress has not met the conditions which allow for gross profit to be recognised according to the percentage of completion method we adopt as well as due to a higher level of depreciation charge.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business for the six months ended 30 June 2009 were RMB16 million, representing an increase of RMB2 million, or 14.3%, as compared with RMB14 million in the corresponding period of 2008.

Administrative expenses. Administrative expenses for the infrastructure construction business for the six months ended 30 June 2009 were RMB1,972 million, representing an increase of RMB289 million, or 17.2%, as compared with RMB1,683 million in the corresponding period of 2008, primarily attributable to the increase in administrative personnel and provision for impairment of trade and other receivables. Administrative expenses as a percentage of revenue decreased to 2.9% for the six months ended 30 June 2009 from 3.4% in the corresponding period of 2008 because of the increased economies of scale.

Other income, net. Other net income for the infrastructure construction business increased by RMB276 million to RMB281 million for the six months ended 30 June 2009 from RMB5 million in the corresponding period of 2008.

Segment result. As a result of the above, segment result for the infrastructure construction business for the six months ended 30 June 2009 was RMB2,492 million, representing an increase of RMB707 million, or 39.6%, as compared with RMB1,785 million in the corresponding period of 2008. Segment result margin increased to 3.7% for the six months ended 30 June 2009 from 3.6% in the corresponding period of 2008.

Infrastructure Design Business

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

The following table sets out the principal profit and loss information for infrastructure design business for the six months ended 30 June 2009 and 2008.

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Revenue	3,485	3,238
Cost of sales	(2,602)	(2,432)
Gross profit	883	806
Selling and marketing expenses	(44)	(43)
Administrative expenses	(404)	(373)
Other (expenses)/income, net	(7)	5
Segment result	428	395
Depreciation and amortisation	64	65

Revenue. Revenue from the infrastructure design business for the six months ended 30 June 2009 was RMB3,485 million, representing an increase of RMB247 million, or 7.6%, as compared with RMB3,238 million in the corresponding period of 2008. This growth was primarily attributable to the 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 higher demand for the Group's specialised design skills and experience in complex projects. The value of new contracts entered into for the infrastructure design business for the six months ended 30 June 2009 was RMB5,819 million, representing an increase of RMB1,348 million, or 30.1%, as compared with RMB4,471 million in the corresponding period of 2008.

Cost of sales and gross profit. Cost of sales for the infrastructure design business for the six months ended 30 June 2009 was RMB2,602 million, representing an increase of RMB170 million, or 7.0%, as compared with RMB2,432 million in the corresponding period of 2008. Cost of sales as a percentage of revenue decreased to 74.7% for the six months ended 30 June 2009 from 75.1% in the corresponding period of 2008.

Gross profit from the infrastructure design business for the six months ended 30 June 2009 was RMB883 million, representing an increase of RMB77 million, or 9.6%, as compared with RMB806 million in the corresponding period of 2008. Gross profit margin increased to 25.3% for the six months ended 30 June 2009 from 24.9% in the corresponding period of 2008.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business for the six months ended 30 June 2009 were RMB44 million, representing an increase of RMB1 million, or 2.3%, as compared with RMB43 million in the corresponding period of 2008.

Administrative expenses. Administrative expenses for the infrastructure design business for the six months ended 30 June 2009 were RMB404 million, representing an increase of RMB31 million, or 8.3%, as compared with RMB373 million during the corresponding period of 2008. Administrative expenses as a percentage of revenue increased to 11.6% for the six months ended 30 June 2009 from 11.5% in the corresponding period of 2008.

Other (expenses)/income, net. Other net expense for the infrastructure design business for the six months ended 30 June 2009 was RMB7 million, as compared with other net income of RMB5 million in the corresponding period of 2008.

Segment result. As a result of the above, segment result for the infrastructure design business for the six months ended 30 June 2009 was RMB428 million, representing an increase of RMB33 million, or 8.4%, as compared with RMB395 million in the corresponding period of 2008. Segment result margin increased to 12.3% for the six months ended 30 June 2009 from 12.2% in the corresponding period of 2008.

Dredging Business

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

The following table sets out the principal profit and loss information for the dredging business for the six months ended 30 June 2009 and 2008.

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Revenue	10,537	8,681
Cost of sales	(8,968)	(7,531)
Gross profit	1,569	1,150
Selling and marketing expenses	(11)	(8)
Administrative expenses	(380)	(369)
Other income, net	70	58
Segment result	1,248	831
Depreciation and amortisation	400	243

Revenue. Revenue from the dredging business for the six months ended 30 June 2009 was RMB10,537 million, representing an increase of RMB1,856 million, or 21.4%, as compared with RMB8,681 million in the corresponding period of 2008. The revenue growth was primarily attributable to increased port development activities and coastline reclamation activities in the PRC, which led to increased demand for the Group's dredging services. The value of new contracts entered into for the dredging business for the six months ended 30 June 2009 was RMB15,109 million, representing an increase of RMB4,153 million, or 37.9%, compared with RMB10,956 million during the corresponding period of 2008.

Cost of sales and gross profit. Cost of sales for the dredging business for the six months ended 30 June 2009 was RMB8,968 million, representing an increase of RMB1,437 million, or 19.1%, as compared with RMB7,531 million in the corresponding period of 2008. Cost of sales as a percentage of revenue for the dredging business for the six months ended 30 June 2009 was 85.1%, as compared with 86.8% in the corresponding period of 2008.

Gross profit from the dredging business for the six months ended 30 June 2009 was RMB1,569 million, representing an increase of RMB419 million, or 36.4%, as compared with RMB1,150 million in the corresponding period of 2008. Gross profit margin for the dredging business increased to 14.9% for the six months ended 30 June 2009 from 13.2% in the corresponding period of 2008, primarily attributable to large-scale projects and reduced reliance on subcontracting as some of the new vessels came into operation during the six months ended 30 June 2009.

Selling and marketing expenses. Selling and marketing expenses for the dredging business for the six months ended 30 June 2009 were RMB11 million, representing an increase of RMB3 million, or 37.5%, from RMB8 million in the corresponding period of 2008.

Administrative expenses. Administrative expenses for the dredging business for the six months ended 30 June 2009 were RMB380 million, representing an increase of RMB11 million, or 3.0%, as compared with RMB369 million in the corresponding period of 2008. Administrative expenses as a percentage of revenue decreased from 4.3% for the six months ended 30 June 2008 to 3.6% in the corresponding period of 2009, primarily attributable to the Group's increased economies of scale.

Other income, net. Other net income for the dredging business for the six months ended 30 June 2009 was RMB70 million, representing an increase of RMB12 million from the corresponding period of 2008.

Segment result. As a result of the above, segment result for the dredging business for the six months ended 30 June 2009 was RMB1,248 million, representing an increase of RMB417 million, or 50.2%, as compared with RMB831 million in the corresponding period of 2008. Segment result margin increased to 11.8% for the six months ended 30 June 2009 from 9.6% in the corresponding period of 2008.

Heavy Machinery Manufacturing Business

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

The following table sets out the principal profit and loss information for the heavy machinery manufacturing business for the six months ended 30 June 2009 and 2008.

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Revenue	14,777	12,293
Cost of sales	(12,996)	(10,529)
Gross profit	1,781	1,764
Selling and marketing expenses	(60)	(47)
Administrative expenses	(620)	(490)
Other income/(expenses), net	175	(124)
Segment result	1,276	1,103
Depreciation and amortisation	604	406

Revenue. Revenue from the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB14,777 million, representing an increase of RMB2,484 million, or 20.2%, as compared with RMB12,293 million in the corresponding period of 2008. This increase was primarily attributable to the further penetration into the maritime heavy machinery manufacturing business. The value of new contracts entered into for the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB4,299 million, representing a decrease of RMB12,430 million, or 74.3%, compared with RMB16,729 million in the corresponding period of 2008, primarily attributable to lower contract value for container cranes as a result of lower import and export trading activities experienced during the recent global financial crisis.

Cost of sales and gross profit. Cost of sales for the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB12,996 million, representing an increase of RMB2,467 million, or 23.4%, as compared with RMB10,529 million in the corresponding period of 2008, primarily attributable to the increase in revenue as well as the increase in depreciation of property, plant and equipment. Cost of sales as a percentage of revenue increased to 87.9% for the six months ended 30 June 2009 from 85.7% in the corresponding period of 2008.

Gross profit from the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB1,781 million, representing an increase of RMB17 million, or 1.0%, as compared with RMB1,764 million in the corresponding period of 2008. Gross profit margin decreased to 12.1% for the six months ended 30 June 2009 from 14.3% in the corresponding period of 2008. Revenue from the heavy machinery manufacturing business was primarily recognised from contracts denominated in foreign currencies, mainly in U.S. dollar, 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, the higher level of depreciation charge and the increase in cost of sales of container cranes also contributed towards lower gross profit margin for the six months ended 30 June 2009 as compared with the corresponding period of 2008.

