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)
H Share Stock Code: 1800

2019
ANNUAL REPORT
(H SHARE)

CONTENTS

CORPORATE PROFILE

The Company was incorporated on 8 October 2006 and was initiated and founded by CCCG (a state-owned enterprise under the SASAC) through restructuring as approved by the State Council. Its H shares were listed on the Main Board of the Hong Kong Stock Exchange with stock code of 01800.HK on 15 December 2006. It is the first ultra large state-owned infrastructure enterprise entering the overseas capital market. The Company's A shares were listed on the Shanghai Stock Exchange with stock code of 601800.SH on 9 March 2012, representing a leap-and-bound advance taken by the Company in the course of its development.

As a leading transportation infrastructure enterprise in the PRC, the Group is the industry leader in each of its core businesses, namely infrastructure construction, infrastructure design and dredging. Leveraging on its extensive operating experience, expertise and know-how accumulated from projects undertaken across a wide range of areas over the years, the Company is capable of providing integrated solutions throughout each stage of infrastructure projects for its customers. The Company is the world's largest port, road and bridge design and construction company, and the world's largest dredging company; it is also the largest international contractor and highway investor in China; and the Company also owns the largest engineering fleet in China. The Company currently has 36 principal wholly-owned or controlled subsidiaries. The Company operates its businesses in all provinces, cities, and autonomous regions of China, including Hong Kong and Macau Special Administrative Regions, and has established its global presence in 139 countries and regions.

As an important holding subsidiary of CCCG, the Company played a decisive role in the business performance of CCCG. CCCG has been rated as a Grade A enterprise in the Operating Results Assessment of State-owned Enterprises conducted by the SASAC for fourteen consecutive years, and it has been rated as a Grade A enterprise in the Party Building Accountability Assessment conducted by the SASAC in consecutive years. CCCG has ranked the first among Chinese enterprises in ENR's Top International Contractors for thirteen consecutive years. Meanwhile, CCCG ranked the 93rd in the Fortune Global 500.

Through designing and constructing in state-level engineering construction projects, the Group has set many records recognised as the "first", the "best" and the "most" in the history of port and bridge construction not only in the PRC but also the rest of Asia and around the world. Construction projects such as the Sutong Yangtze River Bridge, Shanghai Yangshan Deepwater Port, Yangtze River Mouth Deepwater Navigation Channel Regulation Project, Hainan Project, and the Hong Kong-Zhuhai-Macau Bridge reflected the state-of-the-art standard of China, and that of the world. The Group entered the railway market since the market opened and participated in the design and construction of over 130 national key railway projects, including Harbin-Dalian PDL, Beijing-Shanghai PDL, Lanzhou-Chongqing Railway, Lunan High Speed Railway, etc. Meanwhile, the Group proactively participated in the railway projects of "Going Global", and the Mombasa-Nairobi Railway in Kenya and the Nairobi-Maraba Railway Phase I Project was designed and constructed by the Group on the basis of the construction standards of railway in China. A number of overseas projects of the Company have won the Luban Award, the National Quality Project Award and the ENR's awards, and have established a number of landmark projects, quality projects, and people's livelihood projects overseas.

The Company places great emphasis on scientific research and development which would improve the Company's competency and guidance in operation. Following the direction of "making innovations and leapfrog advances in key areas, supporting development and thus creating a better future", the Company gradually perfects the three-level scientific innovation system, namely the decision-making level of the headquarters, the execution level of secondary enterprises and innovative platforms and the application level of tertiary enterprises and the project division. The Company continues to optimize the structure and layout of innovative platforms and determines to establish a "three-level and three-type" innovative platform system with key laboratories, R&D centres and enterprise technology centres at national, provincial and group levels as the core, to achieve the objectives to establish three types of scientifically innovative platform by carry out fundamental research on application at key laboratories, engineering and industrial R&D at R&D centres, and supporting production and operation at enterprise technology centres. The Company has a total of 15 innovation platforms at national level, 46 innovation platforms at provincial level and 19 innovation platforms at group level, totaling 80 innovation platforms of all types and at all levels altogether. This basically forms a group of innovation platforms that covers each session within the innovation chain and assembles the characteristics of fundamental research on applications, technology research and development, achievement transformation, and industrialization. The Company owns 13 Post-Doctoral research centres and 4 academician research centres and has systematically nurtured a pool of scientific experts and a professional innovation team by leveraging on innovation platforms and the establishment of key scientific research projects and key engineering projects to create a nurturing model of a "three-in-one" professional team of scientific calibers with its resources on talents, teams and platforms. The Company has been accumulatively awarded with 44 National Science and Technology Advancement Awards, 4 Technological Invention Awards, 91 Luban Awards, 261 National Quality Project Awards (including 27 golden awards), 95 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 19 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 80 national standards and 311 industry standards that have been promulgated, and had a total of 10,155 authorized patents.

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

By insisting on the vision of "making the world more expedite, making the city more habitable, making life more beautiful", adhering to the corporate mission "fostering sustainable development with firm foundation and good morality", and persisting on the corporate spirit of "communicating with the world and constructing without boundaries", CCCC will devote itself to transportation construction business in China and even the world. The Company would like to cooperate with friends from all walks of life for win-win, and jointly create a more splendid and brilliant tomorrow.

PERFORMANCE HIGHLIGHTS

RMB million (except per share data)	For the year ended 31 December 2019	2018	Change (%)
Revenue	**552,542**	488,666	13.1
Gross Profit	**69,131**	64,611	7.0
Operating Profit	**34,071**	33,321	2.3
Profit attributable to owners of the Company	**20,094**	19,819	1.4
Basic earnings per share (RMB) (Note)	**1.16**	1.16	0

RMB million	As at 31 December 2019	2018	Change (%)
Total assets	**1,120,400**	960,476	16.7
Total liabilities	**824,021**	720,794	14.3
Total equity	**296,379**	239,682	23.7
Capital and reserves attributable to owners of the Company	**230,153**	197,178	16.7

	For the year ended 31 December			
Value of New Contracts	**2019**		2018	Change (%)
RMB million	**Number of projects**	**Value of Contracts**	Value of Contracts	
Infrastructure Construction Business	**1,958**	**851,924**	770,994	10.5
— Port Construction	**231**	**28,405**	27,284	4.1
— Road and Bridge Construction	**704**	**272,622**	317,534	-14.1
— Railway Construction	**20**	**16,941**	8,678	95.2
— Municipal and Other Projects	**716**	**346,172**	266,466	29.9
— Overseas Projects	**287**	**187,784**	151,032	24.3
Infrastructure Design Business	**5,134**	**47,509**	49,087	-3.2
Dredging Business	**764**	**52,783**	56,983	-7.4
Other Businesses	**N/A**	**10,467**	13,809	-24.2
Total	**N/A**	**962,683**	890,873	8.1

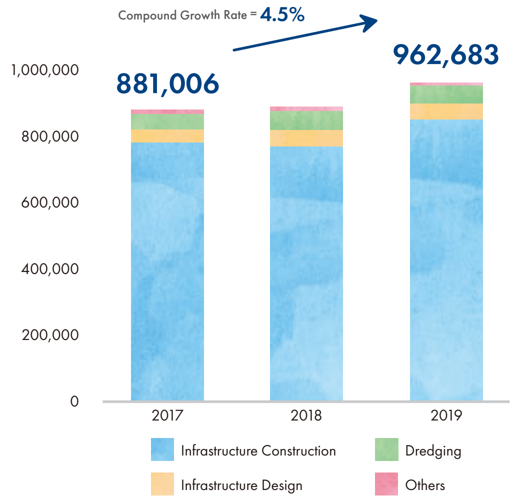
	As at 31 December			
Backlog	**2019**		2018	Change (%)
RMB million	**Number of projects**	**Value of Contracts**	Value of Contracts	
Infrastructure Construction Business	**6,604**	**1,810,347**	1,526,365	18.6
Infrastructure Design Business	**10,849**	**85,062**	77,171	10.2
Dredging Business	**1,658**	**95,017**	79,312	19.8
Other Businesses	**N/A**	**8,660**	6,890	25.7
Total	**N/A**	**1,999,086**	1,689,738	18.3

Note: In calculating the amount of basic earnings per share, the interests/dividends with an aggregate amount of RMB1,284 million shall be excluded from profits.

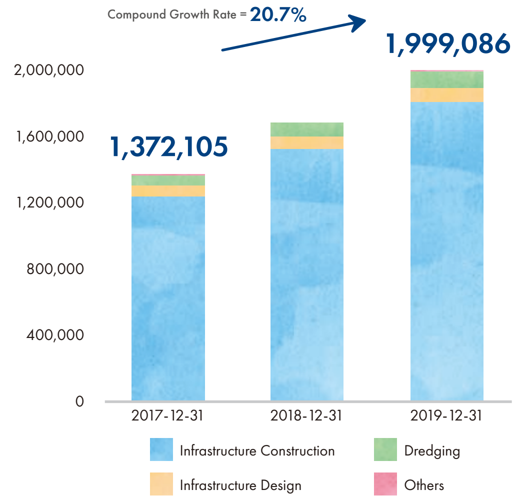
PERFORMANCE HIGHLIGHTS

Unit: RMB million

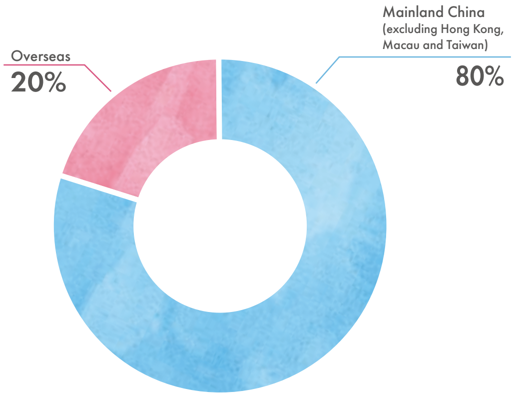
NEW CONTRACTS



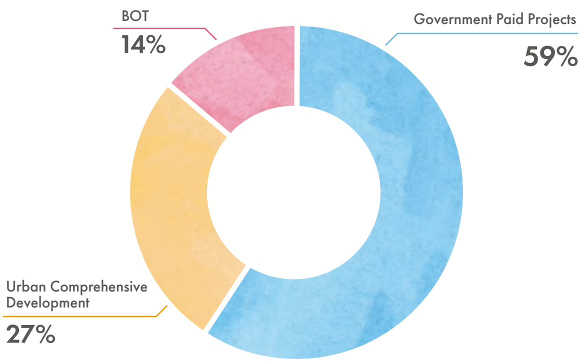
BACKLOG



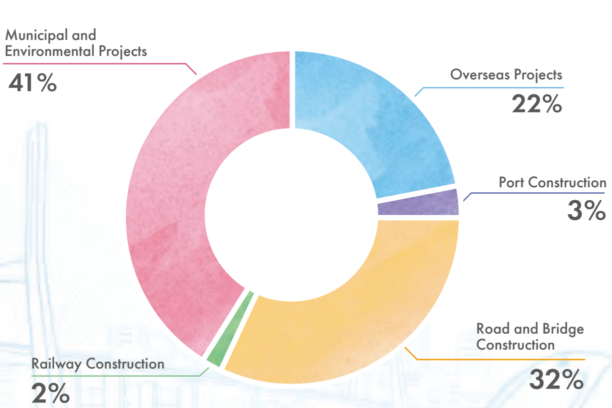
NEW DOMESTIC AND OVERSEAS CONTRACTS



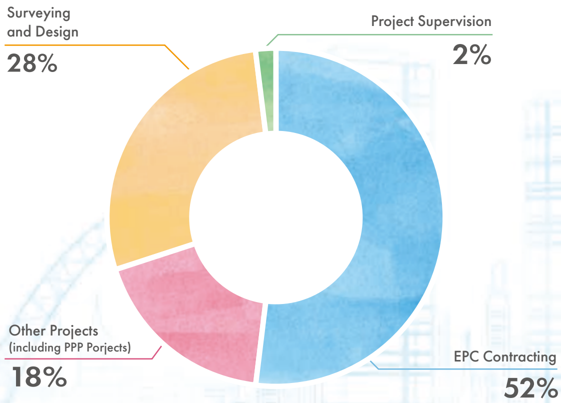
NEW CONTRACTS OF INVESTMENT PROJECTS



NEW INFRASTRUCTURE CONSTRUCTION CONTRACTS



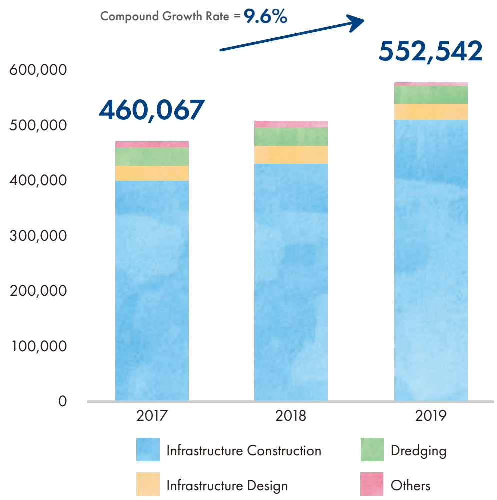
NEW INFRASTRUCTURE DESIGN CONTRACTS



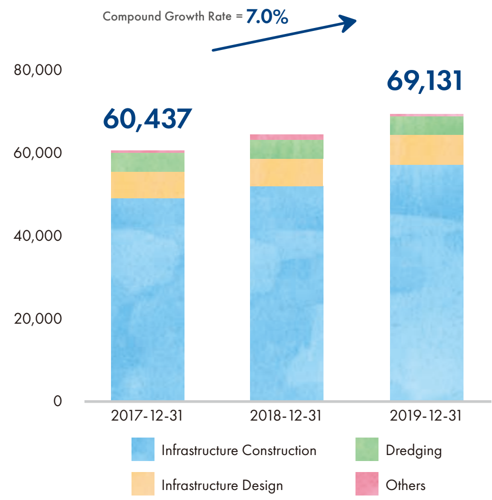
PERFORMANCE HIGHLIGHTS

Unit: RMB million

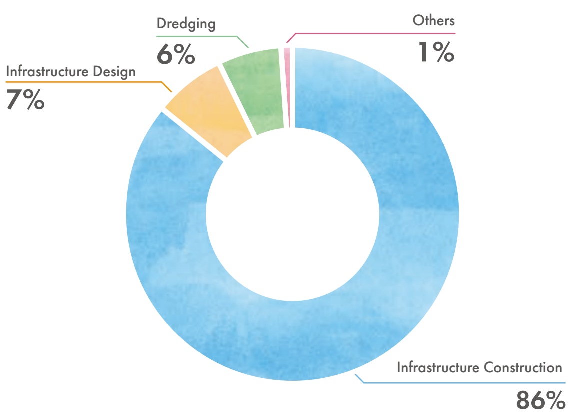
OPERATING INCOME



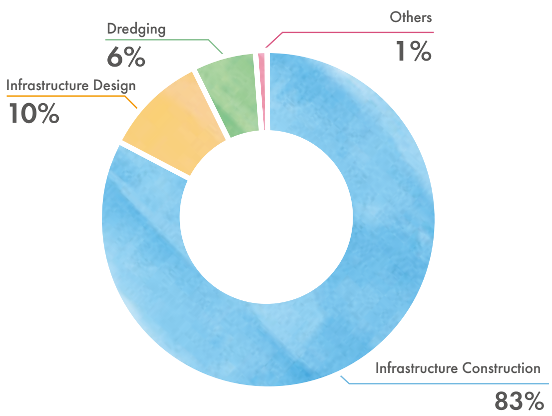
GROSS PROFIT



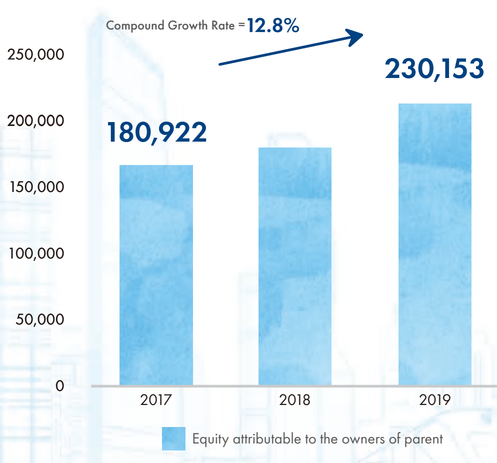
OPERATING INCOME SEGMENT



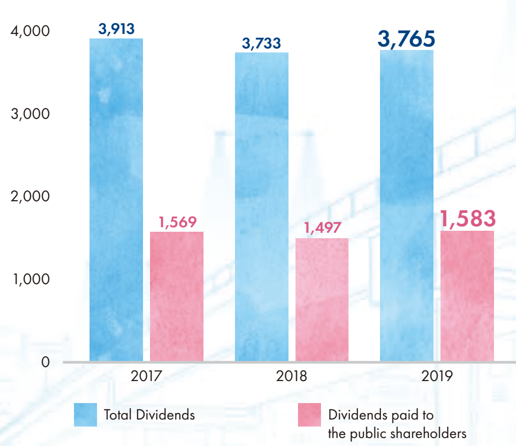
GROSS PROFIT SEGMENT



EQUITY ATTRIBUTABLE TO THE OWNERS OF PARENT



CASH DIVIDENDS



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the 2019 annual report of the Company and report its performance for the year to you.

In 2019, facing a complex situation with significantly increasing risks and challenges at home and abroad, the Company, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and relying on the strategy of "experts in five areas" and the position of "three roles", advanced various work such as reform, development and Party building as a whole, and successfully accomplished all targets and tasks.

Firstly, our quality and efficiency steadily improved. Revenue of the Group was RMB552,542 million, representing a year-on-year increase of 13.1%; net profit attributable to the shareholders of the Company amounted to RMB20,094 million, representing a year-on-year increase of 1.4%; and earnings per share was RMB1.16. The reduction of leverage and debt achieved results with the total asset-liability ratio decreasing to 73.6%, representing a year-on-year decrease of 1.5 percentage points. Market expansion was carried out smoothly with sufficient order backlog, and new contracts value amounted to RMB962,683 million, representing a year-on-year increase of 8.1%. As at 31 December 2019, the backlog of the Group amounted to RMB1,999,086 million, which provided strong support and guarantee for sustained and steady development of the Company.

Secondly, comprehensive reform was deepened constantly. We advanced pilot reforms on state-owned capital investment companies, published and implemented the "Provisional Measures on Standardizing the Operation of the Board of Affiliated Enterprises", and established and promoted a classified and multi-level authorization scheme. We boosted reform on the functions of the Company's headquarters, and explored flat, "giant department-based" and "project-based" management, aiming to improve operation efficiency and service capacity. In order to mobilize the initiative and creativity of our employees, we promoted the establishment of a differentiated income distribution system through formulating the "Guidelines on Deepening the Reform on Differentiated Income Distribution". We have also implemented the "Administrative Measures on Medium and Long-term Incentives" and its implementing rules to explore diversified incentives such as equity incentive and follow-on investment.

Thirdly, remarkable results were achieved on technological innovation. The "Self-Development and Industrialization of Large Marine Cutter-suction and Dredging Equipment" was awarded the grand prize of the National Science and Technology Advancement Award, marking a milestone for technological innovation. We have won 2 second-class prizes of the National Science and Technology Advancement Award, 17 Luban Awards, 4 Zhan Tianyou Awards and 5 Chinese Outstanding Patent Awards. Our technological investments changed from capital injection to a combination of capital injection and investments, which fully demonstrates the innovation capability of the Company and laid a solid foundation for its stable development.

Fourthly, we integrated ourselves deeper into the "Belt and Road Initiative". We participated in the second Belt and Road Forum for International Cooperation in an all-around way, signing projects with indicative amounts of more than USD30,000 million. Phase I of Nema Railway has officially been put into operation, which was praised as the "witness of the deepening friendly relations and cooperation between China and Africa". After eight months of negotiation and with the concerted efforts of all parties, the Malaysia East Coast Rail Link Project has resumed construction. A consortium of the Company won the bid for Bogota Metro Line 1 Project in Columbia, writing another new chapter of the Company in the overseas rail transit market. A number of our overseas projects have won the Luban Awards, National Quality Project Awards and ENR awards, setting another batch of examples of our landmark projects, quality projects and livelihood projects in overseas markets.

Fifthly, the foundation of our management was further strengthened. We vigorously boosted the "334" program and target management. We carried out a theme year activity of "Reform Adjustment and Quality Improvement". Project management was continuously improved, and the establishment of a project management system at the Company level was carried out. We put more efforts on subcontracting management and established a negative list of subcontracting management. Efforts were also put on the management of projects under our direct management and planning has played its part in value creation and driving growth. Besides, we continued to strengthen human resources management, information construction and internal control management.

Sixthly, new achievements were made in the Party building. We firmly adhered to the general requirements of "keeping original aspiration, assuming missions, finding shortcomings and focusing on implementation" and launched an educational campaign on the theme of "remaining true to our original aspiration and keeping our mission firmly in mind " in two times. A set of concerns raised by our employees and the public were fully resolved, and the Party members and cadres forged ahead with determination and in an innovation and enterprising spirit. We realized the Party building with our characteristics in four areas including overseas Party building, project Party building, Party building in mixed-ownership enterprises and Party building for poverty alleviation, and achieved results in the improvement of working practices.

As an important holding subsidiary of CCCG, the Company played a decisive role in the business performance of CCCG. In 2019, in the Operating Results Assessment of Centrally-administered State-owned Enterprises conducted by the SASAC, CCCG has been rated as a Grade A enterprise for the fourteenth consecutive years. CCCG has also been rated as a Grade A enterprise in the Party Building Accountability Assessment conducted by the SASAC in consecutive years. CCCG has ranked the first among Chinese enterprises in ENR's Top International Contractors for the thirteenth consecutive years. Meanwhile, CCCG ranked the 93rd in the Fortune Global 500.

In 2020, based on comprehensive analysis of the economic environment at home and abroad, we will objectively assess the general trend of the infrastructure industry turning from incremental competition to stock competition, and firmly grasp the new direction of national strategic development and the new market opportunities arising from the improvement of the weak links in the infrastructure industry, city development and technological innovation. These will be of great significance to accomplish our targets and goals for the year. In respect of the operation goals in 2020, the Company plans to achieve a year-on-year increase of 8% in the value of new contracts and 8% in revenue. In addition, the Company strives to further improve the operation quality through keeping the asset-liability ratio under the PRC accounting standards below 75% and improving the operating margin under the PRC accounting standards by 0.1 percentage point, and increasing research and development investments by 0.1 percentage point. The Company will also endeavor to reduce total interest-bearing liabilities, control the increase in cost expenses within reasonable range, maintain stable administrative costs excluding employee remuneration and ensure the increase in "two reserves" not exceeding the increase in revenue for the same period.

This year, in addition to accomplishing its annual operating targets, the Company will focus on achieving "five effective implementations", which are the effective implementation of measures for high quality and stable growth, the effective implementation of measures for the completion of "three critical missions", the effective implementation of pilot reform, the effective implementation of overseas reform and the effective implementation of demonstration sites for the Party building. The Company will also make efforts to create a new image and achieve new results in a new era through serving as "two windows" and playing "three leading roles", which are playing a leading role in the modernization of state-owned enterprise governance and governance capacity through in-depth implementation of the spirit of the fourth plenary session of the 19th CPC Central Committee, serving as a window to give full play to the functions of state-owned investment companies through insisting on comprehensive in-depth reform driven by pilot reform, playing a leading role in the high quality development of enterprises through comprehensively enhancing the development level, playing a leading role in the global development of enterprises through putting more efforts on accelerating the high quality development at abroad, and serving as a window to fully improve the quality of the Party building of state-owned enterprises in a new era through establishing pilot and demonstration sites for the Party building of state-owned enterprises.

Focusing on the above objectives and requirements, the Company will enhance its work fulfillment mainly in the following six areas.

First of all, the Company will uphold liberation of the mindset and sort out policies, so as to achieve greater breakthroughs in leveraging the motive force and directive effect of strategies. We shall improve the "height, width, depth and thickness" of our thinking, so as to keep our enterprises "perceptive and bright-minded". Also, we will formulate different strategic maps on different business areas and ensure the realization of strategic objectives with a closed loop of strategic mechanisms.

CHAIRMAN'S STATEMENT

Secondly, the Company will optimize its structure and layout, so as to achieve greater breakthroughs in enhancing competitiveness and promoting steady growth. In order to ensure high-quality and steady growth, we will tap potential in existing businesses as well as create new profit pools. We shall promote changes to our business ideas in three aspects, i.e. from opportunistic operation to strategic operation and capacity building, from point-focused operation to systematic operation, and from "fighting in singles play" to "working in concert under cooperative engagement" in domestic and overseas operation. Our business strategies will be centered on economic circles and capital communities, our industrial chains will develop toward covering the "four whole areas" including whole transportation, whole city, whole water transport and whole world, and our value chains will be constantly improved with a focus on three main processes including "design, investment and operation". A strong and linked marketing system will be built to accurately connect to various resources.

Thirdly, the Company will continue to intensify its reforms, so as to achieve greater breakthroughs in improving the governance system and enhancing governance capabilities. The Three-Year Action Plan for State-owned Enterprise Reform will be implemented to drive the improvement of the Company from "control" to "management". It is necessary to ensure the smooth and efficient process of the reform at headquarters level. We will strengthen the establishment of adaptive organizations, and develop a strong and effective business management and control system, and a large, synergic, efficient, sustainable and flexible organizational system. The market-oriented operational mechanism will be improved and the three system reforms will be deepened, so as to boost the mixed-ownership reform.

Fourthly, the Company will insist on innovation-driven development, so as to achieve greater breakthroughs in strengthening our advantages in science and technology and promoting digital transformation. We shall highlight the leading position of digital innovation in our innovation system, carry out the "industry+ digital" action plan, further the management transformation led by digitalization and vigorously promote the construction of industrial digitalization and digital industrialization. More efforts will be put on scientific research and breakthrough with a focus on technology bottleneck, modern integrated transportation, city development and construction, ocean and water system development and management and business development requirements. We will optimize technological investment mechanism, improve innovation incentive mechanism and strengthen collaborative innovation mechanism.

Fifthly, the Company will uphold still our principles in "334" program and target management, so as to achieve greater breakthroughs in improving management quality and efficiency and strengthening risk management and control. We shall focus on quality improvement, and strengthen management in a fundamental manner. We shall focus on efficiency and effectiveness, and strengthen management in an effective manner. We shall focus on risk prevention and control, and strengthen management in a guaranteed manner.

Sixthly, the Company will adhere to the two "consistent implementation principles" thoroughly, so as to achieve greater breakthroughs in highlighting political leadership and unique Party building programs. It is necessary to highlight politics, so as to make ourselves firmly determined to the original aspiration of following the Party and serving the country. It is necessary to ensure the implementation, so as to live up to a good example for strategy implementation. It is necessary to incentivize talents, so as to stimulate the working and pioneering enthusiasm. It is necessary to adjust our work style, so as to lay a solid foundation for healthy development. It is necessary to cultivate culture, so as to gather cohesion for synergetic development.

All Shareholders, 2020 is a year for us to build a moderately prosperous society in all respects and the concluding year of the Thirteenth Five-Year Plan. Meanwhile, it's a critical year to achieve the first centenary goal and lay a solid foundation for our development in the Fourteenth Five-Year Plan. At this very moment linking the past with the future, the Company is going to present the new image, new results and new aspect of the "two windows" and the "three leading roles" in a comprehensive manner, and will strive to create greater value for investors. All Shareholders, people from all walks of life and friends that have cared about our Company for a long time, we hope for your continued help and support!

Liu Qitao
Chairman

Beijing, the PRC
31 March 2020

This is Phase I Project of SGP Container Terminal at Dammam Port in Saudi Arabia constructed by the Company, which was awarded the 16th China Civil Engineering Zhantianyou Award

BUSINESS OVERVIEW

MAIN BUSINESS

The Company is a leading transportation infrastructure enterprise in the PRC and its core businesses are infrastructure construction, infrastructure design and dredging. Its scope of business mainly consists of the investment, design, construction, operation and management of port, waterway, river basin, road and bridge, railway, tunnel, rail transit, municipal infrastructure, environmental protection and land reclamation at home and abroad. The Company is engaged in providing customers with integrated solutions services for each stage of the infrastructure projects leveraging on its extensive operating experience, expertise and know-how accumulated from projects undertaken in a wide range of areas over the years.

BUSINESS MODEL

The business operation process of the Company mainly includes collecting project information, pre-qualification, bidding, executing projects, and delivering projects to customers after completion. The Company has formulated a comprehensive project management system that covers the entire contract process, including the preparation of tenders, bidding price, project organization planning, budget management, contract management, contract performance, project supervision, contract changes, and project completion and delivery. Among which, the Company's infrastructure construction, infrastructure design and dredging business all fall within the scope of the construction industry, and the main project operation process is basically consistent with the above description.

When the Company prepares the project quotation, it carries out a detailed study on the proposed bidding project, including technical and commercial conditions and requirements of the tender followed by a site visit. The Company also invites quotations from suppliers and sub-contractors for various items or activities in respect of the tender. The Company analyses and collects the above information to calculate the costs of each item in the project lists and then marks up gross profit to be obtained according to a certain percentage to calculate the bidding price to the client.

After the project is awarded and the contract is signed, the Company usually collects prepayment at 10% to 30% of the total contract amount before the project commences, and then settles the payment on a monthly or regular basis according to the progress. Payments from customers are usually settled within 1 to 3 months.

At the same time as the above business was carried out, the Company began to develop infrastructure investment projects in 2007 to obtain investment profits apart from those from reasonable design and construction, so as to realize the transformation and upgrading from contractors and manufacturers to investors and operators. After years of development, the scale of investment business has steadily expanded, and the investment returns have increased year by year, which is driving the Company's sustainable and healthy development. For details, please refer to the section headed "Management's Discussion and Analysis".

BUSINESS QUALIFICATION

The Company obtains several extra-grade, grade A and comprehensive grade A qualifications for the main businesses.

In 2019, the Company proactively adapted to changes in the industry situation, accelerated business transformation and upgrading, added 7 extra-grade qualifications for general contracting for road project construction, and newly obtained 1 extra-grade qualification for general contracting for municipal utilities project construction, filling the gap in the Company's extra-grade qualification in this field, which marked the Company's formal acquisition of the access to higher-level market of municipal services.

So far, the Group has obtained a total of 33 extra-grade qualifications, specifically: 9 extra-grade qualifications for general contracting of port and waterway engineering construction, 22 extra-grade qualifications for general contracting of road project construction; 1 extra-grade qualification for general contracting of architectural engineering construction and 1 extra-grade qualification for general contracting of municipal utilities project construction. The Group now has obtained more than 750 qualifications for major engineering contracting and more than 200 qualifications for engineering consulting, survey and design, including 8 comprehensive grade A qualifications for engineering design; and several qualifications for business such as supervision, surveying, mapping, testing, and external operations.

BUSINESS OVERVIEW

In 2019, the Company relied on the strategy of "experts in five areas" and the positioning of "three roles", coordinated and facilitated the reform and development, actively transformed and upgraded the business model, thereby making steady improvement in quality and efficiency, achieving fruitful results in technological innovation, integrating the "Belt and Road Initiative" deeply and maintaining a stable and progressive development with quality improved.

In 2019, the value of new contracts entered into by the Group amounted to RMB962,683 million, representing a year-on-year increase of 8.1%. As at 31 December 2019, the backlog of the Group amounted to RMB1,999,086 million.

In 2019, the value of new contracts from overseas markets of the Group amounted to RMB195,830 million (equivalent to approximately USD29,554 million), representing 20% of the Group's new contract value. According to statistics, as of 31 December 2019, the Company conducted its business in 139 countries and regions, of which a total of 963 foreign contracting engineering projects were under construction, with a total contract amount of approximately USD130,400 million.

In 2019, the confirmed value of contracts from PPP investment projects of the Group amounted to RMB200,380 million[1] (RMB167,141 million for domestic and RMB33,239 million[2] for overseas), accounting for 21% of the value of new contracts of the Group, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB179,487 million.

I. BUSINESS REVIEW AND MARKET STRATEGIES

(I) Domestic Market

In 2019, the national economy maintained an overall stable development and the main estimated goals were achieved well, with a year-on-year growth of 6.1% in GDP and major indicators kept within an appropriate range. Fixed assets investment in infrastructure achieved a year-on-year increase of 3.8%, and growth rate was the same as that of the previous year. Wherein, investment in road transport business increased by 9.0%, investment in water resources, environment and public facility management business increased by 2.9%, while investment in railway transport business decreased by 0.1%, and investment in the waterborne transport industry decreased by 22.5%. On the one hand, with the release of a series of documents to prevent and control financial risks and standardize investment management procedures, PPP returned to the origin of high-quality, sustainable and standardized development, which generally slowed down the infrastructure construction, and traditional infrastructure industries stepped from increment-based competition into stock-based competition. On the other hand, following the coordinated development of the Beijing-Tianjin-Hebei Region and the Yangtze River Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area, the integration of the Yangtze River Delta, ecological protection and high-quality development in the Yellow River Basin successively became to the national strategies, together with the efficiency of the fiscal policy in the second half of the year was improved, monetary policy was moderated, special bonds were issued faster, the demand for infrastructure construction projects covered a number of new area increased, such as comprehensive urban development, eco-environmental protection, culture, tourism and healthcare as well as multimodal transport, and the growth rate of infrastructure investment was generally the same as that of 2018.

In 2019, the Company scientifically recognized the current situation, and took the concept of "coordinating guidance, strengthening the main business, taking initiative, and improving increment". For traditional businesses, it will further strengthen the coordination effort to the integration and professionalization, improve the stock as well as the increment and ensure high-quality and stable growth. For emerging businesses, it will strive to open up new areas, create new businesses, new services or new products, and achieve diversified business development. During the year, the Company insisted on integrating into the national strategy and seeking development, and fulfilled its due responsibilities and made due contributions while performing its original aspiration and mission. The Company kept in mind the important instructions on creating quality projects, sample projects, safety projects and integrity projects. A series of new national strategic projects have won widespread attention and recognition, such as the Beijing Daxing International Airport which has become the new landmark of the capital, Yanqing – Chongli Expressway which has been opened to traffic for the 2022 Winter Olympic Games in Beijing as well as the Beijing – Xiong'an Expressway and Shenzhen – ZhongShan Bridge.

1. The contract value of share-participation projects recognized in proportion of shareholding amounted to RMB13,044 million.
2. This value does not include that of John Holland's signed projects, and such value mentioned below shall has the same meaning.

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(II) Overseas Market

In 2019, the joint construction of the "Belt and Road Initiative" has been included in important documents of international organizations, such as the United Nations, China-Latin America, China-Afghanistan and China-Africa. Emerging economies and developing countries have become the main force driving the strong recovery of the global economy. The financing effect of the financial institutions at home and abroad is remarkable. However, at the same time, the global economic growth has further slowed down, the Sino-US trade friction is in a tug-of-war period, the risk factor for overseas security has increased, and uncertainties and risks in the international situation are increasing.

In 2019, facing the complicated international situation, the Company kept abreast of the overall strategies on national diplomacy and foreign trade development in the new period, and stepped into a new level in overseas coordinated development with priority and high-quality through pioneering, innovating and overcoming difficulties. The vivid practice of a series of major overseas projects (for examples, East Coast Rail Link Project in Malaysia officially resumed work after overcoming various difficulties; the Colombo Port City Project completed land reclamation ahead of schedule; the Karakoram Highway Phase II Project, which is a key project of the China-Pakistan Economic Corridor, was successfully opened to traffic; the Company signed the largest and most influential PPP Project of Bogota Metro Line 1 in Colombia) contributed the CCCC's plan, quality, speed, and services to the construction of a community of shared future for mankind, fully demonstrating the Company's responsibility as a major state-owned enterprise. The Company continued to contribute the power of CCCC to the global infrastructure construction and the smooth of the global traffic map by Wealth Road, Love-Connection Bridge, Development Port and Happiness City. The Company has ranked the first among the Chinese enterprises in the Top International Contractors for the thirteenth consecutive years, which improved our reputation overseas, explained the essence of China infrastructure, and therefore promoted the Company's international competitiveness and global influence.

(III) Business Summary

1. Infrastructure Construction Business

The scope of infrastructure construction business mainly consists of the construction of port, road, bridge, railway, tunnel, rail transit and airport, and the investment, design, construction, operation, maintenance and management of other transportation infrastructure at home and abroad. Categorised by project type, it specifically covers port construction, road and bridge construction, railway construction, municipal and environmental projects, etc., and overseas projects, etc.

In 2019, the value of new infrastructure construction contracts entered into by the Group amounted to RMB851,924 million, representing a year-on-year increase of 10.5%. Wherein, the value of new contracts from overseas markets amounted to RMB187,784 million (equivalent to approximately USD28,340 million); the confirmed value of new contracts from PPP investment projects amounted to RMB187,090 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB167,823 million. As at 31 December 2019, the backlog amounted to RMB1,810,347 million.

Categorised by project type and location, the value of new contracts in terms of port construction, road and bridge construction, railway construction, municipal and environmental projects, etc., and overseas projects amounted to RMB28,405 million, RMB272,622 million, RMB16,941 million, RMB346,172 million and RMB187,784 million, representing 3%, 32%, 2%, 41% and 22% of the total value of new infrastructure construction contracts, respectively.

(1) Port Construction

As the largest port construction enterprise in China, the Group has undertaken a majority of medium and large-scale coastal port terminals since the founding of China. With compelling competitive edges, the Group encountered relatively limited substantive competitors.

In 2019, the value of new contracts of the Group for port construction projects in Mainland China amounted to RMB28,405 million, representing a year-on-year increase of 4.1%, and accounting for 3% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from PPP investment projects amounted to RMB4,167 million.

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(III) Business Summary (continued)

1. Infrastructure Construction Business (continued)

(1) Port Construction (continued)

From January to November 2019, according to the data announced by the Ministry of Transport, fixed assets investment in coastal and inland transportation construction completed amounted to approximately RMB103,020 million, representing a year-on-year decrease of 2.9%. Affected by the tightening of sea-use approvals and the saturated tendency of port capacity, the overall growth room for coastal port infrastructure is limited. However, as the pace of national port integration has accelerated, new demand growth points have emerged in terminal upgrades, automated terminals, and the construction of green energy storage and transportation projects. The Company plans overall market development, strengthens internal coordination, and gives full play to the Group's overall advantages. The Company's entire industrial chain in port business is continuously extended, and the fully automated terminal system is implemented in Xiamen Port and Nansha Port in Guangzhou to further stabilize the automated terminal market. Shenzhen Haixing Zhihui Terminal*(深圳海星智慧碼頭) is launched, realizing the first breakthrough in 5G ports.

(2) Road and Bridge Construction

As one of the largest road and bridge construction enterprises in China, the Group enjoys remarkable technical and scale advantages in construction of expressways, high-grade highways as well as river-crossing and sea-crossing bridges. Major competitors of the Group are some large-scale central enterprises and local centrally-administered state-owned infrastructure enterprises.

In 2019, the value of new contracts of the Group for road and bridge construction projects in Mainland China reached RMB272,622 million, representing a year-on-year decrease of 14.1%, and accounting for 32% of that of the infrastructure construction business. Wherein, the confirmed value of new contracts from PPP investment projects amounted to RMB53,894 million. The decrease in the value of new contracts was mainly attributable to the high base number in 2017 and 2018 arising from the rapid development in such project area.

From January to November 2019, according to the data published by the Ministry of Transport, the fixed assets investment in road transport construction amounted to approximately RMB2,024,214 million, representing a year-on-year increase of 1.9%. On the one hand, the market space has been narrowed as the large-scale backbone high-speed network of domestic highways has been basically completed, and also the deleveraging and financial risks control have led to insufficient local government supporting funds. On the other hand, in order to stabilize economic growth and promote infrastructure investment, the central government has expanded the scope of the use of special bonds, made new quota for special bonds in 2020 in advance, issued the "Outline for the Construction of a Strong Transportation Network" and restated the policy of increasing efforts to shore up weakness in infrastructure. The number of projects on the to-be-connected sections of the national expressway network has increased, and investment in regional integration such as Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta integration has become a hot spot.

In 2019, the Company took the concept of "coordinating guidance and strengthening the main business", cultivated in the traditional market areas to strengthen the core competitive advantages, and successfully won the bids for several large projects, such as the Yangtze River Combined Highway and Railway Bridge in Changtai, the Shandong section of the Beijing – Taipei Expressway, and Fulong Xijiang Extra Large Bridge in Foshan. Meanwhile, the Company innovated the business model, strengthened project management and control, and made full use of the Company's advantages in the entire industrial chain by "promoting market with on-site supervision", invested in and built the PPP Project of the Shenhai Expressway Link Line in Zhoushan Port, Ningbo City, Zhejiang Province and the PPP Project of Hanjiang Second Bridge and Road Network Construction in Yicheng.

(3) Railway Construction

As one of the largest railway construction enterprises in China, the Group has developed into the main force of China's railway construction by virtue of its outstanding construction level and excellent management capability, but a large gap still exists between the Company and the two traditional railway infrastructure enterprises – China Railway Group Limited and China Railway Construction Limited in terms of market shares in China. However, as to the overseas market, the Company has successfully entered the railway construction markets in Africa and Southeast Asia, and several major railway projects have been completed or operated or are under construction by the Company, showing vital market influence.

In 2019, the value of new contracts of the Group for railway construction projects in Mainland China reached RMB16,941 million, representing a year-on-year increase of 95.2%, and accounting for 2% of that of the infrastructure construction business. Wherein, the confirmed value of new contracts from PPP investment projects amounted to RMB1,265 million.

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(III) Business Summary (continued)

1. Infrastructure Construction Business (continued)

(3) Railway Construction (continued)

In 2019, the Company took the initiative to improve its business layout and increase its efforts on the development of the railway market, and successfully signed contracts for the Pre-Station Project of Intercity Railway along the South Yangtze River in Jiangsu Province, the Pre-Station Project of Chizhou-Huangshan High Speed Railway in Anhui Province and other projects.

As stated in the report on the working conference of China State Railway Group Co., Ltd., the fixed assets investment in railway is planned to complete an amount of RMB800,000 million in 2020, maintaining the intensity and scale, with new railways of more than 4,000 kilometers to be put into operation, including 2,000 kilometers of high-speed railways. The focus of the construction will be shifted from the eastern region to the central and western regions, from major trunk lines to short and medium-distance intercity railways, from segmental construction and single investment to general project contracting or introduction of social investment, while accelerating the promotion of the planning and construction of a number of strategic and iconic major railways projects.

(4) Municipal and Environmental Projects, etc.

The Group actively participated in urban infrastructure construction for rail transit, urban comprehensive pipe gallery, sponge city, housing construction, etc., extensively, with considerable influence in the market. Meanwhile, the Company accelerated the layout of emerging industries, such as ecological and environmental protection, water environment treatment, etc., and endeavored to cultivate new growth points.

In 2019, the value of new contracts of the Group for municipal and environmental projects, etc. in Mainland China reached RMB346,172 million, representing a year-on-year increase of 29.9%, and accounting for 41% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from PPP investment projects was RMB94,525 million.

In 2019, according to the data published by the National Bureau of Statistics, the investment in water resources, environment and public facilities management business grew by 2.9%. Wherein, fixed assets investment in ecological protection and environmental improvement increased by 37.2%. Weak areas including ecological restoration and coastal protection, as supported by policies, provided new growth points for the industry. In addition, with the accelerated urbanization process in China, demands for infrastructure of urban rail transit was on the rise, dominated by metro lines and light rails by category, and supplemented by other systems, featuring a diversified development pattern.