Selling and marketing expenses. Selling and marketing expenses for the heavy machinery manufacturing business for the six months ended 30 June 2009 were RMB60 million, representing an increase of RMB13 million, or 27.7%, from RMB47 million in the corresponding period of 2008.

Administrative expenses. Administrative expenses for the heavy machinery manufacturing business for the six months ended 30 June 2009 were RMB620 million, representing an increase of RMB130 million, or 26.5%, as compared with RMB490 million in the corresponding period of 2008, primarily as a result of increased spending on research and development activities in line with the our emphasis on further breakthrough into maritime heavy machinery manufacturing business. Administrative expenses as a percentage of revenue for the heavy machinery manufacturing business increased to 4.2% for the six months ended 30 June 2009 from 4.0% in the corresponding period of 2008.

Other income/(expenses), net. Other net income for the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB175 million, compared with other net expenses of RMB124 million in the corresponding period of 2008, mainly due to smaller fair value losses of foreign exchange forward contracts.

Segment result. As a result of the above, segment result for the heavy machinery manufacturing business for the six months ended 30 June 2009 was RMB1,276 million, representing an increase of RMB173 million, or 15.7%, as compared with RMB1,103 million in the corresponding period of 2008. Segment result margin decreased to 8.6% for the six months ended 30 June 2009 from 9.0% in the corresponding period of 2008.

Other Businesses

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

The following table sets out the revenue, cost of sales and gross profit information for the other businesses for the six months ended 30 June 2009 and 2008.

	Six months ended 30 June	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Revenue	2,031	3,669
Cost of sales	(1,837)	(3,406)
Gross profit	194	263

Revenue. Revenue from the other businesses for the six months ended 30 June 2009 was RMB2,031 million, representing a decrease of RMB1,638 million, or 44.6%, as compared with RMB3,669 million in the corresponding period of 2008, primarily attributable to lower revenue generated from our logistics business as a result of lower import and export trading activities experienced during the recent global financial crisis.

Cost of sales and gross profit. Cost of sales for the other businesses for the six months ended 30 June 2009 was RMB1,837 million, representing a decrease of RMB1,569 million, or 46.1%, as compared with RMB3,406 million in the corresponding period of 2008, primarily attributable to the decrease in revenue from logistics business. Cost of sales as a percentage of revenue decreased to 90.4% for the six months ended 30 June 2009 from 92.8% in the corresponding period of 2008.

Gross profit from the other businesses for the six months ended 30 June 2009 was RMB194 million, representing a decrease of RMB69 million, or 26.2%, as compared with RMB263 million in the corresponding period of 2008. Gross profit margin increased to 9.6% for the six months ended 30 June 2009 from 7.2% in the corresponding period of 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 provided by operations, while financing the remainder of the Group's requirements primarily through borrowings. As at 30 June 2009, the Group had undrawn credit facilities of RMB105,837 million. The Group has also supplemented its financial resources with proceeds raised from issuing medium term notes in April and June 2008. The Group's access to the financial markets since its public listing has provided additional financing flexibility.

Cash Flow Data

The following table presents selected cash flow data from the Company's unaudited condensed consolidated interim cash flow statements for the six months ended 30 June 2009 and 2008.

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Net cash generated from/(used in) operating activities	318	(9,329)
Net cash used in investing activities	(8,939)	(10,340)
Net cash generated from financing activities	7,327	19,894
Net (decrease)/increase in cash and cash equivalents	(1,294)	225
Cash and cash equivalents at beginning of the period	26,278	22,473
Exchange losses on cash and cash equivalents	(2)	(43)
Cash and cash equivalents at end of the period	24,982	22,655

Cash flow from operating activities

During the six months ended 30 June 2009, net cash generated from operating activities was RMB318 million, increased by RMB9,647 million as compared with RMB9,329 million net cash used in operating activities during the corresponding period of 2008, which was primarily attributable to a smaller increase in working capital, in particular, due to smaller increases in inventories and trade and other receivables as well as a greater increase in trade and other payables, which were then partially offset by a greater increase in contract work-in-progress. Inventories, trade and other receivables, trade and other payables increased by RMB232 million, RMB4,270 million and RMB9,121 million respectively during the six months ended 30 June 2009, as compared with the respective increases of RMB3,538 million, RMB14,628 million and RMB8,009 million during the corresponding period of 2008. Contract work-in-progress increased by RMB10,125 million during the six months ended 30 June 2009, as compared with the amount of increase of RMB2,648 million during the corresponding period of 2008.

Cash flow from investing activities

Net cash used in investing activities for the six months ended 30 June 2009 was RMB8,939 million as compared with RMB10,340 million in the corresponding period of 2008. The decrease of RMB1,401 million, or 13.5%, was primarily attributable to the decreases in payments for purchases of available-for-sale financial assets, property, plant and equipment and additions in lease prepayments, partially offset by the increased investment in BOT projects.

For the six months ended 30 June 2009, the Group's payment for purchase of available-for-sale financial assets for the six months ended 30 June 2009 amounted to RMB81 million, which mainly consists of the Group's strategic investments, representing a decrease of RMB1,100 million from the corresponding period of 2008. The Group's payment for purchases of property, plant and equipment, amounted to RMB7,776 million, representing a decrease of RMB830 million from the corresponding period of 2008. Additions in lease prepayments for the six months ended 30 June 2009 amounted to RMB303 million, representing a decrease of RMB228 million from the corresponding period of 2008.

Cash flow from financing activities

Net cash generated from financing activities for the six months ended 30 June 2009 was RMB7,327 million, representing a decrease of RMB12,567 million from RMB19,894 million in the corresponding period of 2008, primarily attributable to the repayment of borrowings of RMB31,191 million during the six months ended 30 June 2009, RMB21,385 million greater than that during the corresponding period of 2008, which was partially offset by an increase in proceeds from borrowings of RMB8,512 million. Total borrowings as at 30 June 2009 increased by RMB7,987 million as compared with that as at 31 December 2008.

Capital Expenditure

The Group's capital expenditure principally comprises expenditure for the building of plants, purchases of property, vessels and equipment and investment in BOT projects. The following table set forth the Group's capital expenditure by business for the six months ended 30 June 2009 and 2008.

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Infrastructure Construction Business	4,073	2,029
— BOT projects	1,100	580
Infrastructure Design Business	138	98
Dredging Business	2,264	2,601
Heavy Machinery Manufacturing Business	2,798	3,554
Other	111	114
Total	9,384	8,396

Capital expenditure for the six months ended 30 June 2009 was RMB9,384 million, compared with RMB8,396 million in the corresponding period of 2008. The increase of RMB988 million or 11.8% was primarily attributable to the capital expenditure for purchase of property, plant and equipment and further investments in BOT projects.

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 receivable and average trade and bills payable for the six months ended 30 June 2009 and twelve months ended 31 December 2008.

	Six months ended 30 June 2009 (Unaudited) (Number of days)	Twelve months ended 31 December 2008 (Audited) (Number of days)
Turnover of average trade and bills receivables ⁽¹⁾	65	59
Turnover of average trade and bills payables ⁽²⁾	102	98

(1) For the six months ended 30 June 2009, average trade and bills receivables equals trade and bills receivables net of provisions at the beginning of the six-month period plus trade and bills receivables net of provisions at the end of the six-month period divided by 2. Turnover of average trade and bills receivables (in days) equals average trade and bills receivables divided by revenue and multiplied by 180. For the twelve months ended 31 December 2008, 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) For the six months ended 30 June 2009, average trade and bills payables equals trade and bills payables at the beginning of the six-month period plus trade and bills payables at the end of the six-month period 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 180. For the twelve months ended 31 December 2008, average trade and bills payables equals trade and bills payables at the beginning of the year plus trade and bills payables at the end of the year divided by 2. Turnover of average trade and bills payables (in days) equals average trade and bills payables divided by cost of sales and multiplied by 365.

The following table sets forth an ageing analysis of trade and bills receivables as at 30 June 2009 and 31 December 2008.

	As at	
	30 June	31 December
	2009	2008
	<i>(Unaudited)</i>	<i>(Audited)</i>
	RMB million	RMB million
Less than 6 months	30,259	29,446
6 months to 1 year	4,748	2,709
1 year to 2 years	1,964	1,594
2 years to 3 years	751	793
Over 3 years	1,187	1,213
Total	38,909	35,755

The Group's credit terms with its customers for the six months ended 30 June 2009 remained the same as that in the year ended 31 December 2008. Management closely monitors the recovery of the Group's overdue trade and bills receivables on a regular basis, and, when appropriate, provides for impairment of these trade and bills receivables. As at 30 June 2009, the Group had a provision for impairment of RMB2,194 million, as compared with RMB2,152 million as at 31 December 2008.

The following table sets forth an ageing analysis of trade and bills payables as at 30 June 2009 and 31 December 2008.

	As at	
	30 June	31 December
	2009	2008
	<i>(Unaudited)</i>	<i>(Audited)</i>
	RMB million	RMB million
Within 1 year	47,719	46,955
1 year to 2 years	2,044	2,162
2 years to 3 years	398	409
Over 3 years	154	149
Total	50,315	49,675

The Group's credit terms with its suppliers for the six months ended 30 June 2009 remained the same as that in the year ended 31 December 2008. Payments to suppliers and subcontractors may be delayed as a result of delays in settlement from the Group's customers. Nevertheless, there have been no material disputes arising from the non-timely payment of outstanding balances under the Group's supplier contracts or contracts with subcontractors.

Retentions

The following table sets forth the carrying amounts of the retentions as at 30 June 2009 and 31 December 2008.

	As at	
	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	RMB million	RMB million
Current	4,273	4,107
Non-current	4,490	3,692
Total	8,763	7,799

Indebtedness

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 30 June 2009 and 31 December 2008.

	As at	
	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	RMB million	RMB million
Within 1 year	41,499	37,878
Between 1 year and 2 years	13,126	6,016
Between 2 years and 5 years	6,138	10,070
Wholly repayable within 5 years	60,763	53,964
Over 5 years	5,098	3,910
Total borrowings	65,861	57,874

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Euro, Hong Kong dollars and Japanese Yen. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 30 June 2009 and 31 December 2008.

	As at	
	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	RMB million	RMB million
Renminbi	47,425	40,881
U.S. dollar	15,553	13,875
Hong Kong dollar	123	247
Japanese yen	583	960
Euro	2,177	1,855
Others	—	56
Total borrowings	65,861	57,874

The Group's gearing ratio, calculated as net debt divided by capitalisation, as at 30 June 2009 was 41.2%, compared with 37.7% as at 31 December 2008.

Contingent Liabilities

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

	As at	
	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	RMB million	RMB million
Pending lawsuits ⁽¹⁾	481	481
Outstanding loan guarantees ⁽²⁾	149	149
	630	630

(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 outflow of resources is not probable.

(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 30 June 2009 and 31 December 2008, approximately RMB26,951 million and RMB 26,642 million of the Company's borrowings were at fixed rates.

Foreign exchange risk

The Group's functional currency of a majority of the entities within the Group is Renminbi with most of the Group's transactions settled in Renminbi. The Group uses, however, foreign currencies to settle the Group's invoices from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. In addition, the Group generates revenue from certain construction contracts denominated in foreign currencies and a significant proportion of the Group's bank borrowings are denominated in foreign currencies, particularly the U.S. dollar, the Euro and the Japanese Yen. Renminbi is not freely convertible into other foreign currencies and conversion of the Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against the U.S. dollar. As at 30 June 2009, Renminbi had appreciated by approximately 21.1% 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 six month ended 30 June 2009 and the year ended 31 December 2008, 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 U.S. dollar, the Euro and Japanese Yen.

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

as at 30 June 2009

		Unaudited 30 June 2009 <i>RMB million</i>	Audited 31 December 2008 <i>RMB million</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	5	42,869	37,205
Lease prepayments		3,651	3,406
Investment properties		323	320
Intangible assets		7,358	6,218
Investments in jointly controlled entities		687	651
Investments in associates		3,218	3,146
Available-for-sale financial assets	6	12,407	6,733
Held-to-maturity financial assets		2	2
Deferred income tax assets		2,080	1,900
Trade and other receivables	7	14,064	11,229
		<u>86,659</u>	<u>70,810</u>
Current assets			
Inventories		16,636	16,458
Trade and other receivables	7	65,656	63,777
Amounts due from customers for contract work	8	46,333	38,682
Derivative financial instruments	9	108	1,382
Other financial assets at fair value through profit or loss		77	49
Restricted cash		766	662
Cash and cash equivalents		24,982	26,278
		<u>154,558</u>	<u>147,288</u>
Total assets		<u><u>241,217</u></u>	<u><u>218,098</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	14,825	14,825
Share premium		13,853	13,853
Other reserves	20	18,225	11,040
Dividend proposed	21	—	1,453
		<u>46,903</u>	<u>41,171</u>
Minority interests		<u>11,508</u>	<u>10,998</u>
Total equity		<u><u>58,411</u></u>	<u><u>52,169</u></u>

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (continued)

as at 30 June 2009

		Unaudited 30 June 2009	Audited 31 December 2008
	<i>Note</i>	<i>RMB million</i>	<i>RMB million</i>
LIABILITIES			
Non-current liabilities			
Borrowings	10	24,361	19,996
Deferred income		399	313
Deferred income tax liabilities		2,414	972
Early retirement and supplemental benefit obligations		2,818	2,856
		<u>29,992</u>	<u>24,137</u>
Current liabilities			
Trade and other payables	11	98,605	88,031
Amounts due to customers for contract work	8	11,060	13,224
Current income tax liabilities		1,277	1,647
Borrowings	10	41,500	37,878
Derivative financial instruments	9	151	725
Early retirement and supplemental benefit obligations		114	197
Provisions		107	90
		<u>152,814</u>	<u>141,792</u>
Total liabilities		<u>182,806</u>	<u>165,929</u>
Total equity and liabilities		<u>241,217</u>	<u>218,098</u>
Net current assets		<u>1,744</u>	<u>5,496</u>
Total assets less current liabilities		<u>88,403</u>	<u>76,306</u>

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2009

		Unaudited Six months ended 30 June	
	<i>Note</i>	2009	2008
		RMB million	RMB million
Revenue	4	96,840	75,749
Cost of sales	12	(88,214)	(68,289)
Gross profit		8,626	7,460
Other income	14	1,423	1,081
Other gains/(losses), net	13	280	(549)
Selling and marketing expenses	12	(218)	(239)
Administrative expenses	12	(3,507)	(3,072)
Other expenses	15	(1,072)	(507)
Operating profit		5,532	4,174
Interest income		321	296
Finance costs, net	16	(1,299)	(826)
Share of profit/(loss) of jointly controlled entities		10	(78)
Share of profit/(loss) of associates		4	(11)
Profit before income tax		4,568	3,555
Income tax expense	17	(978)	(694)
Profit for the period		3,590	2,861
Attributable to:			
— equity holders of the Company		3,025	2,200
— minority interest		565	661
		3,590	2,861
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
— basic	18	0.20	0.15
— diluted	18	0.20	0.15
Dividends	21	—	—

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Profit for the period	<u>3,590</u>	<u>2,861</u>
Other comprehensive income		
Fair value gains/(losses) on available-for-sale financial assets, net of deferred tax	4,201	(4,664)
Cash flow hedge reserve transferred to income statement, net of deferred tax	(11)	(113)
Currency translation differences	<u>(43)</u>	<u>44</u>
Other comprehensive income/(expense) for the period, net of tax	<u>4,147</u>	<u>(4,733)</u>
Total comprehensive income/(expense) for the period	<u><u>7,737</u></u>	<u><u>(1,872)</u></u>
Total comprehensive income/(expense) attributable to:		
— equity holders of the Company	7,186	(2,464)
— minority interest	<u><u>551</u></u>	<u><u>592</u></u>

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

For the six months ended 30 June 2009 (Unaudited)												
	Attributable to equity holders of the Company											
	Share Capital	Share Premium	Capital Reserve	Statutory Surplus Reserve	Investment Revaluation Reserve	Safety Reserve	Hedging Reserve	Exchange Reserve	Retained Earnings	Total	Minority Interests	Total Equity
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Note	million	million	million	million	million	million	million	million	million	million	million	million
Balance at 1 January 2009	14,825	13,853	(3,061)	317	3,666	259	5	8	11,299	41,171	10,998	52,169
Profit for the period	—	—	—	—	—	—	—	—	3,025	3,025	565	3,590
Other comprehensive income:												
Changes in fair value of available-for-sale financial assets, net of deferred tax	—	—	—	—	4,200	—	—	—	—	4,200	1	4,201
Cash flow hedge reserve transferred to income statement, net of deferred tax	—	—	—	—	—	—	(5)	—	—	(5)	(6)	(11)
Currency translation differences	—	—	—	—	—	—	—	(34)	—	(34)	(9)	(43)
Total comprehensive income/(expenses) for the period ended 30 June 2009	—	—	—	—	4,200	—	(5)	(34)	3,205	7,186	551	7,737
2008 final dividend	—	—	—	—	—	—	—	—	(1,453)	(1,453)	—	(1,453)
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(85)	(85)
Contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	44	44
Transaction with minority shareholders resulting from acquisition of equity interests of certain subsidiaries	—	—	(1)	—	—	—	—	—	—	(1)	—	(1)
Transfer to statutory surplus reserve	20	—	—	7	—	—	—	—	(7)	—	—	—
Appropriations to safety reserve	20	—	—	—	—	155	—	—	(155)	—	—	—
Balance at 30 June 2009	14,825	13,853	(3,062)	324	7,866	414	—	(26)	12,709	46,903	11,508	58,411