The Company fully implemented the "urbanization" strategy to seek market development space and opportunities. With strategic guidance and rational layout, the Company achieved improvement in the capacity expansion and efficiency in terms of urbanization construction, the development of rail transit market and water environment treatment, and accelerated the conversion of drives. The Company successfully won the bid for the EPC Project of the Qianhai Section Sinking of the Shenzhen Coastal Expressway under fierce competition, which strengthened the Company's leading position in the cross-sea channel project and became another strategic and comprehensive channel project implemented by the Company in the Guangdong-Hong Kong-Macao Greater Bay Area. The Company tapped into the rail transit area comprehensively, with rail transit projects launching one after another in Tianjin, Shenzhen, Wuhan, Nanjing and Fuzhou, among which, Line 11 of Tianjin Metro became the first metro project with the whole line entered the municipality directly under the central government, and Line 3 of Harbin Metro created a revolutionary fabricated subway construction. In addition, the Company recorded remarkable results on the establishment of the entire industry chain in green and environmental protection. By focusing on urban water system treatment, the Company has won a number of wastewater treatment and ecological water system projects in South China and East China, and achieved continuous flow of the gorge section of Yongding River for the first time during the past 40 years.

(5) Overseas Projects

The Group's scope of overseas projects in the infrastructure construction business includes all kinds of large-scale infrastructure projects such as road and bridge, port, railway, airport, subway, housing construction, etc., with remarkable competitive edges in the market.

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(III) Business Summary (continued)

1. Infrastructure Construction Business (continued)

(5) Overseas Projects (continued)

In 2019, the value of new contracts of the Group for overseas projects in the infrastructure construction business amounted to RMB187,784 million (equivalent to approximately USD28,340 million), representing a year-on-year increase of 24.3%, and accounting for 22% of that of the infrastructure construction business. Wherein, the value of contract of the PPP Project of Bogota Metro Line 1 in Columbia confirmed in the form of PPP investment project amounted to RMB33,239 million (equivalent to approximately USD5,016 million). In addition, 21 new projects were entered into with each contract value over USD300 million and a total contract value of USD17,704 million, accounting for 60% of total value of all overseas new contracts of the Group.

Categorised by project type, the value of overseas new infrastructure construction contracts for municipal, ports, roads and bridges, railways, and housing, etc accounted for 31%, 31%, 29%, 6% and 3% of the value of new contracts for overseas projects, respectively.

Categorised by project location, the value of new infrastructure construction contracts for Africa, Oceania, Southeast Asia, Hong Kong/Macau/Taiwan, South America and other regions accounted for 27%, 18%, 18%, 7%, 21% and 9% of the value of new contracts for overseas projects, respectively.

In 2019, the Company overcame the difficulties brought by the complex and severe situation with significantly increasing risks and challenges to further promote the implementation the "experts in five areas" overseas, and innovatively implement the position of "three roles" overseas, which resulted in the continuous enhancement of the energy level of development and firm promotion of the major projects. Facing the global market, the Company achieved outstanding performance in various aspects, including high-end traction rail transit, energy and environmental protection: the wining of the bid for Sewage Treatment Plant Project in Tuas, Singapore marked the Company's entering into the ecological environmental protection area in new industry; the undertaking of the PPP Project of Bogota Metro Line 1, the largest project in Columbia, opened a new chapter of the Company in overseas rail transit market; and the commencement of construction of the Sea-crossing Bridge in Peljesac, Croatia made it China's first major engineering project which was obtained in the EU countries through competition and funded by the EU and adopted EU standards.

In 2019, the Company insisted on promoting its overseas business in a high-quality, sustainable and in-depth direction with strategic upgrading, reform and empowerment, and compliance control. The Company coordinated its professional resources to study thoroughly the international complex political and economic situation in the new period. According to the national key strategic guidance, the Company carried out targeted global port, airport, railway and other infrastructure interconnection as well as deployment and study of resource development and development of industrial parks and new cities along the line or at the nodes so as to establish a pattern of industry interconnection. The Company promoted the orderly and optimized allocation of resource of the whole industry chain overseas by innovating the management and control through overseas regional and localized organizations and by reform and empowerment. In carrying out the international operation, the Company always adheres to the "risk orientation", strengthens the life-cycle management of overseas projects, continuously strengthen the safety concept, and improve overseas risk prevention and control and emergency response mechanisms for overseas emergencies with an aim to protect the overseas interests as far as it can and promote stable and long-term overseas development.

2. Infrastructure Design Business

The scope of infrastructure design business mainly includes consulting and planning service, feasibility study, survey and design, engineering consultancy, engineering measurement and technical research, project management, project supervision, general project contracting, compilation of industry standards and codes, etc.

As the largest port design enterprise in China, as well as the world's leading highway, bridge and tunnel design enterprise, the Group enjoys remarkable competitive edges in related business fields. As compared with the Group, other entities in the market have relatively weak competitiveness. However, more and more competitors are flooding into the medium and low-end markets, leading to the intensification of market competition.

In terms of the railway infrastructure design business, the Group has entered the market during the "Eleventh Five-Year Plan" period, and its operations mainly involve overseas railway projects and domestic rail transit projects.

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(III) Business Summary (continued)

2. Infrastructure Design Business (continued)

In 2019, the value of new contracts of the Group in infrastructure design business reached RMB47,509 million, representing a year-on-year decrease of 3.2%. Wherein, the value of new contracts from overseas markets amounted to RMB5,278 million (equivalent to approximately USD796 million), accounting for 11% of the infrastructure design business, which were mainly survey and design projects contributed by an acquired Brazil design company. As at 31 December 2019, the backlog amounted to RMB85,062 million.

Categorised by project type, the value of new contracts for survey and design, project supervision, EPC general contracting, and other projects (including PPP projects) amounted to RMB13,324 million, RMB918 million, RMB24,553 million and RMB8,714 million, representing 28%, 2%, 52% and 18% of the value of new contracts for infrastructure design business, respectively, as compared with 18%, 2%, 45% and 35%, respectively recorded for the corresponding period of 2018.

In 2019, as water transportation was adversely affected by the port capacity being close to saturation, there remained limited growth space for demand of the coastal port construction market; inland waterway construction confronted some protracted problems, and inland waterways, ports and other infrastructure construction was under very difficult environment. However, the Company actively explored the opportunities brought by the "improving weak links" in western highways and undertook a series of survey and design projects for highway sections in the central and western regions, as well as the corresponding design projects of highway PPP investment projects. In addition, the Company accelerated the adaptation to high-quality development of highway construction, focused on key and hot areas, and enhanced the comprehensive utilization of new technologies such as green, wisdom, tourism, ecology, safety, and assembly. Significant progress has been made in the research and design of the Shenzhen Jihe Expressway Three-dimensional Reconstruction and Extension Project and smooth promotion was achieved in the preliminary design project for the Wuyuan Section of the Dezhou-Shangrao Expressway.

3. Dredging Business

The scope of dredging business mainly includes infrastructure dredging, maintenance dredging, environmental dredging, and reclamation, as well as supporting projects related to dredging and land reclamation.

As the largest dredging enterprise in China and even in the world, the Group enjoys absolute influence in China's coastal dredging market.

In 2019, the value of new contracts of the Group in dredging business reached RMB52,783 million, representing a year-on-year decrease of 7.4%. Wherein, the value of new contracts from overseas markets amounted to RMB2,205 million (equivalent to approximately USD333 million), the confirmed contract value from PPP investment projects amounted to RMB13,291 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB11,664 million. As at 31 December 2019, the backlog amounted to RMB95,017 million.

In 2019, according to the vessel purchase plan, two large vessels were newly constructed with special purpose to serve in the Group's dredger fleets. As at 31 December 2019, the Group's dredging capacity amounted to approximately 788 million cubic meters under standard operating conditions.

After 2017, environmental protection policies continue to tighten, and national controls on reclamation are strict, which has a significant impact on dredging and reclamation business. In 2019, some large projects with strategic and economic significance have been re-demonstrated, and those with reasonableness and feasibility are expected to restart. In the face of pressure and difficulties, the Company on the one hand connected its services to the major national strategic deployments, took the initiative to play its role and actively sought breakthroughs, and therefore has signed contracts for the implementation of the Lot A of Maintenance Project of Yangtze River Estuary Waterway for Years 2019–2021, the Zaozhuang Section of the Class II Navigation Channel Renovation Project of the Beijing – Hangzhou Grand Canal and other inland waterway projects, thus effectively consolidating the leading position of the Company in traditional business areas. On the other hand, the Company conducted in-depth analysis on the market environment as well as the resource and capabilities of the Company, and actively took the lead to expand ecological and environmental business with successful implementation of ecological treatment projects in Chongqing, Yichang, Jiujiang, Wuhu and other places. Moreover, the Company has deeply cultivated overseas regional markets and national markets, and the business expansion in overseas markets has begun to show results, as reflected in a series of projects, such as the Berth Expansion Project of the Cilacap Power Plant in Indonesia, the Terminal Contracting Project for LNG Terminal and Gasification Project in Panama, the Dredging Projects for Five-year Maintenance for Port of Paranagua and Antonina in Brazil, etc.

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(III) Business Summary (continued)

Some Major Contracts Entered into during the Reporting Period *(Unit: RMB million)*

1. Infrastructure Construction Business

Port Construction

No.	Contract Name	Contract Value
1	Project for Water and Civil Works of Nansha Port Area Phase IV of Guangzhou Port	2,357
2	Lot W1 of Civil Works for Main Project of the Second Line Ship Lock of Wan'an County Junction in Jiangxi Province	1,648
3	PPP Project of the Upgrading and Reconstruction of the Waterway of Shaying River from Zhoukou to the Provincial Boundary in Henan Province	1,568
4	Phase I Project of Storage and Allocation Base for Railway- River Combined Transportation of Coal in Jingzhou City, Hubei Province	1,344
5	EPC Project for the Construction of Yushan Wharf in Jingdezhen City, Jiangxi Province	1,266

Road and Bridge Construction

No.	Contract Name	Contract Value
1	BOT Project of Expressway from Pubei to Beiliu in Yulin, Guangxi Province	14,426
2	Project of the Expressway along the River from Yinjiang to Songtao in Tongren City, Guizhou Province	9,679
3	Project of Expressway from Tianfu New Area to Qionglai in Sichuan Province	5,368
4	PPP Project of Infrastructure Construction of Furong City- Industry Integration Zone in Zigong City, Sichuan Province (Sections C and D)	5,455
5	Project of Xintian – Gaofeng Section in Chongqing of Enshi – Guangyuan National Expressway in Sichuan Province	4,080

Railway Construction

No.	Contract Name	Contract Value
1	Lot 4 of the Pre-Station Project of Chizhou-Huangshan High Speed Railway in Anhui Province	2,747
2	Lot NYJZQ-5 of the Pre-Station Project of Newly-Built Intercity Railway along the South Yangtze River in Jiangsu Province	2,628
3	Lot NYJZQ-9 of the Pre-Station Project of Newly-Built Intercity Railway along the South Yangtze River in Jiangsu Province	2,574
4	Project for Intercity Railway (F1) from Fuzhou to Changle Airport in Fujian Province	1,446
5	PPP Project of Construction of Comprehensive Passenger Terminal at Baoying Station of Lianyungang-Huai'an- Yangzhou-Zhenjiang High- speed Railway in Yangzhou City, Jiangsu Province	1,265

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(III) Business Summary (continued)

1. Infrastructure Construction Business (continued)

Municipal and Environmental Projects, etc.

No.	Contract Name	Contract Value
1	Project of Integrated Urban Development and Operation in Jianzhou New Town, Chengdu City	17,996
2	Urban Comprehensive Development Project of Eastern Ecological Demonstration Park for New and Old Kinetic Energy Conversion in Linyi Economic and Technological Development Zone in Shandong Province	17,478
3	PPP Project of Phase I Engineering of Line 11 of Tianjin Metro	9,234
4	Pilot Engineering Project of Ecological Protection and Restoration of Mountains, Rivers, Forests, Lands, Lakes and Grass in Wuliangsuhai Basin, Inner Mongolia	9,000
5	Reconstruction EPC Project of Shantytowns in East Zone (Line Side) of Zhonghua South Road in Honghuagang District, Zunyi City	7,412

Overseas Projects

No.	Contract Name	Contract Value
1	PPP Project of Bogota Metro Line 1 in Columbia	33,239
2	Lot 3B of West Ring Expressway in Sidney, Australia	9,407
3	Coal/Bulk-Cargo Terminal Project in Payra Port, Bangladesh	7,179
4	Land Reclamation Project of the Third Runway System of Hong Kong International Airport	6,626
5	Prison on Chisholm Road in Victoria, Australia	4,425

2. Infrastructure Design Business

No.	Contract Name	Contract Value
1	EPC Project of No. 1 Berth in Cheng'ao Operation Area, San Du Ao Port Area, Ningde City, Fujian Province	1,907
2	EPC Project of IC Integrated Circuit Research and Development Park in Nanjing	1,685
3	EPC Project of the Upgrading of Xunchang-Yuhe Section of the Class II Highway S436 in Sichuan Province	1,133
4	EPC Project of Phase II of Resettlement House for Urbanization Construction and Intelligent Industrial Park in the Core Area of Eastern New City of Liu'an, Anhui Province	1,066
5	Construction Project of Zhaoyang-Xihuan Expressway in Zhaotong City, Yunnan Province	1,004

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(III) Business Summary (continued)

3. Dredging Business

No.	Contract Name	Contract Value
1	EPC Project of Infrastructure Construction for Qiandao Central Commercial Complex in Zhoushan, Zhejiang Province	7,672
2	PPP Project of Comprehensive Water Environment Treatment of Flood Control Area III in Urban Area of Yancheng City, Jiangsu Province	3,134
3	PPP Project for Comprehensive Landscape Treatment for Urban River System in Lingbao City, Henan Province	1,773
4	PPP Project of Sewage Treatment and Ecological Environment Improvement of Taixing Economic Development Zone in Jiangsu Province	1,535
5	Lot II of the Water Ecological Construction Project (Phase V) in Dongguan City, Guangdong Province	1,500

II. TECHNOLOGY INNOVATION

Technology is the key strength of a country, and innovation is the source of growth drivers, relying on which a country becomes strong and an enterprise becomes successful. Over the years, the Company has always had a deep understanding of and placed great emphasis on the importance of technology innovation. The Company constantly focused on improving the capacity for technology innovation and increased the investment on R&D, so as to enhance the role of technology in driving growth. In 2019, the R&D investments of the Company amounted to RMB12,592 million, accounting for 2.3% of the Company's revenue, representing an increase of 0.3 percentage point as compared with last year. This year, the Company achieved new breakthroughs in technology innovation, mainly reflected in the following aspects:

Firstly, technology innovation systems were constantly improved. The Company has revised and issued the Technology Development Plan during the Thirteenth Five-year Plan Period (revised version), the Methods for Assessing Technology Innovation of Secondary Entities, the Administrative Measures on Technological Research and Development Projects, the Administrative Measures on Science and Technology Awards and the Administrative Measures on Key Laboratories, and newly issued the Guidance on Construction of Professional Career Path for Scientific Research Personnel and Administrative Measures on Patent Awards, which laid a solid foundation for the technology innovation of the Company.

Secondly, progress was made in the establishment of an innovation platform system. The "R&D Center for Equipment and Tunneling Technologies Used for Long and Large Tunnels", the "R&D Center for Automatic Driving Technologies in the Transportation Industry" and the "R&D Center for the Intelligent Design, Construction and Maintenance Technologies and Equipment Used for the Underwater Tunnels in the Transportation Industry" have passed accreditation. Our capacity for independent innovation in the long and large tunnel and transportation industries was thus enhanced.

Thirdly, our technological investments changed from capital injection to a combination of capital injection and investments. Our investments mainly focused on intelligent transportation, intelligent city, big data on transportation, BIM, Beidou system, high polymer material, 5G, new material, prefabricated building and ecological and environmental protection.

Fourthly, remarkable achievements were made in creating intellectual properties. The "Self-Development and Industrialization of Large Marine Cutter-suction and Dredging Equipment" was awarded the grand prize of the 2019 National Science and Technology Advancement Award, highlighting the creativity and technological strength of the Company in this field. In 2019, the Company has been awarded with 2 second-class prizes of the National Science and Technology Advancement Award, 9 Luban Awards, 29 National Quality Project Awards (including 6 golden awards), 6 Zhan Tianyou Awards, 5 Chinese Outstanding Patent Awards and 216 provincial and ministerial technology awards. The Company has participated in the compilation of 3 international standards, 6 national standards, 53 industry standards and 18 local standards that have been promulgated, engaged in the translation and compilation of 5 industry standards and promulgated 10 enterprise technological standards. The Company has been awarded with 2,205 patents, 441 software copyrights and 218 provincial and ministerial construction methods.

II. TECHNOLOGY INNOVATION (CONTINUED)

Over the years, the Company has been accumulatively awarded with 44 National Science and Technology Advancement Awards, 4 Technological Invention Awards, 91 Luban Awards, 261 National Quality Project Awards (including 27 golden awards), 95 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 19 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 80 national standards and 311 industry standards that have been promulgated, and had a total of 10,155 authorized patents.

III. FINANCIAL INNOVATION

In 2019, against the backdrop of tightening financial regulation, decreasing infrastructure investments and narrowed financing channels, the Company, on one hand, used various financial derivatives to provide liquidity support to the business development: more efforts were put on the cooperation with government and enterprise funds and Social Security Fund to proactively raise project capitals; the Company has issued corporate bonds of RMB4,000 million with the lowest coupon rate among the corporate bonds with the same term issued by peers since 2017, which further reduced the financing cost of the Company. On the other hand, the Company strengthened innovation in fund investment and financing: the Company not only continued to carry out the asset-backed securitisation of account receivables within the shelf-registered amount and validity period, but also successfully introduced third-party investors to make capital contribution of RMB18,000 million to certain subsidiaries. These have effectively reduced the asset-liability ratio of the Company, enhanced the capital strength, boosted the development of integrated services between banks and the Company and improved the Company's asset quality.

IV. MAJOR PRODUCTION AND OPERATIONAL DATA *(UNIT: RMB MILLION)*

(I) Completed and Accepted Projects during the Reporting Period

Total number of projects	N/A
Total contract value	196,983

		Number	Contract Value
Categorised by region	Domestic	N/A	151,746
	Overseas	N/A	45,237
Categorised by business type	Infrastructure construction	582	175,422
	Infrastructure design	2,442	10,158
	Dredging	110	7,167
	Others	N/A	4,236

IV. MAJOR PRODUCTION AND OPERATIONAL DATA *(UNIT: RMB MILLION)* (CONTINUED)

(II) Projects under Construction during the Reporting Period

Total number of projects	N/A
Total value of projects	3,966,502

		Number	Contract Value
Categorised by region	Domestic	N/A	3,099,638
	Overseas	N/A	866,864
Categorised by business type	Infrastructure construction	8,502	3,508,384
	Infrastructure design	21,056	230,382
	Dredging	1,879	219,025
	Others	N/A	8,711

(III) Investment Projects

In 2019, affected by the changes in investment environment across China, domestic PPP business reached a stage featuring slow but steady development. The Implementation Opinions of the Ministry of Finance on Promoting the Sound Development of Public-Private Partnership (Cai Jin [2019] No. 10) and other policies were introduced, guiding local governments to further standardise the PPP market. As a result, the growth of investments in the infrastructure sector slowed down, and PPP projects included in the project library of the Ministry of Finance decreased significantly as compared with 2018. However, in the long run, Cai Jin [2019] No. 10 laid a foundation for the development of China's PPP mode in future by standardizing investment management procedure and intensifying system assurance, thus ensuring the healthy and sustainable development of PPP. The percentage of projects in line with the essence of PPP mode and green and people-benefit projects increased significantly, the implementation rate and operating rate of projects rose as compared with 2018, and project quality was constantly improved.

With respect to market expansion, the Company rationally determined its investment scale, proactively created market-oriented projects, and properly carried out the preliminary planning of investment projects such as Project of Integrated Urban Development and Operation in Jianzhou New Town, Chengdu City, Phase I Engineering of Line 11 of Tianjin Metro and Project of Expressway from Jinsha in Guiyang to Gulan. The Company put more efforts on innovation-driven growth, integrated the resource advantages, and further explored the integration of investment, construction and operation of overseas projects, so as to drive its overseas operations to upgrade to a high-end business model. The Company optimised industrial and segment layout and intensified its efforts in the comprehensive management of rivers and lakes, black and odorous water treatment, ecological water system construction and other fields of environmental protection. Focusing on three main themes of "transportation, city and life", innovation on business models have been made which helped the Company successfully establish around 20 new business models such as PPP + travel, PPP + landscaping, PPP + intelligence parking operation.

With respect to operation and management, the Company reinforced system construction through developing the Administrative Measures on Investment Project Experts and the Administrative Measures on Full Cost of CCCC, and focused on enhancing basic skill. With a commitment to value-oriented investments, the Company has strengthened negative list management and post-investment management, which effectively improved investment returns and controlled investment risks. To further reduce its financing cost, the Company sought for multi-dimensional financing channels and established a diversified re-financing system.

IV. MAJOR PRODUCTION AND OPERATIONAL DATA *(UNIT: RMB MILLION)* (CONTINUED)

(III) Investment Projects (continued)

1. Investment Projects Newly Entered into

In 2019, the Company actively responded to the adjustment of regulation policies, controlled investment scale, optimised investment structures and improved industrial layout. The confirmed value of contracts from PPP investment projects was RMB200,380 million. The value of construction and installation contracts to be undertaken was estimated to be RMB179,487 million, among which, the confirmed values of contracts from BOT projects, government paid projects and urban comprehensive development projects were RMB27,738 million, RMB117,821 million and RMB54,822 million respectively, accounting for 14%, 59% and 27% of that from PPP investment projects respectively.

2. Government Paid Projects and Urban Comprehensive Development Projects

The total value of contracts for government paid projects entered into by the Group amounted to RMB501,607 million, wherein, the accumulative completed investment amounted to RMB174,139 million with cumulatively RMB57,818 million have been recovered.

The total investment value of contracts for urban comprehensive development projects entered into by the Group was estimated to be RMB307,865 million, among which, RMB77,617 million of investment amount had been completed cumulatively, RMB65,023 million of sales amount had been realised and RMB47,189 million had been received by the Group.

3. Concession Projects

As at 31 December 2019, according to statistics (the consolidated items contracted and financed by the Group, and the latest statistics shall prevail if there was any change), the total investment amount of the Group's contracted BOT projects was estimated to be RMB427,640 million, wherein, the accumulative completed investment amounted to RMB216,626 million. 20 concession projects together with 12 share-participation projects had been put into operations, and the operating revenue and net loss in 2019 was RMB6,322 million and RMB2,614 million, respectively.

(1) Investment Projects Newly Entered into

No.	Project Name	Project Type	Total Investment Budget Estimate	Contract Value according to Shareholding Ratio of the Company	Expected Construction and Installation Contract Value	Operating Project or Not	Consolidated or Not	Construction Period *(Year)*	Toll Collection/ Operation Period *(Year)*
1	PPP Project of Bogota Metro Line 1 in Columbia	PPP	33,239	33,239	24,225	Yes	Yes	7.25	28
2	Project of Integrated Urban Development and Operation in Jianzhou New Town, Chengdu City	Comprehensive urban development	19,996	17,996	13,001	No	Yes	18.00	12
3	Urban Comprehensive Development Project of Eastern Ecological Demonstration Park for New and Old Kinetic Energy Conversion in Linyi Economic and Technological Development Zone in Shandong Province	Comprehensive urban development	18,398	17,478	11,944	No	Yes	15.00	20
4	BOT Project of Expressway from Pubei to Beiliu in Yulin, Guangxi Province	BOT	14,426	14,426	10,558	Yes	Yes	3.00	30

IV. MAJOR PRODUCTION AND OPERATIONAL DATA *(UNIT: RMB MILLION)* (CONTINUED)

(III) Investment Projects (continued)

3. Concession Projects (continued)

(1) Investment Projects Newly Entered into (continued)

No.	Project Name	Project Type	Total Investment Budget Estimate	Contract Value according to Shareholding Ratio of the Company	Expected Construction and Installation Contract Value	Operating Project or Not	Consolidated or Not	Construction Period *(Year)*	Toll Collection/ Operation Period *(Year)*
5	PPP Project of Phase I Engineering of Line 11 of Tianjin Metro	PPP	18,106	9,234	13,194	No	Yes	4.00	22
6	Comprehensive Development Project of Future City in Zhangjiakou City, Hebei Province	Comprehensive urban development	11,317	6,790	3,396	No	Yes	1.00	7
7	PPP Project for Comprehensive Development of New Industrial Town in Old Industrial Area of Qingshuitang, Zhuzhou City, Hunan Province	PPP	8,080	6,464	6,080	No	Yes	5.00	20
8	PPP Project of Infrastructure Construction of Furong City-Industry Integration Zone in Zigong City, Sichuan Province (Sections C and D)	PPP	6,061	5,455	4,493	No	Yes	3.00	12
9	BOT Project for Phase I of Expressway from Lingtai to Huating of Line S28 in Gansu Province	BOT	10,124	4,050	8,115	Yes	No	4.00	30
10	Supporting Construction Project for East Section of China-French Wuhan Ecological Demonstration Area	PPP	3,946	3,946	3,078	No	Yes	4.00	6
11	Project of Land on the North Side of Gaozan Bridge of West Start Zone in Shunde High-tech Zone, Guangdong Province	Comprehensive urban development	7,444	3,722	1,000	No	Yes	3.75	5
12	PPP Project for Construction of Hanjiang Second Bridge and Road Network in Yicheng, Hubei Province	PPP	3,472	3,298	2,061	No	Yes	4.00	11
13	PPP Project of Comprehensive Water Environment Treatment of Flood Control Area III in Urban Area of Yancheng City, Jiangsu Province	PPP	3,776	3,134	2,752	No	Yes	3.00	17
14	PPP Project for Upgrading of Jinsheng Expressway in Horinger New District, Inner Mongolia	PPP	3,365	3,074	2,784	No	Yes	3.00	12
15	BOT Project of West Tianjin Section of Tianjin- Shijiazhuang Expressway	BOT	3,165	3,007	1,848	No	Yes	3.00	25
16	Others		120,894	65,067	70,958	–	–	–	–
	Total		285,809	200,380	179,487	–	–	–	–

BUSINESS OVERVIEW

IV. MAJOR PRODUCTION AND OPERATIONAL DATA *(UNIT: RMB MILLION)* (CONTINUED)

(III) Investment Projects (continued)

3. Concession Projects (continued)

(2) Concession Projects under Development

No.	Project Name	Total Investment Budget Estimate	Contract Value Confirmed according to Shareholding Ratio	Investment Amount in 2019	Accumulated Investment Value
1	Lianzhou-Fogang Highway in Guangdong Province	41,096	41,096	8,029	14,489
2	Taihangshan Highway in Hebei Province	47,000	14,570	–	Share participation
3	Phnom Penh-Port of Sihanoukville Expressway in Cambodia	13,643	13,643	1,489	1,491
4	Kaiping-Yangchun Expressway in Guangdong Province	13,711	12,740	–	Share participation
5	Shiqian-Yuping (Dalong) Expressway in Guizhou Province	12,407	12,407	1,582	4,709
6	CCCC Jiangyu Expressway in Guizhou	11,019	11,019	2,454	4,693
7	Jianhe-Rongjiang Section of Yanhe-Rongjiang Expressway in Guizhou Province	17,816	10,672	–	Share participation
8	Highways including Urumchi-Yuli Highway in Xinjiang	70,841	10,616	–	Share participation
9	Wenshan-Maguan Wenshan-Malipo Expressway	15,800	10,270	2,231	5,489
10	Phase I of PPP Project of Urumchi Rail Transit Line 4	16,249	8,287	–	Share participation
11	West Line of Urumqi Ring Expressway in Xinjiang	15,300	7,803	7	69
12	PPP Project for Fangcheng-Tanghe Section of Jiaozuo-Tanghe Highway in Henan Province	7,788	7,009	0	0
13	Libo-Rongjiang Expressway in Guizhou Province	10,480	6,288	–	Share participation
14	G575 Expressway in Xinjiang	6,017	6,017	171	1,102
15	Hechang Section of Sanhuan Expressway in Chongqing	10,077	5,139	1,256	6,974
16	Quanzhou Section of Quanzhou-Xiamen-Zhangzhou City Alliance Highway in Fujian Province	4,708	4,708	910	3,999
17	Hefei-Zongyang Section of G3W Dezhou-Shangrao Expressway in Anhui Province	9,228	4,522	–	Share participation
18	South Section of Ring Expressway in Wanzhou, Chongqing	4,151	4,151	183	225
19	Others	142,747	52,097	3,496	6,992
	Total	470,078	243,054	21,808	50,232

IV. MAJOR PRODUCTION AND OPERATIONAL DATA *(UNIT: RMB MILLION)* (CONTINUED)

(III) Investment Projects (continued)

3. Concession Projects (continued)

(3) Concession Projects in Operation Period

No.	Project Name	Accumulated Investment Value	Operating Revenue During the Year	Toll Collection Rights Period *(Year)*	Completed Toll Collection Rights Period *(Year)*
1	New Songming-Kunming Expressway, Xuanwei-Qujing Expressway, and Mengzi- Wenshan-Yanshan Expressway in Yunnan Province	27,108	830	30	2.0
2	Daozhen-Weng'an Expressway in Guizhou Province	26,413	703	30	4.0
3	Guigang-Longán Highway in Guangxi Province	17,315	109	30	0.5
4	Jiangkou-Weng'an Expressway in Guizhou Province	14,251	745	30	4.0
5	Tongzhou-Daxing Section Project of the Capital Region Ring Expressway	6,289	262	25	1.5
6	Yanhe-Dejiang Expressway in Guizhou Province	7,565	97	30	4.0
7	Guiyang-Qianxi Expressway in Guizhou Province	9,200	582	30	3.0
8	Hubei Jiatong Section Project of Wuhan-Shenzhen Expressway in Hubei Province	8,972	488	30	3.3
9	Zhongxian-Wanzhou Expressway in Chongqing	7,578	66	30	3.0
10	Guiyang-Duyun Expressway in Guizhou Province	7,391	776	30	8.8
11	Yongchuan-Jiangjin Expressway in Chongqing	5,997	72	30	5.0
12	Jiulongpo-Yongchuan Highway in Chongqing	5,193	182	30	2.0
13	Zhuankou Yangtze River Bridge Project in Wuhan, Hubei Province	4,825	55	30	2.0
14	South-North Highway in Jamaica	5,057	225	50	4.0
15	Jiayu North Section of Wuhan-Shenzhen Expressway in Hubei Province	2,562	209	30	1.0
16	Xianning-Tongshan Expressway in Hubei Province	3,120	128	30	6.0
17	Qingxi Bridge and Connecting Line in Guangdong Province	2,676	576	25	1.3
18	Yicheng-Houma Expressway in Shanxi Province	2,404	167	30	12.0
19	Malong Connecting Line of Xuanwei-Qujing Expressway in Yunnan Province	1,890	19	30	2.0
20	Qingshuihe-Dafanpu Section of National Highway G109 in Inner Mongolia Autonomous Region	588	31	26	11.0
21	Fengdu-Zhongxian Expressway in Chongqing	Share participation	–	30	2.0
22	Youyang-Yanhe Expressway in Chongqing	Share participation	–	30	3.0
23	Wangjiang-Qianjiang Expressway in Anhui Province	Share participation	–	25	3.0
24	Tongliang-Yongchuan Expressway in Chongqing	Share participation	–	30	2.7

BUSINESS OVERVIEW

IV. MAJOR PRODUCTION AND OPERATIONAL DATA *(UNIT: RMB MILLION)* (CONTINUED)

(III) Investment Projects (continued)

3. Concession Projects (continued)

(3) Concession Projects in Operation Period (continued)

No.	Project Name	Accumulated Investment Value	Operating Revenue During the Year	Toll Collection Rights Period *(Year)*	Completed Toll Collection Rights Period *(Year)*
25	Chongqing Wanzhou-Sichuan Dazhou, Wanzhou-Hubei Lichuan Expressways	Share participation	–	30	4.0
26	Tongliang-Hechuan Expressway in Chongqing	Share participation	–	30	4.0
27	Fengdu-Fuling Expressway in Chongqing	Share participation	–	30	5.0
28	Fengdu-Shizhu Expressway in Chongqing	Share participation	–	30	5.0
29	Foshan-Guangming Expressway in Guangdong Province	Share participation	–	27	10.0
30	Yulin-Jiaxian Expressway in Shaanxi Province	Share participation	–	30	5.0
31	Guiyang-Weng'an Expressway in Guizhou Province	Share participation	–	30	3.0
32	Tongcheng-Jieshang Expressway in Hubei Province	Share participation	–	30	4.3
	Total	166,394	6,322		

V. BUSINESS PROSPECT

Since China's economy is at a critical stage of transforming development mode, optimising economic structure and pursuing new growth drivers with intertwined structural, systematic and periodic issues, downward pressure on the economy continues to mount. However, at a meeting of Political Bureau of the Central Committee of the CPC, it was made clear to ensure the accomplishment of the economic and social development targets and tasks for the year of 2020. To this end, more proactive fiscal policies will be introduced to give full play to policy-based finance; prudent monetary policies will become more flexible and proper to reduce the difficulty and cost of financing; domestic demand will be actively boosted while ensuring the stability of external demand and the construction of a number of major projects will be accelerated. To cope with the negative effects brought by COVID-19, infrastructure investment becomes an important way for counter-cyclical regulation and more follow-up polices are expected to be introduced to ensure stable growth and fiscal policies are expected to play a more important role. As the infrastructure projects across China resume construction successively, investments and construction in the infrastructure industry will also enter a peak period. It is expected that traditional infrastructure areas such as railway, highway and water conservancy projects will embrace fast growth, while new infrastructure areas such as 5G, artificial intelligence, industrial internet, environmental protection, intelligence city, education and healthcare will release more market space. In addition, since the beginning of this year, the issuance scale of special bonds for local governments has been increasing significantly with an accelerating pace of issuance, and the percentage of these bonds related to infrastructure is over 50%, which will contribute to improving the weak links of infrastructure industry.

V. BUSINESS PROSPECT (CONTINUED)

In the international market, the world economy is still in the middle of profound adjustment after the international financial crisis with a high possibility of staying at a low growth rate, and the uncertainties of the Sino-US trade friction and COVID-19 may lead to more economic fluctuations and more risks. As a result, the world economy shows a characteristic of "three lows and two highs", which is low growth, low inflation, low interest rate, high debt and high risk. However, we also see that the restructuring of multilateral trade systems around the world is accelerating, and China will participate in world governance in a more proactive way and open to the outside world with higher quality. More countries will join in the "Belt and Road Initiative" and the course of RMB internationalization is expected to be accelerated. Affected by the epidemic, there is an increasing expectation on another market rescue by the central banks all over the world with joint efforts, and the bi-directional flow of production factors at home and abroad and the international transfer of global industrial chains will continue to deepen. All these will create greater opportunities for the Company to implement its "going global" strategy.

The Company makes prudential judgment about the complex environment both at home and abroad, and predicts that the year of 2020 will embrace opportunities in the following areas: firstly, China will strategically expand new space, and to achieve this, the coordinated development of Beijing-Tianjin-Hebei Region, Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area will be promoted, the construction of Xiong'an New Area and Hainan Free Trade Zone (Port) will be accelerated, and the development of the Yangtze River Economic Belt and ecological protection in the Yellow River Basin and other planning will be implemented. China will commence the construction of a number of comprehensive and integrated transportation hubs successively and accelerate the promotion of multi-model transportation. Secondly, economic structural adjustment will focus on new urbanization, which will be mainly reflected by city cluster, deepened city development and joint development of urban and rural areas, creating market increment for the renovation of shanty towns and the construction of sponge cities and beautiful cities. Thirdly, traditional and new infrastructure fields will possess more development potentials, and as a result of which the construction of national strategic channels, connect lines among city cluster, environmental protection and intelligence city will embrace more development opportunities. Fourthly, the large scale of special bonds for local governments which can be used for project capital will greatly narrow the financing gap of PPP projects and provide continuous support to infrastructure investment. Fifthly, as progress was made in the marine environmental impact assessment of certain major projects represented by the new airport in Sanya which will commence construction soon, new opportunities will emerge for the reclamation business in coastal areas. Sixthly, the investment and development of infrastructure remains as an important solution for most countries in the world to stimulate economy, accelerating the construction of facilities connection will become the key area and core content of the "Belt and Road Initiative" and the high quality development of international operations is still in the period of strategic opportunity and possess enormous potentials.

2020 is a year for us to build a moderately prosperous society in all respects and the concluding year of the Thirteenth Five-Year Plan. Meanwhile, it's a critical year for accelerating the construction of a powerful nation in transportation. Centering on "high quality development", the Company will stay focused and raise confidence to explore market stock profoundly and consolidate the foundation for its development. In addition, the Company will expand the increment of emerging business to support transformation and upgrading. New opportunities such as regional strategic channels and rail-water combined transport will be captured to promote strategic layout. The Company will promote the in-depth development of the "Belt and Road Initiative" and play a leading role in the global development of enterprises.

VI. BUSINESS PLAN

In 2019, according to statistics, the value of new contracts entered into by the Group amounted to RMB962,683 million, accomplishing 100% of our goal. Wherein, the confirmed value of contracts from domestic PPP investment projects amounted to RMB167,142 million, accomplishing 111% of our goal. Revenue of the Group amounted to RMB552,542 million, accomplishing 103% of our goal.

The Group will strive to cope with the negative effects brought by COVID-19 and plans to achieve a year-on-year growth rate of 8% in the value of new contracts for the year of 2020, and the planned year-on-year growth rate of revenue is 8%.

This is the Qiansimen Jialing River Bridge in Chongqing city constructed by the Company, which was awarded the 16th China Civil Engineering Zhantianyou Award

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

For the year 2019, revenue of the Group increased by 13.1% to RMB552,542 million, among which revenue from external customers attributed to the regions other than PRC amounted to RMB95,718 million, representing 17.3% of the total revenue. Infrastructure construction business, infrastructure design business, dredging business and other businesses accounted for 86.0%, 6.6%, 6.0% and 1.4% of the total revenue in 2019, respectively.

Gross profit in 2019 amounted to RMB69,131 million, representing an increase of 7.0% from RMB64,611 million in 2018. Gross profit from infrastructure construction business and infrastructure design business increased by 9.3% and 9.1%, respectively from 2018, while dredging business and other businesses decreased by 7.7% and 51.9% from 2018. Gross profit margin for infrastructure construction business, infrastructure design business, dredging business and other businesses in 2019 were 11.6%, 19.0%, 12.6% and 6.5%, respectively, as compared with 12.1%, 20.9%, 14.4% and 9.1% in 2018.

Mainly as a result of the growth in gross profit, operating profit in 2019 amounted to RMB34,071 million, representing an increase of 2.3%, from RMB33,321 million in 2018. Operating profit from infrastructure construction business and infrastructure design business increased by 2.2% and 7.2%, respectively from 2018, while operating profit from dredging business and other businesses decreased by 0.5% and 40.1% from 2018.

For the year 2019, profit attributable to owners of the parent amounted to RMB20,094 million, compared with RMB19,819 million in 2018. For the year 2019, earnings per share of the Group were RMB1.16, compared with RMB1.16 in 2018.

The following is a comparison of financial results between the years ended 31 December 2019 and 2018.

CONSOLIDATED RESULTS OF OPERATIONS

Revenue

Revenue in 2019 increased by 13.1% to RMB552,542 million from RMB488,666 million in 2018. Revenue from infrastructure construction business and infrastructure design business, dredging business and other businesses amounted to RMB492,814 million,RMB38,018 million, RMB34,578 million and RMB8,286 million (all before elimination of inter-segment transactions and unallocated cost), respectively representing a year-on-year increase of 14.1%, 20.5%, 5.4% and a decrease of 33.2%. Revenue from external customers attributed to the regions other than PRC amounted to RMB95,718 million, representing 17.3% of total revenue.

Cost of Sales and Gross Profit

Cost of sales in 2019 amounted to RMB483,411 million, representing an increase of 14.0%, from RMB424,055 million in 2018. Cost of sales from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB435,544 million, RMB30,808 million, RMB30,222 million and RMB7,744 million (all before elimination of inter-segment transactions) respectively, representing an increase of 14.8%, 23.5% and 7.6% and a decreased of 31.3% in 2018.

Cost of sales consisted mainly of subcontracting costs, cost of raw materials and consumables used, employee benefit expenses and cost of goods sold. For the year 2019, subcontracting costs, cost of raw materials and consumables used, employee benefit expenses and cost of goods sold increased by 17.9%, 14.1%, 12.1% and 15.2%.

As a result of the increase in both revenue and cost of sales, gross profit in 2019 amounted to RMB69,131 million, representing an increase of 7.0% from RMB64,611 million in 2018. Gross profit from infrastructure construction business and infrastructure design business increase by 9.3% and 9.1%, while dredging business and other businesses decreased by 7.7% and 51.9%, respectively, from the corresponding period of 2018. Gross profit margin decreased to 12.5% in 2019 from 13.2% in 2018. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business and other businesses were 11.6%, 19.0%, 12.6% and 6.5% respectively, as compared with 12.1%, 20.9%, 14.4% and 9.1% in the corresponding period of 2018.

Administrative Expenses

Administrative expenses including impairment losses on financial and contract assets in 2019 amounted to RMB39,247 million, representing an increase of 13.6% from RMB34,553 million in 2018. This growth was primarily attributable to the increase in research and development costs and employee benefit expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Operating Profit

Operating profit in 2019 amounted to RMB34,071 million, representing an increase of 2.3% from RMB33,321 million in 2018. The increase was mainly due to the increase in gross profit.

For the year 2019, operating profit from infrastructure construction business and infrastructure design business increased by 2.2% and 7.2% (all before elimination of inter-segment transactions and unallocated cost), respectively from 2018; operating profit from dredging businesses and other businesses decreased by 0.5% and 40.1% (before elimination of inter-segment transactions and unallocated cost) from 2018.

Due to decrease of gross profit margin, operating profit margin decreased to 6.2% in 2019 from 6.8% in 2018.

Finance Income

Finance income in 2019 amounted to RMB8,535 million, representing an increase of 60.6% from RMB5,314 million in 2018. The increase was primarily attributable to the increase in interest of investment projects.

Finance Costs, Net

Net finance costs in 2019 amounted to RMB15,229 million, representing an increase of 20.3% from RMB12,660 million in 2018. The increase was mainly due to the increase in total borrowings.

Share of Loss of Joint Ventures

Share of loss of joint ventures in 2019 amounted to RMB117 million, as compared with a earning of RMB168 million in 2018, which was mainly due to the loss of certain joint venture.

Share of profit of Associates

Share of profit of associates in 2019 amounted to RMB202 million, as compared with a loss of RMB97 million in 2018. The profit was mainly due to the increase profit of associates.

Profit before Income Tax

Profit before income tax in 2019 amounted to RMB27,462 million, representing an increase of 5.4% from RMB26,046 million in 2018.

Income Tax Expense

Income tax expense in 2019 amounted to RMB5,848 million, representing an increase of 4.3% from RMB5,608 million in 2018. Effective tax rate for the Group in 2019 slightly decreased to 21.3% from 21.5% in 2018.

Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests in 2019 amounted to RMB1,520 million compared to RMB619 million in 2018. The increase is mainly due to the increase in dividends from perpetual bond.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent in 2019 amounted to RMB20,094 million, compared with RMB19,819 million in 2018.