For the six months ended 30 June 2008 (Unaudited)

Attributable to equity holders of the Company

		Share Capital	Share Premium	Capital Reserve	Statutory Surplus Reserve	Investment Revaluation Reserve	Safety Reserve	Hedging Reserve	Exchange Reserve	Retained Earnings	Total	Minority Interests	Total Equity
		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Note		million	million	million	million	million	million	million	million	million	million	million	million
Balance at 1 January 2008		14,825	13,853	(2,234)	154	11,506	83	81	9	6,868	45,145	8,817	53,962
Profit for the period		—	—	—	—	—	—	—	—	2,200	2,200	661	2,861
Other comprehensive income:													
Changes in fair value of available-for-sale financial assets, net of deferred tax		—	—	—	—	(4,662)	—	—	—	—	(4,662)	(2)	(4,664)
Cash flow hedge reserve transferred to income statement, net of deferred tax		—	—	—	—	—	—	(49)	—	—	(49)	(64)	(113)
Currency translation differences		—	—	—	—	—	—	—	47	—	47	(3)	44
Total comprehensive (expenses)/income for the period ended 30 June 2008		—	—	—	—	(4,662)	—	(49)	47	2,200	(2,464)	592	(1,872)
2007 final dividend		—	—	—	—	—	—	—	—	(1,305)	(1,305)	—	(1,305)
Dividends paid to minority shareholders of subsidiaries		—	—	—	—	—	—	—	—	—	—	(347)	(347)
Transaction with minority shareholders resulting from acquisition of equity interests of certain subsidiaries		—	—	30	—	—	—	—	—	—	30	(52)	(22)
Transfer to statutory surplus reserve	20	—	—	—	8	—	—	—	—	(8)	—	—	—
Appropriations to safety reserve	20	—	—	—	—	—	114	—	—	(114)	—	—	—
Balance at 30 June 2008		<u>14,825</u>	<u>13,853</u>	<u>(2,204)</u>	<u>162</u>	<u>6,844</u>	<u>197</u>	<u>32</u>	<u>56</u>	<u>7,641</u>	<u>41,406</u>	<u>9,010</u>	<u>50,416</u>

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		RMB million	RMB million
	<i>Note</i>	(Unaudited)	(Unaudited)
Net cash generated from/(used) in operating activities	22(a)	318	(9,329)
Net cash used in investing activities	22(b)	(8,939)	(10,340)
Net cash generated from financing activities	22(c)	7,327	19,894
Net (decrease)/increase in cash and cash equivalents		(1,294)	225
Cash and cash equivalents at 1 January		26,278	22,473
Exchange losses on cash and cash equivalents		(2)	(43)
Cash and cash equivalents at 30 June		24,982	22,655

Note: Cash and cash equivalents at 30 June 2008 included cash amounting to RMB1 million recorded in the assets classified as held for sale.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

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

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

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 was approved for issue by the Board of Directors of the Company on 8 September 2009.

2. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. It should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

(a) The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 January 2009 and relevant to the Group:

- IAS1 (Revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses (that is “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All “non-owner changes in equity” are required to be shown in a performance statement.

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).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements;

- IAS 23 (Amendment), “Borrowing costs”. This amendment has been early adopted by the Group in 2008.
- IAS 32 (Amendment), “Financial instruments: presentation”. The adoption of this amendment did not have any effect on the unaudited condensed consolidated interim financial information.
- IAS 39 (Amendment), “Financial instruments: Recognition and measurement”. The adoption of this amendment did not have any effect on the unaudited condensed consolidated interim financial information.

3. Accounting policies (continued)

(a) (continued)

- IFRS 7 (Amendment), “Financial instruments: disclosures”. The amendment increases the disclosure requirements about fair value measurement and amends disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its annual financial statements for the year ending 31 December 2009.
- IFRS 8, “Operating segments”. IFRS 8 replaces IAS 14, “Segment reporting”. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of the new standards resulted in no change in the number of reportable segments presented.
- IFRIC 15, “Agreements for the construction of real estate”. The adoption of this interpretation did not have any effect on the unaudited condensed consolidated interim financial information.

(b) The following amendment to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not relevant for the Group:

- IFRS 2 (Amendment), “Share-based payment”
- IFRIC 13, “Customer loyalty programmes”
- IFRIC 16, “Hedges of a net investment in a foreign operation”

(c) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to IAS 39, “Financial instruments: Recognition and measurement” on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. The Group will apply the new amendment from 1 January 2010, but it is not expected to have an material impact on the Group’s consolidated financial statements.

3. Accounting policies (continued)

(c) (continued)

- IFRS 3 (Revised), “Business combinations” and consequential amendments to IAS 27, “Consolidated and separate financial statements”, IAS 28, “Investments in associates” and IAS 31, “Interests in joint ventures”, effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group will apply the new amendments from 1 January 2010. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation, associates and joint ventures on the Group.

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 statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) to all business combinations from 1 January 2010.

- IFRIC 17, “Distributions of non-cash assets to owners”, effective for annual periods beginning on or after 1 July 2009. 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.
- Amendment to IFRS 5 “Non-current Assets held for sale and discontinued operations”, effective for periods beginning on or after 1 January 2010. Disclosures in standards other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs specifically require disclosures for them. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of IAS 1 “Presentation of financial statements”. The Group will apply IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- Amendment to IAS 7 “Statement of cash flows”, effective for periods beginning on or after 1 January 2010. Only expenditures that result in a recognised asset are eligible for classification as investing activities. The Group will apply IAS 7 (amendment) from 1 January 2010.
- Amendment to IAS 17 “Leases”, effective for periods beginning on or after 1 January 2010. The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group will apply IAS 17 (Amendment) from 1 January 2010.
- IAS 27 (Revised) “Consolidated and Separate Financial Statements” (effective from annual period beginning on or after 1 July 2009). The Group will apply IAS 27 (Revised) from 1 January 2010, but it is not expected to have any material impact on the Group’s consolidated financial statements.
- Amendment to IFRS 8 “Operating segments”, effective for periods beginning on or after 1 January 2010. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group will apply IFRS 8 (amendment) from 1 January 2010.

3. Accounting policies (continued)

(c) (continued)

- Amendment to IAS 36 “Impairment of assets”, effective for periods beginning on or after 1 January 2010. This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in IFRS 8. The Group will apply IAS 36 (Amendment) from 1 January 2010, but it is not expected to have any material impact on the Group’s consolidated financial statements.
- Amendment to IAS 38 “Intangible assets”, effective for periods beginning on or after 1 July 2009. This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. The Group will apply IAS 38 (amendment) from 1 January 2010.
- Amendment to IAS 39 “Financial instruments: recognition and measurement”, effective for periods beginning on or after 1 January 2010. Loan prepayment penalties are treated as closely related embedded derivatives, only if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. In addition, the scope exemption to business combination contracts only applies to forward contracts that are firmly committed to be completed between the acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date. Therefore option contracts are not in this scope exemption. This amendment also clarifies that in a cash flow hedge of a forecast transaction that a reclassification of the gains or losses on the hedged item from equity to profit or loss is made during the period the hedged forecast cash flows affect profit or loss. The Group will apply IAS 39 (amendment) from 1 January 2010.
- Amendment to IFRIC 9 “Reassessment of embedded derivatives”, effective for periods beginning on or after 1 July 2009. This amendment aligns the scope of IFRIC 9 to the scope of IFRS 3 (revised): the exclusion of embedded derivatives in contracts acquired in a business combination, a common control combination or the formation of a joint venture. The Group will apply IFRIC 9 (amendment) from 1 January 2010.

(d) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and not relevant for the Group:

- IFRIC 18, “Transfers of assets from customers”, effective for transfer of assets received on or after 1 July 2009.
- Amendment to IFRIC 16 “Hedges of a net investment in a foreign operation”, effective for periods beginning on or after 1 July 2009.
- Amendment to IFRS 2 “Share-based payments”, effective for periods beginning on or after 1 July 2009.
- Amendment to IAS 1 ‘Presentation of financial statements’, effective for periods beginning on or after 1 January 2010.