Profit margin with respect to profit attributable to owners of the parent decreased to 3.6% in 2019 from 4.1% in 2018.

DISCUSSION OF SEGMENT OPERATIONS

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for the years ended 31 December 2019 and 2018.

Business	Revenue Year ended 31 December		Gross Profit Year ended 31 December		Gross Profit Margin Year ended 31 December		Operating Profit/(loss)[1] Year ended 31 December		Operating Profit Margin Year ended 31 December	
	2019 (RMB million)	2018 (RMB million)	**2019 (RMB million)**	2018 (RMB million)	**2019 (%)**	2018 (%)	**2019 (RMB million)**	2018 (RMB million)	**2019 (%)**	2018 (%)
Infrastructure Construction	**492,814**	431,817	**57,270**	52,404	**11.6**	12.1	**28,336**	27,726	**5.7**	6.4
% of total	**86.0**	85.0	**82.5**	80.8	**-**	–	**82.8**	82.5	**-**	–
Infrastructure Design	**38,018**	31,557	**7,210**	6,608	**19.0**	20.9	**3,761**	3,510	**9.9**	11.1
% of total	**6.6**	6.2	**10.4**	10.2	**-**	–	**11.0**	10.4	**-**	–
Dredging	**34,578**	32,796	**4,356**	4,717	**12.6**	14.4	**1,761**	1,769	**5.1**	5.4
% of total	**6.0**	6.4	**6.3**	7.3	**-**	–	**5.1**	5.3	**-**	–
Other businesses	**8,286**	12,402	**542**	1,127	**6.5**	9.1	**362**	604	**4.4**	4.9
% of total	**1.4**	2.4	**0.8**	1.7	**-**	–	**1.1**	1.8	**-**	–
Subtotal	**573,696**	508,572	**69,378**	64,856	**-**	–	**34,220**	33,609	**-**	–
Intersegment elimination and unallocated profit/(costs)	**(21,154)**	(19,906)	**(247)**	(245)	**-**	–	**(149)**	(288)	**-**	–
Total	**552,542**	488,666	**69,131**	64,611	**12.5**	13.2	**34,071**	33,321	**6.2**	6.8

(1) Total operating profit/(loss) represents the total of segment profit less unallocated costs or add 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 costs.

The following table sets out the principal profit and loss information for the infrastructure construction business for the years ended 31 December 2019 and 2018.

	Years ended 31 December	
	2019 (RMB million)	2018 (RMB million)
Revenue	**492,814**	431,817
Cost of sales	**(435,544)**	(379,413)
Gross profit	**57,270**	52,404
Selling and marketing expenses	**(410)**	(433)
Administrative expenses	**(31,301)**	(26,699)
Other income, net	**2,777**	2,454
Segment result	**28,336**	27,726
Depreciation and amortisation	**9,918**	8,198

DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Infrastructure Construction Business (continued)

Revenue. Revenue from the infrastructure construction business in 2019 was RMB492,814 million, representing an increase of 14.1% from RMB431,817 million in 2018. This growth was primarily attributable to the increase of revenue generated from road construction projects and municipal projects.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2019 was RMB435,544 million, representing an increase of 14.8% from RMB379,413 million in 2018. Cost of sales as a percentage of revenue slightly increased to 88.4% in 2019 from 87.9% in 2018.

Gross profit from the infrastructure construction business in 2019 increased by 9.3% to RMB57,270 million from RMB52,404 million in 2018. Gross profit margin decreased to 11.6% in 2019 from 12.1% in 2018. The decrease of profit margin was mainly due to the decrease of high profit margin overseas projects and the estimated loss of certain projects.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2019 were RMB410 million, as compared with RMB433 million in 2018.

Administrative expenses. Administrative expenses including impairment losses on financial and contract assets for the infrastructure construction business were RMB31,301 million in 2019, representing an increase of 17.2% from RMB26,699 million in 2018. The increase was mainly attributable to the increase in research and development cost, as well as employee benefit expenses. Administrative expenses including impairment losses on financial and contract assets as a percentage of revenue increased to 6.4% in 2019 from 6.2% in 2018.

Other income, net. Other net income for the infrastructure construction business increased to RMB2,777 million in 2019 from RMB2,454 million in 2018.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2019 was RMB28,336 million, representing an increase of 2.2% from RMB27,726 million in 2018. Segment result margin decreased to 5.7% in 2019 from 6.4% in 2018.

Infrastructure Design Business

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

The following table sets out the principal profit and loss information for infrastructure design business for the years ended 31 December 2019 and 2018.

	Years ended 31 December	
	2019 **(RMB million)**	2018 (RMB million)
Revenue	**38,018**	31,557
Cost of sales	**(30,808)**	(24,949)
Gross profit	**7,210**	6,608
Selling and marketing expenses	**(389)**	(362)
Administrative expenses	**(3,506)**	(3,268)
Other income, net	**446**	532
Segment result	**3,761**	3,510
Depreciation and amortisation	**411**	274

DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Infrastructure Design Business (continued)

Revenue. Revenue from the infrastructure design business in 2019 was RMB38,018 million, representing an increase of 20.5% from RMB31,557 million in 2018, mainly due to the growing scale of comprehensive projects.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2019 was RMB30,808 million, representing an increase of 23.5% from RMB24,949 million in 2018. Cost of sales as a percentage of revenue increased to 81.0% in 2019 from 79.1% in 2018.

Gross profit from the infrastructure design business in 2019 was RMB7,210 million, representing an increase of 9.1% as compared with RMB6,608 million in 2018. Gross profit margin decreased to 19.0% in 2019 from 20.9% in 2018, mainly attributable to the increased proportion of revenue generated from comprehensive contracts, which have lower gross profit margin.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2019 increased to RMB389 million from RMB362 million in 2018.

Administrative expenses. Administrative expenses including impairment losses on financial and contract assets for the infrastructure design business in 2019 were RMB3,506 million, representing an increase of 7.3% from RMB3,268 million in 2018. Administrative expenses including impairment losses on financial and contract assets as a percentage of revenue decreased to 9.2% in 2019 from 10.4% in 2018.

Other income, net. Other net income for the infrastructure design business in 2019 was RMB446 million, as compared with RMB532 million in 2018.

Segment result. As a result of the above, segment result for the infrastructure design business in 2019 was RMB3,761 million, representing an increase of 7.2% from RMB3,510 million in 2018. Segment result margin decreased to 9.9% in 2019 from 11.1% in 2018.

Dredging Business

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

The following table sets out the principal profit and loss information for the dredging business for the years ended 31 December 2019 and 2018.

	Years ended 31 December	
	2019 **(RMB million)**	2018 (RMB million)
Revenue	**34,578**	32,796
Cost of sales	**(30,222)**	(28,079)
Gross profit	**4,356**	4,717
Selling and marketing expenses	**(146)**	(128)
Administrative expenses	**(3,209)**	(3,295)
Other income, net	**760**	475
Segment result	**1,761**	1,769
Depreciation and amortisation	**1,473**	1,140

MANAGEMENT'S DISCUSSION AND ANALYSIS

DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Dredging Business (continued)

Revenue. Revenue from the dredging business in 2019 was RMB34,578 million, representing an increase of 5.4% from RMB32,796 million in 2018.

Cost of sales and gross profit. Cost of sales for the dredging business in 2019 was RMB30,222 million, representing an increase of 7.6% as compared with RMB28,079 million in 2018. Cost of sales as a percentage of revenue for the dredging business in 2019 increased to 87.4% from 85.6% in 2018.

Gross profit from the dredging business in 2019 was RMB4,356 million, representing a decrease of 7.7% from RMB4,717 million in 2018. Gross profit margin for the dredging business decreased to 12.6% in 2019 from 14.4% in 2018, mainly attributable to the fluctuation of market environment and large projects not entering construction peak.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2019 were RMB146 million, as compared with RMB128 million in 2018.

Administrative expenses. Administrative expenses including impairment losses on financial and contract assets for the dredging business in 2019 were RMB3,209 million, representing a decrease of 2.6% from RMB3,295 million in 2018. Administrative expenses including impairment losses on financial and contract assets as a percentage of revenue decreased to 9.3% in 2019 from 10.0% in 2018.

Other income, net. Other net income for the dredging business in 2019 increased to RMB760 million from RMB475 million in 2018.

Segment result. As a result of the above, segment result for the dredging business in 2019 was RMB1,761 million, representing a decrease of 0.5% from RMB1,769 million in 2018, which mainly attributes to the decrease in gross profit. Segment result margin decreased to 5.1% in 2019 from 5.4% in 2018.

Other Businesses

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

The following table sets out the revenue, cost of sales and gross profit information for the other businesses for the years ended 31 December 2019 and 2018.

	Years ended 31 December	
	2019 **(RMB million)**	2018 *(RMB million)*
Revenue	**8,286**	12,402
Cost of sales	**(7,744)**	(11,275)
Gross profit	**542**	1,127

Revenue. Revenue from the other businesses in 2019 was RMB8,286 million, representing a decrease of 33.2% from RMB12,402 million in 2018. This decrease was mainly due to sales of certain assets in 2018.

Cost of sales and gross profit. Cost of sales for the other businesses in 2019 was RMB7,744 million, representing a decrease of 31.3% from RMB11,275 million in 2018. Cost of sales as a percentage of revenue increased to 93.5% in 2019 from 90.9% in 2018.

Gross profit from the other businesses in 2019 was RMB542 million, representing a decrease of 51.9% from RMB1,127 million in 2018. This decrease was due to the decrease of revenue. Gross profit margin decreased to 6.5% in 2019 from 9.1% in 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Group's business requires a significant amount of working capital to finance the purchase of raw materials and to finance the 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 31 December 2019, the Group had unutilised credit facilities in the amount of RMB1,118,800 million. The Group's access to financial markets since its public offering in Hong Kong Stock Exchange and Shanghai Stock Exchange has provided additional financing flexibility.

Cash Flow Data

The following table presents selected cash flow data from the Company's consolidated cash flow statements for the years ended 31 December 2019 and 2018.

	Years ended 31 December	
	2019	2018
	(RMB million)	*(RMB million)*
Net cash generated from operating activities	**5,931**	9,098
Net cash used in investing activities	**(65,713)**	(50,312)
Net cash generated from financing activities	**50,923**	38,631
Net decrease in cash and cash equivalents	**(8,859)**	(2,583)
Cash and cash equivalents at beginning of year	**127,413**	129,197
Exchange gains on cash and cash equivalents	**258**	799
Cash and cash equivalents at end of year	**118,812**	127,413

Cash flow from operating activities

During the year 2019, net cash generated from operating activities decreased to RMB5,931 million from RMB9,098 million in 2018, primarily due to increase in contract assets and inventories in 2019. During the year 2019, contract assets increased by RMB16,819 million, as compared with the amount of increase of RMB3,999 million during 2018. During the year 2019, inventories increased by RMB15,229 million, as compared with the amount of increase of RMB5,513 million during 2018.

Cash flow from investing activities

Net cash used in investing activities in 2019 increased to RMB65,713 million from RMB50,312 million in 2018. The increase of 30.6% was primarily attributable to the increase of investment in long-term investment projects.

Cash flow from financing activities

Net cash generated from financing activities in 2019 was RMB50,923 million, representing an increase of 31.8% from RMB38,631 million in 2018. The increase was primarily attributable to the increase in proceeds from bank and other borrowings, and introduction of third-party investors for capital contribution to certain subsidiaries.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Capital Expenditure

The Group's capital expenditure principally comprises expenditure from investment in BOT projects, purchases of machinery, equipment and vessels, and the building of plants. The following table sets forth the Group's capital expenditure by business for the years ended 31 December 2019 and 2018.

	Years ended 31 December	
	2019 **(RMB million)**	2018 *(RMB million)*
Infrastructure Construction Business	**44,427**	37,835
– BOT projects	**31,840**	23,829
Infrastructure Design Business	**704**	524
Dredging Business	**1,313**	1,503
Other	**470**	926
Total	**46,914**	40,788

Capital expenditure in 2019 was RMB46,914 million, as compared with RMB40,788 million in 2018. The increase of 15.0% was primarily attributable to the increase of capital expenditure in infrastructure construction business.

Working Capital

Trade and bills receivables and trade and bills payables

The following table sets forth the turnover of the Group's average trade and bills receivable and average trade and bills payable for the years ended 31 December 2019 and 2018.

	Years ended 31 December	
	2019 **(Number of days)**	2018 *(Number of days)*
Turnover of average trade and bills receivables[1]	**62**	59
Turnover of average trade and bills payables[2]	**196**	196

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

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

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Working Capital (continued)

Trade and bills receivables and trade and bills payables (continued)

The following table sets forth an ageing analysis of trade and bills receivables, net of provision, as at 31 December 2019 and 2018.

	As at 31 December	
	2019	2018
	(RMB million)	*(RMB million)*
Less than 6 months	**67,432**	61,140
6 months to 1 year	**8,379**	9,417
1 year to 2 years	**13,855**	9,218
2 years to 3 years	**5,416**	3,950
Over 3 years	**4,134**	4,071
Total	**99,216**	87,796

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 31 December 2019, the Group had a provision for impairment of RMB13,872 million, as compared with RMB12,380 million as at 31 December 2018.

The following table sets forth an ageing analysis of trade and bills payables as at 31 December 2019 and 2018.

	As at 31 December	
	2019	2018
	(RMB million)	*(RMB million)*
Within 1 year	**241,519**	214,046
1 year to 2 years	**20,836**	19,779
2 years to 3 years	**9,903**	4,943
Over 3 years	**5,505**	3,399
Total	**277,763**	242,167

The Group's credit terms with its suppliers for the year ended 31 December 2019 remained the same as that for the year ended 31 December 2018. 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.

INDEBTEDNESS

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2019 and 2018.

	As at 31 December	
	2019	2018
	(RMB million)	*(RMB million)*
Within 1 year	**74,372**	79,243
1 year to 2 years	**42,557**	36,653
2 years to 5 years	**64,342**	50,666
Over 5 years	**157,516**	128,065
Total borrowings	**338,787**	294,627

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Japanese Yen, Hong Kong dollars and Euro. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 31 December 2019 and 2018.

	As at 31 December	
	2019	2018
	(RMB million)	*(RMB million)*
Renminbi	**317,184**	272,367
U.S. dollar	**14,533**	14,925
Japanese Yen	**3,805**	3,992
Hong Kong dollar	**1,169**	1,404
Euro	**1,190**	1,386
Others	**906**	553
Total borrowings	**338,787**	294,627

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt. The Group's gearing ratio, calculated as net debt divided by total capital, as at 31 December 2019 was 42.6%, as compared with 41.1% as at 31 December 2018.

INDEBTEDNESS (CONTINUED)

Contingent Liabilities

	As at 31 December	
	2019	2018
	(RMB million)	*(RMB million)*
Pending lawsuits[(1)]	**1,201**	626
Outstanding loan guarantees[(2)]	**2,951**	8,217
Total	**4,152**	8,843

[(1)] The Group has been named defendants 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 the above pending lawsuits of RMB1,201 million (31 December 2018: RMB626 million) when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.

[(2)] The Group has acted as the guarantor for several external borrowings made by certain joint ventures and associates of the Group. The above amount represents the maximum exposure to default risk under the financial guarantee.

[(3)] The Group has entered into certain agreements with certain financial institution so as to establish asset-backed securities (ABS) and asset-backed notes (ABN). As at 31 December 2019, certain of the ABS and ABN in issue with an aggregate amount of RMB10,387 million (31 December 2018: RMB6,710 million) included the ABS and ABN issued to preferential investors of an aggregate amount of RMB7,919 million (31 December 2018: RMB6,322 million). Under the clauses of the agreements, the Group is subject to the obligations of liquidity supplementary payments to preferential investors when the cash available for distribution of the principal and fixed return at the due date is not sufficient. The directors of the Company evaluate the possibilities and assume that the obligations of liquidity supplementary payments is low.

[(4)] The companies in the Group which are engaged in the real estate business provide guarantees to banks for the mortgage loans of the property buyers. As at 31 December 2019, the outstanding balance of guarantees provided by the Group was approximately RMB3,994 million.

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.

Marco-economy Risk

The Group's businesses are closely related to the development of macro-economy, especially for infrastructure design and infrastructure construction business, of which the industry development is subject to the effects of macro-economic factors including investment scale of social fixed assets and the process of urbanisation.

The possibility of periodic fluctuations of macro-economy cannot be eliminated. If the global macro-economy is in the down cycle or the national economic growth speed significantly slows down, there will be a gliding risk in the operation performance of the Group.

Market Risk

The Group conducts its business in over 139 countries and regions, with major overseas business in Africa, South America, Southeast Asia, Oceania, Hong Kong, Macao, and Taiwan. Due to various factors, the political and economic conditions in Africa, Middle East and Southeast Asia are usually subject to uncertainty. If the political and economic conditions of such countries and regions change adversely, or there are frictions or disputes in the diplomatic and economic relations among the PRC government and governments of such relevant countries and regions, the overseas business of the Group in such countries and regions would be exposed to certain risks.

MARKET RISKS (CONTINUED)

Interest Rate Risk

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2019 and 2018, the Group's borrowings at variable rates were mainly denominated in RMB, USD, Euro and HKD.

Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

Increases in interest rates will increase the cost of new borrowings and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position. Management continuously monitors the interest rate position of the Group, and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the directors did not consider it was necessary to do so in 2019 and 2018.

As at 31 December 2019, the Group's borrowings of approximately RMB215,097 million (2018: RMB178,216 million) were at variable rates. As at 31 December 2019, if interest rates on borrowings had been 1.00 percentage-point higher/lower with all other variables held constant, profit before tax for the year would have been decreased/increased by RMB2,151 million (2018: RMB1,782 million), mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign Exchange Risk

The functional currency of the majority of the entities within the Group is RMB. Most of the Group's transactions are based and settled in RMB. Foreign currencies are used to settle the Group's revenue from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers, and certain expenses.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

As at 31 December 2019, the Group's aggregate net assets of RMB26,048 million, including trade and other receivables, cash and bank balances, trade and other payables and borrowings, were denominated in foreign currencies, mainly USD.

To manage the impact of currency exchange rate fluctuations, the Group continually assesses its exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments when management considers necessary.

As at 31 December 2019, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, pre-tax profit for the year would had been decreased/increased by approximately RMB249 million, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents.

Price Risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated statement of financial position either as equity investments designated at fair value through other comprehensive income or financial assets or other financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

MARKET RISKS (CONTINUED)

Force Majeure Risks

The infrastructure construction business and dredging business principally engaged by the Group are mostly outdoor work. Natural disasters including rainstorm, flooding, earthquake, typhoon, tsunami and fire and public health emergency such as epidemic occurred on the construction sites may cause damages to the site workers as well as property, and adversely affect the quality and progress of relevant businesses of the Group. Thus, force majeure may cause risks on affecting regular productions and operations or on increasing the operation costs.

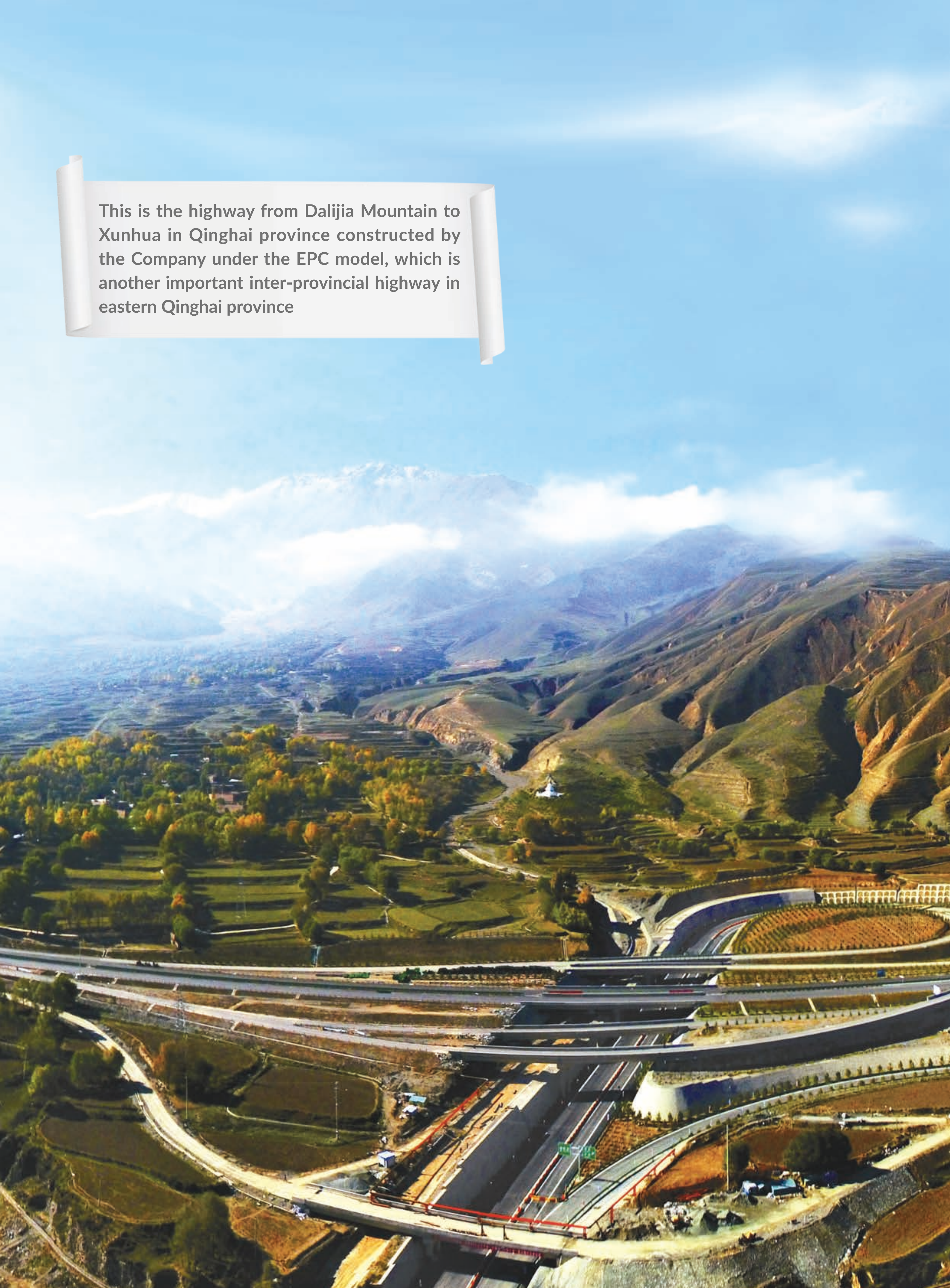
Since the outbreak of the COVID-19 epidemic in January 2020, Mainland China and other countries and regions have adopted measures to prevent and control the epidemic. The impact of the COVID-19 epidemic on the Group's operations was mainly reflected in the slowdown of project progress as a result of the delay in project resumption caused by the epidemic. The extent of the impact will depend on factors such as the situation of the epidemic, macro policies and the progress of work and production resumption of enterprises, etc.

The Group has strengthened its efforts on the prevention and control of the COVID-19 epidemic through implementing various policies and arrangements of the central government, and meanwhile steadily promoted the resumption of the projects. The Company will closely monitor the situation of the epidemic and continuously assess its impact on the financial positions and operating results of the Group in the future.

SIGNIFICANT SUBSEQUENT EVENTS

On 13 February 2020, the Company and CCCI Treasure Limited, the issuer, a company incorporated in British Virgin Islands with limited liability and 98.98% indirectly owned by the Company, entered into a subscription agreement in connection with the issuance and purchase of the subordinated perpetual securities in the aggregate principal amount of USD1,000,000,000 with an initial distribution rate of 3.425% per annum and the subordinated perpetual securities in the aggregate principal amount of USD500,000,000 with an initial distribution rate of 3.650% per annum guaranteed by the Company, with Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, BOCOM International Securities Limited, CLSA Limited, Huatai Financial Holdings (Hong Kong) Limited, SMBC Nikko Capital Markets Limited and Standard Chartered Bank. The issuer intends to use the proceeds from the offering of the securities to refinance existing indebtedness and for general corporate purposes. Permission for the listing of, and dealing in, the securities has become effective on 24 February 2020. For details, please refer to the announcements of the Company dated 11 February 2020, 14 February 2020 and 21 February 2020.

On 19 March 2019, CCCI Treasure Limited issued a notice of redemption on the USD1,100,000,000 unsubordinated guaranteed perpetual securities issued by it in 2015 and guaranteed by the Company, to redeem all such securities on 21 April 2020 at their principal amount. Upon completion of the redemption, the issuer will make an application to Hong Kong Stock Exchange for the withdrawal of the listing of such securities. For details, please refer to the announcement of the Company dated 19 March 2020.



This is the highway from Dalijia Mountain to Xunhua in Qinghai province constructed by the Company under the EPC model, which is another important inter-provincial highway in eastern Qinghai province

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present its report together with the audited financial statements of the Group prepared in accordance with IFRS for the year ended 31 December 2019.

PRINCIPAL BUSINESS

We are a leading transportation infrastructure group in the PRC and are principally engaged in infrastructure construction, infrastructure design and dredging businesses.

RESULTS

Results of the Group for the year ended 31 December 2019 and the financial position of the Group as at 31 December 2019 are set out in the audited financial statements in this annual report.

DIVIDEND POLICY

In accordance with the Company Law and other relevant laws and regulations, the Company has been implementing a continuous, sustainable and stable dividend distribution policy, and placing emphasis on the reasonable investment return to the investors while securing the sustainable development of the Company.

The Company actively promotes the way to distribute dividends with cash bonus. The profit distributed to the ordinary Shareholders in cash by the Company for each year shall not be less than 10% of the distributable profit available for the ordinary Shareholders realized in such year. The dividend distribution plan of the Company shall be drawn up and reviewed by the Board, taking comprehensive consideration of the factors including the industry characteristics, development stage, operation mode, profitability level and whether there is any significant payment arrangement for funds etc., make the differentiated cash bonus policy according to the program prescribed by the Articles of Association, and identify the proportion of the cash bonus in the profit distribution in the current year, with proportion in compliance with the relevant stipulations of laws, administrative regulations, normative documentation and stock exchanges.

DIVIDENDS

On 31 March 2020, the Board recommended a final dividend of RMB0.23276 (including tax) per Share (amounting to approximately RMB3,765 million in total) for the year ended 31 December 2019. The recommended final dividends are subject to Shareholders' approval at the annual general meeting to be held on 9 June 2020. The H Share register of Members of the Company will be closed for the purpose of determining H Share Shareholders' entitlement to attend the annual general meeting of the Company from Monday, 11 May 2020 to Tuesday, 9 June 2020 (both days inclusive). In order to attend the annual general meeting, H Share Shareholders shall complete the registration of H Share not later than 4:30 p.m. on Friday, 8 May 2020. The recommended final dividends distribution will be made based on the Company's entire issued share capital of 16,174,735,425 Shares. The final dividends are expected to be paid to Shareholders whose names appear on the register of members of the Company at the opening of business on 29 June 2020. The register of members will be closed from 23 June 2020 to 29 June 2020 (both days inclusive), during which period no transfers will be registered.

Dividends will be denominated and declared in Renminbi and will be paid to holders of H Shares in Hong Kong dollars. The relevant exchange rate is determined at RMB0.91370 equivalent to HK$1.00 as the middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on the date when such dividends were declared.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited ("CSDC") Shanghai Branch and in line with the market practice regarding dividend distribution for A shares, the Company will publish a separate announcement in respect of its final dividends distribution for A Shares after the Company's annul general meeting for 2019, which, among others, will set out the record date and ex-entitlement date of dividend distribution for A Shares.

Pursuant to relevant laws and regulations including the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and the Regulations for the Implementation of the Law of the People's Republic of China on Individual Income Tax (《中華人民共和國個人所得稅法實施條例》), and the letter dated 28 June 2011 from the State Administration of Taxation to the Inland Revenue Department of Hong Kong, as a withholding agent, the Company is required to withhold and pay the individual income tax at the tax rate of 10% in general on behalf of the Individual H Shareholders. For Individual H Shareholders who are citizens from countries under agreements to be entitled to tax rates lower than 10%, the Company can process applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to relevant regulations, and upon approval by the tax authorities, over withheld tax amounts will be refunded. For Individual H Shareholders receiving dividends who are citizens from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the Company will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and no application procedures will be necessary. For Individual H Shareholders receiving dividends who are citizens from countries without taxation agreements with the PRC or are under other situations, the Company will withhold the individual income tax at a tax rate of 20% when distributing dividends.

DIVIDENDS (CONTINUED)

In respect of the non-resident corporate shareholders, in accordance with the Law on Corporate Income Tax of the People's Republic of China and the Implementing Rules of the Law on Corporate Income Tax (collectively, the "Corporate Income Tax Law") implemented in 2008, starting from January 1, 2008, enterprises established in the PRC which distribute dividend to the non-resident corporate shareholders (namely, the legal person shareholders) for the accounting period from January 1, 2008 onwards shall withhold for payment of the corporate income tax, and the payer shall be the withholding agent. Therefore, the Company is required to withhold corporate income tax at the rate of 10% when distributing the 2019 final dividend to non-resident enterprise shareholders whose names appear on the H share register of members of the Company on the record date. The Company will distribute 2019 final dividend following withholding corporate income tax at the rate of 10% to all H share shareholders (including HKSCC Nominees Limited, other business agents or trustees, or other groups or organizations, all deemed as the non-resident corporate shareholders) who register in the name of a non-person shareholder on the H share register of members as of the record date.

Any resident enterprise (as defined under the Corporate Income Tax Law) whose name appears on the H share register of members of the Company and which is set up in the PRC in accordance with the PRC law, or which is set up in accordance with the law of a foreign country (region) whose actual administration institution is in the PRC, in the event of being unwilling for the Company's withholding corporate income tax at the rate of 10%, should lodge with the Company's share registrar, Computershare Hong Kong Investor Services Limited the Organization Code Certificate of the People's Republic of China issued by the relevant Chinese government authority or the equivalent copy certified by the Hong Kong lawyer or accountant to certify the place of establishment or the relevant legal documents that it is a resident enterprise incorporated in China (as defined under the Tax Law of the People's Republic of China), on or before 4:30 p.m. on Monday, 22 June 2020.

The Company will withhold for payment of the income tax strictly in accordance with the relevant laws or requirements of the relevant government departments and strictly based on what has been registered on the Company's register of members for H Shares at the opening of business on 29 June 2020. Investors and potential investors in the H Shares of the Company are recommended to consult their professional tax advisors if they are in any doubt as to the implications of the above mechanism of withholding, and the Company does not accept responsibility for any effect the above mechanism of withholding may have on any person.

DISTRIBUTION OF FINAL DIVIDEND TO INVESTORS OF NORTHBOUND TRADING

For investors of Hong Kong Stock Exchange, including enterprises and individuals, investing in the A Shares of the Company listed on the Shanghai Stock Exchange (the "Investors of Northbound Trading"), their final dividends will be distributed in RMB by the Company through CSDC Shanghai Branch to the account of the nominees holding such shares. The Company will withhold and pay income taxes of 10% on behalf of those investors and will report to the tax authorities. For Investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

The record date, the ex-entitlement date and the date of distribution of final dividend and other arrangements for the Investors of Northbound Trading will be the same with those for the A Shareholders of the Company.

DISTRIBUTION OF FINAL DIVIDEND TO INVESTORS OF SOUTHBOUND TRADING

(1) Distribution of Final Dividend to Investors of Southbound Trading on Shanghai Stock Exchange

For investors of the Shanghai Stock Exchange, including enterprises and individuals, investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the "Investors of Southbound Trading on Shanghai Stock Exchange"), the Company has entered into "the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading" (港股通H股股票現金紅利派發協議) with CSDC Shanghai Branch, pursuant to which, CSDC Shanghai Branch, as the nominee holders of H shares for the Investors of Southbound Trading on Shanghai Stock Exchange, will receive the final dividends distributed by the Company and distribute the final dividends to the relevant Investors of Southbound Trading on Shanghai Stock Exchange through its depository and clearing system.

The cash dividends for the investors of H shares of Southbound Trading on Shanghai Stock Exchange will be paid in RMB. Pursuant to the relevant requirements under the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect" (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Caishui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

DISTRIBUTION OF FINAL DIVIDEND TO INVESTORS OF SOUTHBOUND TRADING (CONTINUED)

(2) Distribution of Final Dividend to Investors of Southbound Trading on Shenzhen Stock Exchange

For investors of the Shenzhen Stock Exchange, including enterprises and individuals, investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the "Investors of Southbound Trading on Shenzhen Stock Exchange"), the Company has entered into "the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading" (《港股通H股股票現金紅利派發協議》) with CSDC Shenzhen Branch, pursuant to which, CSDC Shenzhen Branch, as the nominee holders of H shares for the Investors of Southbound Trading on Shenzhen Stock Exchange, will receive the final dividends distributed by the Company and distribute the final dividends to the relevant Investors of Southbound Trading on Shenzhen Stock Exchange through its depository and clearing system.

The cash dividends for the investors of H shares of Southbound Trading on Shenzhen Stock Exchange will be paid in RMB. Pursuant to the relevant requirements under the "Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect" (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Caishui [2016] No. 127), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The record date, the ex-entitlement date and the date of distribution of final dividend and other arrangements for the Investors of Southbound Trading on Shanghai Stock Exchange and Investors of Southbound Trading on Shenzhen Stock Exchange will be the same with those for the H Shareholders.

SHARE CAPITAL

The share capital of the Company remains unchanged during the year of 2019. As at 31 December 2019, the share capital structure of the Company was as follows:

		Shareholding structure	
No.	**Item**	**Number of shares**	**Percentage**
1	A Shares	11,747,235,425	72.63%
2	H Shares	4,427,500,000	27.37%
	Total	16,174,735,425	100.00%

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on the Shanghai Stock Exchange in March 2012 amounted to approximately RMB4,864 million.

At the second extraordinary general meeting of the Company on 30 October 2013, a resolution was passed in relation to the change in the use of proceeds raised from the A Share issue, details of which were set out in the circular published on the Hong Kong Stock Exchange on 13 September 2013 and the poll results of the abovementioned extraordinary general meeting was published on the Hong Kong Stock Exchange and on the Shanghai Stock Exchange on 30 October 2013, respectively.

According to the resolution, the Company (1) terminated the project to purchase dredging vessels where the Company originally planned to utilise proceeds of approximately RMB1,892 million, and the proceeds will be used as to RMB1,100 million in the development of the BOT Project of Guizhou Guiyang-Weng'an Expressway, RMB330 million in the BOT Project of Fengdu-Zhongxian Expressway of Chongqing Coastal Expressway, and approximately RMB462 million to supplement the Company's working capital permanently; (2) terminated the project to purchase engineering ships and mechanical equipment where the Company originally planned to utilize proceeds of approximately RMB1,080 million, and the proceeds are intended to be used to purchase 2 crane vessels and 8 shield machines; and (3) intended to use all accrued interests on the proceeds raised to supplement the Company's working capital permanently.

As at 31 December 2019, the proceeds from the Company's initial public offering have been fully utilised.

UTILISATION OF PROCEEDS FROM THE ISSUANCE OF CORPORATE BONDS BY THE COMPANY

From 9 August 2012 to 13 August 2012, the corporate bonds for an aggregate amount of RMB12 billion have been publicly issued by the Company. Among the proceeds from this issuance of corporate bonds, RMB3 billion should be used to adjust debt structure and replace bank loans, and the remaining proceeds after deducting issuance costs should be fully used to supplement the working capital and improve the financial condition. As at 31 December 2019, the proceeds from the issuance of the above corporate bonds have been fully utilised as planned.

On 24 July 2019, the corporate bonds (bonds abbreviations: 19 CCCC G1, 19 CCCC G2) for an aggregate amount of RMB4 billion have been publicly issued by the Company to qualified investors. The proceeds after deducting issuance costs should be fully used to supplement the working capital. As at 31 December 2019, the proceeds from the issuance of the above corporate bonds have been fully utilised as planned.

On 13 August 2019, the corporate bonds (bonds abbreviations: 19 CCCC G3, 19 CCCC G4) for an aggregate amount of RMB4 billion have been publicly issued by the Company to qualified investors. The proceeds after deducting issuance costs should be fully used to repay the bonds "19 CCCC G2". As at 31 December 2019, the proceeds from the issuance of the above corporate bonds have been fully utilised as planned.

On 12 November 2019, the renewable corporate bonds (bonds abbreviation: 19 CCCC Y1) for an aggregate amount of RMB5 billion have been publicly issued by the Company to qualified investors. The proceeds after deducting issuance costs should be fully used to supplement the working capital. As at 31 December 2019, the proceeds from the issuance of the above corporate bonds have been fully utilised as planned.

On 25 December 2019, the renewable corporate bonds (bonds abbreviation: 19 CCCC Y3) for an aggregate amount of RMB2 billion have been publicly issued by the Company to qualified investors. The proceeds after deducting issuance costs should be fully used to supplement the working capital. As at 31 December 2019, the unused proceeds from the issuance of the above corporate bonds totaled RMB2 billion.

UTILISATION OF PROCEEDS FROM THE ISSUANCE OF PREFERENCE SHARES BY THE COMPANY IN 2015

The Company's preference shares issued on Shanghai Stock Exchange were as follows:

Preference shares code	Abbreviation of preference shares	Date of Issue	Issue price *(in RMB)*	Dividend rate *(%)*	Number of shares issued	Listing date	Number of shares traded with listing approval	Delisting Date
360015	CCCC Preferred 1	26 August 2015	100	5.10	90,000,000	22 September 2015	90,000,000	
360017	CCCC Preferred 2	16 October 2015	100	4.70	55,000,000	6 November 2015	55,000,000	

In accordance with the Approval Regarding the Non-public Issuance of Preference Shares of China Communications Construction Company Limited (Zheng Jian Approval [2015] No.1348) from the CSRC and the Report on the Non-public Issuance of Preference Shares of China Communications Construction Company Limited, the Company made a non-public issuance of 90 million preference shares (First Tranche) and 55 million preference shares (Second Tranche) at a par value of RMB100 per share. The total proceeds amounted to RMB14,500 million and the actual proceeds net of relevant issuance expenses of RMB32 million amounted to RMB14,468 million.

In accordance with the commitment made in the application document for the issuance of preference shares, the net proceeds from the preference shares would be used for the following three types of projects: RMB4.909 billion for Type one infrastructure investment projects, RMB5.966 billion for Type two supplementing the operating capital for major construction contracting projects and RMB3.625 billion for Type three supplementing the general working capital.

Pursuant to the overseas regulatory announcement of the Company dated 31 October 2015 in relation to the replacement of self-raised funds already committed in advance to fund-raising investment projects with raised funds, the Company has agreed to replace the self-raised funds already committed to fund-raising investment projects with raised funds from the issuance of preference shares. As of 31 December 2019, the proceeds from issuance of preference shares above have been fully utilised.

PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Hong Kong Listing Rules and as agreed with the Hong Kong Stock Exchange.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

The following table sets out certain information concerning the Directors, Supervisors and senior management of the Company as at the date of this annual report.

Name	Age	Position in the Company	Date of appointment	Emoluments for the year ended 31 December 2019 (before tax) (Note 1) *(RMB'000)*
LIU Qitao	62	Executive Director and chairman	22 November 2017	1,699
SONG Hailiang	54	Executive Director and president	20 November 2018 and 22 October 2018	1,344
LIU Maoxun (Note 2)	64	Non-executive Director	22 November 2017	45
QI Xiaofei (Note 3)	62	Non-executive Director	22 November 2017	0
HUANG Long	66	Independent non-executive Director	22 November 2017	60
ZHENG Changhong	64	Independent non-executive Director	22 November 2017	60
NGAI Wai Fung	57	Independent non-executive Director	22 November 2017	222
LI Sen	55	Chairman of the Supervisory Committee (representative of the Shareholders)	22 November 2017	1,070
WANG Yongbin	54	Supervisor (representative of the Shareholders)	22 November 2017	969
YAO Yanmin	56	Supervisor (representative of the employees)	22 November 2017	964
WEN Gang	53	Vice president	22 November 2017	1,419
WANG Jian	55	Vice president	22 November 2017	1,070
ZHOU Jingbo (Note 4)	56	Vice president	30 October 2019	1,796
LI Maohui (Note 4)	57	Vice president	30 October 2019	2,137
ZHU Hongbiao (Note 5)	49	Chief financial officer	30 October 2019	956
PEI Minshan (Note 4)	48	Vice president	30 October 2019	1,585
CHEN Zhong (Note 4)	48	Vice president	30 October 2019	1,845
ZHOU Changjiang	54	Secretary of the Board and company secretary	22 November 2017 and 13 December 2017	1,054
CHEN Yun (Note 6)	56	Executive Director	22 November 2017	1,245
PENG Bihong (Note 7)	56	Chief financial officer	27 September 2018	634
WANG Haihuai (Note 8)	51	Vice president	22 November 2017	1,152
SUN Ziyu (Note 8)	57	Vice president	22 November 2017	1,152

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY (CONTINUED)

Note 1: Please refer to Note 9 of the audited financial statements for details of the emoluments (including basic salaries, housing allowances and other allowances, contributions to pension plans and discretionary bonuses) of the Directors and Supervisors of the Company in 2019. The emoluments payable to the Directors, Supervisors and senior management are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and prevailing market rate.

The emoluments received by Liu Qitao, Chen Yun, Wen Gang, Song Hailiang, Peng Bihong, Wang Haihuai and Sun Ziyu included performance-based emoluments and term incentives. The emoluments received by Li Sen, Wang Yongbin, Yao Yanmin, Wang Jian and Zhou Changjiang included performance-based emoluments.

Zhu Hongbiao, Zhou Jingbo, Li Maohui, Pei Minshan and Chen Zhong worked in the Company before their appointments, so the emoluments disclosed were their emoluments for the whole year. In particular, the emoluments received by Zhou Jingbo, Li Maohui, Chen Zhong and Pei Minshan included performance-based emoluments and term incentives and the emoluments received by Zhu Hongbiao included performance-based emoluments.

Note 2: Liu Maoxun was adjusted from a full-time external director to an external director served by the head of central enterprise who has left current office in April 2019 and work subsidies have been paid since then.

Note 3: Mr. Qi Xiaofei resigned as the non-executive Director of the Company on 13 February 2020 due to change of work.

Note 4: Mr. Zhou Jingbo, Mr. Li Maohui, Mr. Pei Minshan and Mr. Chen Zhong were appointed as the vice president of the Company on 30 October 2019.

Note 5: Mr. Zhu Hongbiao was appointed as the chief financial officer of the Company on 30 October 2019.

Note 6: Mr. Chen Yun resigned as the executive Director on 1 August 2019.

Note 7: Mr. Peng Bihong resigned as the chief financial officer of the Company on 30 October 2019.

Note 8: Mr. Wang Haihuai and Mr. Sun Ziyu resigned as the vice president of the Company on 30 October 2019.

Details of the emoluments (before taxes) of each senior management of the Company (excluding Directors who also hold executive positions) in 2019 are set out below:

Name	**Basic salaries, housing allowances and other allowances** *RMB'000*	**Contributions to pension plans** *RMB'000*	**Discretionary bonuses** *RMB'000*	**Total** *RMB'000*
WEN Gang	237	50	1,132	1,419
WANG Jian	447	50	573	1,070
ZHOU Jingbo *(Note 1)*	484	50	1,262	1,796
LI Maohui *(Note 1)*	760	50	1,327	2,137
ZHU Hongbiao *(Note 2)*	638	50	268	956
PEI Minshan *(Note 1)*	758	50	777	1,585
CHEN Zhong *(Note 1)*	584	50	1,211	1,845
ZHOU Changjiang	461	50	543	1,054
PENG Bihong *(Note 3)*	198	43	393	634
WANG Haihuai *(Note 4)*	198	43	911	1,152
SUN Ziyu *(Note 4)*	198	43	911	1,152

Note 1: Mr. Zhou Jingbo, Mr. Li Maohui, Mr. Pei Minshan and Mr. Chen Zhong were appointed as the vice president of the Company on 30 October 2019.

Note 2: Mr. Zhu Hongbiao was appointed as the chief financial officer of the Company on 30 October 2019.

Note 3: Mr. Peng Bihong resigned as the chief financial officer of the Company on 30 October 2019.

Note 4: Mr. Wang Haihuai and Mr. Sun Ziyu resigned as the vice president of the Company on 30 October 2019.

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

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has confirmed its receipt of a confirmation from each of the independent non-executive Directors of the Company of its independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

BOARD COMMITTEES

Committees under the Board include Strategy and Investment Committee, Audit and Internal Control Committee, Remuneration and Appraisal Committee as well as Nomination Committee. The composition of each committee is set out in the "Corporate Governance Report" in this annual report.

MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the interests or short positions of Shareholders (other than Directors, Supervisors and chief executive of the Company) who have an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed by the Company as recorded in the register required to be maintained under Section 336 of the SFO are as follows:

Name of Shareholder *(Note 1)*	**Number of shares held**	**Type of shares**	**Percentage of the respective type of shares** *(Note 2)* *(%)*	**Percentage of the total number of shares in issue** *(Note 3)* *(%)*	**Capacity in which the shares are held**
CCCG	9,374,616,604 (Long position)	A Shares	79.80	57.96	Beneficial owner
	2,032,234,680 (Short position)	A Shares	17.30	12.56	Beneficial owner
BlackRock, Inc.	307,544,395 (Long position)	H Shares	6.95	1.90	Interest of controlled corporation
	2,578,000 (Short position)	H Shares	0.06	0.02	Interest of controlled corporation
The Bank of New York Mellon Corporation	272,617,412 (Long position)	H Shares	6.16	1.69	Interest of controlled corporation
	257,644,262 (Lending pool)	H Shares	5.82	1.59	

Note 1: The table is prepared based on the disclosure of interest fillings of the substantial Shareholders published on the website of the Hong Kong Stock Exchange for the relevant events as at 31 December 2019.

Note 2: The percentage of respective type of shares is based on 11,747,235,425 A Shares and 4,427,500,000 H Shares of the Company as at 31 December 2019, respectively.

Note 3: The percentage of total number of shares in issue is based on 16,174,735,425 shares of the total issued share capital of the Company as at 31 December 2019.

MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

As at 31 December 2019, there were 13,672 H Shareholders and 146,703 A Shareholders as shown on the register of members of the Company. Particulars of the top 10 Shareholders of the Company as at 31 December 2019 were as follows:

	Name of shareholder	Nature	Percentage	Number	Number of shares subject to trading restriction	Number of shares pledged or frozen
1	CCCG(Note 1)	State	45.39	7,342,381,924	0	Nil
2	HKSCC NOMINEES LIMITED(Note 2)	Foreign legal person	27.11	4,385,262,101	0	Unknown
3	CCCG – Special Accounts of Pledge for non-public issuance of 2017 exchangeable corporate bonds	State	12.56	2,032,234,680	0	Pledged
4	China Securities Finance Corporation Limited	State-owned legal person	2.99	483,846,096	0	Unknown
5	Guoxin Investment Co., Ltd	State-owned legal person	1.15	185,646,200	0	Unknown
6	Beijing Chengtong Financial Investment Co., Ltd.	State-owned legal person	1.01	163,007,946	0	Unknown
7	Central Huijin Asset Management Ltd.	State-owned legal person	0.61	98,075,800	0	Unknown
8	Hong Kong Securities Clearing Company Limited	Foreign legal person	0.36	58,319,861	Nil	Unknown
9	National 103 Composition, Social Security Fund	Unknown	0.23	37,999,993	0	Unknown
10	Bank of China Limited – Fullgoal CSI SOEs Belt and Road ETF	Foreign legal person	0.18	29,723,900	Unknown	Unknown

Note 1: On 12 September 2019, CCCG subscribed for the fund products of Bosera Asset Management Co., Limited, Harvest Fund Management Co., Ltd. and GF Fund Management Co., Ltd. (hereafter referred to as the "Central-SOEs Technological Innovation ETF") by 242,100,000 A shares.

On 5 November 2019, CCCG subscribed for the fund products of E Fund Management Co., Ltd., Fullgoal Fund Management Co., Ltd., China Universal Asset Management Co., Ltd. (hereafter referred to as the "Belt and Road ETF") by 72,823,600 A shares.

The matters above have been disclosed in the 2019 third quarterly report of the Company dated 30 October 2019 and the overseas regulatory announcement of the Company dated 13 November 2019 in relation to the subscription of ETF funds by the controlling Shareholder, respectively.

As at 31 December 2019, CCCG held 9,374,616,604 tradable A Shares, representing 57.96% of the total share capital of the Company, of which 2,032,234,680 A Shares were held by the Special Accounts of Pledge for non-public issuance of 2017 exchangeable corporate bonds.

Note 2: HKSCC Nominees Limited (香港中央結算(代理人)有限公司) is holding H Shares of the Company on behalf of various Shareholders of the Company.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares of equity derivatives or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to the Company notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules ("Model Code").

As at 31 December 2019, the Company had not granted its Directors, Supervisors or chief executive or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for shares or debentures.

COMPETING BUSINESS

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

FINANCIAL, BUSINESS AND FAMILY RELATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

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

Apart from the service contracts with the Company or its subsidiaries (if applicable), for the year ended 31 December 2019, none of the Directors or Supervisors of the Company was materially interested, whether directly or indirectly, in any transaction, arrangement or contract of significance to which the Company, its subsidiary or holding company or a subsidiary of the Company's holding company is a party.

ENVIRONMENTAL POLICIES AND PERFORMANCE

By fully implementing the major decisions of the Party Central Committee and the State Council on the ecological civilization construction, firmly establishing the development concepts of building "green mountains and waters" and adhering to the principles of "protection first, prevention first, comprehensive governance, public participation and bearing responsibility for damage", CCCC has comprehensively and continuously improved environmental management, vigorously promoted energy conservation and emission reduction, and actively carried out environmental protection actions, for the purpose of promoting the Company's green development, and making positive contributions to achieving the goals of the bluer sky, greener mountains and clearer water and thus building a beautiful China.

Establishing and improving the environmental protection management system: CCCC has established a sound environmental management system and established a leading group for ecological environmental protection with our chairman and president as the two team leaders, trying to continuously improve the construction of the environmental management systems. We have carried out the preparation of environmental protection systems and standards such as the supervision and management methods for ecological environment protection, the inspection methods for ecological environment protection, emergency plans for environmental accidents and green construction evaluation standards for highway projects, and have also upgraded the statistical reporting management system for energy conservation and environmental protection information and optimized reporting indicators, strengthened the assessment of energy conservation and environmental protection work, carried out self-examination and improvement of ecological environmental protection, and comprehensively improved the level of environmental management. The Company continued to build "green" demonstrative projects, and integrated the concept of green development throughout the entire process from planning, design, construction, operation to maintenance, protecting the ecological environment in all directions. For details of the Group's environmental policies and performance, please refer to the section headed "Environmental, Social and Governance Report" in this report and the Group's "2019 Corporate Social Responsibility Report of China Communications Construction Company Limited" published on the websites of the Shanghai Stock Exchange and the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements. During the year ended 31 December 2019, the Group had complied in all material respects with relevant PRC laws and regulations, and the Company and all of its direct subsidiaries had obtained all licenses, approvals and permits from appropriate regulatory authorities that are material for its business operations in the PRC. As a result of our international activities, we are subject to the laws and regulations of the various countries and regions in which we do business, in addition to the laws of the PRC. Meanwhile, as the Company is listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, therefore we are also required to comply with the listing rules and applicable laws and regulations of listing places. As far as the Company is aware, the Group has also complied with overseas laws and regulations, as well as the listing rules and applicable laws and regulations of listing places during the year ended 31 December 2019. The Group has more sound internal control system in place, so as to monitor and ensure the legitimacy and compliance of our production, construction and operating activities.

KEY RELATIONSHIPS

The Group's success also depends on the support from employees, customers, suppliers and etc.

Employees

Adhering to the value creator-oriented concept, the Group actively protects the rights and interests of employees for whom the multi-level and multi- dimension career development space is created. The Company's employment system is based on the corporate strategic development. According to the corporate development needs, CCCC has employed all kinds of talents that meet the job position requirements and recognize the Company's cultural philosophy on the open, fair, competitive, merit-based principle. The Group actively promotes the establishment of harmonious labour relations, provides good career development space and working environment for the employees, provides all employees with competitive remuneration packages, protects the career health of the employees, concerns about their lives, shares the corporate development results with them and realised mutual development between the employees and the Group.

Customers

Most of the customers of the Group's infrastructure construction business, infrastructure design business and dredging business are PRC government agencies at the national, provincial and local levels, and state owned enterprises. When providing prime-quality projects and products for customers, the Group performs its obligations under contracts in good faith, actively creates values for its customers, and enhances the level of service satisfaction. CCCC and all its subsidiaries have established client visit systems.

KEY RELATIONSHIPS (CONTINUED)

Suppliers

Adhering to the goal of "building CCCC into a world-class enterprise", the Group has established a sound supply chain management system by preparing the Construction Planning of CCCC on the Supply Chain Management System (《中國交建供應鏈管理體系建設規劃》) and the Implementation Plan of CCCC on the Supply Chain Management System (《中國交建供應鏈管理體系實施方案》). In accordance with the Detailed Rules of CCCC on Management of Material Providers (《中國交建物資供貨商管理細則》), the Company selected and re-evaluated the suppliers based on their supply price, safety management, environmental protection capability, inspection and testing capability, product infringement status, production capability, supply cycle, after-sales service and support capability, etc., gave priority to the suppliers with high-quality, safe and environmentally-friendly products and carried out full-cycle management of the approval, assessment and dismissal of suppliers.

For the steady progress of the supply chain management system building, the Company contributed to the establishment of a special group for further reform and enhancement of the supply chain management and took supply chain as one of the focuses of the all-round and in-depth reform. In 2019, the Company presided over the preparation of the Research Report on Intelligent Supply Chain of Central Enterprises (《中央企業智慧供應鏈研究課題報告》), carried out in-depth research and practical experiments on modern supply chains, and set the benchmark for the supply chain in the construction industry. In the benchmarking evaluation of procurement management by the SASAC, the Company obtained the secured second place in the procurement management evaluation of central enterprises in the construction sector.

PERMITTED INDEMNITY PROVISION

As at 31 December 2019, all directors of the Company were covered under the liability insurance purchased by the Company for its directors.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2019.

REPORT OF THE BOARD OF DIRECTORS

SUMMARY OF FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

The tables below set out a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2019.

Consolidated Income Statement

	2019 ***RMB million***	2018 *RMB million* (Restated)	2017 *RMB million* (Restated)	2016 *RMB million* (Restated)	2015 *RMB million* (Restated)
Revenue	**552,542**	488,666	460,067	406,331	380,344
Gross profit	**69,131**	64,611	60,437	54,499	46,275
Profit before income tax	**27,462**	26,046	23,651	22,635	19,399
Profit for the year	**21,614**	20,438	18,542	17,458	15,768
Attributable to:					
– owners of the Company	**20,094**	19,819	17,913	17,100	15,779
– non-controlling interests	**1,520**	619	629	358	(11)
Earnings per share for profit attributable to the equity holders of the Company *(expressed in RMB)*					
Basic					
– For profit for the year	**1.16**	1.16	1.23	1.00	0.96
– For profit from continuing operations	**1.16**	1.16	1.04	0.99	0.96
Diluted					
– For profit for the year	**1.16**	1.16	1.23	1.00	0.96
– For profit from continuing operations	**1.16**	1.16	1.04	0.99	0.96
Dividends	**3,765**	3,733	3,913	3,145	3,079

Note: As affected by the disposal of ZPMC, ZPMC was classified as a discontinued operation and the comparative statement of profit or loss in 2015–2016 for the Group has been restated.

Consolidated Balance Sheet

	2019	2018	2017	2016	2015
Total assets	**1,120,400**	960,476	849,888	801,082	731,313
Total liabilities	**824,021**	720,794	644,294	614,512	562,307
Capital and reserves attributable to owners of the Company	**230,153**	197,178	180,922	159,323	146,724
Non-controlling interests	**66,226**	42,504	24,672	27,247	22,282

Note: The financial figures for the year 2018 and 2019 were extracted from the 2019 Consolidated Financial Statements. The financial figures for the year 2015 to 2017 were extracted from the 2015, 2016 and 2017 annual report, respectively.

BANK LOANS AND OTHER BORROWINGS

Please refer to Note 30 of the audited financial statements for details of bank loans and other borrowings of the Group.

FIXED ASSETS

Please refer to Note 14 of the audited financial statements for movements in the property, plant and equipment of the Group for the year ended 31 December 2019.

CAPITALISED INTEREST

Please refer to Note 8 of the audited financial statements for details of the capitalised interest expense of the Group for the year ended 31 December 2019.

RESERVES

Please refer to Notes 49 and 36 of the audited financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2019 respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2019 amounted to approximately RMB16,552 million.

DONATIONS

For the year ended 31 December 2019, the Group made charitable and other donations in a total amount of approximately RMB48 million.

SUBSIDIARIES

Please refer to Note 1 of the audited financial statements for details of the Company's principal subsidiaries as at 31 December 2019.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Please refer to Notes 14, 15, 16(a), 16(b), 17, 18, 19, 20, 21 and 40 of the audited financial statements for details of significant investments and acquisitions incurred during the year ended 31 December 2019.

REPORT OF THE BOARD OF DIRECTORS

MATERIAL DISPOSAL OF EQUITY INTERESTS

Introduction of Third-Party Investors for Capital Contribution to Certain Subsidiaries

On 25 September 2019, the Company, the Target Subsidiaries (including CCCC Second Harbour Engineering Co., Ltd., Road & Bridge International Co., Ltd. and CCCC Fourth Highway Engineering Co., Ltd., subject to specific investment agreement and capital contribution agreement) and the Investors (including ICBC Financial Asset Investment Co., Ltd., ABC Financial Asset Investment Co., Ltd., BOC Financial Asset Investment Co., Ltd., CCB Financial Asset Investment Company Limited and BoCom Financial Asset Investment Co., Ltd., subject to specific investment agreement and capital contribution agreement) entered into the investment agreements and capital contribution agreements, pursuant to which, the Investors agreed to make capital contribution to the Target Subsidiaries pursuant to the terms and conditions of each of the investment agreements and capital contribution agreements and an aggregate amount of RMB6.0 billion was introduced. On 31 October 2019, the Company, the Target Subsidiaries (including CCCC First Highway Engineering Group Co., Ltd., CCCC Second Highway Engineering Co., Ltd. and CCCC Fourth Harbour Engineering Co., Ltd., subject to specific investment agreement and capital contribution agreement) and the above Investors entered into investment agreements and capital contribution agreements, pursuant to which, the Investors agreed to make capital contribution to the Target Subsidiaries pursuant to the terms and conditions of each of the investment agreements and capital contribution agreements and an aggregate amount of RMB7.5 billion was introduced. Upon completion of the capital contribution, the Target Subsidiaries will continue to be the subsidiaries of the Company and the Company will continue to hold the actual control over the Target Subsidiaries.

For details of the aforesaid transaction, please refer to the announcement of the Company dated 31 October 2019.

Transfer of Shares and Capital Increase in CCCC Dredging by CCCG

On 18 June 2019, the Company entered into an equity transfer and capital increase agreement with CCCG and CCCC Dredging, pursuant to which CCCG agreed (i) to acquire 3,495,604,287 shares in CCCC Dredging from the Company at the purchase price of RMB2.47 per share, representing 29.69% of the existing issued share capital of CCCC Dredging and 25.33% of the enlarged issued share capital of CCCC Dredging; and (ii) to subscribe for 2,024,291,498 shares in CCCC Dredging at the subscription price of RMB2.47 per share, representing 17.19% of the existing issued share capital of CCCC Dredging and 14.67% of the enlarged issued share capital of CCCC Dredging. Upon completion of the proposed share transfer and the proposed capital increase, the shares in CCCC Dredging to be held by the Company and its subsidiary, CRBC, will represent 60% of the enlarged issued share capital of CCCC Dredging in total; while the shares in CCCC Dredging to be held by CCCG will represent 40% of the enlarged issued share capital of CCCC Dredging.

Apart from the proposed share transfer, the Company proposed to transfer 4,580,082,373 shares in CCCC Dredging to third parties (other than CCCG and its subsidiaries) at the floor purchase price of RMB2.47 per share on the China Beijing Equity Exchange by way of public tender, representing 38.8952% of the existing issued share capital of CCCC Dredging and 33.1896% of the enlarged issued share capital of CCCC Dredging. Upon the completion of these transactions, CCCC Dredging will cease to be a subsidiary of the Company and its financial results will be deconsolidated from those of the Company.

On 30 October 2019, the Company entered into the termination agreement of share transfer and capital increase agreement with CCCG and CCCC Dredging. Meanwhile, the Company has determined to apply to the China Beijing Equity Exchange for the termination of the tender procedures.

For details of the aforesaid transactions, please refer to the announcements of the Company dated 18 June 2019, 5 August 2019, 11 September 2019, 15 October 2019 and 30 October 2019 and the circular of the Company dated 10 July 2019.

CHANGE IN EQUITY

Please refer to Notes 34, 35 and 36 of the audited financial statements for detail of changes in equity.

RETIREMENT BENEFITS

Please refer to Note 32 of the audited financial statements for details of retirement benefits.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The diversified business structure of the Company had provided an extensive base of suppliers and customers with low concentration. There is no reliance of the Company on a single supplier or customer. As at 31 December 2019, the sales of the Group to the five largest customers amounted to RMB25,165 million, representing 6.41% of the Group's revenue; the aggregate purchase from the five largest suppliers by the Group amounted to RMB3,545 million, representing 1.97% of the Group's aggregate purchase for the year.

CONNECTED TRANSACTIONS

The Company has entered into the following connected transactions in the year 2019.

Acquisition of 30% Equity Interest in Hangzhou Zhaolian to Develop the Project Land Parcel

On 4 January 2019, CCCC Urban Investment Co., Ltd. ("CCCC Urban Investment"), a wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Hangzhou Greentown Zhizhen Investment Co., Ltd. ("Greentown Zhizhen") and Guangzhou Junwei Real Estate Development Co., Ltd. ("Guangzhou Junwei"), pursuant to which CCCC Urban Investment has conditionally agreed to acquire and Greentown Zhizhen has conditionally agreed to sell 30% equity interest in Hangzhou Zhaolian Development Co., Ltd. ("Hangzhou Zhaolian") (being 30% equity interest in Guangzhou Lvzhen Real Estate Development Co., Ltd. ("Guangzhou Lvzhen") and 30% interest in the project land parcel as at 4 January 2019) for the consideration of RMB1,505,700, Guangzhou Junwei has conditionally agreed to acquire and Greentown Zhizhen has conditionally agreed to sell 70% equity interest in Hangzhou Zhaolian (being 70% equity interest in Guangzhou Lvzhen and 70% interest in the project land parcel as at 4 January 2019) for the consideration of RMB3,513,300.

As at the same date, CCCC Urban Investment entered into the cooperation agreement with Greentown Zhizhen, Guangzhou Junwei, Greentown South China Investment & Development Limited ("Greentown South China"), Greentown Real Estate Group Co., Ltd. ("Greentown Real Estate"), Hangzhou Zhaolian, Guangzhou Lvzhen and the Partner in respect of the project land parcel for joint investment and development of the project land parcel. According to the cooperation agreement, Greentown South China and the partner will acquire the equity interest in Guangzhou Junwei. Upon the completion of above acquisition, Greentown South China and the partner will hold 42.8% and 57.2% equity interest in Guangzhou Junwei, respectively. Accordingly, CCCC Urban Investment, the partner and Greentown South China will hold 30%, 40.04% and 29.96% equity interest in Guangzhou Lvzhen and 30%, 40.04% and 29.96% interest in the project land parcel, respectively. According to the cooperation agreement, CCCC Urban Investment, the partner and Greentown South China shall assume 30%, 40.04% and 29.96% of the amount of consideration for the project land parcel and the interest of borrowing of Greentown Real Estate, if required, (i.e., not more than RMB301,256,700, RMB401,627,300 and RMB 297,053,400) in proportion to their respective shareholding percentage in Hangzhou Zhaolian and Guangzhou Lvzhen.

On 4 January 2019, Greentown Zhizhen, Greentown South China, Greentown Real Estate and Guangzhou Lvzhen are the subsidiaries of CCCG, the controlling Shareholder of the Company which holds approximately 59.91% interests in the Company. Greentown Zhizhen, Greentown South China, Greentown Real Estate and Guangzhou Lvzhen are thus connected persons of the Company. As such, the transactions contemplated under the equity transfer agreement and the cooperation agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the transactions (in aggregation) under the equity transfer agreement and the cooperation agreement exceeds 0.1% but is less than 5%, such agreements and the transactions contemplated thereunder are subject to the announcement requirement but are exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 4 January 2019.

Capital Increase in CCCCSA SARL

On 11 January 2019, the Company and its subsidiaries, namely CHEC, CRBC, CCCC Dredging, entered into the shareholders' agreement with ZPMC and CCCG Overseas Real Estate Pte. Ltd. ("CCCG Overseas Real Estate") (both are subsidiaries of CCCG), pursuant to which the Company, CHEC, CRBC, ZPMC and CCCC Dredging agreed to make a capital contribution of US$18,115,314, US$16,306,092, US$14,489,171, US$14,489,171 and US$13,588,410 (equivalent to approximately HK$142,005,946, HK$127,823,455, HK$113,580,611, HK$113,580,611 and HK$106,519,546) to CCCC South America Regional Company S.à.r.l. ("CCCCSA SARL") in cash, respectively.

On 11 January 2019, ZPMC and CCCG Overseas Real Estate are subsidiaries of CCCG, the controlling Shareholder of the Company which holds approximately 59.91% interest in the Company. ZPMC and CCCG Overseas Real Estate are thus connected persons of the Company. As such, the capital increase under the shareholders' agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Prior to the capital increase, CCCCSA SARL is owned as to an aggregate of 69% interest by the Company and its subsidiaries while an aggregate of 31% interest by ZPMC and CCCG Overseas Real Estate. Upon completion of the capital increase, the Company and its subsidiaries will hold an aggregate of 74.21% interest while ZPMC and CCCG Overseas Real Estate will hold an aggregate of 25.79% interest in CCCCSA SARL. As such, CCCCSA SARL will remain a connected subsidiary of the Company by virtue of Rule 14A.16 of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the capital increase under the shareholders' agreement exceeds 0.1% but is less than 5%, the shareholders' agreement and the transaction contemplated thereunder is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 11 January 2019.

CONNECTED TRANSACTIONS (CONTINUED)

Formation of a Joint Venture

On 18 March 2019, CHECC, CCCC Haixi Investment Company Limited ("CCCC Haixi") (both are wholly-owned subsidiaries of the Company) and CCCG entered into the joint venture agreement for the formation of the joint venture. Pursuant to the joint venture agreement, the registered capital of the joint venture is RMB1,000 million, of which RMB390 million, RMB100 million and RMB510 million will be contributed by CHECC, CCCC Haixi and CCCG, accounting for 39%, 10% and 51% of the total registered capital of the joint venture, respectively.

On 18 March 2019, CCCG is the controlling Shareholder of the Company, which holds approximately 59.91% interests in the issued ordinary shares of the Company. CCCG is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the formation of the joint venture under the joint venture agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the formation of the joint venture under the joint venture agreement exceeds 0.1% but is less than 5%, the joint venture agreement and the transaction contemplated thereunder is subject to announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 18 March 2019.

Formation of a Platform Company

On 22 March 2019, in order to jointly develop the China Economic and Industrial Park Project in Chattogram of Bangladesh, CHEC (a wholly-owned subsidiary of the Company) and CCCC Industrial Investment Holding Limited ("CCCC Industrial Investment") (a wholly-owned subsidiary of CCCG) entered into the shareholders' agreement for the formation of the platform company. Pursuant to the shareholders' agreement, the registered capital of the platform company is US$74,290 (equivalent to approximately HK$582,983), of which US$52,003 and US$22,287 (equivalent to approximately HK$408,088 and HK$174,895) will be contributed by CHEC and CCCC Industrial Investment, accounting for 70% and 30% of the total registered capital of the platform company, respectively. Upon formation of the platform company, CHEC and CCCC Industrial Investment will make additional capital contributions to the platform company in proportion to their respective shareholding percentage in the platform company by way of capital increase or shareholder borrowings in accordance with the actual situation. Wherein, the capital contributions made by CHEC shall not exceed US$100 million (equivalent to approximately HK$785 million).

Upon the formation of the platform company, the Company will hold 70% of its equity interests. Accordingly, the platform company will become a subsidiary of the Company, and its financial results will be consolidated into that of the Group.

On 22 March 2019, CCCC Industrial Investment is a subsidiary of CCCG, which holds approximately 59.91% interests in the issued ordinary shares of the Company. CCCC Industrial Investment is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the formation of the platform company under the shareholders' agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the formation of the platform company under the shareholders' agreement exceeds 0.1% but is less than 5%, the shareholders' agreement and the transaction contemplated thereunder is subject to announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 22 March 2019.

Disposals of Equity Interest in Subsidiaries to CACC

On 3 June 2019, CFHCC and China Airport Construction Group Company Limited ("CACC") entered into equity transfer agreement I, pursuant to which CFHCC has conditionally agreed to sell and CACC has conditionally agreed to acquire 67% equity interest in No. 4 Engineering Company, at a consideration of RMB797.7439 million in cash. On the same date, the Company, CHEC, CHECC, CCCC-FHDI and CACC entered into equity transfer agreement II, pursuant to which the Company, CHEC, CHECC and CCCC-FHDI have conditionally agreed to sell and CACC has conditionally agreed to acquire the entire equity interest in CCCC-AIDI, at a consideration of RMB123.3535 million in cash.

Upon completion of the proposed disposals, the Company will hold 33% equity interest in No. 4 Engineering Company and will no longer hold any equity interest in CCCC-AIDI. Therefore, both No. 4 Engineering Company and CCCC-AIDI will cease to be subsidiaries of the Company, and their financial results will not be consolidated into the consolidated financial statements of the Company.

On 3 June 2019, CACC is a subsidiary of CCCG, which holds approximately 59.91% interests in the Company. CACC is thus a connected person of the Company. As such, the proposed disposals constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Meanwhile, the proposed disposals shall be aggregated under Rule 14A.81 of the Hong Kong Listing Rules.

CONNECTED TRANSACTIONS (CONTINUED)

Disposals of Equity Interest in Subsidiaries to CACC (Continued)

As the highest applicable percentage ratio of the proposed disposals when aggregated exceed 0.1% but is less than 5%, the proposed disposals are subject to the announcement requirement but are exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 3 June 2019.

Transfer of Shares and Capital Increase in CCCC Dredging by CCCG

On 18 June 2019, the Company entered into an equity transfer and capital increase agreement with CCCG and CCCC Dredging, pursuant to which CCCG agreed (i) to acquire 3,495,604,287 shares in CCCC Dredging from the Company at the purchase price of RMB2.47 per share, representing 29.69% of the existing issued share capital of CCCC Dredging and 25.33% of the enlarged issued share capital of CCCC Dredging; and (ii) to subscribe for 2,024,291,498 shares in CCCC Dredging at the subscription price of RMB2.47 per share, representing 17.19% of the existing issued share capital of CCCC Dredging and 14.67% of the enlarged issued share capital of CCCC Dredging. Upon completion of the proposed share transfer and the proposed capital increase, the shares in CCCC Dredging to be held by the Company and its subsidiary, CRBC, will represent 60% of the enlarged issued share capital of CCCC Dredging in total; while the shares in CCCC Dredging to be held by CCCG will represent 40% of the enlarged issued share capital of CCCC Dredging.

On 18 June 2019, CCCG is the controlling Shareholder of the Company, holding approximately 59.91% interests in the issued ordinary shares of the Company. Accordingly, it is a connected person of the Company under the Hong Kong Listing Rules. The proposed share transfer and the proposed capital increase therefore constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Meanwhile, the proposed share transfer and the proposed capital increase shall be aggregated under Rules 14.22 and 14A.81 of the Hong Kong Listing Rules. As the highest applicable percentage ratio when aggregated in respect of the proposed share transfer and the proposed capital increase under the equity transfer and capital increase agreement exceeds 5% but is less than 25%, the transactions thereunder constitute discloseable transactions and connected transactions of the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under the Hong Kong Listing Rules.

Apart from the proposed share transfer, the Company proposed to transfer 4,580,082,373 shares in CCCC Dredging to third parties (other than CCCG and its subsidiaries) at the floor purchase price of RMB2.47 per share on the China Beijing Equity Exchange by way of public tender, representing 38.8952% of the existing issued share capital of CCCC Dredging and 33.1896% of the enlarged issued share capital of CCCC Dredging. Upon the completion of these transactions, CCCC Dredging will cease to be a subsidiary of the Company and its financial results will be deconsolidated from those of the Company.

On 30 October 2019, the Company entered into the termination agreement of share transfer and capital increase agreement with CCCG and CCCC Dredging. Meanwhile, the Company has determined to apply to the China Beijing Equity Exchange for the termination of the tender procedures.

For details of the aforesaid transactions, please refer to the announcements of the Company dated 18 June 2019, 5 August 2019, 11 September 2019, 15 October 2019 and 30 October 2019 and the circular of the Company dated 10 July 2019.

Formation of a Joint Venture

On 16 July 2019, CHEC, CRBC, CCCC Water Transportation Consultants Co., Ltd. ("CCCC WTC") (all are wholly-owned subsidiaries of the Company) and ZPMC (a non-wholly-owned subsidiary of CCCG) entered into the shareholders' agreement in connection with the proposed formation of the joint venture. Pursuant to the shareholders' agreement, the registered capital of the joint venture is USD200 million (equivalent to approximately HKD1,566 million), of which USD102 million, USD76 million, USD20 million and USD2 million (equivalent to approximately HKD798 million, HKD595 million, HKD157 million and HKD16 million) will be contributed by CHEC, ZPMC, CRBC and CCCC WTC, accounting for 51%, 38%, 10% and 1% of the registered capital of the joint venture, respectively.

Upon establishment of the joint venture, the Company will indirectly hold an aggregate of 62% of the equity interests in the joint venture. Therefore, the joint venture will be a subsidiary of the Company, and its financial results will be consolidated into that of the Group.

On 16 July 2019, ZPMC is a subsidiary of CCCG, and CCCG is the controlling Shareholder of the Company, which holds approximately 59.91% interests in the issued ordinary shares of the Company. ZPMC is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the formation of the joint venture under the shareholders' agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the formation of the joint venture under the shareholders' agreement exceeds 0.1% but is less than 5%, the shareholders' agreement and the transaction contemplated thereunder is subject to announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 16 July 2019.

CONNECTED TRANSACTIONS (CONTINUED)

Formation of a Project Company

On 26 July 2019, to jointly invest in the PPP project of integrated urban development and operation in Jianzhou New Town, Chengdu City, certain wholly-owned subsidiaries of the Company (namely CCCC Investment Co., Ltd., CCCC Urban Investment Co., Ltd., CCCC Highway Consultants Co., Ltd., CCCC First Harbour Engineering Co., Ltd., CCCC Second Harbour Engineering Co., Ltd., CCCC Fourth Harbour Engineering Co., Ltd. and CCCC-FHDI Engineering Co., Ltd.), Southwest Municipal Engineering Design and Research Institute of China ("SMEDRIC") (a wholly-owned subsidiary of CCCG) and Chengdu Jianzhou New Town Investment Group Co., Ltd. ("Jianzhou New Town") entered into the shareholders' agreement for the formation of the project company. Pursuant to the shareholders' agreement, the registered capital of the project company is RMB500 million, of which RMB447.75 million will be contributed by certain wholly-owned subsidiaries of the Company in total, accounting for 89.55% of the total registered capital of the project company; RMB2.25 million and RMB50.00 million will be contributed by SMEDRIC and Jianzhou New Town, accounting for 0.45% and 10.00% of the total registered capital of the project company, respectively. Upon the formation of the project company, certain wholly-owned subsidiaries of the Company and SMEDRIC will make additional capital contributions to the project company by way of capital increase in accordance with the actual situation. Wherein, the capital contributions made by certain wholly-owned subsidiaries of the Company and SMEDRIC shall not exceed RMB3,791.51 million and RMB19.05 million, respectively.

Upon the formation of the project company, the Company will hold 89.55% of the equity interests in the project company. Accordingly, the project company will become a subsidiary of the Company, and its financial results will be consolidated into that of the Group.

On 26 July 2019, SMEDRIC is a subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 59.91% equity interests in the issued ordinary shares of the Company. SMEDRIC is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the formation of the project company under the shareholders' agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the formation of the project company under the shareholders' agreement exceeds 0.1% but is less than 5%, the shareholders' agreement and the transaction contemplated thereunder is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 26 July 2019.

Formation of a Project Company

On 20 August 2019, to jointly invest in the PPP project for the construction of the fourth China Greening Exposition in Duyun, Guizhou Province, CCCC Second Highway Engineering Co., Ltd. ("CSHEC"), China Urban and Rural Holding Group Co., Ltd. ("China Urban and Rural"), Daqian Ecology Group Co., Ltd. ("Daqian Ecology") and Guizhou Lvhuan Ecology Co., Ltd. ("Guizhou Lvhuan") entered into the shareholders' agreement in respect of the formation of the project company. Pursuant to the shareholders' agreement, the registered capital of the project company is RMB100 million, of which RMB37 million, RMB17 million, RMB36 million and RMB10 million will be contributed by CSHEC, China Urban and Rural, Daqian Ecology and Guizhou Lvhuan, accounting for 37%, 17%, 36% and 10% of the total registered capital of the project company, respectively. Upon the formation of the project company, CSHEC, China Urban and Rural, Daqian Ecology and Guizhou Lvhuan will make additional capital contributions to the project company in proportion to their respective shareholding percentage in the project company by way of capital increase in accordance with the actual situation. Wherein, the capital contributions made by CSHEC shall not exceed RMB190 million.

On 20 August 2019, China Urban and Rural is a subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 59.91% interests in the issued ordinary shares of the Company. China Urban and Rural is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the formation of the project company under the shareholders' agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the formation of the project company under the shareholders' agreement exceeds 0.1% but is less than 5%, the shareholders' agreement and the transaction contemplated thereunder is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 20 August 2019.

CONNECTED TRANSACTIONS (CONTINUED)

Formation of a Project Company

On 27 August 2019, CTHEC (a wholly-owned subsidiary of the Company), Huatong Real Estate Co., Ltd. ("Huatong Real Estate") (a non-wholly-owned subsidiary of CCCG) and Beijing Jiachen Real Estate Partnership (Limited Partnership) ("Beijing Jiachen") entered into the cooperation agreement for the formation of the project company and joint development of the project land parcel. Pursuant to the cooperation agreement, the registered capital of the project company is RMB800 million, of which RMB392 million, RMB406 million and RMB2 million will be contributed by CTHEC, Huatong Real Estate and Beijing Jiachen, accounting for 49.00%, 50.75% and 0.25% of the total registered capital of the project company, respectively.

On 27 August 2019, Huatong Real Estate is a subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 59.91% interests in the issued ordinary shares of the Company. Huatong Real Estate is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the formation of the project company under the cooperation agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the formation of the project company under the cooperation agreement exceeds 0.1% but is less than 5%, the cooperation agreement and the transaction contemplated thereunder is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 27 August 2019.

Formation of a Project Company

On 15 November 2019, to jointly invest in the passengers accommodation and car park complex project in Guiyang Longdongbao International Airport, CCCC Investment, CCCC Airport Co., Ltd. ("CCCC Airport") and Guizhou Lantian Airport Real Estate Co., Ltd. ("Lantian Real Estate") entered into the shareholders' agreement for the formation of the project company. Pursuant to the shareholders' agreement, the registered capital of the project company is RMB50.0 million, of which RMB25.5 million, RMB7.5 million and RMB17.0 million will be contributed by CCCC Investment, CCCC Airport and Lantian Real Estate, accounting for 51%, 15% and 34% of the total registered capital of the project company, respectively. Upon the formation of the project company, CCCC Investment, CCCC Airport and Lantian Real Estate will make additional capital contributions to the project company in proportion to their respective shareholding in the project company in accordance with the actual situation. Wherein, the capital contributions made by CCCC Investment shall not exceed RMB204 million.

Upon the formation of the project company, the Company will hold 51% of the equity interests in the project company. Accordingly, the project company will become a subsidiary of the Company, and its financial results will be consolidated into that of the Group.

On 15 November 2019, CCCC Airport is a subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 57.96% equity interests in the issued ordinary shares of the Company. CCCC Airport is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the formation of the project company under the shareholders' agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the formation of the project company under the shareholders' agreement exceeds 0.1% but is less than 5%, the shareholders' agreement and the transaction contemplated thereunder is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 15 November 2019.

Capital Increase in Zhoushan Property

On 18 November 2019, CTHEC (a wholly-owned subsidiary of the Company) entered into the capital increase agreement with Huatong Real Estate Co., Ltd. ("Huatong Real Estate") and CCCC Real Estate Zhoushan Property Co., Ltd. ("Zhoushan Property") (both are non-wholly-owned subsidiaries of CCCG), pursuant to which CTHEC and Huatong Real Estate agreed to make a capital contribution of RMB294 million and RMB206 million to Zhoushan Property in cash, respectively. Before the capital increase, Zhoushan Property is a wholly-owned subsidiary of Huatong Real Estate. Upon completion of the capital increase, CTHEC and Huatong Real Estate will hold 49% and 51% equity interests in Zhoushan Property, respectively.

On 18 November 2019, Huatong Real Estate and Zhoushan Property are subsidiaries of CCCG, the controlling Shareholder of the Company which holds approximately 57.96% interests in the issued ordinary shares of the Company. Huatong Real Estate and Zhoushan Property are thus connected persons of the Company under the Hong Kong Listing Rules. As such, the capital increase under the capital increase agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the capital increase under the capital increase agreement exceeds 0.1% but is less than 5%, the capital increase agreement and the transaction contemplated thereunder is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 18 November 2019.

CONNECTED TRANSACTIONS (CONTINUED)

Subscription of the Perpetual Capital Securities

On 27 December 2019, CFHCC City Investment Development (Tianjin) Co., Ltd. ("CFHCC City Investment") entered into the investment contract I with Tianjin CCCC Greentown Urban Construction and Development Company Limited ("Tianjin CCCC Greentown"), pursuant to which Tianjin CCCC Greentown agreed to issue and CFHCC City Investment agreed to subscribe the perpetual capital securities in the principal amount of RMB670,486,362. On the same day, CCCC Beijing-Tianjin-Hebei Investment and Development Co., Ltd. ("CCCC Beijing-Tianjin-Hebei Investment") entered into the investment contract II with Tianjin CCCC Greentown, pursuant to which Tianjin CCCC Greentown agreed to issue and CCCC Beijing-Tianjin-Hebei Investment agreed to subscribe the perpetual capital securities in the principal amount of RMB343,839,160.

On 27 December 2019, Tianjin CCCC Greentown is a subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 57.96% interests in the issued ordinary shares of the Company. Tianjin CCCC Greentown is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the subscription under the investment contract I and investment contract II constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the investment contract I and investment contract II (on an aggregate basis) exceeds 0.1% but is less than 5%, the investment contract I and investment contract II and the transactions contemplated thereunder are subject to the announcement requirement but are exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcements of the Company dated 27 December 2019 and 6 March 2020.

CONTINUING CONNECTED TRANSACTIONS

In respect of the continuing connected transactions of the Group, the Company has made proposals on the annual caps after taking into account the prevailing market price, the historical transaction amount, the Group's development needs and current capacity, and all the relevant proposals have been considered and approved by the Board or the Shareholders' meeting (if applicable) in accordance with the Hong Kong Listing Rules and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. The Audit and Internal Control Committee of the Board of the Company monitored and confirmed the progress of the continuing connected transactions, made proposal on the revision of the annual caps once needed based on the actual situation and transaction amount and submitted the proposal for consideration and approval. The actual transaction amount under the continuing connected transactions of the Company in 2019 were within reasonable and controllable range and were in line with the expectations of the Company.

The Company has effective and sufficient control mechanism in place to control the annual caps of continuing connected transactions and ensure such caps will not be exceeded. The control measures adopted by the Company are as follows:

(i) leveraging historical experience and operation plans, the Company enters into continuing connected transaction framework agreements for a term of three years and set annual caps on the basis of the assessment on necessity and fairness of potential connected transactions. These agreements and proposed annual caps are subject to necessary decision-making and approval procedures, including but not limited to review and consideration by independent directors, the Audit and Internal Control Committee under the Board, the Board, the Supervisory Committee and the Shareholders'general meeting of the Company pursuant to their respective authorisation. Implementation will be organized upon approval after review and consideration;

(ii) the Company carries out daily supervision on the overall implementation and actual transaction amounts of continuing connected transactions. For financial services agreement and finance lease and commercial factoring agreement, CCCC Finance and CCCC Leasing (subsidiaries of the Company), as non-bank financial institutions, report actual maximum daily loan balance (including the interests accrued thereon) and actual aggregate amount of finance lease services and commercial factoring services provided on a monthly basis, and predict the transaction amount of the outstanding period of the relevant year on a quarterly basis. For other continuing connected transaction agreements, the subsidiaries of the Company report actual transaction amount (including the actual transaction amount of the relevant quarter and accumulated actual transaction amount) and predict the transaction amount of the outstanding period of the relevant year on a quarterly basis. Meanwhile, the Company will allocate the caps of continuing connected transactions for the next year to the implementers of relevant transactions at the end of every year;

(iii) the implementers shall bring forward the need for increasing the caps of continuing connected transactions in time when it occurs during implementation based on changes in business development. The Company will start decision-making procedures for revising caps in due course after assessing necessity and fairness of the continuing connected transactions;

(iv) whenever the actual transaction amount of relevant continuing connected transaction reaches 80% of the existing annual caps, the transaction implementers shall make a new prediction on whether the transaction amount of the outstanding period of the relevant year will satisfy operation needs and shall provide the Company with relevant transaction information so that the Company can realize better supervision and start decision-making procedures for revising caps in time after assessing necessity and fairness; and

(v) by the end of every year, the Company will make a new prediction about the proposed caps of continuing connected transaction for the next year based on the latest actual situation of the relevant transaction of the current year, and re-assess the plan for the continuing connected transaction for next year after evaluating the necessity and fairness. If the re-assessment is consistent with the existing annual caps, the transactions shall be implemented following above procedures, and if it is expected to exceed the caps, the decision-making procedure for revising caps shall be started.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Mutual Project Contracting Framework Agreement Entered into between the Company and CCCG

On 28 March 2017, the Company and CCCG entered into the original mutual project contracting framework agreement, pursuant to which, the Group agreed to provide project contracting services to CCCG Group and CCCG Group agreed to provide labour and subcontracting services to the Group for its construction projects for the period from 28 March 2017 to 31 December 2017. On 29 March 2018, the Company and CCCG renewed the original mutual project contracting framework agreement for the period from 29 March 2018 to 31 December 2018.