4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the President Office, which is chaired by the Chief Executive Officer and consists of senior management of the Company who make strategic decisions. The President Office reviews the Group's internal reports in order to allocate resources to the segments and assess their performance. Management has determined the operating segments based on these reports.

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

- (1) infrastructure construction of ports, roads and bridges, and railway (the "Construction Segment");
- (2) infrastructure design of ports, roads and bridges (the "Design Segment");
- (3) dredging (the "Dredging Segment");
- (4) manufacturing of heavy machinery (the "Heavy Machinery Segment"); and
- (5) others (the "Other Segment").

The President Office assesses the performance of the operating segments based on operating profit excluding unallocated profit or costs. Other information provided to the President Office is measured in a manner consistent with that in the financial statements.

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

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

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

Capital expenditure comprises mainly additions to property, plant and equipment (Note 5), lease prepayments, investment properties and intangible assets.

4. Segment information (continued)

The segment results for the six months ended 30 June 2009 and other segment items included in the unaudited condensed consolidated interim financial information are as follows:

For the six months ended 30 June 2009 (unaudited)							
	Construction	Design	Dredging	Heavy Machinery	Other	Elimination	Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Total gross segment revenue	67,707	3,485	10,537	14,777	2,031	(1,697)	96,840
Inter-segment revenue	(253)	(76)	(877)	(431)	(60)	1,697	—
Revenue	67,454	3,409	9,660	14,346	1,971	—	96,840
Segment result	2,492	428	1,248	1,276	69	—	5,513
Unallocated profit							19
Operating profit							5,532
Interest income							321
Finance costs, net							(1,299)
Share of profit of jointly controlled entities							10
Share of profit of associates							4
Profit before income tax							4,568
Income tax expense							(978)
Profit for the period							3,590
Other segment items							
Capital expenditure	4,073	138	2,264	2,798	111	—	9,384
Depreciation	1,090	59	398	577	27	—	2,151
Amortisation	24	5	2	27	5	—	63
(Reversal of write-down of)/ write-down of impairment of inventories	(2)	—	—	13	—	—	11
Provision for foreseeable losses on construction contracts	126	—	—	59	—	—	185
Provision for/(reversal of) impairment of trade and other receivables	108	16	51	(19)	(1)	—	155

4. Segment information (continued)

The segment results for the six months ended 30 June 2008 and other segment items included in the unaudited condensed consolidated interim financial information are as follows:

	For the six months ended 30 June 2008 (unaudited)						
	Construction	Design	Dredging	Heavy Machinery	Other	Elimination	Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Total gross segment revenue	49,204	3,238	8,681	12,293	3,669	(1,336)	75,749
Inter-segment revenue	(675)	(93)	(249)	(299)	(20)	1,336	—
Revenue	<u>48,529</u>	<u>3,145</u>	<u>8,432</u>	<u>11,994</u>	<u>3,649</u>	<u>—</u>	<u>75,749</u>
Segment profit	1,785	395	831	1,103	45	—	4,159
Unallocated profit							15
Operating profit							4,174
Interest income							296
Finance costs, net							(826)
Share of loss of jointly controlled entities							(78)
Share of loss of associates							(11)
Profit before income tax							3,555
Income tax expense							(694)
Profit for the period							<u>2,861</u>
Other segment items							
Capital expenditure	2,029	98	2,601	3,554	114	—	8,396
Depreciation	747	59	241	385	30	—	1,462
Amortisation	10	6	2	21	4	—	43
Write-down of/(reversal of write-down of) inventories	(4)	—	1	10	(1)	—	6
Provision for/(reversal of) foreseeable losses on construction contracts	50	—	(6)	14	—	—	58
Provision for/(reversal of impairment of trade and other receivables	<u>15</u>	<u>5</u>	<u>40</u>	<u>(9)</u>	<u>(23)</u>	<u>—</u>	<u>28</u>

4. Segment information (continued)

The segment assets and liabilities at 30 June 2009 are as follows:

As at 30 June 2009 (Unaudited)							
	Construction	Design	Dredging	Heavy Machinery	Other	Elimination	Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Segment assets	128,011	6,742	27,990	51,871	3,786	(1,535)	216,865
Investments in jointly controlled entities							687
Investments in associates							3,218
Unallocated assets							20,447
Total assets							241,217
Segment liabilities	87,409	4,134	11,859	7,428	2,335	(1,535)	111,630
Unallocated liabilities							71,176
Total liabilities							182,806

Segment assets and liabilities at 30 June 2009 are reconciled to entity assets and liabilities as follows:

	Assets <i>RMB million</i>	Liabilities <i>RMB million</i>
Segment assets/liabilities	216,865	111,630
Investments in jointly controlled entities	687	—
Investments in associates	3,218	—
Unallocated:		
Deferred income tax assets/liabilities	2,080	2,414
Current income tax liabilities	—	1,277
Current borrowings	—	41,500
Non-current borrowings	—	24,361
Available-for-sale financial assets	12,407	—
Held-to-maturity financial assets	2	—
Other financial assets at fair value through profit or loss	77	—
Derivative financial instruments	108	151
Corporate assets/liabilities	5,773	1,473
Total	241,217	182,806

4. Segment information (continued)

The segment assets and liabilities at 31 December 2008 are as follows:

	As at 31 December 2008 (Audited)						Total <i>RMB million</i>
	Construction <i>RMB million</i>	Design <i>RMB million</i>	Dredging <i>RMB million</i>	Heavy Machinery <i>RMB million</i>	Other <i>RMB million</i>	Elimination <i>RMB million</i>	
Segment assets	110,937	6,608	24,197	52,415	4,325	(1,236)	197,246
Investments in jointly controlled entities							651
Investments in associates							3,146
Unallocated assets							17,055
Total assets							218,098
Segment liabilities	74,478	4,010	10,736	13,946	2,700	(1,236)	104,634
Unallocated liabilities							61,295
Total liabilities							165,929

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

	Assets <i>RMB million</i>	Liabilities <i>RMB million</i>
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

5. Property, plant and equipment

For the six months ended 30 June 2009 (unaudited)

	Buildings <i>RMB million</i>	Machinery <i>RMB million</i>	Vessels and vehicles <i>RMB million</i>	Other equipment <i>RMB million</i>	Construction- in-progress <i>RMB million</i>	Total <i>RMB million</i>
At 1 January 2009						
Opening net book amount	7,706	5,810	13,925	1,191	8,573	37,205
Additions	128	1,090	1,318	406	4,965	7,907
Disposals	(14)	(4)	(59)	(23)	—	(100)
Transfer	614	961	650	110	(2,335)	—
Depreciation	(233)	(530)	(980)	(400)	—	(2,143)
Closing net book amount	8,201	7,327	14,854	1,284	11,203	42,869
At 30 June 2009						
Cost	10,223	11,671	24,320	3,100	11,203	60,517
Accumulated depreciation	(2,022)	(4,344)	(9,466)	(1,816)	—	(17,648)
Net book amount	8,201	7,327	14,854	1,284	11,203	42,869

For the six months ended 30 June 2008 (unaudited)

	Buildings <i>RMB million</i>	Machinery <i>RMB million</i>	Vessels and vehicles <i>RMB million</i>	Other equipment <i>RMB million</i>	Construction- in-progress <i>RMB million</i>	Total <i>RMB million</i>
At 1 January 2008						
Opening net book amount	4,161	3,806	10,175	874	7,113	26,129
Additions	107	619	552	351	5,645	7,274
Disposals	(73)	(93)	(112)	(28)	—	(306)
Transfer	214	142	1,534	15	(1,905)	—
Classified as held for sale	—	—	—	(1)	—	(1)
Depreciation	(140)	(377)	(701)	(231)	—	(1,449)
Closing net book amount	4,269	4,097	11,448	980	10,853	31,647
At 30 June 2008						
Cost	5,938	7,759	19,345	3,112	10,853	47,007
Accumulated depreciation	(1,669)	(3,662)	(7,897)	(2,132)	—	(15,360)
Net book amount	4,269	4,097	11,448	980	10,853	31,647

- (a) Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately RMB1,143 million as at 30 June 2009 (31 December 2008: RMB1,419 million) (Note 10).
- (b) As at 30 June 2009, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties with an aggregate carrying value of approximately RMB1,588 million (31 December 2008: RMB1,720 million). The Directors of the Company are of the opinion that the Group is lawfully entitled to occupy or use these properties.