On 29 August 2018, in order to further renew the transactions under the original mutual project contracting framework agreement, the Company and CCCG entered into the mutual project contracting framework agreement for a term of three years from 1 January 2019 to 31 December 2021, pursuant to which the Group agreed to provide project contracting services to CCCG Group, which may include (i) provision of construction services for real property development projects that may be undertaken by CCCG Group; and (ii) design, construction, operation, management and dismantlement of temporary supporting facilities, and CCCG Group agreed to provide labour and subcontracting services to the Group for its construction projects, which may include (i) provision of labour services; (ii) provision of subcontracting services for those construction projects that may be undertaken by the Group; and (iii) consultancy and management services that may be required for the development of real property projects.

On 29 August 2018, CCCG is the controlling Shareholder of the Company holding approximately 59.91% interests in the issued ordinary shares of the Company, and therefore, is a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the mutual project contracting framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed caps for the transactions contemplated under the mutual project contracting framework agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the mutual project contracting framework agreement and the proposed annual caps are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the abovementioned agreement and the transactions contemplated thereunder are exempt from the independent Shareholder's approval requirement under the Hong Kong Listing Rules, such transactions shall be subject to the approval by the Shareholders at the general meeting of the Company pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. The Company convened the extraordinary general meeting and obtained independent shareholders' approval for the abovementioned agreement and the transactions contemplated thereunder on 20 November 2018.

On 2 January 2019, the Company and CCCG entered into the supplemental agreement to the mutual project contracting framework agreement to revise the existing annual cap for the labour and subcontracting service fees to be received by CCCG Group from the Group thereunder for the year ended 31 December 2019 from RMB115 million to RMB255 million.

On 2 January 2019, CCCG is the controlling Shareholder of the Company holding approximately 59.91% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the mutual project contracting framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the revised annual cap for labour and subcontracting service fees under the mutual project contracting framework agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the mutual project contracting framework agreement and the revised annual cap are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

On 27 December 2019, the Company and CCCG entered into the supplemental agreement II to the mutual project contracting framework agreement to revise the existing annual caps for project contracting services fees to be received by the Group from CCCG Group and the labour and subcontracting services fees to be received by CCCG Group from the Group thereunder for the year ended 31 December 2019 from RMB3,000 million to RMB6,000 million and from RMB255 million to RMB6,000 million, respectively.

On 27 December 2019, CCCG is the controlling Shareholder of the Company holding approximately 57.96% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the mutual project contracting framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the revised annual cap for the project contracting services fees and the labour and subcontracting services fees under the mutual project contracting framework agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the mutual project contracting framework agreement and the revised annual cap are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the aforesaid continuing connected transaction, please refer to the announcement of the Company dated 29 August 2018, 2 January 2019 and 27 December 2019 and the circular of the Company dated 28 September 2018.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Mutual Project Contracting Framework Agreement Entered into between the Company and CCCG (Continued)

The annual caps for the continuing connected transaction described above as compared with the actual transaction amounts receivable and payable by the Group for the year ended 31 December 2019 are set out as follows:

	Annual cap for 2019 *(RMB million)*	Actual amount for 2019 *(RMB million)*
Project contracting service fees receivable by the Group from CCCG Group	**6,000**	**4,552**
Labour and subcontracting service fees payable by the Group to CCCG Group	**6,000**	**2,936**

Financial Services Agreement Entered into between CCCC Finance and CCCG

On 12 August 2016, CCCC Finance (a subsidiary of the Company) entered into the original financial services agreement with CCCG, pursuant to which CCCC Finance shall provide financial services to CCCG Group for the period from 12 August 2016 to 31 December 2016. On 28 March 2017 and 29 March 2018, CCCC Finance and CCCG renewed the original financial services agreement for the period from 28 March 2017 to 31 December 2017 and for the period from 29 March 2018 to 31 December 2018, respectively.

On 29 August 2018, in order to further renew the loan services under the original financial services agreement, CCCC Finance and CCCG entered into the financial services agreement for a term of three years from 1 January 2019 to 31 December 2021, pursuant to which CCCC Finance agreed to provide deposit services and loan services to CCCG Group.

On 29 August 2018, CCCG is the controlling Shareholder of the Company holding approximately 59.91% equity interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the financial services agreement between CCCC Finance and CCCG Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The provision of deposit services by CCCC Finance to CCCG Group is to be made on normal commercial terms or more favourable terms which is in the Group's interests, and no assets of the Group are to be pledged as security for such deposit services in favour of CCCG Group. Therefore, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, the provision of deposit services by CCCC Finance to CCCG Group under the financial services agreement is exempt from the announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the loan services contemplated under the financial services agreement exceeds 0.1% but is less than 5%, the loan sevices contemplated thereunder and the proposed annual caps are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the abovementioned agreement and the loan services contemplated thereunder are exempt from the independent Shareholder's approval requirement under the Hong Kong Listing Rules, such transactions shall be subject to the approval by the Shareholders at the general meeting of the Company pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. The Company convened the extraordinary general meeting and obtained independent shareholders' approval for the abovementioned agreement and the transactions contemplated thereunder on 20 November 2018.

On 27 December 2019, CCCC Finance entered into the supplemental agreement I to the financial services agreement with CCCG to revise the existing maximum daily loan balance (including the interests accrued thereon) under the financial services agreement for the year ended 31 December 2019 from RMB1,200 million to RMB1,940 million. Besides, with regard to the loan services provided by CCCC Finance to CCCG Group, the reference basis of the lending interest rates is changed from the benchmark interest rate prescribed by the People's Bank of China for such type of loans to the rate quotations in the market.

On 27 December 2019, CCCG is the controlling Shareholder of the Company holding approximately 57.96% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the financial services agreement between CCCC Finance and CCCG Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Financial Services Agreement Entered into between CCCC Finance and CCCG (Continued)

As the highest applicable percentage ratio of the revised maximum daily loan balance (including the interests accrued thereon) under the financial services agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the financial services agreement and the revised maximum daily loan balance (including the interests accrued thereon) are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the aforesaid continuing connected transaction, please refer to the announcements of the Company dated 29 August 2018 and 27 December 2019 and the circular of the Company dated 28 September 2018.

The annual cap for the continuing connected transaction described above as compared with the actual daily balance of loans provided by CCCC Finance to CCCG Group (including the interests accrued thereon) for the year ended 31 December 2019 are set out as follows:

	Annual cap for 2019 *(RMB million)*	Actual amount for 2019 *(RMB million)*
The annual cap of daily balance of loans provided by CCCC Finance to CCCG Group (including the interests accrued thereon)	**1,940**	**1,101**

Finance Lease and Commercial Factoring Agreement Entered into between CCCC Financial Leasing and CCCG

On 21 April 2017, CCCC Financial Leasing, a subsidiary of the Company, entered into the original finance lease framework agreement with CCCG, pursuant to which CCCC Financial Leasing agreed to provide finance lease services to CCCG Group in respect of the leased assets for the period from 21 April 2017 to 31 December 2017. On 29 March 2018, CCCC Financial Leasing and CCCG renewed the original finance lease framework agreement for the period from 29 March 2018 to 31 December 2018.

On 29 August 2018, in order to renew the transactions under the original finance lease framework agreement and to further regulate the commercial factoring services provided by CCCC Financial Leasing to CCCG Group, CCCC Financial Leasing and CCCG entered into the finance lease and commercial factoring agreement for a term of three years from 1 January 2019 to 31 December 2021, pursuant to which CCCC Financial Leasing shall provide finance lease services to CCCG Group in respect of the leased assets through direct leasing, operating lease or sale and leaseback arrangements and the commercial factoring services in respect of receivables through factoring or reverse factoring arrangements.

On 29 August 2018, CCCG is the controlling Shareholder of the Company holding approximately 59.91% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the finance lease and commercial factoring agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the transactions contemplated under the finance lease and commercial factoring agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the finance lease and commercial factoring agreement and the proposed annual caps are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the abovementioned agreement and the transactions contemplated thereunder are exempt from the independent Shareholder's approval requirement under the Hong Kong Listing Rules, such transactions shall be subject to the approval by the Shareholders at the general meeting of the Company pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. The Company convened the extraordinary general meeting and obtained independent shareholders' approval for the abovementioned agreement and the transactions contemplated thereunder on 20 November 2018.

For details of the aforesaid continuing connected transaction, please refer to the announcement of the Company dated 29 August 2018 and the circular of the Company dated 28 September 2018.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Finance Lease and Commercial Factoring Agreement Entered into between CCCC Financial Leasing and CCCG (Continued)

The annual cap for the continuing connected transaction described above as compared with the actual aggregate amount for finance lease services and the commercial factoring services provided by CCCC Financial Leasing to CCCG Group for the year ended 31 December 2019 are set out as follows:

	Annual cap for 2019 ***(RMB million)***	**Actual amount for 2019** ***(RMB million)***
Aggregate amount for finance lease services provided by CCCC Financial Leasing to CCCG Group	**3,750**	**524**
Aggregate amount of the commercial factoring services provided by CCCC Financial Leasing to CCCG Group	**3,750**	**83**

Mutual Product Sales and Purchase Agreement entered into between the Company and CCCG

On 29 March 2018, the Company entered into the original mutual product sales and purchase agreement with CCCG, pursuant to which the Group agreed to sell and CCCG Group agreed to purchase material products, while CCCG Group agreed to sell and the Group agreed to purchase engineering products for the period from 29 March 2018 to 31 December 2018.

On 29 August 2018, in order to renew the transactions under the original mutual product sales and purchase agreement, the Company and CCCG entered into the mutual product sales and purchase agreement for a term of three years from 1 January 2019 to 31 December 2021, pursuant to which the Group agreed to sell and CCCG Group agreed to purchase material products, and CCCG Group agreed to sell and the Group agreed to purchase engineering products.

On 29 August 2018, CCCG is the controlling Shareholder of the Company holding approximately 59.91% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the mutual product sales and purchase agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the transactions contemplated under the mutual product sales and purchase agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the mutual product sales and purchase agreement and the proposed annual caps are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the abovementioned agreement and the transactions contemplated thereunder are exempt from the independent Shareholder's approval requirement under the Hong Kong Listing Rules, such transactions shall be subject to the approval by the Shareholders at the general meeting of the Company pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. The Company convened the extraordinary general meeting and obtained independent shareholders' approval for the abovementioned agreement and the transactions contemplated thereunder on 20 November 2018.

For details of the aforesaid continuing connected transaction, please refer to the announcement of the Company dated 29 August 2018 and the circular of the Company dated 28 September 2018.

The annual cap for the continuing connected transaction described above as compared with the actual aggregate amount for the fees to be received by the Group from CCCG Group and to be paid by the Group to CCCG Group for the year ended 31 December 2019 are set out as follows:

	Annual cap for 2019 ***(RMB million)***	**Actual amount for 2019** ***(RMB million)***
Aggregate amount for the fees to be received by the Group from CCCG Group	**330**	**297**
Aggregate amount for the fees to be paid by the Group to CCCG Group	**3,000**	**481**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Finance Lease and Commercial Factoring Framework Agreement Entered into between the Company and CCCC Financial Leasing

On 29 August 2018, in order to further regulate the finance lease services and commercial factoring services provided by CCCC Financial Leasing to the Group, the Company and CCCC Financial Leasing entered into the finance lease and commercial factoring framework agreement for a term of three years from 1 January 2019 to 31 December 2021, pursuant to which CCCC Financial Leasing shall provide finance lease services to the Group in respect of the leased assets through direct leasing, operating lease or sale and leaseback arrangements and the commercial factoring services in respect of receivables through factoring or reverse factoring arrangement.

CCCC Financial Leasing is a subsidiary of the Company. On 29 August 2018, ZPMC, a connected person of the Company by virtue of being a subsidiary of CCCG (the controlling shareholder of the Company), holds 30% interests in CCCC Financial Leasing. Therefore, CCCC Financial Leasing is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Hong Kong Listing Rules. As such, the finance lease and commercial factoring framework agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the transactions contemplated under the finance lease and commercial factoring framework agreement exceeds 5%, the transactions contemplated thereunder and the proposed annual caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the transactions contemplated under the finance lease and commercial factoring framework agreement exceeds 5% but is less than 25%, such agreement and the transactions contemplated thereunder constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

For details of the aforesaid continuing connected transaction, please refer to the announcement of the Company dated 29 August 2018 and the circular of the Company dated 19 October 2018.

The annual cap for the continuing connected transaction described above as compared with the actual aggregate amount for finance lease services and the commercial factoring services provided by CCCC Financial Leasing to the Group for the year ended 31 December 2019 are set out as follows:

	Annual cap for 2019 ***(RMB million)***	**Actual amount for 2019** ***(RMB million)***
Aggregate amount for finance lease services provided by CCCC Financial Leasing to the Group	**17,500**	**6,188**
Aggregate amount of the commercial factoring services provided by CCCC Financial Leasing to the Group	**17,500**	**13,369**

Property Leasing Framework Agreement Entered into between the Company and CCCG

On 2 January 2019, the Company and CCCG entered into the property leasing framework agreement, pursuant to which CCCG Group agreed to lease certain properties and auxiliary facilities owned by it to the Group from 2 January 2019 to 31 December 2019 for the Group's operation or as its offices.

On 2 January 2019, CCCG is the controlling Shareholder of the Company holding approximately 59.91% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the property leasing framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the proposed annual cap under the property leasing framework agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the property leasing framework agreement and the proposed annual cap are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

On 23 December 2019, the Company and CCCG entered into the supplemental agreement to the property leasing framework agreement to revise the existing annual cap for the total value of right-of-use assets involved in the leasing thereunder for the year ended 31 December 2019 from RMB200 million to RMB230 million.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Property Leasing Framework Agreement Entered into between the Company and CCCG (Continued)

On 23 December 2019, CCCG is the controlling Shareholder of the Company holding approximately 57.96% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transaction contemplated under the property leasing framework agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the revised annual cap under the property leasing framework agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the property leasing framework agreement and the revised annual cap are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the aforesaid continuing connected transaction, please refer to the announcement of the Company dated 2 January 2019 and 23 December 2019.

The annual cap for the continuing connected transaction described above as compared with the actual total value of right-of-use assets involved in the leasing of certain properties and auxiliary facilities from CCCG Group for the year ended 31 December 2019 are set out as follows:

	Annual cap for 2019 *(RMB million)*	Actual amount for 2019 *(RMB million)*
Leasing of the properties and auxiliary facilities by CCCG Group to the Group	**230**	**171**

Explanation on the Continuing Connected Transactions of CCCC Finance and CCCC Financial Leasing

CCCC Finance is a non-bank financial institution established in July 2013 with the approval of the China Banking Regulatory Commission. CCCC Finance is jointly funded by CCCG and the Company (5% of CCCG, 95% of CCCC) with a registered capital of RMB3.5 billion.

As a specialized financial services company, CCCC Finance provides various professional financial services such as fund settlement, deposits, credit, entrusted loans, financial leasing, financial and financing consultants. The deposit and loan connected transactions between CCCC Finance and its connected persons are one of its main businesses. By absorbing the deposits of the members of CCCG and granting loans with reference to market pricing to improve the efficiency of capital use, which will have positive significance for the development of the Company and benefit the interests of the Company and all shareholders.

1. Pricing Principle

The financial services provided by CCCC Finance to connected persons adopted a market-based fair pricing principle. When providing deposit service, the interest rate of deposit interest received by CCCG and its subsidiaries is not higher than the interest rate range set by the People's Bank of China for similar deposits during the same period, nor higher than the interest rate of similar deposit provided by CCCC Finance to other member of the Group during the same period. When providing loan services, the daily average amount of loan to CCCG and its subsidiaries is no more than 75% of the daily average deposit balance in CCCC Finance. The loan interest rate is implemented with reference to the price of similar products of the bank without violating the relevant policies of the People's Bank of China.

2. Risk Management and Review Process

CCCC Finance has established certain internal rules and policies related to the management and control of operational risks and credit risks in accordance with relevant PRC laws and regulations regarding financial services, with a relatively complete internal control system. CCCC Finance has established a standardized corporate governance structure to ensure effective internal control, including the implementation of the general manager responsibility system under the leadership of the board of directors, established an organizational structure based on decision-making, implementation and regulatory regime, and formulated different work procedures and risk control systems based on different duties. CCCC Finance monitored transactions in a timely manner through centralized management, safe and effective business system.

CCCC Finance conducts credit review before conducting business, and perform credit rating and credit asset rating based on internal rating standards, and regularly arrange post-loan inspections (every six months).

The decision-making process of CCCC Finance is a three-tier structure of the shareholders' meeting, the board of directors and the general manager's office. CCCC Finance has four professional committees, namely the Audit and Internal Control Committee, the Risk Management Committee, the Credit Review Committee and the Investment Decision Committee, which manage and control the business, risks, internal control and major investments of CCCC Finance.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Explanation on the Continuing Connected Transactions of CCCC Finance and CCCC Financial Leasing (continued)

3. **Risk Control Measures of CCCC over CCCC Finance**

   The Company requires CCCC Finance to submit to the Company a monthly report on the provision of deposit services and loan services to CCCG and its subsidiaries, provide its financial statements on a quarterly basis, and provide a copy of the regulatory report submitted to the Bank of China Insurance Regulatory Commission. The independent non-executive directors and auditors of the Company will conduct an annual review on the continuing connected transactions under the Financial Services Agreement.

4. **2019 Deposit and Loan business of CCCC Finance**

   In 2019, the amount of deposits from connected persons to CCCC Finance amounted to approximately RMB5,429 million, accounting for 8.93% of the total deposit of CCCC Finance, and paid interest of RMB60.84 million to connected persons. The loans to connected persons and corresponding interests received amounted to RMB1,101.3067 million.

CCCC Financial Leasing was established in Shanghai Free-Trade Zone in May 2014 with registered capital of RMB5 billion. The shareholding structure is as follows: 70% in total held by CCCC and its subsidiaries (45% by CCCC, 15% by Chuwa Bussan, 10% by CCCI), and 30% held by ZPMC. In 2017, CCCC's corporate credit rating was AAA.

CCCC Financial Leasing devotes itself to developing industry and finance, and provides comprehensive investment and financing services including finance leases, operating leases, and commercial factoring, expanding the financing channels for the principal business for CCCC. To expand business, CCCC Financial Leasing offers finance leases to CCCG and its subsidiaries at the same time and gains the profit. The above businesses are in the interests of the Company and the Shareholders as a whole.

1. **Pricing Principle**

   CCCC Financial Leasing provides CCCG with finance leases and commercial factoring services. Finance leases include, without limitation, direct leases, after-sale leaseback and other forms. Fixed assets under the finance leases service mainly includes construction equipment, hotel equipment and device, and commercial properties and its equipment. Commercial factoring includes, without limitation, recourse factoring agreements and non-recourse factoring agreements and other forms. The finance leases between CCCC Financial Leasing and connected persons (CCCG and its subsidiaries) adopted a market-based fair pricing principle. CCCC Financial Leasing entered into the finance lease transactions with connected persons at the interest rate which increased certain percentage according to the loan rates of the bank in the corresponding period (specific percentage depends on the credit information of the lessee) and is negotiated by CCCC Financial Leasing and the lease. CCCC Financial Leasing provided CCCG with the pricing principle of commercial factoring service, the quoted price of which is offered by CCCC Financial Leasing and determined by CCCG after negotiation with CCCC Financial Leasing with reference to the quoted price for the factoring service of same type offered by the independent third parties and with consideration for relevant factors. Designated departments and personnel of CCCG are responsible for reviewing the quoted price of the factoring of same type by the independent third parties and market trading price.

2. **Risk Control and Audit Procedures**

   CCCC Financial Leasing formulated certain internal rules and policies for managing and controlling the operating risks with a comprehensive internal control system. CCCC Financial Leasing has established standardized corporate governance structure to ensure the effectiveness of its internal control, including the implementation of the general manager responsibility system under the leadership of the board of directors, established an organizational structure based on decision-making, implementation and regulatory regime, and formulated different work procedures and risk control systems based on different duties. CCCC Financial Leasing monitored transactions in a timely manner through centralized management, safe and effective business system.

3. **Finance leases of CCCC Financial Leasing in 2019**

   For the year 2019, CCCC Financial Leasing entered into 1 finance lease transaction with the connected persons with the total amount of RMB413 million, accounting for 1.26% of the total amount of the finance leases of CCCC Financial Leasing for that year.

REPORT OF THE BOARD OF DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Explanation on the Continuing Connected Transactions of CCCC Finance and CCCC Financial Leasing (continued)

The independent non-executive Directors have reviewed the relevant agreements for the above non-exempt continuing connected transactions of the Group and the transactions contemplated thereunder and are of the opinion that such transactions are:

(i) entered into in the ordinary and usual course of business of the Group;

(ii) conducted either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) conducted on the term of the relevant transaction agreements, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The auditors of the Company have performed certain procedures and issued a letter to the Board in accordance with Rule 14A.56 of the Hong Kong Listing Rules, stating that nothing has come to its attention that may cause it to believe that such transactions:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the pricing policy of the Company if the transactions involved the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing these transactions; and

(iv) the actual annual amounts have exceeded the relevant caps as previously disclosed in the announcements of the Company.

Others

Except the aforesaid connected transactions, the Group did not enter into any other connected transactions or continuing connected transactions which should comply with the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For related party transactions discussed in Note 44 of the audited financial statements which are also connected transactions under Chapter 14A of the Hong Kong Listing Rules, the Company had made disclosure when required under the Hong Kong Listing Rules.

EMPLOYEES

As at 31 December 2019, the Group had 124,457 employees that had signed labor contracts with the Group. The Group was responsible for the expenses of 58,456 retired employees. The breakdown of employees as at 31 December 2019 was as follows:

1. Categorized by Major

Major	Number of Employees	Percentage
Management	43,469	34.9%
Specialist	62,922	50.6%
Technician	10,980	8.8%
Others	7,086	5.7%
Total	124,457	100.0%

EMPLOYEES (CONTINUED)

2. Categorized by Degree Held

	Number of Employees	Percentage
Master and above	13,365	10.7%
Bachelor	77,424	62.2%
Junior college degree	20,935	16.8%
Associate degree	6,326	5.1%
Junior high school degree and other	6,407	5.2%
Total	124,457	100.0%

Note: The percentage figures mentioned above have been rounded to the nearest one decimal places.

In accordance with applicable regulations, the Group makes contributions to the employees' pension plan, medical insurance plan, unemployment insurance plan, maternity insurance plan and personal injury insurance plan. The amount of contributions is based on the specified percentages of employees' aggregate salaries as provided for by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides voluntary benefits to current employees and retired employees. Current employees of the Group are also entitled to performance-based annual bonus. Please refer to Note 28 of the audited financial statement for details of the payroll and social security payable by the Company during the year ended 31 December 2019. Please refer to Note 9 of the audited financial statement for information about the emoluments of the directors and chief executives. Please refer to Note 32 of the audited financial statements for details of the supplementary pension subsidies and medical benefits provided by the Company to its employees.

BUSINESS REVIEW

Please refer to the section of "Management's Discussion and Analysis" in this report for the principal risks and uncertainties of the Group. Please refer to the section of "Business Overview" in this report for business review and business outlook of the Group.

MATERIAL LAWSUITS AND ARBITRATIONS

As at 31 December 2019, as far as the Directors are aware, except as disclosed in Note 39 of the audited financial statements, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

AUDITORS

The 2018 annual general meeting of the Company held on 18 June 2019 considered and approved the re-appointments of Ernst & Young as the Company's international auditor and Ernst & Young Hua Ming LLP as the Company's domestic auditor for a term starting from the date of passing the resolution at the 2018 annual general meetings and ending at the 2019 annual general meetings of the Company. Ernst & Young has audited the accompanying financial statements, which have been prepared in accordance with IFRS. The Company has retained the appointment of Ernst & Young and Ernst & Young Hua Ming LLP since the 2015 annual general meeting of the Company held on 16 June 2016.

This is the New Yard at Tuas South, Singapore constructed by the Company

REPORT OF THE SUPERVISORY COMMITTEE

In 2019, in accordance with the relevant requirements of the Company Law of the People's Republic of China (the "Company Law"), the Articles of Association of China Communications Construction Company Limited (the "Articles of Association") and the Rules of Procedure of the Supervisory Committee of China Communications Construction Company Limited, the Supervisory Committee of the Company fulfilled its duties with dedication, diligence and responsibility, duly performed its role of supervision by more practical supervision work arrangement and stronger measures. The committee conducted effective supervision over key focuses including the compliance with laws in the course of corporate operation, the compliance with laws and regulations in the course of duty performance by Directors and senior management, the decision making in respect of material matters, the business operation, the financial position, related-party transactions and the internal control. It played an active role in promoting the standardized operation, the sound business development, the enhancement of risk management and the improvement of corporate governance, and effectively protected the legal interest of the Company and shareholders. The major work of the Supervisory Committee in 2019 is hereby reported as below:

I. STANDARDIZING SUPERVISION OVER PROCEDURES TO SAFEGUARD COMPLIANT OPERATION

In 2019, the Supervisory Committee of the Company totally held 14 meetings, and considered a total of 67 resolutions. All Supervisors attended and voted at such meetings in person except for Wang Yongbin, a Supervisor, who was unable to attend the 26th meeting of the fourth session of the Supervisory Committee due to business engagement and appointed Yao Yanmin, a Supervisor, to attend the meeting and vote on his behalf. The number of Supervisors attending at the meetings and the procedures for convening such meetings were all in compliance with the provisions of the Company Law and the Articles of Association. The resolutions adopted at such meetings have gone through the disclosure procedures in accordance with relevant requirements set by Shanghai Stock Exchange. The resolutions considered at the meetings of the Supervisory Committee of the Company are detailed as follows:

During the reporting period, the Supervisory Committee considered a total of 15 resolutions on routine supervision matters (including regular financial reports and annual production and operation objectives of the Company); considered a total of 4 resolutions on use of funds, which ensured that the deposit and use of proceeds of the Company fulfilled regulatory provisions as well as the intended use of proceeds and the undertakings of related parties; considered a total of 35 resolutions on related-party (connected) transactions, which ensured that the plans and relevant annual caps for related-party (connected) transactions were determined in a scientific and reasonable manner and the pricing of related-party (connected) transactions was fair under transparent procedures; considered a total of 7 resolutions on guarantees, which ensured that such guarantees satisfied the Company's development requirements and would not undermine the interest of the Company and shareholders; considered a total of 2 resolutions on convertible bonds, which ensured the strict execution of procedures by the Company and the standardization of the issuance of convertible bonds; considered a total of 4 resolutions on investment projects, which facilitated the rational control by the Company over investment scale, standardized the introduction of financing channels, and practically prevented investment risk.

II. IMPLEMENTING SUPERVISION AND INSPECTION TO IMPROVE OPERATION QUALITY AND EFFICIENCY

During the reporting period, the Supervisory Committee, taking the objective of promoting the Company's high-quality development as guideline and centering on the Company's operation objectives and tasks for 2019, effectively advanced all supervision and inspection work with high quality by following the annual supervision focus and inspection plan. The supervision work was more targeted and effective and generated greater synergy, which in turn proved further that the supervision work is of great significance.

The Supervisory Committee conducted special inspections on quality and efficiency improvement in respect of the Company's operating investment projects, and inspected four representative projects of the Company, Chifeng Utility Tunnel, Guiyang-Duyun Highway, Guiyang-Qianxi Highway, and Zhoushan Central Commercial Complex, by reviewing the financial information, listening to the operation report, visiting the project site, holding communication meetings and providing improvement advice in writing. The committee focused on the quality and economic benefits of project operation and offered its advice for quality and efficiency improvement from various aspects, including strengthening resource development, improving lifecycle management and enhancing talent team construction. It prepared 8 inspection reports and improvement advices and continuously tracked the execution of improvement advices, so as to ensured that such measures were implemented properly and delivered practical effects.

Based on the supervision and inspection conducted throughout the year, the Supervisory Committee pointed out the internal and external factors that adversely affected operating incomes of the Company's investment projects and offered 12 pieces of work advice for further improving the operation quality and economic benefits of investment projects to promote the sustainable and sound development of the Company's investment business. These 12 pieces of work advice covered four aspects: improving the design consulting and operation through "three focuses", "three comprehensiveness" and "four achievements"; improving the assessment mechanism and the lifecycle management system for investment projects; consolidating industry synergy and bolstering the internal driver for investment income generation; enhancing the accountability investigation and improving the investment accountability mechanism.

III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT ISSUES OF THE COMPANY DURING THE REPORTING PERIOD

(I) Independent Opinions of the Supervisory Committee on the Legal Compliance of the Operations of the Company in 2019

During the reporting period, the Supervisory Committee supervised the duty performance of the Directors and senior management of the Company, attended the Board meetings and shareholders' meetings, and effectively supervised the significant decisions and decision-making procedures. The Supervisory Committee was of the opinion that the Board made its decisions in strict compliance with the Company Law, Securities Law of the People's Republic of China (the "Securities Law"), the Articles of Association and other relevant laws, regulations and systems requirements. Significant operational decisions made by the Company were reasonable, and the procedures were legitimate and valid. The Company further established and refined its internal management system and internal control system to standardize corporate operation. It disclosed information according to standard procedures, and the system of registration of owners of insider information performed well. When performing their duties in the Company, Directors and the senior management duly implemented national laws and regulations, the Articles of Association and resolutions of the shareholders' meetings and Board meetings, and they worked with dedication, diligence, responsibility and the pioneering and enterprising spirit. The Supervisory Committee was not aware of any act of the Directors or senior management of the Company which was in violation of any laws, regulations and the Articles of Association or was detrimental to the interests of the Company and its shareholders.

(II) Independent Opinions of the Supervisory Committee on the Review of the Financial Position of the Company

During the reporting period, the Supervisory Committee examined and supervised the financial operations of the Company through listening to the debriefing report of the responsible person of the financial department of the Company, reviewing the financial statements of the Company, deliberating the regular reports of the Company and conducting on-site inspection on some investment projects decided by the Board. The Supervisory Committee was of the opinion that the financial system of the Company in 2019 was comprehensive, the management followed standard procedures, and each item of fees and expenses had reasonable purposes. The accounting firm has audited the financial report of the Company for 2019 and issued a standard and unqualified audit report, confirming that the financial report of the Company gave an objective and true view of the Company's financial position and operation results, and contained no false representations, misleading statements or material omissions.

(III) Independent Opinions of the Supervisory Committee on the Use of Proceeds

During the reporting period, the Company ensured that the proceeds were safely utilized and placed, and used the proceeds in strict compliance with the relevant requirements for utilization of the proceeds. The Supervisory Committee considered that the actual utilization of the proceeds was in line with the committed purposes without prejudice to the interests of the Company and the shareholders during the reporting period.

(IV) Independent Opinions of the Supervisory Committee on Related-Party (Connected) Transactions

During the reporting period, the Supervisory Committee duly supervised the related-party (connected) transactions of the Company and was of the opinion that all related-party (connected) transactions made by the Company were in compliance with the laws and regulations under the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as well as the provisions under the Articles of Association, the Rules for the Management of A Share Related-party Transactions of China Communications Construction Company Limited, and the Rules for the Management of Related-party (Connected) Transactions of China Communications Construction Company Limited. All related-party (connected) transactions of the Company were conducted at fair market prices after thorough discussion and cautious decision-making by the Board and the management under the principle of making compensation for equal value. The legal approval procedures were followed, and no acts were found to be in violation of open, equal and fair principles. No acts were detrimental to the interests of the Company and the minority shareholders.

III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT ISSUES OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(V) Review of the Supervisory Committee on the Internal Control Assessment Report

During the reporting period, the Supervisory Committee reviewed the Internal Control Assessment Report of the Company and considered that the Company had complied with laws, regulatory requirements and the basic principles of internal control, took account of its own conditions when further improving the internal control system that was related to all aspects of corporate management, and reasonably ensured the achievement of internal control objectives. In the meantime, the Company established a complete internal control organizational structure and made sure that the internal control system was effectively supervised and implemented. In 2019, the Company's key internal control activities were regulated, conducted in compliance with the law and were valid without any instance of breaching the relevant requirements of the securities regulatory authorities and the Company's internal control system. The Internal Control Assessment Report for 2019 gave a comprehensive, objective and true view of the actual conditions of the Company's internal control.

(VI) Opinions of the Supervisory Committee on Implementation of the System of Registration of Owners of Insider Information

During the reporting period, the Company registered for record of relevant insider information in accordance with requirements of the Management System for of Insider Information of China Communications Construction Company Limited. Through verification, the Supervisory Committee were unaware that Directors, Supervisors and senior management of the Company and relevant owners of insider information bought or sold shares on the basis of inside information before the disclosure of material and sensitive information that may affect stock price of the Company.

In 2020, the Supervisory Committee will, as always, perform its duties with dedication and diligence, further strengthen the function construction through developing new models, improving the working mechanism and refining the duty performance procedures, improve the supervision system and the value of supervision, and make new contributions to the continuous improvement of the Company's corporate governance structure and the sustainable and sound development of the Company.

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CORPORATE GOVERNANCE REPORT

OVERVIEW

As a both H share and A share company, the Company operates in strict compliance with the requirements of the applicable laws, administrative regulations and regulatory documents, including the Company Law, the Securities Law and relevant rules of the Hong Kong Stock Exchange in relation to corporate information disclosure, the management and services of investor relations. In addition, the Company amended the Articles of Association and the related internal governance rules in 2011 and 2012 according to the requirements of the laws and regulations of the Code of Corporate Governance for Listed Companies, Rules for Shareholders' General Meetings of Listed Companies, the Guidelines for the Articles of Association of Listed Companies (as amended in 2006) and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (as Amended in 2008). As a result, the Company has set up a corporate governance system that complies with the regulatory requirements for domestic listed companies and has further enhanced its corporate governance standard. During the reporting period, the Company had effectively implemented the corporate governance rules, including the Articles of Association, the Rules of Procedures for General Meetings, the Rules of Procedures for Board Meetings, the Working Manual of Independent Directors, the Rules of Procedures for the Supervisory Committee Meetings and the Working Rules of the President. The general meetings, Board meetings and Supervisory Committee meetings are convened independently and efficiently with their respective duties and obligations fully fulfilled.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance. The Board believes that the Company complied with all code provisions as set out in the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules ("Corporate Governance Code") for the year ended 31 December 2019.

THE BOARD OF DIRECTORS

1. Composition of the Board of Directors

As at 31 December 2019, the Board consisted of seven Directors, including two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Members of the Board were as follows:

Chairman of the Board: Liu Qitao

Executive Directors: Liu Qitao and Song Hailiang

Non-executive Director: Liu Maoxun and Qi Xiaofei

Independent Non-executive Directors: Huang Long, Zheng Changhong and Ngai Wai Fung

The Company has appointed a sufficient number of Independent Non-executive Directors in compliance with the Rule 3.10A of the Hong Kong Listing Rules which requires that independent non-executive directors shall represent at least one-third of the board of a listed company.

The Company has received the confirmation on independence from each of the Independent Non-executive Directors for the year 2019 and the Company considers each Independent Non-executive Director to be independent.

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

THE BOARD OF DIRECTORS (CONTINUED)

2. Shareholders' General Meetings

In 2019, the Company held three shareholders' general meetings. The table below sets out the details of shareholders' general meeting attendance of each Director in 2019:

Director	Number of Meetings Attended
Liu Qitao	2
Song Hailiang	1
Chen Yun (Note 1)	1
Liu Maoxun	3
Qi Xiaofei	2
Huang Long	3
Zheng Changhong	3
Ngai Wai Fung	1

Note 1: Mr. Chen Yun resigned as the executive Director on 1 August 2019.

3. Board Meetings

In 2019, the Company held 14 board meetings to discuss the fundamental system, the internal control system, the establishment of branches, fund raising and investment opportunities, the election of the Board and the appointment of the senior management of the Company. The table below sets out the details of Board meeting attendance of each Director in 2019:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	14	14	0	100%
Song Hailiang	14	12	2	86%
Chen Yun (Note 1)	7	7	0	100%
Liu Maoxun	14	14	0	100%
Qi Xiaofei	14	14	0	100%
Huang Long	14	13	1	93%
Zheng Changhong	14	14	0	100%
Ngai Wai Fung	14	14	0	100%

Note 1: Mr. Chen Yun resigned as the executive Director on 1 August 2019.

THE BOARD OF DIRECTORS (CONTINUED)

4. Responsibilities and Operations of the Board

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

The division of power between the Board and senior management complies with the Articles of Association and relevant regulations. The Chairman of the Board is responsible for ensuring that the Directors perform their duties properly and ensuring discussions on material matters are on a timely basis. Pursuant to the Articles of Association, the President is responsible to the Board and is delegated the authority to, among other things, oversee the operation and management of the Company, implement the decisions of the Board, carry out investment plans and establish an internal management system. While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, the Board has also delegated the responsibility of implementing its strategies and the day- to-day operation to the management of the Company under the leadership of the executive Directors of the Company. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, financing and financial reporting, internal controls, communication with Shareholders and corporate governance. For the year ended 31 December 2019, Mr. Liu Qitao served as the Chairman of the Board and Mr. Song Hailiang served as the President of the Company.

The corporate governance functions of the Company are performed by the Board. In 2019, the Board reviewed the Company's policies and practices on corporate governance, reviewed and monitored the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements as well as the company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

5. Code for Securities Transactions by Directors

The Company has adopted the Model Code. The Company has made specific inquiries with all of its Directors and Supervisors. Each of the Directors and Supervisors has confirmed his compliance with the requirements set out in the Model Code for the year ended 31 December 2019.

6. Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and A Guide on Directors' Duties issued by the Companies Registry of Hong Kong to each newly appointed Director to ensure that he/she is fully aware of his/her responsibilities and obligations under the Hong Kong Listing Rules and other regulatory requirements. For the year ended 31 December 2019, Liu Maoxun attended the training course for the external director of central enterprises organized by the SASAC twice and the training course for directors and supervisors of listed issuers incorporated in Beijing organized by the Listed Companies Association of Beijing once. Qi Xiaofei attended the training course for the external director of central enterprises organized by the SASAC twice. Huang Long attended the training course for the external director of central enterprises organized by the SASAC once. Zheng Changhong attended the training course for the external director of central enterprises organized by the SASAC twice. Ngai Wai Fung attended the training course for the external director of central enterprises organized by the SASAC once, and other trainings in relation to Hong Kong Listing Rules and duties of directors organized by various professional firms and institutions for over 60 hours.

The Company Secretary reports from time to time the latest changes and development of the Hong Kong Listing Rules, Corporate Governance Code and other regulatory regime to the Directors with written materials, as well as organizes seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities. During 2019, the Company Secretary undertook over 15 hours of professional training to update his skills and knowledge.

THE BOARD OF DIRECTORS (CONTINUED)

7. Committees under the Board

(a) Strategy and Investment Committee

The main duties of the Strategy and Investment Committee include, among other things, to review proposals and to make recommendations to the Board regarding the Company's strategic development plans, annual budgets, capital allocation plans, significant mergers and acquisitions and significant financing plans.

As at 31 December 2019, the Strategy and Investment Committee consisted of four members, namely Mr. Liu Qitao, Mr. Song Hailiang, Mr. Liu Maoxun and Mr. Qi Xiaofei, and is chaired by Mr. Liu Qitao.

The Strategy and Investment Committee held 2 meetings in 2019 to review and discuss issues relating to the establishment and subscription plan of the fund, and provide recommendations on major issues such as domestic and overseas investment plans of the Company. The table below sets out the details of the Strategy and Investment Committee meeting attendance of each Director in 2019:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	2	2	0	100%
Song Hailiang	2	2	0	100%
Chen Yun *(Note 1)*	2	2	0	100%
Liu Maoxun	2	2	0	100%
Qi Xiaofei	2	2	0	100%

Note 1: Mr. Chen Yun ceased to serve as a member of the Strategy and Investment Committee with effect from 1 August 2019.

(b) Audit and Internal Control Committee

The main duties of the Audit and Internal Control Committee include, among other things,

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and the remuneration and terms of engagement of the external auditor;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to monitor the integrity of financial statements of the Company and the Company's annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and

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

As at 31 December 2019, the Audit and Internal Control Committee consisted of four members, namely Mr. Liu Maoxun, Mr. Huang Long, Mr. Zheng Changhong and Mr. Ngai Wai Fung, and is chaired by Mr. Ngai Wai Fung. Three out of the four members of the Audit and Internal Control Committee were Independent Non-executive Directors. The Audit and Internal Control Committee of the Company has reviewed the annual results of the Company.

THE BOARD OF DIRECTORS (CONTINUED)

7. Committees under the Board (continued)

(b) Audit and Internal Control Committee (continued)

The Audit and Internal Control Committee held 14 meetings in 2019 to discuss, among other things, the audited annual financial statements of 2018, the internal control report of the Company of 2018, the internal audit summary of 2018 and the plan of 2019, the report of duty performance of the Audit and Internal Control Committee in 2018, the quarterly financial reports of 2019 and the interim financial report of 2019, the re-appointment of the international and domestic auditors for 2019 and their remuneration, the change of domestic accounting policy and matters concerning connected transactions. The table below sets out the details of Audit and Internal Control Committee meeting attendance of each Director in 2019:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Maoxun	14	14	0	100%
Huang Long	14	13	1	93%
Zheng Changhong	14	14	0	100%
Ngai Wai Fung	14	14	0	100%

(c) Remuneration and Appraisal Committee

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

- to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent process for developing policy on such remuneration;
- to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment) and make recommendations relating to the remuneration of independent non-executive Directors to the Board; and
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

As at 31 December 2019, the Remuneration and Appraisal Committee consisted of four members, namely Mr. Qi Xiaofei, Mr. Huang Long, Mr. Zheng Changhong and Mr. Ngai Wai Fung and is chaired by Mr. Huang Long. Three out of four members of the Remuneration and Appraisal Committee were Independent Non-executive Directors.

The Remuneration and Appraisal Committee held 2 meetings in 2019 to review and discuss the report on payment of total remuneration of CCCC for the year 2018, the report on total remuneration budget scheme of CCCC for the year 2019, the recommendation on the assessment of operational performance and remuneration of senior management of CCCC for the year 2018 and the remuneration standard for the chairman of the Supervisory Committee and secretary of the Board. The table below sets out the details of Remuneration and Appraisal Committee meeting attendance of each Director in 2019:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Qi Xiaofei	2	2	0	100%
Huang Long	2	2	0	100%
Zheng Changhong	2	2	0	100%
Ngai Wai Fung	2	2	0	100%

THE BOARD OF DIRECTORS (CONTINUED)

7. Committees under the Board (continued)

(d) Nomination Committee

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

The Directors were nominated by criteria such as personal integrity, work experience relating to the Company's core business, performance track record, professional background, familiarity with corporate governance requirements for listed companies, etc.

As at 31 December 2019, the Nomination Committee consisted of five members, namely Mr. Liu Qitao, Mr. Song Hailiang, Mr. Huang Long, Mr. Zheng Changhong and Mr. Ngai Wai Fung, and is chaired by Mr. Liu Qitao.

The Nomination Committee held 1 meeting in 2019 to discuss the appointment of the vice presidents and the chief financial officer of the Company. The table below sets out the details of Nomination Committee meeting attendance of each Director in 2019:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	1	1	0	100%
Song Hailiang	1	1	0	100%
Huang Long	1	1	0	100%
Zheng Changhong	1	1	0	100%
Ngai Wai Fung	1	1	0	100%

For the year ended 31 December 2019, the Nomination Committee adopted a basic policy concerning diversity of Board members. Nomination Committee may consider diversity of Board members from a number of aspects, including but not limited to gender, age, ethnicity, education, specialty, experience, skills, knowledge and length of service and so forth. When reviewing the size and composition of the Board and searching for and recommending candidates for Directors, the Nomination Committee should take into account relevant factors mentioned above to try to achieve the diversity of the Board members in accordance with the Company's development strategy, business needs and specific functions of job vacancy. Upon selection, the Nomination Committee shall make a final recommendation to the Board based on merit of the selected candidates and fits with the development of the Company.

SUPERVISORY COMMITTEE

The Supervisory Committee is responsible for supervising the Board, its individual members and senior management to safeguard against any potential abuse of authority by the Board, its individual members and senior management so as to protect the interests of the Company and its Shareholders as a whole. As at 31 December 2019, the Supervisory Committee of the Company consisted of three members, Mr. Li Sen, Mr. Wang Yongbin and Mr. Yao Yanmin (as the representative of employees). The term of office for supervisors is three years which is renewable upon re-election.

The Supervisory Committee held 14 meetings in 2019 to consider and approve the 2018 report of the Supervisory Committee, the 2018 internal control assessment report of the Company, the 2019 first quarterly report, the 2019 third quarterly report of the Company and etc.. The table below sets out the details of Supervisory Committee meeting attendance of each Supervisor in 2019:

Supervisors	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Li Sen *(chairman)*	14	14	0	100%
Wang Yongbin	14	13	1	93%
Yao Yanmin	14	14	0	100%

AUDITORS' REMUNERATION

Ernst & Young and Ernst & Young Hua Ming LLP are appointed as the international and domestic auditors of the Company, respectively. Breakdown of the remuneration to Ernst & Young and Ernst & Young Hua Ming LLP for audit services and other non-audit services provided for the year ended 31 December 2019 are as follows:

	RMB'000
Audit services	24,000
Other non-audit services	1,820

The Company has resolved the resolution on appointment of auditors at the 33th meeting of the fourth session of the Board, which will then be submitted to the AGM for consideration and approval.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Company's internal control and risk management system and reviews its efficiency through the Audit and Internal Control Committee. The Board and the Audit and Internal Control Committee of the Company will receive from the management the information about the internal control and risk management on a regular basis (at least once a year). The Company's internal control and risk management system is designed to manage risks and is unable to ensure the elimination of all risks. Such system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company builds a comprehensive risk management-oriented internal control system. It determines the key points of internal control by identifying and assessing risks; improves the efficiency of internal control by optimizing processes and perfecting systems; enhances the executive ability of internal control by strengthening supervision and check. The risk management system of the Company mainly assesses the risk identification, risk analysis, risk response, etc.; includes the risk evaluation in the approval process on major investment projects by optimizing the risk evaluation mechanism; continuously advances the annual risk management report system; identifies major important risks and formulates the response strategy and measures in terms of these risks by combining with internal control department; regularly tracks the implementation of response measures for major important risks so as to further improve the risk management level of the Company. The Company has established a risk management structure with distinct hierarchy and reasonable authorization. The Company's functional departments and their organizations shall perform identification and response for major risks on the basis of respective duties, and shall report to the Audit and Internal Control Committee of the Company annually. The management and the Audit and Internal Control Committee of the Company carry out the annual assessment and review of risk control of all functional departments. Matters to be assessed include changes in nature and severity of material risks subsequent to review in the previous year, the Company's abilities to respond to material risks and the assessment on material risk management and internal control errors or material risk management and internal defects identified during the period. Based on the assessment, the Audit and Internal Control Committee arranges the annual work plan, which covers the Company's strategies, market, operation, financial capital, law and major procedures of its affiliated entities, and urges relevant entities to rectify the problems identified in the audit process and reports the progress of rectification to the management and the Audit and Internal Control Committee of the Company on a regularly basis.

The Company establishes a supervision mechanism for internal control, and stipulates its duty and powder, job requirements and methods. The Supervisory Committee supervises the establishment and the implement of internal control by the Board; the Board and the Audit and Internal Control Committee supervise the internal control system of the Company; the supervisory departments carry out supervision on performance, discipline inspection and matters related tendering and bidding and bulk purchase of the Company; the audit departments audit and supervise the operation management, financial revenue and expenditure and economic results of the entities.

The Company's assessment process of internal control strictly implement basic specifications, assessment guideline and procedures stipulated in internal system. The internal control assessment group is set up, which made up of members from, among other things, strategy & development department, finance & fund department, audit department and other business departments, to carry out work by three steps including self- evaluation, defect rectification and sampling inspection by the Company. The affiliated entities implement the process of self-evaluation under unified deployment by the Company. The assessment collects the data and information related to the planning and operation of internal control of the Company by interview, sampling, walk through test and field inspection, on a business occurrence frequency basis, and fills out the working paper of the assessment honestly, which give a the true process of internal control of the Company.

During the reporting period, the Board reviewed and evaluated the internal control and risk management system. The Board considered that the Company's internal control and risk management system was effective. The 2019 Internal Control Self-assessment Report of the Company has been published on the Company's website.

CORPORATE GOVERNANCE REPORT

INSIDER INFORMATION

The Company formulated the Insider Information Management System, which set out the detailed rules for the handing, disclosure and internal control of inside information. In 2019, the Company strictly implemented the abovementioned policies, further strengthened the identification and evaluation work for inside information and narrowed down the scope of insiders as far as possible. Besides, before the disclosure of an inside information in accordance with law, the Company conducted strict registration for and management over the insiders. In case of major events which require deferral or exemption of disclosure, the main department or person in charge of the specific work shall, in addition to filling in the insider registration form, prepare the memorandum on progress of material matters, including but not limited to the time of various key nodes in the course of planning and decision-making, list of personnel participating in planning and decision-making, and the means of planning and decision-making. The relevant personnel involved in planning and decision-making shall sign and confirm on the memorandum, so as to ensure the relevant insiders to fulfill their confidentiality obligation, and effectively prevent the leakage of the information.

The Company attaches great importance to internal control and its corporate social responsibility. The 2019 Social Responsibility Report of the Company has been published on the Company's website.

ACCOUNTABILITY OF THE DIRECTORS IN RELATION TO FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the financial statements for each fiscal period. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Company and of the results and cash flow for that fiscal year.

SHAREHOLDERS' RIGHTS

The Company is committed to pursue active communications with Shareholders as well as to provide disclosure of information concerning the Group's material developments to Shareholders, investors and other stakeholders.

The AGM of the Company serves as an effective forum for communication between Shareholders and the Board. Notice of the AGM together with the meeting materials will be dispatched to all Shareholders not less than 45 days prior to the AGM. The Chairman of the Board and of the Strategy and Investment Committee, Audit and Internal Control Committee, Remuneration and Appraisal Committee and Nomination Committee, or in their absence, other members of the respective Committees, will be invited to the AGM to answer questions from Shareholders. External auditors will also be invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and the independence of auditors.

Shareholders individually or jointly holding in aggregate more than 10% of the shares of the Company are entitled to request the convention of a shareholders' general meeting. Shareholders individually or jointly holding more than 3% of the shares of the Company shall have the right to submit proposals to the Company at a shareholders' general meeting. Shareholders individually or jointly holding more than 3% of the shares of the Company may bring forward provisional proposals and submit the same in writing to the convener ten days prior to a shareholders' general meeting.

Voting by Shareholders at a shareholders' general meeting will be conducted by poll in accordance with the Hong Kong Listing Rules, unless otherwise required and permitted. Detailed procedures for conducting a poll will be explained to the Shareholders at the inception of a shareholders' general meeting to ensure that Shareholders are familiar with such voting procedures. Separate resolution will be proposed by the chairman of a shareholders' general meeting for each material issue. Poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange on the same business day of the shareholders' general meeting.

Pursuant to the Articles of Association, a special general meeting can be convened upon the written requisition by any two or more Shareholders holding in aggregate not less than 10% in the paid up capital of the Company, provided that at the date of the lodging of such requisition such capital carries the right of voting at shareholders' general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the requisitionists and lodged at the office of the Company.

Enquiries directed to the Board or the Company are facilitated by email to ir@ccccltd.cn or through the online messaging system on the Company's website. All announcements, press releases and conducive corporate information of the Company are available on the Company's website to enhance the transparency of the Company.

INVESTOR RELATIONS

Please refer to the chapter headed "Investor Relations" for detailed information.

This is Phase I of Nema Railway in Kenya, which has been put into operation

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

As at 31 December 2019, the Board consisted of seven Directors, including two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Profiles of the Directors are as follows:

Mr. Liu Qitao, born in 1957, Chinese nationality with no overseas permanent residence, is an Executive Director, Chairman of the Board and secretary of the Party Committee of the Company. Mr. Liu also serves as the chairman of the board and secretary of the Party Committee of CCCG. Mr. Liu joined the Company in 2010 and has in-depth knowledge and extensive operational and management experience. Mr. Liu held positions as the deputy head of No.13 Bureau of Sinohydro, the assistant to general manager and deputy general manager of China National Water Resources and Hydropower Engineering Corporation and the general manager of its department of overseas operations, the deputy general manager at Sinohydro Corporation and the chairman of the board of directors of Sinohydro International Engineering Co., Ltd., director and general manager of Sinohydro Group Ltd. Mr. Liu graduated from Dalian University of Technology (formerly known as Dalian Institute of Technology) with a bachelor's degree in water conservancy and hydropower engineering construction, and is qualified as a first class constructor. He is a professorate senior engineer and is entitled to the special government allowance awarded by the State Council. Mr. Liu has been serving as an Executive Director of the Company since January 2011 and Chairman of the Board since April 2013.

Mr. Song Hailiang, born in 1965, Chinese nationality with no overseas permanent residence, is an Executive Director, president, and the deputy secretary of the Party Committee of the Company. Mr. Song also serves as a director, the general manager and a deputy secretary of the Party Committee of CCCG. Mr. Song joined the Company in 1987 and has extensive operational and management experience. He served as the chairman and the general manager of CCCC Water Transportation Consultants Co., Ltd., the chairman of Shanghai Zhenhua Heavy Industries Co., Ltd., the assistant to president and vice president of the Company. Mr. Song graduated from Wuhan Institute of Water Transportation Engineering with a major in port machinery design and manufacture and subsequently obtained a master's degree in project management from Tsinghua University and a doctor's degree in engineering management from Tianjin University and is a professorate senior engineer. Mr. Song has been serving as the president of the Company since October 2018.

Mr. Liu Maoxun, born in 1955, Chinese nationality with no overseas permanent residence, is a Non-executive Director of the Company. Mr. Liu also serves as an external director of Dongfang Electric Corporation. He has extensive experience in corporate administration and financial management. Mr. Liu held positions as a cadre of Financial Department of and the deputy division director, division director and deputy director of Immediate Financial Division of the former Ministry of Chemical Industry of the PRC, the deputy director of Corporate Reform and Financial Department of the State Bureau of Petroleum and Chemical Industry, the deputy head and head of Service Administration Bureau (Administration Bureau of the Former and Retired Staff) of the former State Economic and Trade Commission, head of Service Administration Bureau (Administration Bureau of the Former and Retired Staff) under the SASAC, deputy head of Inspection Team under the SASAC; Mr. Liu also served as an external Director of China Energy Conservation and Environmental Protection Group. Mr. Liu graduated from Correspondence Department of Central Institute of Finance and Banking with a major in industrial accounting and later received a master's degree in law from the PRC Central Party College. He is a senior accountant. Mr. Liu has been serving as a Non-executive Director of the Company since April 2014.

Mr. Qi Xiaofei, born in 1957, Chinese nationality with no overseas permanent residence, was a Non-executive Director of the Company. Mr. Qi also serves as an external director of China International Intellectech Co., Ltd. and COFCO Corporation. Mr. Qi has extensive experience in the working for government authorities and business operations administration, and served in the Guizhou provincial committee of the communist youth league successively as the deputy director of the general office, deputy director of the Publicity Department and deputy director of the research office. He also served successively as deputy director of the system reform institute of Guizhou provincial Party committee of economic system reform, and deputy director of the secretariat of the general office, standing committee secretary (division level) and secretary of the general secretary to the Communist Party Committee, secretary of the governor (deputy provincial department level) of Hainan Province, deputy director and a member of the Party group of the economic cooperation department of Hainan province. He served as director of the general office, secretary to the Communist Party Committee of the sub-organizations (concurrently), director of the training centre (concurrently), deputy director and a member of the Party group of State Bureau of Religious Affairs. He served successively as deputy secretary to the Communist Party Committee and secretary to the Disciplinary Committee of China Railway Construction Corporation, deputy secretary to the Communist Party Committee, secretary to the Disciplinary Committee and chairman of the supervisory committee of China Railway Construction Corporation Limited ("CRCC"), general manager and deputy secretary to the Communist Party Committee of China Railway Construction Corporation, and secretary to the Communist Party Committee and vice chairman of CRCC. Mr. Qi graduated from Guizhou University, majoring in philosophy with a bachelor's degree in philosophy and obtained a master's degree in business administration from Cheung Kong Graduate School of Business. Mr. Qi had been serving as a Non-executive Director of the Company since November 2017. On 13 February 2020, due to change of work, Mr. Qi resigned as a Non-executive Director of the Company, a member of the Strategy and Investment Committee and the Remuneration and Appraisal Committee of the Board.

Mr. Huang Long, born in 1953, Chinese nationality with no overseas permanent residence, is an Independent Non-executive Director of the Company. Mr. Huang also serves as an external director of China National Petroleum Corporation and COSCO SHIPPING (Hong Kong) Co., Limited. He has extensive experience in corporate administration. Mr. Huang held positions as the deputy manager and manager of International Cooperation Department of and manager of International Cooperation and Commercial Contract Department of Huaneng International Power Development Corporation, deputy general manager and the vice chairman of Huaneng Power International, Inc., deputy general manager of China Huaneng Group. Mr. Huang graduated with a master of science degree from the Department of Electrical Engineering of North Carolina State University in the United States, majoring in communications and auto-control. He is a senior engineer. Mr. Huang has been serving as an Independent Non-executive Director of the Company since April 2014.

BOARD OF DIRECTORS (CONTINUED)

Mr. Zheng Changhong, born in 1955, Chinese nationality with no overseas permanent residence, is an Independent Non-executive Director of the Company. Mr. Zheng also serves as an independent Director of China State Construction Co., Ltd. and an external Director of Overseas Chinese Town Group Co., Ltd.. He has extensive operational and management experience. He held positions as deputy head of Beijing Erqi Locomotive Works (北京二七機車廠), director of the general office, a director and deputy general manager of China National Railway Locomotive & Rolling Stock Industry Corporation (中國鐵路機車車輛工業總公司), a director and deputy general manager, deputy general manager, secretary of the Party Committee and deputy general manager and the general manager and the deputy secretary of the Party Committee of CSR Group Corporation (中國南車集團公司), an Executive director, vice chairman, president, chairman and secretary of the Party Committee of CSR Corporation Limited (中國南車股份有限公司), as well as an executive director, vice chairman and secretary of the Party Committee of CRRC Corporation Limited (中國中車集團). Mr. Zheng successively graduated from Lanzhou Railway College majoring in electronics technology and Northern Jiaotong University majoring in accounting, and completed his doctorate education in traffic and transportation planning and management and obtained a doctor's degree in engineering from Beijing Jiaotong University. He possesses the Senior Professional Manager qualification (a talent with unique contribution), and is a professor equivalent senior engineer and a member of the World Academy of Productivity Science (世界生產力科學院). Mr. Zheng has been serving as an Independent Non-executive Director of the Company since November 2017.

Dr. Ngai Wai Fung, born in 1962, Chinese nationality and a resident of Hong Kong Special Administrative Region with no overseas permanent residence, is an Independent Non-executive Director of the Company. Dr. Ngai is the group chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, and also holds directorship in a number of companies listed on Hong Kong Stock Exchange and other stock exchanges, such as serving as an independent non-executive director of Bosideng International Holdings Limited, Powerlong Real Estate Holdings Limited, BaWang International (Group) Holding Limited, Health and Happiness (H&H) International Holdings Limited, SITC International Holdings Company Limited, Beijing Capital Grand Limited, BBMG Corporation and TravelSky Technology Limited. He is also an independent director of LDK Solar Co., Ltd. and SPI Energy Co., Ltd. Dr. Ngai has over 30 years of professional practice and senior management experiences, including finance, accounting, financing, internal control and regulatory compliance, corporate governance and company secretarial work. He has led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He was an independent non-executive director of CRCC, China Coal Energy Company Limited, China Railway Group Limited. Dr. Ngai is a senior member of the Association of Chartered Certified Accountants, a member of Hong Kong Institute of Certified Public Accountants, a senior member of Chartered Governance Institute (formerly known as: Institute of Chartered Secretaries and Administrators), a senior member of The Hong Kong Institute of Chartered Secretaries, a senior member of Hong Kong Institute of Directors, a member of Hong Kong Securities and Investment Institute and a member of The Chartered Institute of Arbitrators. Dr. Ngai is a member of The Chamber of Hong Kong Listed Companies and has also been appointed by the Ministry of Finance of the PRC as Finance Expert Consultant in 2016. Dr. Ngai was the former president of Hong Kong Institute of Chartered Secretaries (2014–2015) and a member of Work Group on Professional Services under the Economic Development Commission of the Hong Kong Special Administrative Region (2013–2018) and a member of Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants (2013–2018). Dr. Ngai obtained a doctor's degree in Finance at Shanghai University of Finance and Economics, a master's degree in Corporate Finance from Hong Kong Polytechnic University, a bachelor's honors degree in Law at University of Wolverhampton of the United Kingdom and a master's degree in Business Administration from Andrews University of Michigan of the United States, respectively. Dr. Ngai has been serving as an Independent Non-executive Director of the Company since November 2017.

SUPERVISORY COMMITTEE

As at 31 December 2019, the Supervisory Committee consisted of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. Profiles of the Supervisors are as follows:

Mr. Li Sen, born in 1964, Chinese nationality with no overseas permanent residence, is a Supervisor and the chairman of the Supervisory Committee of the Company. Mr. Li also serves as the general manager of the Human Resource Department and head of the Organizational Department of the Party Committee of the Company (retired since January 2020). Mr. Li joined the Company in 2014 and has extensive management experience. He held positions as deputy division chief of Cadre Management, Division of Personnel of Ministry of Coal, head of the First Section of Cadre Education Bureau and head of the Comprehensive Affairs Section under the Organization Department of the Central Committee of the Party, deputy director of the Education Department of China National School of Administration (assisting roles of departments or equivalents), member of the Standing Committee of the Party Committee, deputy mayor, head of Propaganda Department, head of Organization Department of Liaoyuan Municipality, Jilin Province, temporary secretary of the Party Committee and vice chairman of Beijing United Development Co., Ltd. (北京聯合置業有限公司), chairman of the supervisory committee, temporary deputy secretary of the Party Committee, temporary secretary of Committee for Discipline Inspection and chairman of the Labor Union of CCCG Real Estate Group. Mr. Li successively graduated from Huaibei Coal Industry Normal College (淮北煤炭師範學院) majoring in Chinese language and literature, Capital University of Economics and Business majoring in business management and Tongji University majoring in management science and engineering. He obtained a doctor's degree in management from Tongji University and is a senior political engineer. Mr. Li has been serving as a Supervisor and the chairman of the Supervisory Committee of the Company since November 2017.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORY COMMITTEE (CONTINUED)

Mr. Wang Yongbin, born in 1965, Chinese nationality with no overseas permanent residence, is a Supervisor of the Company. He also serves as the general manager of the auditing department of CCCG, a supervisor of China Northeast Municipal Engineering Design & Research Institute Co., Ltd., the chairman of supervisory committee of Zhenhua Logistics Group Co., Ltd., and a supervisor of Zhen Hua (Shenzhen) Engineering Co., Ltd. and CCCC Hainan Construction Investment Limited (中交海南建設投資有限公司), a supervisor of Shanghai Zhenshalongfu Machinery Co., Ltd., a supervisor of CCCC Industrial Investment Holding Limited, a supervisor of CCCC Beijing-Tianjin-Hebei Investment and Development Co., Ltd. and a supervisor of CCCC Shanghai Equipment Engineering Co., Ltd. Mr. Wang joined the Company in 2001 and has extensive management experience. Mr. Wang graduated from Changsha Communications University with a bachelor's degree in project finance and accounting. Mr. Wang is a professorate senior accountant and senior auditor. Mr. Wang has been serving as a Supervisor of the Company since September 2006.

Mr. Yao Yanmin, born in 1963, Chinese nationality with no overseas permanent residence, is a staff representative Supervisor of the Company. Mr. Yao also serves as the vice chairman of Union Federation and the chairman of Labor Union for Organs, and the director of the Office of Union Federation of the Company. Mr. Yao joined the Company in 1992 and has extensive management experience. He held positions as the head of president office, assistant to the general manager and the deputy general manager of China Road and Bridge Construction Corporation, the deputy head of general office of CCCG, the deputy head of general office of the Company, head of the Work Department of the Company's Party Committee and the general manager of Corporate Culture Department of the Company. Mr. Yao graduated from Guangdong University of Foreign Studies and Renmin University of China with a bachelor's degree in English and a bachelor's degree in law, respectively. Mr. Wang has been serving as a Supervisor of the Company since April 2014.

SENIOR MANAGEMENT

As at 31 December 2019, the Company's senior management consisted of nine members with the profile as follow (for the profile of Mr. Song Hailiang, a senior management member who concurrently serves as a Director, please refer to the above):

Mr. Wen Gang, born in 1966, with Chinese nationality and no overseas permanent residence, is a vice president and a member of the Party Committee of the Company. He also serves as the deputy general manager and a member of the Party Committee of CCCG. Mr. Wen joined the Company in 1988 and has rich operational and management experience. He successively held positions as the deputy general manager of China First Highway Engineering Company, the director and deputy general manager of CRBC, executive general manager of the overseas business department of the Company, chairman of CRBC and the assistant to president of the Company. Mr. Wen graduated from Guangzhou International Studies Institute, majored in French. He also holds a master's degree in project management engineering from Changsha University of Science and Technology. Mr. Wen is a professorate senior engineer and professorate senior economist. Mr. Wen has been serving as the vice president of the Company since December 2016.

Mr. Wang Jian, born in 1964, with Chinese nationality and no overseas permanent residence, is a vice president, the chief safety officer and a member of the Party Committee of the Company. He also serves as the deputy general manager and a member of the Party Committee of CCCG. Mr. Wang joined the Company in 2004 and has rich operational and management experience. He successively held positions as the director and deputy general manager of CCCC Tunnel Engineering Co., Ltd., the general manager of East China Regional Headquarters, general manager of road, bridge and rail transportation department and the assistant to president of the Company. Mr. Wang graduated from Xi'an Highway Institute whose postgraduate study focused on bridge and structure engineering. He also holds a doctor's degree in geotechnical engineering of Central South University. Mr. Wang is a professorate senior engineer. Mr. Wang has been serving as the Vice President of the Company since December 2016.

Mr. Zhou Jingbo, born in 1963, with Chinese nationality and no overseas permanent residence, is currently the vice president and a member of the Party Committee of the Company, and the chairman and the acting secretary of the Party Committee of CCCC Dredging. Mr. Zhou joined the Company in 1980 and has extensive operational and management experience. He served as the assistant to general manager, deputy general manager and general manager of No.1 Engineering Company of CFHCC, the deputy general manager of CFHCC, the chairman, general manager and the deputy secretary of the Party Committee of CCCC Tianjin Dredging Co., Ltd., and the chairman, general manager and the acting secretary of the Party Committee of CCCC Real Estate Company Limited. He also served as the assistant to the president and the general manager of the port and waterway dredging division of the Company, and the acting deputy secretary of the Party Committee of CCCC Dredging. Mr. Zhou graduated from China University of Geosciences (Wuhan) with a master's degree in economics. He is a professorate senior engineer and senior economist. Mr. Zhou has been serving as the vice president of the Company since October 2019.

SENIOR MANAGEMENT (CONTINUED)

Mr. Li Maohui, born in 1962, with Chinese nationality and no overseas permanent residence, is currently the vice president and a member of the Party Committee of the Company, and the chairman and the secretary of the Party Committee of CCCC Investment. Mr. Li joined the Company in 2005 and has extensive financial, operational and management experience. He served as the deputy chief and chief of the planning and finance division and the deputy head and the member of the Party group of the Department of Transport of Ningxia Hui Autonomous Region, deputy head (in temporary capacity) of the first assessment bureau of China Development Bank, deputy chief economist of CRBC, general manager of investment department of CCCG, general manager of capital operation department of the Company, director, general manager, deputy secretary of the Party Committee of CCCC Investment, assistant to the president of the Company. Mr. Li graduated from Chang'an University (formerly known as Xi'an Highway College) with a bachelor's degree in finance and accounting and later obtained an executive master of business administration (EMBA) from Tsinghua University. He is a professorate senior economist. Mr. Li has been serving as the vice president of the Company since October 2019.

Mr. Zhu Hongbiao, born in 1970, with Chinese nationality and no overseas permanent residence, is currently the chief financial officer, a member of the Party Committee of the Company. He also serves as the chairman of CCCC Finance Company Ltd. Mr. Zhu joined the Company in 1994 and has extensive capital and financial management experience. Mr. Zhu served as the deputy chief of finance and accounting department, the assistant to general manager and deputy general manager of capital management department, deputy general manager of finance and accounting department and director of fund settlement center of CRBC. Mr. Zhu also served as the deputy general manager of fund department and deputy director of fund settlement center of CCCG and the general manager of finance fund department and director of fund settlement center of the Company. Mr. Zhu graduated from Chang'an University (formerly known as Xi'an Highway College) with a bachelor's degree in accounting and later obtained a master's degree in accounting from Peking University. He is a professorate senior accountant. Mr. Zhu has been serving as the chief financial officer of the Company since October 2019.

Mr. Pei Minshan, born in 1971, with Chinese nationality and no overseas permanent residence, is currently the vice president and a member of the Party Committee of the Company, the chairman and the secretary of the Party Committee of CCCC Highway Consultants, the vice president of CCCC Highway Bridges National Engineering Research Centre CO., Ltd. Mr. Pei joined the Company in 1992 and has rich professional knowledge and extensive operational and management experience. He served as the cadre of CCCC Highway Consultants, deputy head of transportation bureau of Luoning County, Henan, director of special regional operation of bridges office, director of production and operational management department, assistant to general manager, deputy general manager, director, general manager and deputy secretary of the Party Committee of CCCC Highway Consultants. Mr. Pei graduated from Southeast University with a bachelor's degree in highways and urban roads engineering and later obtained a master's degree in structural engineering from Beijing University of Technology. He is a professorate senior engineer. Mr. Pei has been serving as the vice president of the Company since October 2019.

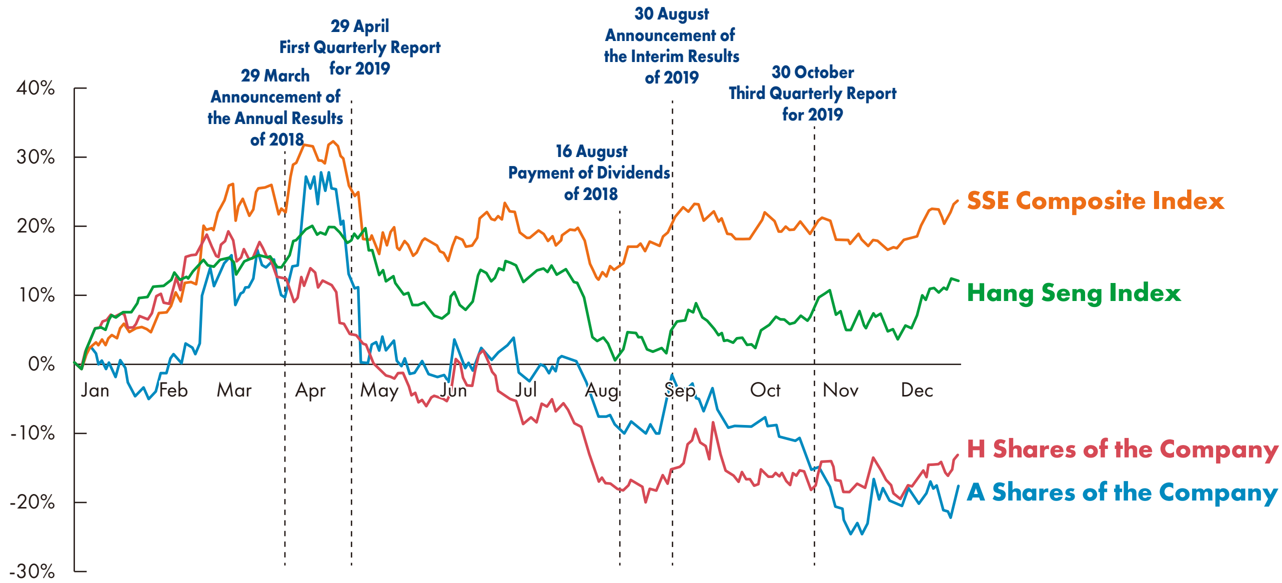
Mr. Chen Zhong, born in 1971, with Chinese nationality and no overseas permanent residence, is currently the vice president, a member of the Party Committee of the Company, and the general manager and the deputy secretary of the Party Committee of the overseas department of the Company, and also the chairman of CCCC Industrial Investment Holding Limited, the vice president of Zhenhua Logistics Group. Mr. Chen joined the Company in 1994. He has rich professional knowledge and extensive operational and management experience. He served as the deputy manager and chief engineer of 101 Highway Project in Mauritania of CFHCC, deputy chief of overseas business division and the chief engineer of CFHCC, deputy general manager of No.1 Engineering Company of CFHCC, the head and executive director of Tianjin Port Engineering Institute of CFHCC (中交天津港灣工程研究所), general manager of No.1 Engineering Company of CFHCC, deputy general manager and chief engineer of CHEC, deputy general manager and executive general manager of the overseas department of the Company. Mr. Chen graduated from Hohai University with a bachelor's degree in harbour and waterway engineering and later obtained a master's degree in port coast and offshore engineering from Tianjin University and a doctor's degree in road and railway engineering from Changsha University of Science and Technology. He is a professorate senior engineer. Mr. Chen has been serving as the vice president of the Company since October 2019.

Mr. Zhou Changjiang, born in 1965, with Chinese nationality and no overseas permanent residence, is the Board secretary and the Company Secretary of the Company. Mr. Zhou also serves as the head of the Board office. Mr. Zhou joined the Company in 2000, and he is familiar with enterprise management, corporate governance, capital operation, information disclosure and investor relations management and has extensive operational and management experience and profound professional knowledge. He served as the officer of the former State Administration for Commodity Price and the State Planning Commission, the deputy director of the general office of China National Machine Tool Corporation, deputy general manager of the enterprise planning department of China Harbour Engineering Company (Group) and deputy general manager of the enterprise development department of CCCG. Mr. Zhou graduated from Renmin University of China with a bachelor's degree in economics. He is a professorate senior economist. Mr. Zhou has been serving as the Board secretary of the Company since November 2017 and the Company Secretary of the Company since December 2017.

This is the Dredging and Backfilling Project of New Container Terminal at Diba Bay in East Timor constructed by the Company

CAPITAL MARKET REVIEW

The closing price of the Company's H Shares on 31 December 2019 was HKD6.35, representing a decrease of 14.2% as compared to the closing price of HKD7.40 on 31 December 2018. The closing price of the Company's A Shares on 31 December 2019 was RMB9.16, representing a decrease of 18.7% as compared to the closing price of RMB11.26 on 31 December 2018.



COMPREHENSIVE, EFFICIENT AND INTERACTIVE INVESTOR COMMUNICATIONS

The Company maintained active communications with investors in a candid and practical manner with an initiative and open stance and established a comprehensive investor relations service system.

(1) Results Presentations and Non-deal Roadshows

In 2019, results presentations were timely held upon announcement of the annual and interim results, at which one-to-one meetings and group meetings were held with some investors, where the Company introduced the performance highlights and strategic goal positioning to the investors in response to the problems and challenges faced by the Company's business performance this year, answered to the questions on the industry and the Company which the investors were concerned about, and listened to investors' opinions and suggestions on the operation and management of the Company, realising effective communication with them.

With a view to strengthening communications and conversations between the Company and small and medium investors, and protecting their legal interests, upon announcement of 2018 annual results and 2019 interim results, the Company held results presentations by using online interactive platforms to mainly communicate with various investors, especially small and medium investors, on the Company's strategic planning, operating performance, dividends distribution policy and related business issues, and gained valuable experience. In the future, we will create opportunities and increase the usage of online interactive platforms to debrief advice and suggestions raised by small and medium investors towards the Company.

INVESTOR RELATIONS

COMPREHENSIVE, EFFICIENT AND INTERACTIVE INVESTOR COMMUNICATIONS (CONTINUED)

(2) Attending Strategy Sessions and Overseas Investors Conferences Organised by Investment Institutions

In 2019, the Company took the initiative to participate in 30 investment strategy report sessions and overseas investors conferences organised by domestic and international investment institutions. Through about 100 one-to-one meetings and group conferences, the Company met over 300 investors to exchange ideas with them over the macro economy of the PRC, the development prospect of the industry the Company is engaged in and the development of the Company's operations, etc. Efficiency was maximised by communicating with such large number of investors within a relatively short period of time.

(3) Reception of Investors

In 2019, the Company exchanged ideas with over 300 institutional investors through about over 80 one-to-one meetings and 14 investor group conferences. The Company's executives had participated in the communication activities with investors in person to respond to enquiries from visitors in an earnest and honest manner whenever time permits. Such arrangement was highly welcomed by the investors. Meanwhile, with over 130,000 minority Shareholders, the Company arranged dedicated staff to attend to calls to the IR hotline, to handle the IR mailbox and to reply to E-interactive questions. During the year, hundreds of different kinds of enquiries were addressed, thus enabling the investors to have more and more understanding of the Company's strategic vision, integrated operating model and development characteristics of each business segment, etc. The Company also further formed a clearer view on concerns of investors, which laid a solid foundation for maintaining smooth communications and interactions and achieving mutual growth and development.

List of the Company's major investor relations activities in 2019

Month	Activity	Organiser
January	2019 Investment Strategy Conference	Galaxy Securities
	19th Greater China Conference	UBS Securities
	2019 Greater Cycle Exchange Meeting	Changjiang Securities
	2019 Capital Market Conference	Guosheng Securities
	17th Annual DB Access China Conference	Deutsche Bank
	2nd UBS Industrial and Infrastructure Corporate Day	UBS Securities
February	2019 Chinese New Year Strategy Conference and Convertible Bonds Exchange Conference	TF Securities
	2019 Spring Opening Businesses Investment Conference	Guotai Junan
March	2018 Annual Results Announcement	CCCC
April	Online Results Presentation	CCCC
	• Analysts Briefing	CCCC
	• Press Conference	CCCC
	• Non-deal roadshow	CCCC
	First Quarterly Report for 2019	CCCC

COMPREHENSIVE, EFFICIENT AND INTERACTIVE INVESTOR COMMUNICATIONS (CONTINUED)

(3) Reception of Investors (Continued)

List of the Company's major investor relations activities in 2019 (Continued)

Month	Activity	Organiser
May	The 15th BOCI Investors' Conference	BOCI
	Global China Investment Summit	JP Morgan
	China Investment Forum	CLSA
	2019 Interim Capital Market Forum	CITIC Securities
	China Investment Conference	HSBC
	2019 Interim Investment Strategy Conference	Essence Securities
	2019 Industry and Capital Summit	Guosheng Securities
	Innovation China Forum	BAML
	5th China Summit	Morgan Stanley
June	2019 Interim Strategy Conference	Industrial Securities
	Investment Strategy Conference 2H19	CICC
July	Reception Day for Investors of Listed Companies under the Jurisdiction of Beijing	CCCC
	2019 Interim Strategy and Communications between Listed Companies Conference	Guosen Securities
August	2019 Interim Results Announcement	CCCC
September	• Online Results Presentation	CCCC
	• Analysts Briefing	CCCC
	• Press Conference	CCCC
	• Non-deal roadshow	CCCC
	2019 Autumn Capital Market Summit	China Securities
	2019 Autumn Investment Strategy Conference	China Everbright Securities
October	Third Quarterly Report for 2019	CCCC
November	Annual China Investment Forum	Goldman Sachs
	10th China Investment Forum	Credit Suisse Securities
	2019 China Investment Summit	BAML
	2020 Strategy Conference	Industrial Securities
	2020 Capital Market Conference	China Merchants Securities
	2020 Capital Market Conference	CITIC Securities
December	2020 Capital Market Conference	Huatai Securities
	2020 Investment Strategy Conference	China Everbright Securities

During the communication with investors, the Company tried its best to satisfy the demands for investigation and research of investors, research institutions and financial media by answering each question seriously. During the course, other than fully fulfilling our information disclosure responsibility by communicating our business strategies and operation performance to investors, we also actively listened to the questions and suggestions raised by investors. We prepared the Market Weekly and Summary of Roadshows to pass the questions raised by investors to the management in a timely and comprehensive manner. Through our work and services, an effective and interactive bridge of communication was built between the investors from the capital market and the Company.

INVESTOR RELATIONS

TIMELY AND ACCURATE INFORMATION DISCLOSURE

During the reporting period, the Company carefully made every information disclosure in plain words without misleading and fraud contents, and uploaded those announcements on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange and the website of the Company in the stipulated time period, to facilitate timely and accurate understanding of investors in the Company's operations. Secondly, for discloseable important decisions and significant matters, the Company would publish impromptu announcements on the Shanghai Stock Exchange side by side with overseas regulatory announcements on the Hong Kong Stock Exchange to ensure fairness and consistency in information acquired by domestic and overseas investors, protect the interests of different types of investors and reduce market risks. Moreover, matters such as common questions from investors, the Company's dividends distribution, investor relations activities calendar and bids of representative projects were published in the Investor Relations section on the Company's website and newsletter (online version) to make full use of the fast, extensive and low-cost nature of the internet. Finally, the Company specially sorted out operating information such as successful bids and execution of agreement to send by email on a weekly basis to a variety of analysts and fund managers who usually paid attention to the Company, so as to enable them to be timely informed of the operating development of the Company.

All in all, the information release and publication system comprising regular reports, impromptu announcements and the Company's website has offered a comprehensive and multi-dimension channel for different types of investors and people who are concerned about the development of the Company to acquire information about the Company and further shortened the distance between the Company and investors.

CONTINUOUS IMPROVEMENT OF INVESTOR RELATIONS

Through the activities above, we strengthened communications between the management and the investors from the capital market, and enhanced the transparency of the operation and management of the Company. Upon relevant election, the Company won 9th China Golden Bauhinia Awards • Listed Company with the Best Investment Value (第九屆中國證券金紫荊獎•最具投資價值上市公司獎), China Top 100 Company of the Year (年度中國百強企業獎), Gelonghui 1st Greater China Listed Companies – Best Information Disclosure Award(格隆匯首屆大中華區上市公司最佳信息披露獎), Securities Times – 10th Tianma Award • Best Board Secretary Award (證券時報第十屆"天馬獎"最佳董秘獎), and was included in New Fortune -1st Best Listed Companies (《新財富》首屆最佳上市公司) and Top 100 Hong Kong Stocks (港股100強). In addition, as evaluated by Shanghai Stock Exchange, the Company was considered as A Class (highest level of honor) in terms of information disclosure. All these achievements represent recognitions from investors of our unremitting efforts in corporate governance, operational management, information disclosure and investor relations management in the past year, which further reinforced the sound image of the Company on capital market.

The Company will continue to enhance the management of capital market, highly value its investor relations work, attach great importance to the value creation for small and medium investors and further improve its information disclosure to continually increase the transparency of the Company in 2020. Investor relation management will be taken as a sustainable development strategy. We are committed to maximising shareholders' return through effective multi-channel and multi-level communication with investors that features equality, sincerity and mutual respect.

This is “Xin Hai Feng” dredging boat, which is working in Yangtze River Estuary Deepwater Channel

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE

This report covers China Communications Construction Company Limited and its branches and subsidiaries, and its brand name is "CCCC". In this report, China Communications Construction Company Limited will also be referred to as "CCCC", the "Company" and "We".

Since this report is an annual report, its time range is from 1 January 2019 to 31 December 2019, and some contents may exceed the above time range.

The Company is pleased to report the environmental, social and governance report, which sets out the measures implemented by the Company and its controlling subsidiaries on environmental, social and governance matters, the business activities organized and related data results for the year ended 31 December 2019, as well as the environmental, social and governance factors that the Board considers to be significant to the Company's business.

ABOUT THE REPORT

As a both H shares and A shares listed company, CCCC operates in strict compliance with the requirements of the relevant laws and administrative regulations, including the Company Law, the Securities Law and relevant rules of the Hong Kong Stock Exchange, and conducts the corporate information disclosure, investor relations management and services according to law.

This report is prepared in accordance with the "Environmental, Social and Governance (ESG) Reporting Guide" contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("ESG Reporting Guide of Hong Kong Stock Exchange"). Furthermore, the 2019 Social Responsibility Report of China Communications Construction Company Limited has been published on the Company's website.

The Company is committed to compliance with laws and regulations in relation to environmental and social responsibilities that have a significant impact on the Company. We insist on the strengthening of corporate social responsibility governance. We are committed to promoting the sustainable development of the Company, and create and share a sustainable value with the stakeholders in the economic, social, and environmental fields.

CORPORATE PROFILE AND BUSINESS PERFORMANCE

For details, please refer to the chapters of "Corporate Profile" and "Business Overview" in this Annual Report.

STATEMENT OF THE BOARD

The Board has been responsible for the environmental, social and governance strategy and report of the Company, sustainable development involving or affecting businesses or operation of the Company, shareholders and other key stakeholders, supervision of positions and practices of the Company, and approval of the disclosures on environmental, social and governance strategy. The Board is also responsible for assessing and determining the Company's environmental, social and governance-related risks and ensuring that appropriate and effective environmental, social and governance risk management and internal control systems are in place. All the Directors have confirmed the effectiveness of these systems.

Meanwhile, for the further implementation of the Plan on Corporate Culture Development during the "13th Five-Year Plan Period" (《"十三五"企業文化建設規劃》), the Company strengthened the rooftop design and communication relating to social responsibility management, vigorously promoted the integration of social responsibility into daily management; optimized the social responsibility institutional framework and management system, and participated in the research project of "Social Values of State-owned Enterprises in China and South Korea" launched by SASAC to improve responsibility management and practice in an all-round way.

Social Responsibility Organizaitons and Systems of CCCC

IDENTIFICATION AND COMMUNICATION OF STAKEHOLDERS

The Company has continuously innovated the forms and channels regarding stakeholder communication for many years, and strengthened communication and exchanges with stakeholders, so as to deeply understand the demands of stakeholders, pass on the Company's responsibility fulfillment concepts and actions to stakeholders, and achieve common development and progress with stakeholders.