5. Property, plant and equipment (continued)

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

	As at	
	30 June	31 December
	2009	2008
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cost — Capitalised finance leases	604	—
Accumulated depreciation	(11)	—
Net book amount	593	—

6. Available-for-sale financial assets

	Six months	
	ended	Year ended
	30 June	31 December
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Beginning of the period/year	6,733	16,621
Fair value gains/(losses)	5,594	(10,441)
Additions	81	1,235
Disposals	(1)	(682)
End of the period/year	12,407	6,733

Available-for-sale financial assets include the following:

	As at	
	30 June	31 December
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Listed equity securities, at fair value		
— Mainland China	10,791	5,262
— Hong Kong	183	118
Unlisted equity investments, at cost	1,433	1,353
	12,407	6,733

7. Trade and other receivables

	As at	
	30 June	31 December
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Audited)
Trade and bills receivables	38,909	35,755
Less: provision for impairment	(2,194)	(2,152)
Trade receivables — net	36,715	33,603
Prepayments	14,177	14,179
Retentions	8,763	7,799
Deposits	7,712	5,990
Other receivables	3,923	3,942
Staff advances	711	674
Long-term receivables	7,419	8,519
Loan receivable	300	300
	79,720	75,006
Less: non-current portion		
— Retentions	(4,490)	(3,692)
— Deposits	(1,159)	(650)
— Long-term receivables (note)	(6,792)	(5,765)
— Loan receivable	(300)	(300)
— Prepayments	(1,323)	(822)
Current portion	65,656	63,777

Refer to Note 25(c) for receivables due from related parties.

Note: Long-term receivables mainly includes amounts due from customers in relation to “Build and Transfer” projects (the “BT Projects”), which are generally due within one to seven years after the completion and transfer of the relevant BT projects.

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

	As at	
	30 June	31 December
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Audited)
Less than 6 months	30,259	29,446
6 months to 1 year	4,748	2,709
1 year to 2 years	1,964	1,594
2 years to 3 years	751	793
Over 3 years	1,187	1,213
	38,909	35,755

7. Trade and other receivables (continued)

(a) (continued)

The Group's major customers are PRC Government agencies and other state-owned enterprises. Refer to Note 25(c) for trade receivables due from PRC state-owned enterprises.

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

- (b) The Group transferred certain trade receivables to a bank with recourse in exchange for cash amounting to USD14 million (equivalent to RMB96 million) during the period ended 30 June 2009 (2008: nil). Such transactions did not qualify for derecognition and have been accounted for as secured borrowings (Note 10).
- (c) All non-current receivables are due within seven years from the balance sheet date.

8. Contract work-in-progress

	As at	
	30 June	31 December
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Audited)
Contract cost incurred plus recognised profit less recognised losses	461,315	381,034
Less: Progress billings	(426,042)	(355,576)
	35,273	25,458
Contract work-in-progress	35,273	25,458
Representing:		
Amounts due from customers for contract work	46,333	38,682
Amounts due to customers for contract work	(11,060)	(13,224)
	35,273	25,458
	35,273	25,458
	Six months ended 30 June	2008
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Contract revenue recognised as revenue in the period	90,920	70,388

9. Derivative financial instruments

	30 June 2009 <i>(Unaudited)</i>		31 December 2008 <i>(Audited)</i>	
	Assets	Liabilities	Assets	Liabilities
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Interest rate swaps — held for trading	—	(7)	—	(27)
Forward foreign exchange contracts				
— cash flow hedges	—	—	2	—
Forward foreign exchange contracts				
— held for trading	108	(144)	1,380	(698)
	108	(151)	1,382	(725)

(a) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2009 were RMB9,398 million (31 December 2008: RMB33,595 million).

(b) Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2009 were RMB1,958 million (31 December 2008: RMB1,959 million).

10. Borrowings

		As at	
		30 June	31 December
		2009	2008
		RMB million	RMB million
	Note	(Unaudited)	(Audited)
Non-current			
Long-term bank borrowings			
— secured	(a)	7,565	6,427
— unsecured	(b)	8,800	8,569
		<u>16,365</u>	<u>14,996</u>
Other borrowings — secured	(a)	400	—
Medium term notes — principal	(c)	7,169	5,000
Financial lease liabilities	(f)	427	—
		<u>24,361</u>	<u>19,996</u>
Total non-current borrowings			
		<u>24,361</u>	<u>19,996</u>
Current			
Current portion of long-term bank borrowings			
— secured	(a)	593	1,536
— unsecured	(b)	4,498	2,610
		<u>5,091</u>	<u>4,146</u>
Short-term bank borrowings			
— secured	(a)	14,662	13,614
— unsecured		20,428	15,912
		<u>35,090</u>	<u>29,526</u>
Other borrowings			
— unsecured	(d)	1,144	1,612
Medium term notes — accrued interest	(c)	60	—
Debentures	(e)	—	2,594
Finance lease liabilities	(f)	115	—
		<u>41,500</u>	<u>37,878</u>
Total current borrowings			
		<u>41,500</u>	<u>37,878</u>
Total borrowings		<u><u>65,861</u></u>	<u><u>57,874</u></u>

10. Borrowings (continued)

- (a) All these borrowings were secured by the Group's property, plant and equipment, trade receivables, lease prepayments, term deposits and guarantees provided by certain subsidiaries of the Group.
- (b) Unsecured long-term bank borrowings included loans of approximately RMB576 million (equivalent of JPY8,075 million) (31 December 2008: RMB807 million, equivalent of JPY10,656 million) payable to the Export-Import Bank of China ("EIBOC") at 30 June 2009. Prior to the incorporation of the Company on 8 October 2006, these loans were used by the predecessor operations of CCCG to finance the acquisition of machinery. Such loans were originally borrowed from Ministry of Foreign Trade and Economic Cooperation ("MOFTEC") via EIBOC, which in turn borrowed such loans from the Japanese Government. All these loans were denominated in Japanese Yen, bore interest at rates ranging from 2.5% to 3.5% per annum, repayable semi-annually by equal instalments of principal of JPY 398 million up to 2019, and were stated at amortised cost.

In July 2006, the Group signed a revised loan agreement with EIBOC under which the overdue part of the loans, amounting to JPY13,433 million, were interest free and repayable semi-annually by equal instalments of JPY2,239 million over 3 years from January 2007. The Group has not been demanded to pay any penalty arising from the non-settlement in the past.

- (c) The Group issued the following medium term notes as approved by National Association of Financial Market Institutional Investors of the PRC:
 - two tranches of medium term notes issued in April 2008 and June 2008, at the same nominal value of RMB2,500 million, totalling RMB5,000 million, with maturities of three years from issuance. The interest rate for both tranches of medium term notes is 5.3% per annum;
 - medium term notes with a nominal value of RMB2,200 million issued in April 2009, with a maturity of five years from issuance. RMB1,800 million of such notes bears interest at a rate of 4.1% per annum, and the remaining RMB400 million bears interest at 4.0% per annum.

The medium term notes are stated at amortised cost. Interest is payable once a year. Accrued interest is included in current borrowings.

- (d) Other current borrowings included loans of approximately RMB1,136 million (31 December 2008: RMB1,097 million) payable to the China Orient Assets Management Corporation ("COAMC") at 30 June 2009 (the "Iraq Loans"). Prior to the incorporation of the Company on 8 October 2006, these loans were used by the predecessor operations of CCCG to finance a construction project in Iraq in the 1980s. Such loans were originally borrowed from Bank of China and bore interest at rates ranging from 4.16% to 6.23% per annum. Since the Gulf War in 1990, the Group had not settled any principal and interest to Bank of China in accordance with the original loan agreements. As certain portions of these loans had been overdue, all the balance of these loans was reclassified as current liabilities. In 2000, the Iraq Loans were transferred to COAMC from Bank of China. According to relevant regulations issued by the General Office of State Council of the PRC in 1997, since the construction project in Iraq was supported by the PRC Government, the Group was not demanded to pay any penalty arising from the non-settlement.
- (e) As approved by the People's Bank of China, the Group issued debentures in 2008 with a maturity of one year from issuance. The debentures were issued at a principal of RMB2,300 million with a discount of RMB9 million, and were stated at amortised cost. The debentures were fully repaid as at 30 June 2009.

10. Borrowings (continued)

(f) Finance lease liabilities

Lease liabilities are effectively secured as the leased assets have to revert to the lessor in the event of default.