Stakeholders	**Communication Mechanism and Modes**	**Response and Feedback**
Regulatory institutions (SASAC)	Implement requirements of various documents and spirits of meetings; Business communication with counterpart departments; Work reporting, report and statement.	Achieve Class-A rating in comprehensive assessment; Improve corporate management and control capability; Fulfill social responsibility.
Governments at various levels (local government)	Special topic meeting and information reporting; Strategic cooperation; High-level business meeting.	Abide by laws and regulations; Implement national policies; Conduct integrity management in accordance with laws; Sign strategic cooperative agreement.
Shareholders	Regular or interim report; General meetings and written notice; Investor meetings.	Keep stable profitability; Maintain rights and interests of shareholders; Good credit rating.
Customers and clients	Contract performance; Visits and meetings; Documents and mails; Customer assessment and management.	Guarantee 100 percent of contract performance and acceptance rate of projects; Conduct constant innovation in techniques and products; Provide satisfactory services.
Suppliers	Tendering and bidding, and business negotiation; Contract performance, and business letters and communications.	Adhere to principles of integrity, mutual benefits and equal consultation; Keep good cooperative relations.
Subcontractors	Contract performance; Business letters and communications.	Strictly manage and control the quality of subcontracted projects; Keep good cooperative relations.
Employees	Worker supervisors, and workers' congress; Solicit rational suggestions; Trainings and meetings; Day-to-day work communication.	Stable compensation incentives; Protect rights and interests of employees; Care career development of employees; Conduct various activities.
Community and the public	Various communications and visits; Participate in public welfare activities.	Environmental protection and civilized constructions; Support harmonious development of local communities; Public welfare and donation.
NGO and other third-party organizations	Maintain close contact and information sharing; Develop cooperation.	Participate in and organize social contribution activities; Keep communication channels open.

IDENTIFICATION AND COMMUNICATION OF STAKEHOLDERS (CONTINUED)

Identificaition of Material Issues

In 2019, to make the social responsibility report more targeted and responsive, CCCC analyzed and compared the influence of different social responsibility issues on stakeholders and the importance to corporate development in accordance with social responsibility material issue analysis model, and then identified the high-profile material issues.

Step One: Identification of Issues

Based on the social responsibility standards both in China and abroad, the policy requirements of the Chinese government, benchmarking with leading enterprises, and investigation and research of stakeholders as well as its own development plan, CCCC has established social responsibility topic pool, and then classified the topics into 8 categories of responsibility management, corporate governance, high-quality projects, supply chain management, employee responsibility, community responsibility, environment responsibility, and overseas social responsibility performance, covering a total of 35 items.

Table: Stakeholders – Identification of Issues

Stakeholders	Social responsibility issues
Responsibility management	1. Responsibility strategy 2. Responsibility governance 3. Social responsibility training 4. Stakeholder communication
Corporate governance	5. Perfect governance structure 6. Investor relations management 7. Regular information disclosure 8. Prohibit bribery and corruption 9. IPR protection
High-quality projects	10. Engineering quality 11. Scientific and technological innovation 12. Work safety 13. Customer satisfaction enhancement
Supply chain management	14. Contractor/subcontractor selection mechanism 15. Standardized tendering process 16. Encouraging contractors/subcontractors to perform social responsibilities 17. Protection of rights and interests of migrant workers
Employee responsibility	18. Protection of basic rights and interests of employees 19. Democratic management 20. Employee training and career development 21. Prevention and control of occupational disease 22. Support employees with difficulties
Community responsibility	23. Public welfare and charity 24. Precision poverty alleviation 25. Volunteer activities of employees
Environment responsibility	26. Establishment of environmental management systems 27. Energy-saving and emission reduction 28. Cyclic utilization 29. Ecological protection 30. Environmental protection publicity
Overseas social responsibility performance	31. Response to the "the Belt and Road" Initiative 32. Promotion of local employment 33. Local purchase 34. Local volunteer assistance 35. Local environmental protection

IDENTIFICATION AND COMMUNICATION OF STAKEHOLDERS (CONTINUED)

Step Two: Material Issue Analysis

CCCC conducted a special survey on those 35 sustainable development issues among stakeholders by using online questionnaire, aiming to understand the importance of those issues in their minds, and a total of 9,317 questionnaires were recovered. Through the two-dimensional matrix of "attention of stakeholders" and "importance to sustainable development of CCCC", the Company identified the material issues of social responsibility.

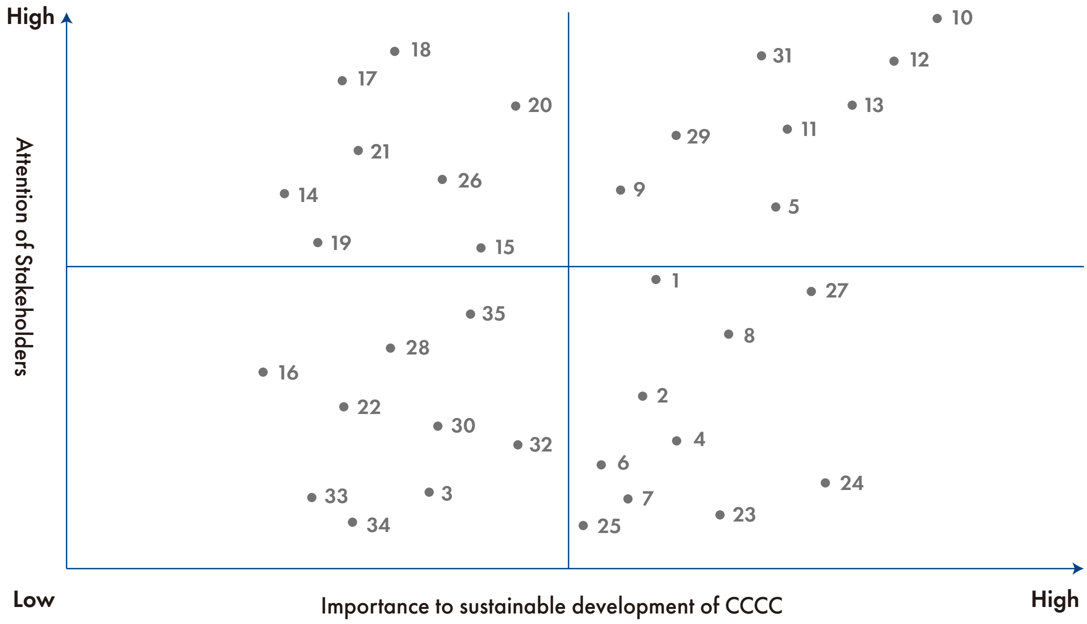


Chart: Material issues analysis of stakeholders of CCCC

ENVIRONMENTAL

A1. Wastes and Emissions

The Company has strictly implemented laws and regulations in relation to air pollution, including the Environmental Protection Law, the Interim Measures for Supervision and Administration of Energy Conservation and Emission Reduction in Central Enterprises (《中央企業節能減排監督管理暫行辦法》), and has strictly controlled the emission in the production process, and strengthened the environmental monitoring capability building. The Company has strictly implemented relevant national energy-saving and emission reduction policies and standards, continuously facilitated energy-saving and emission reduction and low-energy work, and promoted pollution-free and high-efficiency technologies, equipment and products.

At the same time, the Company actively responded to climate change, optimized its energy structure, and promoted the use of new, renewable and clean energy; vigorously developed and applied environmental protection technologies, strengthened energy consumption supervision, and effectively reduced energy consumption levels; and comprehensively launched green construction activities, provided green and energy-saving products and services, in a bid to save resources to the greatest extent and reduce negative impacts on the environment. In 2019, the Company's comprehensive energy consumption per RMB10,000 of revenue was 0.0277 tce.

The production and operation of construction companies belong to temporary items, so there is no stationary source of emissions. According to the requirements of the Notice of Printing the Measures for the Monitoring of Reduction of Total Emissions of Major Pollutants in the "12th Five-Year Plan" Period (《關於印發"十二五"主要污染物總量減排統計、監測辦法的通知》) issued by the Ministry of Environmental Protection, the emissions of COD, ammonia nitrogen, SO2 and NOx are not included in the statistics of environmental pollutants of construction companies.

ENVIRONMENTAL (CONTINUED)

A1. Wastes and Emissions (continued)

I. Emission Reduction of CO2 and Greenhouse Gas

According to the Provisional Measures on Supervision and Management of Energy-Saving and Emission Reduction of Central Enterprises (《中央企業節能減排監督管理暫行辦法》), CCCC has calculated the emission of CO2 in its production process. In 2019, the CO2 emission was 4.65 million tons.

The Company actively responded to climate change. Our 11 subsidiaries were included in the list of carbon emission reporting entities of the Beijing Development and Reform Commission, and they would carefully study the relevant policies of Beijing's carbon trading, and submit annual carbon emission reports to the Beijing municipal authority. The Tuen Mun Toll Plaza project in Hong Kong reduced sulfur dioxide emissions by 18.3 tons and exhaust emissions by 3,052,800 cubic meters by using ultra-low sulfur diesel.

II. Wastes Disposal and Sewage Treatment

As for the classification of wastes, due to the industry attributes, the main wastes of CCCC are non-hazardous wastes instead of hazardous wastes. The non-hazardous wastes are mainly steel bars, concrete, bricks and tiles and other construction wastes, which are all sorted, broken up and reused according to the requirements of customers.

Reducing waste emissions: The Company actively promoted the comprehensive recycling of waste building materials and major building materials such as steel and cement, and expanded the harmless treatment and comprehensive utilization of industrial wastes such as fly ash, coal gangue, slag, waste tires and dredged soil, construction waste, sewage and rainwater. We collected and sorted fragmentary materials and waste materials during construction, and explored available handling methods of wastes, in an effort to realize the recycling and reuse of material accessories. We took initiative to improve the list of hazardous waste categories and signboards, strengthened the management of hazardous waste storage in hazardous waste warehouses, and entrusted qualified entities to handle hazardous wastes, increased the frequency of hazardous waste transfers, and increased our efforts in the disposal of hazardous wastes.

In promoting the saving of energy, land, water and materials and environmental protection for grass-roots projects, there were a great number of high-quality and high-efficiency model green construction projects. For example, the Company conducted a large number of tests for the mix ratio of modified cement and dredging sea mud in the Tseung Kwan O-Lam Tin Tunnel Project of CRBC in Hong Kong. We carried out the optimal design of the mix ratio to obtain the minimum amount of cement in the case of meeting the technical requirements of reclamation building materials, based on which, we put forward a set of improved dredged sea mud reclamation construction schemes. These schemes not only effectively used dredged sea mud, but also recycled waste materials. We crushed demolished concrete structures such as culverts, drains and seawalls to the particle size stipulated in the contract, and recovered the steel bars in them to be used for reclamation. For the excavated earth and stones, we first tested the soil quality, and then improved the quality of substandard soil and crushed the large-diameter stones in the soil before using them for reclamation.

Reducing wastewater discharge: The Company strictly regulated the environmental impact assessment of construction projects and the construction of environmental protection facilities and rigidly implemented the pollutant discharge permit system. The on-site sewage has been discharged in accordance with the national standard Integrated Wastewater Discharge Standard (污水綜合排放標準) (GB8978–1996). In reducing wastewater discharge, the Company achieves green manufacturing and sustainable development by introducing environmental protection equipment and developing environmental protection technology. It enhances the application of water and soil pollution control technologies in projects and insists on paying equal attention to energy-saving and emission reduction and technologies.

CFHEC constructed a PP plastic module rainwater reservoir in the road project in Changping District, Beijing. The PP polypropylene materials used are absolutely recyclable and safe and pollution-free, which is more conducive to improving the quality of stored water. These materials have a long service life as well as resistance to aging, high temperature and low temperature, and can adapt to various harsh conditions with easy installation, high water-storage rate and simple construction. The 192 m^3 reservoir can collect an average of 101.5 m^3 of rainwater per month in Beijing and be used for secondary use. Compared with the waterwheels cleaning the roads and irrigating green areas, it can save 189.8 m^3 per month. The Chengdu Metro Line 17 project adopted shield foam water recycling measures to recycle foam water and reduce sewage discharge.

Meanwhile, the Company actively undertakes new types of environmental protection businesses including sewage treatment and municipal environmental protection, and promotes environmental protection through main businesses, so as to realize organic combination of the social responsibility and the enterprise benefit. For the sponge reconstruction project of the main roads in the sponge city pilot area of Qian'an City, taking the 76% control rate of total runoff in Qian'an sponge city as the design goal, CCCC Highway Consultants adopted the "sponge road" green design strategy and technical measures in the sponge reconstruction of main roads based on the "ideal road" concept. The sponge reconstruction (emission reduction at source, process control and treatment at the end) of pavements, underground pipe networks and green belts effectively improved the pollution removal rate of initial rainwater, solved the waterlogging and water environment issues in Qian'an and elevated road landscape. In this way, it has achieved the goal of building a sponge city, that is " no stagnant water in case of light rain, no waterlogging in case of heavy rain, no blackened and smelly water and mitigating the heat island effect ".

ENVIRONMENTAL (CONTINUED)

A2. Resource Utilization

I. Energy Management

1. Strengthening rooftop design and system construction

In order to implement the environmental responsibility of the Party and the government and double responsibilities for one post, the Company has set up a leading agency for ecological and environmental protection with both chairman and president serving as the team leaders. It also convened a meeting of the leading group on ecological and environmental protection and added 2 full-time positions in energy management and ecological environmental protection management to promote the continuous improvement of ecological and environmental protection management. It kept a stable situation in the aspect of energy-saving and emission reduction, and there were no medium or high-level environmental emergencies in 2019.

2. Improving energy conservation and environmental protection management systems and technical standards

The Company systematically combed the current energy conservation and environmental protection management systems and working standards to benchmark against the advanced ones, and formulated and improved such systems and standards. It revised and issued the Statistical Report on Energy Conservation and Ecological Environment Protection of CCCG and CCCC （《中交集團暨中國交建能源節約與生態環境保護統計報表》)）, and continued to advance the formulation of standards for environmental protection emergency plans and pollution source lists.

3. Optimizing energy conservation and environmental protection statistical monitoring system

We further improved our statistical monitoring system for energy conservation and ecological environmental protection, and upgraded the CCCC Energy Saving and Environmental Protection Information Statistics Reporting Management System. Through this system, we can grasp the Company's energy consumption structure and pollutant discharge status as a whole, optimize reporting indicators, and add functions such as general contracting supervision, intelligent reporting and forecasting, project map display and risk early warning, achieving vertical management of grass-roots companies and projects. On 18 June 2019, we organized a training course on the CCCG Energy Conservation and Ecological Environmental Protection Information Statistics Reporting. This training was conducted in the form of on-site participation combined with Jiaojiantong's live broadcast, and explained the contents of filling-in, specific indicators and the use of information systems.

4. Strengthening the guidance and assessment of subordinate units

In order to strengthen the guidance and servicing function of our headquarter, the Company signed the 2019 Safety and Environmental Responsibility Letter with the units at the annual work meeting to guide companies at all levels to carry out energy conservation and environmental protection work in an orderly manner. It also evaluated the 45 affiliated units, deducted points for statistical errors and environmental public opinion issues, and incorporated the results into the annual business performance evaluation of the persons in charge.

5. Inspecting energy conservation and environmental protection systems

In order to promote the professional, standardized, digital and refined construction of energy conservation and environmental protection management, the Company conducted a secondary inspection of the energy conservation and environmental protection systems of its units in accordance with the working arrangement of Key Points of CCCC Energy Conservation and Environmental Protection Work in 2019 (《中國交建2019年節能環保工作要點》) and the Overall Plan of "Green Culture" Activities of CCCG and CCCC (《中交集團暨中國交建"綠色文化"活動總體方案》).

6. Continuing to build "green" demonstrative projects

The Company launched the fourth batch of energy conservation, environmental protection and circular economy demonstrative projects, the selection of which is divided into 6 categories: energy conservation and emission reduction, environmental protection, circular economy, green design, green construction, and green operation.

ENVIRONMENTAL (CONTINUED)

A2. Resource Utilization (continued)

II. Energy Use and Energy Efficiency Improvement

1. Optimizing energy consumption structure and promoting clean energy

The Company vigorously promoted the application of clean energy such as solar energy and natural gas, increased the proportion of clean energy in the energy consumption structure, and adjusted the energy consumption structure. Energy-saving lamps were used for the supporting electrical equipment and lighting in the Xiamen Metro Line 2 project. Solar-panel street lights were installed on the ground for temporary lighting, and a solar off-grid power generation system was installed for power generation and power supply.

2. Valuing scientific research and development in the improvement of energy efficiency

The Company encouraged its units at all levels to carry out innovation and research in ecological environmental protection technology and management, increase investments in energy-saving and environmental protection technology research and development and independent innovation of technical equipment, and promote the application of "four new technologies" (new materials, new technologies, new processes and new equipment) on energy saving, low carbon and environmental protection. CTHEC strictly implemented the requirements of the energy-saving and emission-reduction management system on the technical transformation measures, and earnestly conducted project approval and review to ensure the quantity and technical content. At the same time, to actively respond to the Notice on Application for Energy Saving and Emission Reduction (JJ) Group Projects in 2019 (《關於申報2019年節能減排(JJ)小組活動項目的通知》) in Shanghai, it reported the following projects to participate in the selection: "Refinement of Measurement and Control of Power Supply Units in the Substation of the First Engineering Office (第一工程處變電所各供電單位計量精細化管控改造)", "Development and Application of Shipboard Stabilizing Pile Positioning Platform for Large-diameter Single Pile Construction of Offshore Wind Power (《海上風電大直徑單樁施工船載穩樁定位平台的研發應用》)", "Application of Wind-solar Complementary Luminaires in Construction Sites of Prefabricated Plants (《風光互補燈具在預製廠施工場地中的應用》)" and "Application of Sand-gravel Separation and Slurry Pressure Filtration System (《砂石分離及漿水壓濾系統的應用》)".

3. Strengthening supervision of energy consumption and eliminating laggard equipment

We should strengthen the real-time monitoring of the energy utilization rate of key energy-using equipment and improve the monitoring system for the energy consumption of large-scale equipment. In addition, we should strictly implement the equipment purchase approval system to ensure the environmental protection and energy saving of newly purchased equipment, strengthen the technological transformation of existing equipment and vigorously eliminate old equipment with high energy consumption and high pollution, so as to continuously reduce the Company's overall energy consumption level.

4. Improving the composition of equipment to strengthen corporate competitiveness

The Company vigorously eliminated old equipment with high energy consumption and high pollution, purchased new energy-saving and environmental protection equipment, continuously reducing its overall energy consumption level.

Meanwhile, the Company has established an information management system for the reporting of energy conservation and environmental protection information and statistics to achieve extensive coverage of energy conservation and environmental protection data and statistics.

During the reporting period, the Company obtained the following recognitions for its efforts in energy management, energy conservation and emission reduction:

(1) Six projects won the China Energy Conservation Innovation Award

(2) Eight projects won the China Energy Conservation and Environmental Protection Patent Award, including one top-grade award

(3) Eight projects were included in the Catalogue of Energy-saving and Low-carbon Technologies of Ministry of Transport (《交通運輸部節能低碳技術目錄》)

(4) Our subsidiary CRBC was awarded the Hong Kong Awards for Environmental Excellence – Certificate of Merit

ENVIRONMENTAL (CONTINUED)

A2. Resource Utilization (continued)

II. Energy Use and Energy Efficiency Improvement (continued)

4. Improving the composition of equipment to strengthen corporate competitiveness (continued)

During the reporting period, the overall energy consumption and emissions of the Company are as follows:

Table: Statistics of the Company's Major Energy Indicators

Indicators	Unit	2019
Total energy consumption	10,000 tce	167.83
Comprehensive energy consumption per unit of operating income	tce/RMB10,000 (current price)	0.028
Energy saving amount	10,000 tce	6.92
Emission of CO_2	10,000 tons	465.6
Total electric power consumption	10,000 kWh	292,140.20
Total gas consumption	10,000 standard m^3	3,126.80
Total oil consumption	10,000 tons	83.35
Green procurement rate	%	100%

III. Conservation of Water Resources

The Company vigorously carried out the "green" construction activities. CCCC required all grassroots units to save resources and reduce the negative impact on the environment to the maximum by means of scientific management and technical progress and provide customers with green and energy-saving products or services, and implemented "Four Savings and Environmental Protection" (energy, land, water and materials saving and environmental protection) for construction projects. A water storage tank was set up on the construction site of the Xiamen Metro Line 3/4 project to collect precipitation, and an average of 20 tons of precipitation was collected and utilized each month. The pier concrete was covered with geotextiles and films and maintained with bucket drips, while beam and slab concrete was covered with spray and geotextile. Through such integrated planning, each pier and abutment can save 0.4 tons of water, and each layer of beam and slab concrete can save 0.6 tons of water. An automatic car washing tank was set up on the site with a three-stage sedimentation tank to recycle and reuse the washing water, which can save about 15 tons of water per month.

The Company required all construction projects to apply for the water withdrawal license according to law, and pay the water resource fees before obtaining the water withdrawal right. In terms of selection of the water withdrawal points, CCCC always avoided sensitive areas such as ecological reserves and water source protection areas. Meanwhile, the Company continued optimizing and improving the construction and maintenance techniques, and reduced water consumption by water resources collecting and recycling technology via wellpoint dewatering, automatic sprinkling and maintenance system, etc. After sedimentation, the construction water was used for car washing and irrigation, so as to enhance the recycling rate of water resources.

IV. Consumption of Packaging Materials

As an enterprise in the construction industry, CCCC is mainly engaged in the provision of integrated services in relation to the investment, design, construction, operation and management of ports, roads and bridges, railways, tunnels, rail transits, municipal projects and other transportation infrastructure, and consumption of packaging materials or businesses in relation to packaging materials is not involved in the production and operation process. Therefore, this indicator is not applicable.

ENVIRONMENTAL (CONTINUED)

A3. Environmental and Natural Resources

Ecological Protection

By fully implementing the major decisions of the Party Central Committee and the State Council on the ecological civilization construction, firmly establishing the development concepts of building "green mountains and waters" and adhering to the principles of "protection first, prevention first, comprehensive governance, public participation and bearing responsibility for damage", CCCC has comprehensively and continuously improved environmental management, vigorously promoted energy conservation and emission reduction, and actively carried out environmental protection actions, for the purpose of promoting the Company's green development, and making positive contributions to achieving the goals of the bluer sky, greener mountains and clearer water and thus building a beautiful China.

Establishing and improving the environmental protection management system: CCCC has established a sound environmental management system and established a leading group for ecological environmental protection with our chairman and president as the two team leaders, trying to continuously improve the construction of the environmental management systems. We have carried out the preparation of environmental protection systems and standards such as the supervision and management methods for ecological environment protection, the inspection methods for ecological environment protection, emergency plans for environmental accidents and green construction evaluation standards for highway projects, and have also upgraded the statistical reporting management system for energy conservation and environmental protection information and optimized reporting indicators, strengthened the assessment of energy conservation and environmental protection work, carried out self-examination and improvement of ecological environmental protection, and comprehensively improved the level of environmental management. The Company continued to build "green" demonstrative projects, and integrated the concept of green development throughout the entire process from planning, design, construction, operation to maintenance, protecting the ecological environment in all directions.

During the reporting period, CCCC has made the following efforts in environmental and natural resources and ecological protection:

1. Early management and control of environmental risks and green planning

During the development of its business, the Company vigorously promote early green planning and advocate ecological site and line selection and ecological and environmental protection design, for the purpose of preventing the damage to the ecological environment caused by irrational construction activities, strictly implementing ecological protection and soil and water conservation measures, strengthening vegetation protection and restoration, and comprehensively improving the quality of landscape services for transportation infrastructure. The Baisha project of CHECC established the concept of "respecting nature and restoring nature" and took all measures to restore the original natural plants on the slope as soon as possible, integrate the vegetation of the protection project with the surrounding environment and thus improve the ecological and human environment.

At the same time, we accelerated the construction of environmental risk prevention and control and emergency response systems, and initially established a talent pool comprised of emergency management personnel for environmental emergencies and environmental emergency response experts of CCCC, to ensure that all units and key projects had established emergency plans covering environmental emergencies to reduce the losses caused by environmental impact incidents.

2. Special conferences on environmental protection education and environmental protection work

The Company actively carried out energy-saving and environmental protection publicity and education activities to cultivate green culture and build the "green CCCC". In 2019, the Company conducted prize-winning contests on energy-saving and environmental protection knowledge based on the theme of "Green Development, Energy Saving Ahead" of National Energy Conservation Publicity Week, the theme of "Low Carbon Action, Safeguarding the Blue Sky" of National Low Carbon Day, and the theme of "Environmental Defense Against Blue Sky, I am an Actor" of World Environment Day, and also carried out a series of activities such as "Green Culture" publicity and communication, training and education, slogan and micro-video collection, green planning and other activities, and created a green publicity slogan of "making nature a friend and developing a harmonious way".

In 2019, the Company organized a special conference on environmental protection in the form of video conference, which summarized the overall situation of its environmental protection work in 2019, analyzed the current overall situation of environmental protection and the weak points in the work, and arranged the key environmental protection work in the next stage and put forward specific requirements

ENVIRONMENTAL (CONTINUED)

A3. Environmental and Natural Resources (continued)

Ecological Protection (continued)

3. Emphasis on the promotion of environmental technology

The Company attaches great importance to scientific and technological innovation and the promotion and application to ecological and environmental protection, and continues to promote reliable, advanced and applicable environmental protection technologies. CCCC Xi'an Road Construction Machinery Co., Ltd. launched the project of upgrading the shot blasting dust and painting organic waste gas treatment equipment and facilities, comprehensively renovated the sandblasting room and spraying room, and replaced the new dust and organic waste gas treatment system to ensure that the environmental protection facilities can meet the emission requirements.

4. Self-examination and rectification of ecological and environmental protection work.

The Company carried out self-examination and rectification of ecological and environmental protection work, and systematically sorted out various types of environmental violations during the "Thirteenth Five-Year Plan" period, as well as the rectification requirements and results of rectification by local environmental authorities. The inspection focused on the identification of environmental risks, the investigation of hidden danger and the conduct of emergency drills for environmental emergencies in major projects such as directly-owned projects, subways, bridges and tunnels.

5. Participating in the investigation of ecological and environmental protection of central enterprises

According to the arrangement of the SASAC, the Company participated in the research group of the central enterprises in the construction industry to learn about the situation and problems facing the ecological and environmental protection work in the construction industry, and learn practical and effective management methods and innovative practices of various enterprises.

6. Promoting environmental protection public welfare and green office

The Company practices a green and low-carbon working lifestyle. The Company strengthened daily water and electricity management, carried out the energy-saving improvement of heating, air conditioning, power distribution, elevators and other equipment, promoted "paperless" office with fewer office supplies, and popularized video conferences with fewer business trips, aiming at reducing energy consumption and emissions of offices and business trips. For instance, the Railway Consultants Group has formulated a series of systems such as the Implementation Rules for Environmental Maintenance Inspections in Office Areas (《辦公區環境維護巡查實施細則》), the Regulations for the Management of Energy Conservation and Emission Reduction in Headquarter Office Buildings (《總部辦公樓節能減排管理規定》), the Administrative Measures for Office Supplies and Low-Value Consumables (《辦公用品及低值易耗品管理辦法》) and the Interim Measures for Office Consumables and Waste Management (《辦公耗材及廢棄物管理暫行辦法》), formulating rules on the green office.

The Company encouraged employees to actively participate in environmental protection public welfare activities, pass the environmental protection concept to more people and jointly build a green and beautiful home. In 2019, many subsidiaries of the Company carried out outdoor walking activities to promote and pass the public welfare concept of "low-carbon travel, green and environmental protection".

During the reporting period, outstanding achievements were made by the Company in ecological and environmental protection:

(1) Tuen Mun Toll Plaza project of CRBC in Hong Kong can reduce emissions of more than 90% of sulfur dioxide and about 10% of respirable suspended particulates and exhaust according to the Hong Kong Environmental Department after switching to ultra-low sulfur diesel;

(2) CCCC Dredging built the Shiwuli River Estuary Wetland Purification System in Hefei City to improve the water quality and the estuary ecosystem of Shiwuli River. The engineering system includes water conservancy control + river in situ purification project + multi-pond wetland purification project, reflecting the design concept of ecological and environmental protection. The main body of the wetland adopts a multi-stage pond-controlled wetland purification system process with gate control used to adjust the water volume. Through artificial enhancement and purification of multi-stage ponds, the water quality purification effect is exerted. At the same time, the process can automatically control water intake and discharge, saving energy and protecting the environment. 1,000 mu of wetland was restored. In addition, in the wetland, 197 mu of submerged plants, 54 mu of emergent plants, 14.3 mu of bird habitats and 14 major aquatic plants were restored;

(3) CHEC's new container terminal project in Tema, Ghana Yate established a "Sea Turtle Breeding Center" within the Red Line, and formed a professional sea turtle protection patrol team and engaged sea turtle hatchery experts for guidance. A total of 11,114 small sea turtles were hatched and released, which obviously enhanced the protection of sea turtles and the maintenance of ecological balance, and further increased the environmental protection awareness of the local people in Ghana to protect the environment and wildlife.

ENVIRONMENTAL (CONTINUED)

Climate Change

Impact on construction materials:

The increasing temperature will accelerate the hydration reaction and promote the formation of early strength of concrete. However, increasing temperature will also cause the evaporation of water to accelerate and the available water to decrease, thereby delaying the hydration reaction and adversely affecting the later strength of concrete. The changing humidity will cause the moisture content of the concrete to change, which will change the mechanical properties of the concrete. If the moisture content of the concrete is too large, the compressive strength and the ring crush tensile strength will decrease while the effect on the splitting strength will be smaller. Ultraviolet light will accelerate the degradation rate of polymers in construction materials and reduce their service life. Rainfall, high temperature and strong sunlight, and carbon dioxide concentration will affect construction materials such as plastic, stone, metal, brick and wood.

Impact on the building structure:

Shrinkage and swelling due to changes of temperature will cause the foundation to upheave and the displacement of the base, which will further increase the deformation and settlement of the building structure. As such, the main structure will crack. In the case of lengthy rainfall, the infiltration of rainwater into the lower part of the foundation will destroy the strength of the bearing-soil layer. In the case of global warming, the frequency and intensity of strong winds will increase, so the Company has considered increasing the safety factor of wind load when designing construction projects. The increased frequency of heavy rain will cause torrent disasters, which can directly impact the building structure, may cause the foundation to be hollowed out and the foundation to sink, and will also accelerate the weathering of the structure.

In terms of prevention and control measures, the Company revises the structural load specifications in light of the actual climatic performance of underlying areas under the building standards, and adjusts various safety factors according to wind, rain, and snow conditions. The influence of temperature and humidity changes on soil is considered in the design specifications of building foundations, and the design methods in the foundation specifications are revised according to climate change factors to increase the safety factors. In terms of materials to be selected, we will consider the durability of concrete materials and study the mechanical properties of small materials at high and low temperature conditions as well as the effect of different moisture contents on material properties. As for energy saving, we will strengthen the management of various links, modify energy efficiency standards for building performance, and make emergency plans for extreme weather.

SOCIAL

Employment and Labour Practices

B1. Employment

I. Equal Employment

The Company has strictly abided by the regulations of the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Contract Law of the People's Republic of China (《中華人民共和國合同法》), actively implemented the idea of "the value creator-oriented", and established the harmonious labor relations. The Company's employment system is based on our corporate strategic development. According to our corporate development needs, CCCC has employed all kinds of talents that meet the job position requirements and recognize the Company's cultural philosophy on the open, fair, competitive and merit-based principles.

The Company has zero-tolerance for discrimination against nationality, gender, age, race, religion, pregnancy and disability, and treats all employees with equality; the company strictly complies with the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) (Decree of the State Council (No.364)), prohibits the recruitment of minors under the age of 16, strengthens the inspection of illegal employment of child labour by sub-contractors, and jointly performs responsibilities with supply chain partners; and increases the recruitment of local employees to effectively alleviate the local unemployment rate, improve the living standards of local people and achieve a win-win situation.

During the reporting period, the Company recruited talents by the following approaches:

(1) Internal recruitment: Suitable employees were selected by means of internal promotion, personnel secondment, job rotation, etc. from the Company's HR reserve system to engage in the vacant or urgent job positions.

(2) External recruitment: High-end management talents, professional technicians and skillful craftsmen necessary for the Company's business were recruited by means of campus and social recruitment, school-enterprise cooperation in orientated training, special recruitment of overseas students, recruitment by public media, the introduction of high-end talents, etc.

SOCIAL (CONTINUED)

Employment and Labour Practices (continued)

B1. Employment (continued)

I. Equal Employment (continued)

In 2019, the Company has had 124,457 in-service employees, and signed employment contracts with and purchased social insurances for all of them.

Table: Major Indicator Statistics of the Company's Employees

Indicator	Unit	2019
Total number of employees	Person	124,457
Labour contract signing rate	%	100%
Collective contract signing rate	%	99%
Labour union membership rate	%	97%
Social insurance coverage	%	100%
Employee paid leave rate	%	98%
Physical examination coverage	%	97%
Percentage of female employees	%	14%
Percentage of female management personnel	%	15%
Number of employees with postgraduate degree and above	Person	13,365
Number of employees with bachelor's degree	Person	77,424
Number of employees with junior college degree	Person	20,935
Number of employees with secondary technical school degree and below	Person	12,733
Employee satisfaction rate	%	97%
Employee turnover rate	%	3.15%

The Company has strictly abided by relevant laws and regulations such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and formulated the Management Measures for Attendance (《考勤工作管理辦法》), Management Measures for Employees (《員工管理辦法》) and other relevant institutions to facilitate talent management and labor protection. We also provided fair and equal opportunities for matters related to recruitment, training, promotion, job transfer, vacation, remuneration, benefits and termination of the contract.

II. Remuneration and Benefits

The Company followed the principle of "distribute according to work, equal pay for equal work" and complied with relevant national laws and regulations to pay social insurance for employees in a timely and full amount. It also perfected the salary incentive mechanism to provide employees with market-competitive salaries to protect their decent lives. In 2019, the Company revised the Measures for the Administration of Total Remuneration Budget (《工資總額預算管理辦法》) to push forward the reform of differentiated remuneration, and proposed incentives such as equity incentive, dividend incentive and employee stock ownership;

CCCC organizes physical examinations for all employees every year, with the physical examination coverage ratio of 100%. Meanwhile, the Company insisted on localized cultivation of talents, and on the basis of the basic employee remuneration and benefit system, provided well-organized benefits for employees every year according to local government regulations, including the social insurances and welfares such as timely and full contribution to the endowment insurance, work-related injury insurance, maternity insurance, medical insurance and unemployment insurance, enterprise annuity and housing accumulation fund, with the insurance coverage ratio of 100%. In 2006, the Company established the enterprise annuity system, and became one of the first companies nationwide that had established the enterprise annuity system. It established various forms of employee benefits, and purchased commercial insurances for our people including overseas employees to reduce the risks of various types of accidents faced by employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL (CONTINUED)

Employment and Labour Practices (continued)

B1. Employment (continued)

II. Remuneration and Benefits (continued)

Equal employment management: In terms of dispatched labour, the Company resolutely implements the state's new policy on labour dispatch, and pays equal pay to regular employees for equal work in accordance with the position sequences. As for migrant workers, we actively participated in the training seminars and forums on migrant workers organized by SASAC and other ministries and commissions and focused on the employment rules and wages for migrant workers, and we also conducted self-examination of wages payment of migrant workers across the Company to ensure that migrant workers' wages were paid in full and on time. In 2019, the Company provided employment opportunities for more than 140,000 migrant workers, with their annual per capita income exceeding RMB60,000.

Democratic decision-making management: The Company has established and improved a democratic management system with the workers' congress as its base, and arranged employees to participate in democratic management and decision-making to ensure that employees' legitimate rights and interests are effectively protected.

B2. Health and Safety

I. Occupational Health

CCCC has attached importance to the protection of employees' occupational health. The Company established the Responsibility System for Occupational Health, Work Safety and Environmental Protection (《職業健康安全環保責任制》) according to requirements of relevant laws and regulations, which clarified the responsibility of the subjects at various levels, and formulated the management measures related to occupational health. At the same time, the Company adopted different measures for different groups to strengthen our caring for employees.

Caring for special groups: The Company attaches great importance to the assistance offered to employees in difficulty, and has facilitated the establishment of special assistance funds to protect employees in need. Regarding our female employees, the Company has adjusted the maternity leave system of subsidiaries at all levels in accordance with relevant national policies to protect the rights and interests of pregnant and breastfeeding employees. For our front-line employees, the Company carried out various condolence activities. Besides, it purchased commercial insurances for employees working abroad and provided a salary that is twice than that of the same position domestically. In 2019, the Company's labour unions at all levels visited 3,505 projects and established 1,357 "Loving Stations" to provide condolence payments and high-temperature allowances to employees in difficult during hot days. We aided 1,083 employees in need and provided condolence payments and allowances of over RMB1.08 million.

Caring on occupational health: The Company has established an occupational health protection mechanism to improve the systems on regular medical examinations for employees and special medical examinations for special and hazardous jobs, and it also strengthened the management in the construction sites, strictly distributed labour protection supplies, and improved employees' awareness of self-protection through diverse training and education, in order to effectively protect their physical and mental health. In 2019, we carried out 1,507 seminars on occupational health, issued 3,922 pieces of message on heatstroke prevention and cooling, and organized 146,000 employees to participate in health examinations.

At the 14th Occupational Safety and Health Awards Ceremony hosted by the Hong Kong Occupational Safety and Health Council on 6 March 2019, the Kai Tak Development – infrastructure works for developments at the southern part of former runway (Stage 3) of CRBC in Hong Kong won the Healthy Workplace Best Practices Award – Good Institution Award, the Hearing Conservation Best Practices Award – Outstanding Performance Award and the Hearing Conservation Best Practices Award – Creative Improvement Award, and the Tseung Kwan O – Lam Tin Tunnel P2 project and auxiliary projects won the Prevention of Pneumoconiosis Best Practices Award – Good Performance Award and the Healthy Workplace Best Practices Award – Good Institution Award – Outstanding Institution Award.

Enriching employees' life: The Company advocates the concept of happy work and healthy life, and has carried out a series of cultural and sports activities such as tug-of-war competitions, walking, Chinese New Year party, Chinese calligraphy club, famous-writers podium for reading season and Ant Book Fair, and it also closely communicated with employees to relieve work pressure, trying to build an enterprise full of happiness. In 2019, the Company's fourth men's basketball and women's cheerleading league webcast attracted more than 670,000 viewers.

SOCIAL (CONTINUED)

Employment and Labour Practices (continued)

B2. Health and Safety (continued)

II. Safe Production and Occupational Safety

As one of the leading companies in the infrastructure industry, the Company firmly establishes the concept of safety development, always adheres to the "life first, safety first", and continues to promote the "twelve in place" concept in the safety management. Besides, it strengthens the implementation of the responsibility as the main body of safety production, pays close attention to safety risk management and hidden danger investigation and management and strengthens the response to and prevention of safety risks in overseas projects to ensure the Company's safe and stable development.

1. Safety production management

As most of its projects belong to projects in the construction industry, the Company focuses on the improvement of project safety production and the protection of employees' safety and health.

The Company continued to establish and improve the management system of safety production, implemented the "two responsibilities for one position" principle for safety production, continuously improved the information safety management level of safety production, strengthened the construction of safety supervision teams, and steadily promoted centralized management of safety production to ensure the Company's safe and stable development. In 2019, the Company's headquarter invested RMB114.758 million in special production safety funds, and no major or above production safety accidents occurred.

Strengthening basic management of production safety: To improve and standardize the systems, we have promulgated five management measures including the CCCC Safety Production Supervision Institutions and Staffing Management Measures (《中國交建安全生產監督機構及人員配備管理辦法》), and amended the Management Regulations on Accountability for Production Safety Accidents of CCCC (《中國交建生產安全事故責任追究管理規定》). We strengthened the construction of the safety supervision team, and the quality and quantity of safety professionals continued to improve. In 2019, we newly hired 314 registered safety engineers.

Enhancing the information level of safety production: The 1.0 version of the safety and quality management BIM platform was released and applied to projects such as the Oujiang North Exit Bridge, the Beijing-Xiong'an Intercity Railway, and the Taihu Tunnel, effectively improving the safety and quality management level at the project site. Shields and tunnel monitoring centres have gradually played a significant role in alerting major risks, eliminating hidden dangers and wiping out production safety accidents, and successfully warned about greater dangers of several proposed tunnel projects. The construction of the ship monitoring system has been progressing in an orderly manner, and the safety early warning function has been installed in all the Company's own ships and some subcontracted ships.

Timely and efficient security inspections: We changed the supervision mode, strengthened supervision in key areas and fields, and paid close attention to weak production safety links such as subway tunnel construction, high-altitude operations, flood control and emergency management. We have done joint inspections of typhoon and flood prevention measures and issued the 2019 Special Program for Typhoon and Flood Prevention of CCCC (《中國交建2019年防台防汛專項活動方案》). We also steadily carried out special inspections such as risk prevention and safety assurance, and conducted unannounced visits during the festivals to provide important guarantees for safe production during critical periods. In 2019, a total of 57 inspections were carried out, involving 25 second-level unit headquarters, 39 third-level unit headquarters and 238 projects. Dynamic supervision and monitoring were basically in place.

During the reporting period, the Company's efforts in production safety and occupational safety protection received the following recognitions:

(1) 5 engineering projects were awarded the title of "Construction Safety Production Standardized Site of Construction Project" by the China Construction Industry Association

(2) 20 engineering projects won the title of "Safety Project" at provincial and ministerial level

(3) 106 engineering projects were awarded the titles of "Safety Production Standardized Site", "Safety Site" and"Safe And Civilized Site" at the provincial level

(4) 6 ships were awarded the titles of "Excellent Safety Ship in the National Water Transport System"

(5) 3 ships were awarded the titles of "Safety and Integrity Ship of China Maritime Safety Administration"

(6) 10 teams were awarded the titles of "Excellent Safety Team in National Transportation System"

SOCIAL (CONTINUED)

Employment and Labour Practices (continued)

B2. Health and Safety (continued)

II. Safe Production and Occupational Safety (continued)

2. Safety education and training

The Company attaches great importance to the safety education and training of all employees, in-depth development of safety culture, comprehensive improvement of employees' safety awareness and operating skills, and solidification of the foundation of safety production. From 2017 to 2019, our headquarter carried out a total of 114 sessions of "Five-Year Education and Training", training 12,566 personnel at all levels, while the second-level units carried out a total of 703 safety training sessions involving 68,148 personnel. In 2019, the Company organized more than 60,000 employees to participate in the Labor Safety and Health Knowledge Contest, and collected 139 works on hidden dangers and security, effectively promoting the safety culture construction work to achieve practical results.

3. Safety emergency management

The Company continued to strengthen safety emergency management, continuously innovated the safety production emergency management mode, reinforced emergency knowledge training, and continuously improved the ability to identify dangers and emergency rescue capabilities. The Company innovated the emergency drill mode, and for the first time undertook the tunnel emergency drill for the national transportation system, and organized and carried out tabletop drills for the ground collapse of subway construction and emergency typhoon drills for engineering ships. It also invested RMB80 million in special production safety funds for the base construction and added 106 advanced rescue equipment to comprehensively improve the emergency combat capabilities. In 2019, 10,019 emergency drills were held with 322,747 participants and 13,416 emergency training sessions were conducted with 344,157 participants.