	As at	
	30 June	31 December
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Audited)
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	146	—
Later than 1 year and no later than 5 years	476	—
	622	—
Future finance charges on finance leases	(80)	—
Present value of finance lease liabilities	542	—
The present value of finance lease liabilities is as follows:		
No later than 1 year	115	—
Later than 1 year and no later than 5 years	427	—
	542	—

(g) Movements in borrowings is analysed as follows:

	RMB million
	(Unaudited)
Six months ended 30 June 2009	
As at 1 January 2009	57,874
Proceeds from borrowings	38,559
Finance lease liabilities	591
Repayments of borrowings	(31,191)
Net foreign exchange gains on borrowings	(40)
Accrued interest on Iraq loans and medium term notes	68
As at 30 June 2009	65,861

10. Borrowings (continued)

(g) (continued)

	<i>RMB million</i> <i>(Unaudited)</i>
Six months ended 30 June 2008	
As at 1 January 2008	34,461
Proceeds from borrowings	30,047
Repayments of borrowings	(9,806)
Net foreign exchange gains on borrowings	(495)
Borrowings classified as held for sale (Note)	(159)
Accrued interest on Iraq loans	37
As at 30 June 2008	54,085

Note: On 30 June 2008, a 100% owned subsidiary of the Group, CCCC Fourth Harbour Engineering Co., Ltd. (“FHEC”), entered into an equity investment transfer agreement with a third party for the proposed transfer of a 60% equity interests in Xiang Tan Fourth Harbor Construction Company Limited (“FHCC”). The remaining 40% equity interest in FHCC were held by FHEC and accounted for as an investment in associate. FHCC is principally engaged in the construction and operation of a bridge under a “Build-Operate-Transfer” service concession arrangement (“BOT project”).

At the shareholder’s meeting of FHCC held on 6 August 2008, the directors of FHCC were reappointed, which resulted in the Group’s loss of control over FHCC, and the assets and liabilities in relation to the above are classified as held for sale as at 30 June 2008.

The Group has the following undrawn borrowing facilities:

	As at 30 June 2009 <i>RMB million</i> <i>(Unaudited)</i>	31 December 2008 <i>RMB million</i> <i>(Audited)</i>
Floating rate		
— Expiring within one year	41,257	40,631
— Expiring beyond one year	64,580	60,566
	105,837 	101,197

11. Trade and other payables

	As at	
	30 June	31 December
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade and bills payables	50,315	49,675
Advance from customers	36,649	28,389
Deposits from suppliers	3,647	3,431
Accrued payroll	520	648
Social securities	702	1,161
Other taxes	1,644	943
Accrued expenses	407	533
Other payables	3,268	3,251
Dividend payable	1,453	—
	<u>98,605</u>	<u>88,031</u>

Refer to Note 25(c) for payables due to related parties.

Ageing analysis of the trade and bills payables (including amounts due to related parties of trading nature) were as follows:

	As at	
	30 June	31 December
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 year	47,719	46,955
1 year to 2 years	2,044	2,162
2 years to 3 years	398	409
Over 3 years	154	149
	<u>50,315</u>	<u>49,675</u>

12. Expenses by nature

	Six months ended 30 June (Unaudited)	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Raw materials and consumables used	39,275	29,592
Subcontracting costs	23,064	17,005
Employee benefits	7,720	5,968
Equipment usage cost	3,016	2,312
Business tax and other transaction taxes	2,334	1,732
Depreciation of property, plant and equipment and investment properties	2,151	1,462
Rentals	1,991	1,525
Transportation costs	1,607	2,705
Fuel	1,484	1,150
Repair and maintenance expenses	1,141	873
Travel	595	532
Research and development costs	327	191
Changes in inventories of finished goods and work-in-progress	278	112
Provision for foreseeable losses on construction contracts	185	58
Provision for impairment of trade and other receivables	155	28
Insurance	148	83
Amortisation of lease prepayments	48	35
Amortisation of intangible assets	15	8
Provision for impairment of inventories	11	6
Other expenses	6,394	6,223
Total cost of sales, selling and marketing expenses and administrative expenses	91,939	71,600

13. Other gains/(losses) — net

	Six months ended 30 June (Unaudited)	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Gain on disposal of property, plant and equipment	82	48
Gain on disposal of other financial assets at fair value through profit or loss	5	25
Fair value gain/(loss) from other financial assets at fair value through profit or loss	27	(68)
Gains/(losses) on derivative instruments (Note 9):		
— Foreign exchange forward contracts	(15)	(307)
— Interest rate swap	20	(30)
Gain on disposal of available-for-sale financial assets	—	24
Transfer of cash flow hedge reserve	14	130
Net foreign exchange gains/(losses)	147	(371)
	280	(549)

14. Other income

	Six months ended 30 June	
	(Unaudited)	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Income from compensation for cost of relocation	1	123
Rental income	124	81
Income from sale of materials	827	330
Dividend income on available-for-sale financial assets:		
— Listed equity securities	46	133
— Unlisted equity securities	37	127
Government grants	98	47
Others	290	240
	1,423	1,081

15. Other expenses

	Six months ended 30 June	
	(Unaudited)	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Loss on disposal of property, plant and equipment	3	12
Rental expenses	89	70
Cost of sale of materials	681	189
Others	299	236
	1,072	507

16. Finance costs, net

	Six months ended 30 June (Unaudited)	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Interest expense:		
— Bank borrowings	945	1,061
— Other borrowings	56	50
— Medium term notes	158	35
— Finance lease	12	—
— Debentures	—	64
	<u>1,171</u>	<u>1,210</u>
Net foreign exchange gains on borrowings	(40)	(495)
Others	<u>168</u>	<u>111</u>
	<u><u>1,299</u></u>	<u><u>826</u></u>

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB261 million (six months ended 30 June 2008: RMB109 million) were capitalised in the six months period ended 30 June 2009, of which approximately RMB127 million (six months ended 30 June 2008: RMB77 million) is charged to cost of sales and approximately RMB134 million (six months ended 30 June 2008: RMB32 million) is included in cost of construction-in-progress as at 30 June 2009. A capitalisation rate of 4.97% (2008: 6.37%) was used, representing the borrowing costs of the loans used to finance the qualifying assets.

17. Taxation

Certain of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (2008: 25%) of the assessable income of each of these companies for the period 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 10% to 20% (2008: 10% to 18%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the six months ended 30 June 2009.

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

17. Taxation (continued)

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

	Six months ended 30 June	
	(Unaudited)	
	2009	2008
	RMB million	RMB million
Current income tax		
— PRC enterprise income tax	1,063	863
— Hong Kong profits tax	—	1
— Others	45	14
	1,108	878
Deferred income tax	(130)	(184)
	978	694

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

	Six months ended 30 June	
	(Unaudited)	
	2009	2008
	RMB million	RMB million
Profit before income tax	4,568	3,555
Tax calculated at PRC statutory tax rate of 25% (2008: 25%)	1,142	889
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	(204)	(141)
Income not subject to tax	(117)	(171)
Expenses not deductible for tax purposes	17	29
Utilisation of previously unrecognised tax losses	(37)	—
Tax losses for which no deferred income tax asset was recognised	177	88
Income tax expense	978	694

18. 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 period.

	Six months ended 30 June (Unaudited)	
	2009	2008
Profit attributable to equity holders of the Company (RMB million)	3,025	2,200
Weighted average number of ordinary shares in issue (millions)	14,825	14,825
Basic earnings per share (RMB per share)	0.20	0.15

(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 six months ended 30 June 2009 and 2008.

19. Share capital

The initial registered share capital of the Company is RMB10,800 million, divided into 10,800,000,000 domestic shares with a nominal value of RMB1.00 each. In December 2006, the Company completed its global initial public offering. 4,025,000,000 new H shares with a nominal value of RMB1.00 each were issued to the investors by way of international offering and public offering, and 402,500,000 domestic shares (10% of the new shares issued) were converted into H shares and transferred to National Social Security Fund. As a result, the registered share capital of the Company increased from 10,800,000,000 shares to 14,825,000,000 shares, comprising 10,397,500,000 domestic shares and 4,427,500,000 H shares, representing 70.1% and 29.9% of the registered capital respectively.

20. Other reserves

(a) *Statutory surplus reserve*

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

For the period ended 30 June 2009, the Company appropriated 10% of profit after tax as determined under the PRC GAAP, of RMB7 million (six months ended 30 June 2008: RMB8 million) to the statutory surplus reserve.

20. Other reserves (continued)

(b) *Safety reserve*

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

21. Dividends

A 2008 final dividend of 9.8 cents per ordinary share, totalling RMB1,453 million was approved by the Company's shareholders in the annual general meeting on 18 June 2009.

No interim dividend for the six months ended 30 June 2009 was declared by the Board of Directors (six months ended 30 June 2008: Nil).

22. Supplementary information to unaudited condensed consolidated cash flow statement

(a) *Cash flows from operating activities*

	Six months ended 30 June	
	(Unaudited)	
	2009	2008
	RMB million	RMB million
Cash generated from/(used) in operations	2,762	(6,794)
Interest paid	(967)	(1,247)
Income tax paid	(1,477)	(1,288)
Net cash generated from/(used) in operating activities	318	(9,329)

22. Supplementary information to unaudited condensed consolidated cash flow statement (continued)

(b) Major investing activities:

	Six months ended 30 June (Unaudited)	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Purchases of property, plant and equipment	(7,776)	(8,606)
Increase in lease prepayments	(303)	(531)
Purchases of intangible assets	(1,163)	(583)
Purchases of investment properties	—	(8)
Proceeds from disposal of property, plant and equipment	110	342
Proceeds from disposal of lease prepayments	11	76
Proceeds from disposal of intangible assets	8	—
Proceeds from disposal of investment properties	—	36
Additional investments in jointly controlled entities	(27)	(228)
Additional investments in associates	(103)	(270)
Purchase of available-for-sale financial assets	(81)	(1,181)
Purchases of other financial assets at fair value through profit or loss	—	(41)
Purchases of equity interests of certain subsidiaries	(1)	(22)
Increase in prepayments for acquisition of a subsidiary	—	(40)
Proceeds from disposal of jointly controlled entities	10	1
Proceeds from disposal of associates	6	43
Proceeds from disposal of other financial assets at fair value through profit or loss	4	67
Proceeds from disposal of available-for-sale financial assets	1	37
Interest received	311	296
Dividends received	54	272

(c) Major financing activities:

	Six months ended 30 June (Unaudited)	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Proceeds from borrowings	38,559	30,047
Contributions from minority shareholders	44	—
Repayments of borrowings	(31,191)	(9,806)
Dividends paid to minority shareholders	(85)	(347)

23. Contingencies

	As at	
	30 June	31 December
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Audited)
Pending lawsuits (note a)	481	481
Outstanding loan guarantees (note b)	149	149
	630	630

- (a) 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 outflow of resources is not probable.
- (b) The Group has acted as the guarantor for various external borrowings made by certain jointly controlled entities and associates of the Group (refer to details in Note 25) and certain third party entities.
- (c) The above amounts do not include those items for which provisions have been made in the unaudited condensed consolidated interim financial information.

24. Capital commitments

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

	As at	
	30 June	31 December
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Audited)
Property, plant and equipment, and intangible assets	1,617	1,658

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

	As at	
	30 June	31 December
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Audited)
Property, plant and equipment	3,783	5,152
Intangible assets	15,915	16,984
	19,698	22,136

25. Related-party transactions and balances

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

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

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the six months ended 30 June 2009 and balances arising from related party transactions as at 30 June 2009.

(a) Significant related party transactions

The following transactions were carried out with related parties:

	Six months ended 30 June	
	(Unaudited)	
	2009	2008
	RMB million	RMB million
Transactions with CCCG and fellow subsidiaries		
Expenses		
— Purchase of materials	31	5
— Services	3	1
— Rental expenses	11	8
Transactions with jointly controlled entities and associates		
Revenue		
— Revenue from provision of construction services	1,046	—
— Revenue from provision of design services	3	—
— Revenue from sales of machinery	123	42
Expenses:		
— Subcontracting fees	201	176
— Purchase of materials	137	56
— Services	19	32
— Other costs	2	1
Others		
— Outstanding loan guarantees provided by the Group	99	119

25. Related-party transactions and balances (continued)

(a) Significant related party transactions (continued)

	Six months ended 30 June (Unaudited)	
	2009	2008
	RMB million	RMB million
Transactions with other state-owned enterprises		
Revenue		
— Revenue from provision of construction services	44,987	22,295
— Revenue from provision of design services	1,571	1,306
— Revenue from provision of dredging services	6,945	4,162
— Revenue from sales of heavy machinery	2,344	4,773
— Revenue from provision of other services	52	17
Interest income		
— Interest income from bank deposits	81	131
Expenses:		
— Subcontracting fees	1,736	1,232
— Rental expenses	30	31
— Purchase of materials	6,847	4,022
— Services	960	764
— Interest expense on bank borrowings	702	668
— Others	119	59
Others		
— Outstanding loan guarantees provided by the Group	50	50
Transactions with minority interests		
Revenue		
— Revenue from provision of construction services	78	113
— Revenue from provision of design services	1	—
Expenses		
— Subcontracting fees	—	10
— Rental expense	2	—

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

(b) Key management compensation

	Six months ended 30 June (Unaudited)	
	2009	2008
	RMB'000	RMB'000
Basis salaries, housing allowances and other allowances	3,390	3,329
Contributions to pension plans	187	167
	3,577	3,496

25. Related-party transactions and balances (continued)

(c) Balances with related parties

	As at	
	30 June 2009	31 December 2008
	<i>RMB million</i> <i>(Unaudited)</i>	<i>RMB million</i> <i>(Audited)</i>
Trade and other receivables		
Trade receivables due from		
— Jointly controlled entities and associates	377	393
— Minority interests	125	166
— Other state-owned enterprises	28,824	28,606
	<u>29,326</u>	<u>29,165</u>
 Prepayments		
— Fellow subsidiaries	16	86
— Jointly controlled entities and associates	27	—
— Other state-owned enterprises	6,637	6,942
	<u>6,680</u>	<u>7,028</u>
 Other receivables due from		
— Fellow subsidiaries	3	—
— Jointly controlled entities and associates	323	267
— Minority interests	28	24
— Other state-owned enterprises	1,319	1,849
	<u>1,673</u>	<u>2,140</u>
	<u><u>37,679</u></u>	<u><u>38,333</u></u>

25. Related-party transactions and balances (continued)

(c) *Balances with related parties* (continued)

	As at	
	30 June 2009	31 December 2008
	<i>RMB million</i> <i>(Unaudited)</i>	<i>RMB million</i> <i>(Audited)</i>
Trade and other payables		
Trade payables due to		
— Fellow subsidiaries	12	10
— Jointly controlled entities and associates	459	371
— Minority interests	12	12
— Other state-owned enterprises	9,672	7,406
	<u>10,155</u>	<u>7,799</u>
Advances from customers		
— Jointly controlled entities and associates	21	32
— Minority interests	14	15
— Other state-owned enterprises	19,055	17,090
	<u>19,090</u>	<u>17,137</u>
Other payables due to		
— Fellow subsidiaries	1	—
— Jointly controlled entities and associates	86	88
— Minority interests	44	71
— Other state-owned enterprises	1,351	1,475
	<u>1,482</u>	<u>1,634</u>
Dividend payable to CCCG	<u>1,019</u>	<u>—</u>
	<u><u>31,746</u></u>	<u><u>26,570</u></u>

25. Related-party transactions and balances (continued)

(c) Balances with related parties (continued)

	As at	
	30 June	31 December
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Amounts due from customers for contract work with		
— Jointly controlled entities and associates	15	35
— Other state-owned enterprises	18,823	13,788
	<u>18,838</u>	<u>13,823</u>
Amounts due to customers for contract work with		
— Jointly controlled entities and associates	31	402
— Other state-owned enterprises	4,353	3,790
	<u>4,384</u>	<u>4,192</u>
Other balances with other state-owned enterprises		
— Restricted cash	713	581
— Cash and cash equivalents	19,848	20,491
— Borrowings	48,325	42,640

26. Events occurring after the balance sheet date

The following events took place subsequent to 30 June 2009 and up to the date of approval of the unaudited condensed consolidated interim financial information.

Pursuant to a shareholders' resolution passed at the Company's extraordinary general meeting on 29 August 2008 and the approval by the China Securities Regulatory Commission on 12 August 2009, the Company has completed the issuance of its domestic corporate bonds with an aggregate principal amount of RMB10 billion on 25 August 2009. RMB2.1 billion of such bonds has a term of 5 years, bearing interest at a rate of 4.7% per annum and the other RMB7.9 billion has a term of 10 years, bearing interest at a rate of 5.2% per annum.

OTHER INFORMATION

Purchase, Sale or Redemption of Securities

During the period from 1 January 2009 to 30 June 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company.

Compliance with the Code on Corporate Governance Practices

The Company is committed to high standards of corporate governance. The Board of the Company believes that the Company has complied with all the code provisions of the Code on Corporate Governance Practices for the six months ended 30 June 2009 and there is no material deviation from that Code.

Compliance with Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules to govern securities transactions by Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors of the Company, the Company confirms that the Directors and Supervisors have complied with the Model Code throughout the period from 1 January 2009 to 30 June 2009.

Review by the Audit Committee

The Audit Committee of the Company’s Board currently comprises Mr. Koo Fook Sun, Mr. Lu Hongjun and Mr. Chao Tien Yo, who are all Independent Non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2009. The Audit Committee has also discussed matters such as the accounting policies and practices adopted by the Company and internal control with the senior management of the Company.

Interim Dividend

The Directors proposed not to declare any interim dividend for the six months ended 30 June 2009.

By order of the Board
Zhou Jichang
Chairman

Beijing, the PRC, 8 September 2009

As of 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*