Table: Statistics of Main Employee Indicators

Indicator	Unit	2019
Number of major safety accidents	Time	0
Death toll in major safety accidents	Person	0
Number of employees participated in emergency drills	Person	322,747
Number of employees participated in safety emergency training	Person	344,157

B3. Development and Training

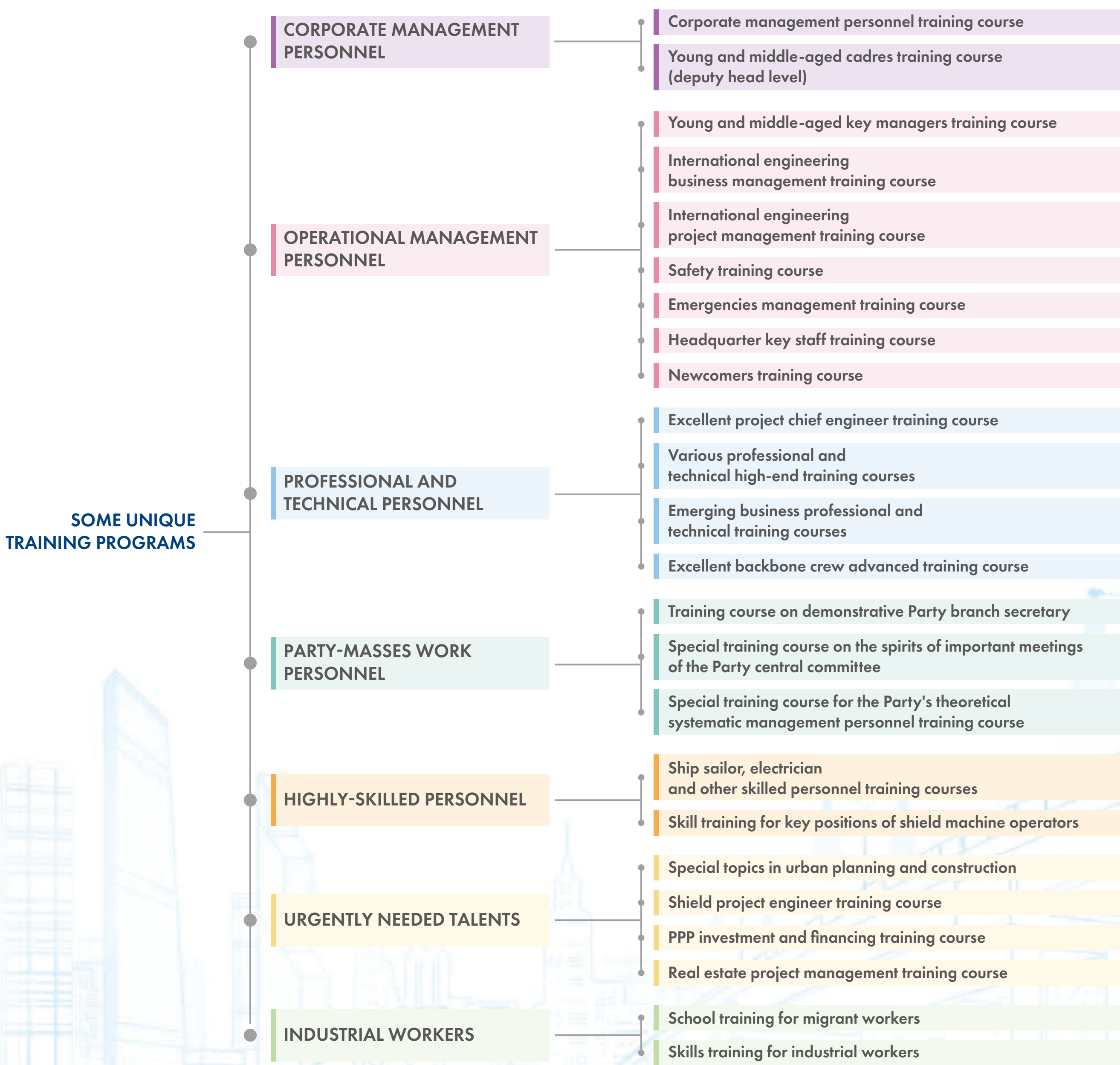
The Company attaches great importance to the training for talents, vigorously implements the strategy of "giving priority to the development of talents", adheres to the concept of "value creator-oriented", and unswervingly follows the idea of "talents being vital to corporate development". We have established a scientific, systematic and differentiated education and training system which contributes to the enhancement of the employees' duty performance and value-creating capabilities, and provides a powerful driving force for promoting the sound development of the Company. In 2019, the Company strengthened training for emerging businesses, and organized special training on emerging businesses such as water environment, sponge cities and utility tunnels. We put forward the requirement that each person's rigid training should be no less than 60 hours, in order to vigorously promote the construction of a learning organization and employees, and have successfully passed the vocational skill level accreditation evaluation of the Ministry of Human Resources and Social Security, becoming the sixth enterprise passing the evaluation in the first batch of 18 pilot state-owned enterprises. In 2019, we invested RMB329,544,500 in employees' training and offered training to 706,958 employees.

SOCIAL (CONTINUED)

Employment and Labour Practices (continued)

B3. Development and Training (continued)

CCCC took more than 30 employee management measures including the Management Measures of China Communications Construction Company Limited for Employee Education and Training (《中國交通建設股份有限公司員工教育培訓管理辦法》) as the institutional foundation, considered Party School, Management College and Training Center of the Company as the major battlefields, and regarded the branches of Management College, overseas training bases as well as the internally and externally specially-appointed professors as the resource guarantee. For many years, taking the "11711" talent project as the starting point, the Company has created various unique training programs for various types of talents such as corporate management personnel, Party-masses work personnel, operational management personnel, professional and technical personnel and skilled personnel, and cultivated a number of widely influential training brands such as "corporate management personnel training course ", "young and middle-aged cadres training course", "international business training course", "international project manager training course" and "chief engineer training course ". The Company's training and development system covering all employees is as follows:



SOCIAL (CONTINUED)

Employment and Labour Practices (continued)

B3. Development and Training (continued)

Skills competitions: In 2019, the Company promoted 37 units and 2,475 projects to launch the "Six to Six Innovations" labour competition, forming a competition promotion model integrating the headquarter to participating units as well as integrating investment, construction and operation. For example, we have organized the "Safety Production Competition for Highway and Water Transport Teams" involving 1,271 projects, 7,564 teams and 378 ships, the "Beijing-Tianjin-Hebei Coordinated Development of Transportation Integration and Construction of National Leading Labor and Skills Contest" involving 69 projects, 206 teams and 12,357 personnel and the "National Highway Engineering Labor and Skills Competition" involving 9 units, 47 projects, 981 teams and 37,913 personnel, comprehensively improving the skills of our employees.

Skill training for migrant workers: Relying on the management institute and key projects of each entity, the Company had established nearly 600 part-time schools in multiple places for migrant workers to continuously provide them with skill and qualification training for the purpose of turning them into the industrial workers in the new era. At present, an aggregate of 400,000 migrant workers have received trainings, which is conducive to raising their awareness of production safety and overall qualification, as well as vigorous promotion of the development of industrial workforce.

Multi-channel career development: The Company has established a multi-channel development system to continuously expand the career development channels for employees. In 2019, we formulated guidelines for career development channels for project managers and scientific researchers, optimized the career channel construction, and clarified the working mechanism for the selection and cultivation of high-level talents in the engineering technology field.

Table: Training Indicator Statistics of the Company's Employees

Indicator	Unit	2019
Input for employee training	RMB0,000	32,954
Number of employee participants in training	Person	706,958
Training coverage of ordinary employees	%	100
Training coverage of middle management	%	100
Training coverage of senior management	%	100
Average training hours	Class hour	82
Average training hours of ordinary employees	Class hour	79
Average training hours of middle management	Class hour	138
Average training hours of senior management	Class hour	131

B4. Labor Standards

The Company strictly abides by the Prohibition on Child Labor (《禁止使用童工規定》) (State Council Order No. 364), prohibits the recruitment of minors under 16 years old, and strengthens the inspection of the illegal use of child labour by subcontractors, working together with supply chain partners to fulfilling responsibilities.

We strictly comply with relevant laws and regulations such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), as well as the Company's Management Measures for Attendance Work (《考勤工作管理辦法》) and the Staff Management Measures(《員工管理辦法》) and other related systems for talent management and labour protection. We also provide fair and equal opportunities in recruitment, training, promotion, transfers, vacations, compensation, benefits and termination of contracts.

CCCC guaranteed all employees had enjoyed holidays and weekly rest days stipulated by the national provisions, paid vacations such as annual leave, home leave, marriage or bereavement leave, family planning leave, etc., and other leaves agreed in the labor contract and collective contract. The Company implemented the working day system of 8 hours per day and 40 hours per week. However, in case of production demand or other special circumstances, we guaranteed to arrange employees to extend their working time according to the overtime procedures without prejudice to the national provisions and on the principle of employee voluntariness and not damaging their physical health and paid overtime remuneration. Meanwhile, the Company insisted on formulating and implementing forcibly the annual leave measures, so as to effectively safeguard the leave rights of employees during the reporting period. National regulations regarding working hours were strictly implemented and forced labour was forbidden to safeguard the rest and leave rights of employees.

SOCIAL (CONTINUED)

Operation Practices

B5. Supply Chain Management

I. Develop a responsible supply chain

Adhering to the goal of "building CCCC into a world-class enterprise", the Company has established a sound supply chain management system by preparing the Construction Planning of CCCC on the Supply Chain Management System (《中國交建供應鏈管理體系建設規劃》) and the Implementation Plan of CCCC on the Supply Chain Management System (《中國交建供應鏈管理體系實施方案》). In accordance with the Detailed Rules of CCCC on Management of Material Providers (《中國交建物資供貨商管理細則》), the Company selected and re-evaluated the suppliers based on their supply price, safety management, environmental protection capability, inspection and testing capability, product infringement status, production capability, supply cycle, after-sales service and support capability, etc., gave priority to the suppliers with high-quality, safe and environmentally-friendly products and carried out full-cycle management of the approval, assessment and dismissal of suppliers.

For the steady progress of the supply chain management system building, the Company contributed to the establishment of a special group for further reform and enhancement of the supply chain management and took supply chain as one of the focuses of the all-round and in-depth reform. In 2019, the Company presided over the preparation of the Research Report on Intelligent Supply Chain of Central Enterprises (《中央企業智慧供應鏈研究課題報告》), carried out in-depth research and practical experiments on modern supply chains, and set the benchmark for the supply chain in the construction industry. In the benchmarking evaluation of procurement management by the SASAC under the State Council, the Company secured second place in the procurement management evaluation of central enterprises in the construction sector.

1. Supplier management:

We implement a supplier grading and batching system and stringent supplier access to strictly control supplier qualifications; establish a full-lifecycle supplier assessment and evaluation system, improve the incentive management mechanism on the promotion and relegation from the positive and negative aspects, dynamically adjust the supplier level, and optimize the supplier network; and establish a long-term communication mechanism and organize annual meetings for recognizing excellent suppliers and exchanges to promote long-term cooperation between the two parties. In 2019, there were 1,397 company-level suppliers, all of which passed ISO9001 quality management system, environmental management system and occupational health and safety management system certification.

2. Supplier review

The Company implemented the unified access conditions for suppliers, including: necessary legal subject qualifications, production and operation license, certification of the three management systems (quality management system, environmental management system, and occupational health and safety management system), after-sales service tracking system, good financial and capital position, good business reputation, etc.

The Company adopted the hierarchical examination and approval system for suppliers, implemented strict access conditions for suppliers according to the Detailed Rules of CCCC on Management of Material Suppliers (《中國交建物資供應商管理細則》), strictly sorted out basic information of suppliers, strengthened the assessment and comprehensive ranking of suppliers, and urged the source suppliers to improve product quality and comprehensive management level. In addition, the ratio for the suppliers of the Company to have the certification of the quality, environmental and occupational health and safety management system has remained 100 percent each year since 2015.

3. Supplier training

We regularly hold supplier conferences to train suppliers on anti-corruption, supplier access and assessment and evaluation standards to promote suppliers' management and technological innovation level. From 2016 to 2019, a total of over 1,270 suppliers were provided with social responsibility training.

SOCIAL (CONTINUED)

Operation Practices (continued)

B5. Supply Chain Management (continued)

I. Develop a responsible supply chain (continued)

4. Responsible procurement

The Company fully integrates the concept of social responsibility into the preliminary preparation, procurement execution, procurement decision-making and signing and fulfillment in the procurement process, and strengthens the compliance procurement supervision, enhances the centralized procurement of materials and increases the training of procurement talents to reduce the risks of material procurement. In 2019, more than 1,300 personnel participated in the training on the material procurement system and the total amount of electronic procurement was RMB178.698 billion, saving costs of RMB4.309 billion.

Table: Suppliers of CCCC by Region

Region	Unit	2019
Northeast China	Nos.	48
Northwest China	Nos.	66
Central and South China	Nos.	266
Southwest China	Nos.	112
North China	Nos.	356
East China	Nos.	549
Total	Nos.	1,397

B6. Product Liability

I. Strengthening quality management

The Company firmly establishes the concept of "quality is life, and quality determines the development benefits and value", strictly abides by the quality, health, safety and environmental protection (QHSE) management system, and establishes a sound quality supervision management system. We also clarify the quality responsibility for all employees, innovate the quality development mechanism and provide high-quality engineering, products and services in a bid to promote the high-quality development of the Company.

In 2019, taking the spirits of the 19th National Congress of the CPC as the guide, the Company fully implemented the overall deployment of the State Council and the SASAC on carrying out quality improvement actions. It also conscientiously implemented the spirits of the Company's 2019 work conferences, adhered to the principle of "quality matters the most", and carried out comprehensive quality improvement actions in accordance with the management requirements of "three Basic, three Comprehensive and four Modernizations." First, measures to create quality products proved effective, and the Company's core competitiveness continued to increase. Second, the creation and demonstration of quality projects upgraded, and the Company's quality supply level continued to improve. Third, we released the platform of safety and quality management system based on BIM technology. Digital management had achieved initial results. Fourth, we have promoted the construction and application of quality information systems to improve the effectiveness of quality supervision. Fifth, we have promoted the construction of quality standardization and improved the management level. Sixth, we have strengthened quality supervision and inspection and enhanced grassroots quality management. Seventh, we launched the "Quality Month" event to cultivate a quality culture.

Intelligent quality management: Taking informationization and standardization as the starting point, we released the 1.0 version of the BIM technology-based safety and quality management system platform, which has been applied to projects such as the Oujiang North Exit Bridge, the Beijing-Xiong'an Intercity Railway, and the Taihu Tunnel, initially realizing the digitalized safety and quality management. We deepened the application of the monitoring information systems for the whole process of concrete production, and realized data interconnection of 386 projects, 1,022 mixers and 599 presses. We also strengthened the dynamic supervision of the engineering quality process, expanded the application of the process quality inspection and control information system, and implemented the on-line trial operation for 138 projects with the one-time acceptance pass rate of 98.2%.

Quality supervision and inspection: We have issued the Work Plan for Physical Quality Sampling Inspection in 2019 (《2019年實體質量抽檢工作方案》) to strengthen the sampling inspection of engineering entities' quality, increase the inspection coverage of key projects and areas, and enhance the grass-root quality management. A total of 24 project sections and 321 key projects of secondary units were spot-checked throughout the year with a total of 47,270 pieces of testing data. The pass rate of random inspection was 92.4%, and the overall quality was stable.

SOCIAL (CONTINUED)

Operation Practices (continued)

B6. Product Liability (continued)

II. Strengthening quality culture

The Company continued to strengthen quality training. We held the Quality Month activity and Quality Open Day activity with the theme of "staying true to our original quality aspiration and seeking quality improvement", and organized all employees to participate in the "National Enterprise Employee Comprehensive Quality Management Knowledge Contest", which enriched the quality knowledge of employees, and created a good atmosphere where everyone cares about, values and shares quality. We also innovatively carried out the Quality Excellence Activity to emphasize the whole-process control of quality excellence, strengthen education and publicity reports on quality excellence, and promote the continuous improvement of the overall quality level.

III. Building prime engineering

CCCC has stepped up its efforts in "quality engineering", boosted the research and application of key technologies, and promoted the continuous upgrading of quality engineering creation activities. In 2019, the one-time pass rate of the Company' completed projects was 100%. It won nine China Construction Engineering Luban Prizes and 29 National Quality Project Awards (including 6 gold awards) as well as a total of 246 provincial and ministerial high-quality projects and outstanding designs, creating the best level in history.

IV. Customer satisfaction and product complaints

The Company has attached importance to communications with customers while providing high-quality products to customers, so that it can learn the demands of customers in a timely manner and offer satisfactory services. Meanwhile, the Company pays attention to protecting the customers' information in communications, and has formulated and improved the Customer Information Protection System (《客戶信息保護制度》), and applied the principle of uniform leadership, classified custody and hierarchical access to customer information and data. On this basis, CCCC improved the customer archives management platform, established the sophisticated Customer Archives Management System (《客戶檔案管理制度》), defined the customer information modules in the project management system, set the limits of authority and appointed special persons to maintain the customer information, and strictly set the limits of authority on reviewing and inquiring the customer information. Moreover, the Company optimized the customer feedback and complaint handling mechanism, formulated the Customer Satisfaction Monitoring and Measurement Control Procedures (《顧客滿意度監視測量控制程序》), clarified the customer feedback mechanism and channel, and paid regular return visits to the projects under construction and the delivered projects within the warranty period.

In 2019, the Company was not involved in any major lawsuit and complaint arising from product quality and services.

Table: Product Recall and Customer Complaint Statistics

Indicator	Unit	2019
The proportion of products recalled	%	0%
Customer complaint rate	%	0%

V. Intellectual property protection and management

CCCC strictly abided by the laws and regulations such as the Trademark Law, Patent Law, Copy-right Law, Anti-Unfair Competition Law and Foreign Trade Law. As early as in 2007, the Company had formulated the management measures for intellectual property rights, definitely specifying the ownership of rights, responsibilities and obligations of related parties, distribution of proceeds from transfer of results, etc. During the reporting period, the Company took the scientific and technological achievements, patents, software copyright, standards, construction methods, thesis and mono-graphs as the assessment indexes in the assessment measures for scientific and technological advancement in the Company's subsidiaries, and incorporated these indexes into the annual business performance assessment on subsidiaries' senior management, so as to further motivate the enthusiasm of the subsidiaries for scientific and technological innovation.

SOCIAL (CONTINUED)

Operation Practices (continued)

B6. Product Liability (continued)

V. Intellectual property protection and management (continued)

The Company made continuous efforts to safeguard the intellectual property rights, and disposed of and solved infringement disputes in a timely manner. It has also strengthened trademark management to prevent the abuse of registered trademarks; focused on brand protection in the process of promoting the brand and improving brand value; and conducted IPR strategy researches for our emerging industries. In 2019, the three ISO international standards which we presided over the formulation of, namely Dredging Monitoring Systems for Trailing Suction Hopper Dredgers (《耙吸挖泥船疏浚監控系統》), Dredging Monitoring Systems for Cutter Suction/Bucket Wheel Dredgers (《絞吸/斗輪挖泥船疏浚監控系統》) and Dredging Monitoring Systems for Grab Dredgers (《抓斗挖泥船疏浚監控系統》) were officially released, successfully seizing the technological commanding heights in the field of international dredging and water transportation engineering BIM and greatly improving the Company's and Chinese dredging industry's international influence and power of discourse. We have also been selected as a "Pilot Unit for the Construction of a Powerful Country in Transportation" and the results of Strategic Research Project for a Powerful Country of Transport we participated in have been published. The Company participated in a total of 438 construction standards in the transportation industry throughout the year, of which it presided over the preparation of 263 standards, including 8 international standards, 19 national standards, 162 industry standards, and 74 group standards.

Table: Patent Statistics

Indicator	Unit	2019
Number of newly added patents	Piece	2,205
Number of patents	Piece	10,155

VI. Quality inspection and product recall

Adhering to the quality work guidelines of putting people first and giving priority to quality, the Company has improved the project quality management system, conducted the "three-level inspection" on products in accordance with the Product Inspection and Test Control Procedures (《產品檢驗和試驗控制程序》). Products can only be delivered after passing the final inspection. If the products delivered have any problems, the Company will handle strictly in accordance with the systems of the Company. The Company has printed and distributed the CCCC Quality Accident Reporting, Investigation and Handling Methods (《中國交建質量事故報告調查處理辦法》) and the CCCC Quality Accident Accountability Methods (《中國交建質量事故責任追究辦法》), specifying the handling process upon the occurrence of engineering quality problems.

In 2019, the Company kept a general stable situation in product quality and there were no product quality incidents and recall incidents, and the qualification rate of projects under the first acceptance check was 100%.

Table: Product Qualification Rate Statistics

Indicator	Unit	2019
Qualification rate of project acceptance check	%	100%
Qualification rate of project under the first acceptance check	%	100%

SOCIAL (CONTINUED)

Operation Practices (continued)

B7. Anti-Corruption

As a large state-owned enterprise under the supervision of the SASAC under the State Council, the Company has always adhered to strengthening political supervision, strictly implementing the supervision, and managing the responsibility on the Party governance. For improving the anti-corruption system, the Company formulated relevant work regulations such as Public Complaint Work Measures (《信訪工作辦法》), Notice on Further Promoting the Integrity Risk Prevention and Control Work (《關於進一步推進廉潔風險防控工作的通知》), Mechanism for Promoting the Anti-Corruption System (《推進防腐敗體制機制》), Opinions on Strengthening Tour Inspection and Rectification Work (《關於加強巡視整改工作的意見》), and Notice on Further Standardizing Discipline Review Work (《關於進一步規範紀律審查有關工作的通知》). At the same time, it has established and improved the supervision functions of the disciplinary committees at all levels of the Company and its subsidiaries to implement the full coverage of tour inspection. The Company's Party committee secretary performs the principal responsibility for inspections and rectifications while the Company's disciplinary committee secretary performs the principal responsibility for the supervision of inspections and rectifications.

The Company resolutely implements the eight requirements of the Party Central Committee on improving working styles and close contact with the masses, makes great efforts to rectify the "four styles" problem about styles and behaviours, and selects and appoints cadres at all levels in strict accordance with their working styles and merits of integrity, embedding the integrity and anti-corruption in the selection of the Company's management team and medium management staff. In 2019, the Company's disciplinary committee further formulated the implementation opinions on strengthening the daily supervision work within the Party, and clarified the supervision targets, supervision content, working mechanism and supervision form, thereby implementing the daily supervision. At the same time, we have established clean and integrity archives for 585 cadres of Party committee. The archives implement the principle of one file for one person and are dynamically updated, covering management personnel of the Company and its subsidiaries at all levels. During 2019, the Company was not involved in any lawsuit on corruption, bribery, blackmail, fraud and money laundering home and abroad.

During the reporting period, the Company made the following efforts in the prevention of bribery, blackmail, fraud and money laundering:

(1) comprehensively upgrading the online testing system for Party rules and regulations and Party disciplines. A total of 57,826 Party members and applicants for Party membership participated in the questionnaires, setting another record high.

(2) creating the "Party Style and Integrity Propaganda Month" brand, and carrying out the Party Style and Integrity Construction Propaganda and Education Month for the fifth consecutive year.

(3) arranging all staff to participate in 1,576 lectures on integrity, watch 3,600 education films on integrity and visit 944 education bases on integrity, and dispatching 30,754 integrity books.

(4) sending notices before major festivals and holidays to remind of and impose strict control over the management at mid-level and above about Party disciplines and rules.

(5) Organizing the selection of integrity culture concepts and integrity slogans, holding the second integrity micro-film competition with collecting 533 integrity micro-films and micro-videos, and issuing the award-winning works to all units as models, educating every Party member about the honesty and integrity.

We've been devoted to smoothing the public complaints reporting channels, and dealing with clues to problems timely. The employees may report the acts in violation of rules and regulations to suitable persons via the informants' hotline, letters or e-mails. The employees, who violate any rules or regulations and constitute a crime, will be transferred to the judicial organs for handling. The Company has resolutely implemented the requirements of strictly enforcing Party discipline, and have signed the "Letter of Responsibility on Party's Integrity Building" level by level to ensure the performance of the responsibility through the assessment of Party integrity building. The discipline inspection committee of the Company has effectively fulfilled the supervision responsibility, and promoted the performance of responsibilities by means of work reports, interviews and trials.

SOCIAL (CONTINUED)

Operation Practices (continued)

B7. Anti-Corruption (continued)

The Company has formulated anti-corruption compliance systems for overseas projects, and has specific rules on preventing commercial bribery. In 2019, the Company continued to strengthen overseas compliance training for employees. It emphasized the prevention of commercial bribery in the code of conduct for overseas employees and guided employees to fully understand that the Company's commercial success should be based on market competitiveness, performance, product quality, service quality and technical quality, in no way the improper benefits brought by corrupt behaviors. The overseas compliance implementation rules strictly control business processes such as gifts, cash payment, donation and sponsorship. It is forbidden to provide, promise, authorize, give, accept any form of bribery, commercial or property benefits, cash payments or valuable gifts. Employees are not allowed to engage in the above actions through relatives or other clients.

COMMUNITY

B8. Community Investment

CCCC adheres to the original intention of love and goodness, carries forward the Chinese traditional virtues of goodness and kindness, and plays the role of corporate citizenship to help the needy and the poor. It actively contributes to community building, volunteer services and rescue and disaster relief, making its own efforts.

We mainly participated in social co-construction through the following channels:

I. Targeted poverty alleviation

The Company fully implements the decisions and deployment of the Party Central Committee and the State Council on poverty alleviation, and adheres to the basic strategy of targeted poverty alleviation. Specifically, we earnestly boosted the designated support for five counties (cities) including Lushui City, Lanping County, Fugong County and Gongshan County in Nujiang Prefecture, Yunnan Province and Yingjisha County in Xinjiang, ensuring the pragmatic anti-poverty work, solid process of anti-poverty and authentic results of anti-poverty and contributing our strength and wisdom to win the battle against poverty. At present, in Nujiang Prefecture and Yingjisha County, the quality of offering food and clothing has been significantly improved, and prominent problems in compulsory education, basic medical care and housing security have also been generally resolved. In 2019, 97,000 people in Nujiang Prefecture were lifted out of poverty, the number of poor people decreased from 267,800 in 2015 to 44,300, and the incidence of poverty dropped to 2.49%, particularly for Gongshan County which had been delisted as a poverty-stricken county. In Yingjisha County, nearly 30,000 people were lifted out of poverty in 2019, and the incidence of poverty dropped from 50.4% in 2014 to 3.06%.

Poverty alleviation in transportation: The Company actively gave play to the main business advantages and promoted the implementation of projects with high business relevance, great effects on poverty alleviation and long-term benefits. In 2019, we assisted the construction of the Nujiang Ferry Bridge and the Fugong Munima Bridge. These bridges are expected to be completed in 2020, which will vigorously alleviate the traffic pressure of the prefecture capital Liuku and improve the living conditions of the local people, effectively solve the problems of crossing the river and travel of more than 30,000 people who have relocated for poverty alleviation, and promote the rapid economic and social development of Nujiang Prefecture.

Poverty alleviation in education and medical care: Adhering to the concepts of "education is the top priority for poverty alleviation" and "big health", the Company strengthened poverty alleviation in education hardware and software to stimulate the endogenous drivers for poverty alleviation and further improve the capacity of medical services in poor areas. In 2019, we invested RMB150 million to help build the CCCC Lanping New Age Hope School. After completion, the school will enroll more than 3,000 relocated students. We invested RMB9 million to establish the Nujiang Prefecture Student Fund to vigorously improve the teaching level of Nujiang Prefecture. We also contributed more than RMB6 million to supplement the construction funds of village clinics in Nujiang Prefecture, provide doctors with training funds, improve the allocation of medical resources and elevate the skills of doctors.

Poverty alleviation through Party building activities: The Company continued to adhere to poverty alleviation through Party building activities, and brought new resources and new forces to poverty reduction. We invested RMB4.95 million in 2019 to transform and expand the village Party activity centre in Yingjisha County. The Youth League Committee of the Company and the Nujiang Prefecture Youth League Committee jointly held a special theme event called "Forge with the Motherland-Speeches under the National Flag", leading the young people to forge ahead and advocate the virtues and good deeds.

COMMUNITY (CONTINUED)

B8. Community Investment (continued)

I. Targeted poverty alleviation (continued)

Poverty alleviation in industries: The Company insists on respecting regional characteristics, innovates cooperative governance mechanisms, and selects excellent industrial poverty alleviation projects, focusing its attention on developing anti-poverty industries. In 2019, the Company invested more than RMB4 million to implement poverty alleviation projects such as pitayas planting and Kayak Wild Water International Open Competition, and stepped up efforts to promote the construction of the Nujiang Spice Industry Park project, focusing on making the spice industry a "golden sign" of high quality and sustainable development in Nujiang Prefecture.

Poverty alleviation in employment: The Company made overall plans for poverty alleviation in employment and integrated the labour demand within the Company to provide corresponding jobs. In 2019, relying on projects under construction in Yunnan and Xinjiang, the Company targeted the export of labour services to help provide employment opportunities to more than 800 poor people. Also, the Company recruited 81 university graduates coming from Nujiang.

Poverty alleviation in consumption: The Company encourages all departments and units to actively purchase agricultural and sideline products in poor areas and help poor households expand sales channels and sales volume. In 2019, the Company purchased agricultural products worth RMB4.095 million in poor areas and helped sell agricultural products worth RMB1.391 million in poor areas.

II. Building harmonious communities

The Company actively participates in community activities, organizes activities such as helping the poor, caring for the weak and improving people's livelihood, to do practical things for the masses, solve difficult problems, establish a good relationship with local communities, and build happy and harmonious communities.

The Wujiaba urban reconstruction project in Kunming, Yunnan Province is the city's "No. 0" project, of which the Wujiaba Xianghua Village resettlement project is related to the resettlement of the relocated residents. The CFHCC undertook the construction of this livelihood project. It required high-quality construction and has overcome various issues such as excavating foundation pits, piping at the bottom of the foundation pit and positioning and laying-out accuracy of pile foundations in the alluvial geology of Dianchi Lake, and finally built up-to-29-story residential houses, guaranteeing the smooth implementation of the national housing project, alleviating the housing pressure of the needy groups, and vigorously promoting the process of urbanization.

III. Charity

CCCC always adheres to the concept of "serving the society and giving back to the society", carries forward the spirit of voluntary services, continuously improves the "blue vest" volunteer service system, strengthens the construction of voluntary service teams, continues to organize good internal and external public welfare activities and establishes the "blue vest" brand image. In 2019, there were 17,211 employee volunteers with 89,861 hours of volunteer services and RMB45,961,200 of charitable donations.

IV. Assisting in rescue and disaster relief

Adhering to the principle of "building a project and fulfill our responsibility therefor" and based on the professional advantages of infrastructure construction, the CCCC acts quickly to participate in rescue when earthquakes, landslides, mudslides, typhoons, floods and other dangers arise, and does its best to protect the lives and property of the people.

In the summer of 2019, affected by typhoons and heavy rainfall, Sihanoukville, Cambodia was repeatedly plagued by floods, and urban infrastructure such as urban streets, sewers and residential buildings were severely damaged. In times of crisis, the Cambodia Office of China Road and Bridge Corporation sent professional equipment and personnel to the scenes of affected areas many times to assist the local government in carrying out rescue operations and participate in disaster relief work such as road desilting, demolition of dangerous buildings and road rescue. The office responded positively and swiftly to the rescue work, which was unanimously affirmed and praised by the Cambodian Ministry of Engineering, local government and residents.

Indicator	Unit	2019
Number of employee volunteers	People	17,211
Duration of volunteer activities	Hour	89,861

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CORPORATE GOVERNANCE

CCCC has integrated the "334" Project into its production and operation management, fully optimized corporate governance, and continued to improve compliance operations and risk control.

"334" Project

Three Basic Aspects	• Basic foundations: strengthening the construction of systems, dynamically optimizing the management processes, and strengthening various management foundations; • Basic level: strengthening the construction of basic – level teams, improving the overall quality of teams at all levels, and comprehensively enhancing capabilities of basic – level teams; • Basic skills: enhancing basic skills for posts at all levels to particularly improve their professionalism.
Three Comprehensive Management	• Comprehensive budget management: emphasizing the systemic and functional management; • Comprehensive cost accounting management: emphasizing the accuracy; • Comprehensive performance assessment management: emphasizing the value orientation and difference.
Four Constructions	• Specialization construction: maximizing individual capabilities, focusing on the "five transformations", and improving work efficiency; • Standardization construction: establishing standardization systems and standardized management and control systems for various tasks to improve the efficiency of business operations; • Digitalization construction: promoting cost-centric comprehensive digital management and profit-centric digital industries, products and services; • Refinement construction: strengthening cost control and loss management, enhancing asset management, and reducing interest-bearing liabilities.

Governance structure: We have built a modern corporate governance structure composed of the board of directors, the board of supervisors and the management team in accordance with laws and regulations such as the Company Law and the Securities Law as well as modern corporate governance requirements. In 2019, the Company continued to improve the operation quality of the board of directors of the listed company, solidly advanced the construction of the corporate governance structure of secondary units, standardized the setting of the board of directors and the board of supervisors, piloted the outside director assignment system and comprehensively implemented the checklist management, to further improved the governance mechanism. The Company held a total of 34 shareholders' meetings, board meetings and special committee meetings of the board of directors throughout the year, and reviewed 165 proposals. In the annual board evaluation of the SASAC, the Company's board of directors was rated as an "excellent board of directors".

Compliance operations: We have further propelled the construction of the rule of law, refined and quantified the principal responsibility for the construction of the rule of law and organized the annual comprehensive assessment of legal risk management, and we also actively extended the general legal counsel system to third-level units, carried out legal counsel training and strengthened rule-of-law publicity and education, in an effort to comprehensively improve the legal awareness of all employees.

Risk control: The Company has comprehensively strengthened the construction of risk prevention and control system, conducted the risk assessment by focusing on the "eight major risks", and identified 576 items in 40 categories of risks and formulated targeted measures to improve its prevention and control capabilities; reinforced the standardization and information construction of contract management, and issued guidelines for preventing legal risks of 13 types of projects; steadily carried out "four legal reviews" and completed the four reviews for all the economic contracts, major decisions, important rules and regulations and powers of attorney; continuously deepened the construction of legal precaution mechanisms for overseas operations and built the first batch of 35 overseas legal risk prevention databases; and launched a campaign to recover the debts to effectively defend its rights and interests.

Audit supervision: The Company has improved the audit leadership system, management mechanism, working process and systems and strengthened the standardization, digitization and refinement of audits, and it also issued the Opinions on Improving the Audit Working Mechanism and Enhancing Audit Effectiveness (《關於完善審計工作機制、增強審計效能的意見》) to deepen the application of audit results and continuously improve audit quality and effectiveness. In 2019, we carried out 35 audits of various types which represented 121% of the annual plan and involved 75 entities, and the total audited assets amounted to RMB518.6 billion. In addition, we submitted 51 audit reports, identified 209 issues and put forward 267 rectification opinions.

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To the shareholders of China Communications Construction Company Limited

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Communications Construction Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 125 to 247, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on construction services The Group derives most of its revenue from construction services that is accounted for by measuring progress towards completion of the performance obligations (measuring progress). The measuring progress method involves the use of significant judgements and estimates, including estimates of total contract revenue and total contract cost. The management of the Group will continue to reappraise total contract revenue and total cost according to the scope of deliveries and services required, remaining cost to completion, etc. In addition, revenue and cost realised on such contracts can vary (sometimes significantly) from the Group's original estimates because of changes in conditions. The accounting policies and disclosures for the revenue recognition on construction services are included in notes 2.4, 3, and 5 to the financial statements.	We evaluated and tested the Group's internal controls over the process to recognise revenue, including the records of expected contract costs and contract revenue, and revenue recognised based on the measurement of the progress toward satisfaction of the performance obligations. We selected material construction contracts to review key contract terms and checked the expected total contract revenue and contract costs. We examined the contract costs incurred by selecting samples to reconcile with related documents. We performed cut-off testing procedures to check if the costs had been recognised in the appropriate accounting period. We re-calculated the proportion of the actual cost incurred relative to the estimated total cost and the revenue recognised under the measuring progress method. In addition, we performed analytical procedures on the gross margins of material construction contracts of the Group.
Impairment of contract assets, trade receivables and long-term receivables The impairment of contract assets, trade receivables and long-term receivables was recognised based on the allowance for expected credit loss (ECL). The management of the Group determines the ECL of contract assets, trade receivables and long-term receivables based on historical information of settlement of contract assets and collection of trade receivables and long-term receivables, customers' creditworthiness, and forward-looking economic conditions, etc, involving the use of significant judgements and estimates. The accounting policies and disclosures for the impairment of contract assets, trade receivables and long-term receivables are included in notes 2.4, 3, 24 and 25 to the financial statements.	We evaluated and tested the Group's internal controls over the process to recognise the allowance for ECL of contract assets, trade receivables and long-term receivables. We reviewed the management's analysis of historical information of settlement of contract assets and collection of trade receivables and long-term receivables. We tested the accuracy of the ageing of trade receivables and long-term receivables balances by tracing details of selected samples to related documents. We evaluated the management's credit risk assessment on contract assets, trade receivables and long-term receivables.
Impairment assessment on concession assets For those concession assets with indications of impairment, the management of the Group performed impairment tests thereon to ascertain the recoverable amounts of such concession assets. The recoverable amounts of such assets are determined using the discounted cash flow method which requires the Group to make assumptions on the underlying cash flow forecasts. The assumptions include expectations for the traffic volume, necessary maintenance and operating costs incurred for the concession assets, and discount rates. The assessment of recoverable amounts involves significant judgements and estimation. The accounting policies and disclosures for the impairment assessment on concession assets are included in notes 2.4, 3 and 17 to the financial statements.	We evaluated and tested the Group's internal controls over the process of impairment assessment on concession assets. We evaluated the competence, capabilities and objectivity of management's specialists employed by the Group. We obtained an understanding of the work of management's specialists employed by the Group. We evaluated and concluded whether the results of the specialist's work supported the relevant assertions in the financial statements. We reviewed the basis and assumptions used in the cash flow forecasts by comparing with the projected traffic volume, the current operation of these concession assets and the development plan of relevant areas in which these concession assets operated. We compared the prior year's forecast with the Group's actual performance in 2019. We also evaluated the reasonableness of the discount rates.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheong Ming Yik, Hoffman.

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB million	2018 RMB million
Revenue	4, 5	**552,542**	488,666
Cost of sales		**(483,411)**	(424,055)
Gross profit		**69,131**	64,611
Other income	5	**4,823**	4,051
Other gains, net	5	**2,180**	1,892
Selling and marketing expenses		**(1,158)**	(1,177)
Administrative expenses		**(34,902)**	(31,800)
Impairment losses on financial and contract assets, net		**(4,345)**	(2,753)
Other expenses		**(1,658)**	(1,503)
Operating profit		**34,071**	33,321
Finance income	7	**8,535**	5,314
Finance costs, net	8	**(15,229)**	(12,660)
Share of profits and losses of:			
– Joint ventures		**(117)**	168
– Associates		**202**	(97)
Profit before tax	6	**27,462**	26,046
Income tax expense	11	**(5,848)**	(5,608)
Profit for the year		**21,614**	20,438
Attributable to:			
– Owners of the parent		**20,094**	19,819
– Non-controlling interests		**1,520**	619
		21,614	20,438
Earnings per share attributable to ordinary equity holders of the parent	13		
Basic		**RMB1.16**	RMB1.16
Diluted		**RMB1.16**	RMB1.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 RMB million	2018 RMB million
Profit for the year	**21,614**	20,438
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax:		
Actuarial gains/(losses) on retirement benefit obligations	**15**	(49)
Share of other comprehensive loss of joint ventures and associates	**(4)**	–
Changes in fair value of equity investments designated at fair value through other comprehensive income	**5,732**	(3,017)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**5,743**	(3,066)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax:		
Cash flow hedges	**3**	(4)
Share of other comprehensive loss of joint ventures and associates	**(168)**	(106)
Exchange differences on translation of foreign operations	**390**	249
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**225**	139
Other comprehensive income/(loss) for the year, net of tax	**5,968**	(2,927)
Total comprehensive income for the year	**27,582**	17,511
Attributable to:		
– Owners of the parent	**26,047**	16,908
– Non-controlling interests	**1,535**	603
	27,582	17,511

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB million	2018 RMB million
Non-current assets			
Property, plant and equipment	14	**57,471**	56,365
Investment properties	15	**3,973**	3,463
Right-of-use assets	16(b)	**13,561**	–
Prepaid land lease payments	16(a)	**–**	9,683
Intangible assets	17	**219,227**	188,370
Investments in joint ventures	18	**24,715**	18,646
Investments in associates	19	**27,343**	23,019
Financial assets at fair value through profit or loss	20	**6,723**	5,893
Debt investments at amortised cost		**111**	109
Equity investments designated at fair value through other comprehensive income	21	**25,018**	21,257
Trade and other receivables	24	**178,008**	118,967
Contract assets	25	**30,268**	28,698
Deferred tax assets	31	**5,213**	4,504
Total non-current assets		**591,631**	478,974
Current assets			
Inventories	23	**62,070**	46,861
Trade and other receivables	24	**223,832**	195,887
Contract assets	25	**116,236**	103,981
Financial assets at fair value through profit or loss	20	**415**	155
Derivative financial instruments	26	**777**	250
Restricted bank deposits and time deposits with an initial term of over three months	27	**6,627**	6,955
Cash and cash equivalents	27	**118,812**	127,413
Total current assets		**528,769**	481,502
Current liabilities			
Trade and other payables	28	**362,773**	314,496
Contract liabilities	29	**82,808**	81,953
Derivative financial instruments	26	**5**	2
Tax payable		**5,932**	4,034
Interest-bearing bank and other borrowings	30	**74,372**	79,243
Retirement benefit obligations	32	**126**	141
Total current liabilities		**526,016**	479,869
Net current assets		**2,753**	1,633
Total assets less current liabilities		**594,384**	480,607

Continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB million	2018 RMB million
Total assets less current liabilities		**594,384**	480,607
Non-current liabilities			
Trade and other payables	*28*	**23,778**	17,185
Interest-bearing bank and other borrowings	*30*	**264,415**	215,384
Deferred income		**1,049**	827
Deferred tax liabilities	*31*	**6,345**	5,162
Retirement benefit obligations	*32*	**993**	1,152
Provisions	*33*	**1,425**	1,215
Total non-current liabilities		**298,005**	240,925
Net assets		**296,379**	239,682
Equity			
Equity attributable to owners of the parent			
Share capital	*34*	**16,175**	16,175
Share premium	*34*	**19,656**	19,656
Financial instruments classified as equity	*35*	**30,423**	24,426
Reserves	*36*	**163,899**	136,921
		230,153	197,178
Non-controlling interests		**66,226**	42,504
Total equity		**296,379**	239,682

Liu Qitao
Director

Song Hailiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Notes	Attributable to owners of the parent							
		Share capital	Share premium	Financial instruments classified as equity	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
As at 31 December 2018		16,175	19,656	24,426	26,312	110,609	197,178	42,504	239,682
Profit for the year		-	-	-	-	20,094	20,094	1,520	21,614
Other comprehensive income/(loss) for the year:									
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	-	5,732	-	5,732	-	5,732
Cash flow hedges, net of tax		-	-	-	3	-	3	-	3
Share of other comprehensive loss of joint ventures and associates		-	-	-	(172)	-	(172)	-	(172)
Actuarial gains on retirement benefit obligations, net of tax		-	-	-	15	-	15	-	15
Exchange differences on translation of foreign operations		-	-	-	375	-	375	15	390
Total comprehensive income for the year		-	-	-	5,953	20,094	26,047	1,535	27,582
Final 2018 dividend declared	12	-	-	-	-	(3,733)	(3,733)	-	(3,733)
Dividends to non-controlling shareholders		-	-	-	-	-	-	(280)	(280)
Capital contribution from non-controlling shareholders		-	-	-	5,894	-	5,894	18,182	24,076
Share of other reserves of joint ventures and associates		-	-	-	70	-	70	-	70
Issue of renewable corporate bonds and perpetual medium-term notes		-	-	10,960	-	-	10,960	6,980	17,940
Redemption of medium-term notes		-	-	(4,963)	-	-	(4,963)	(2,000)	(6,963)
Interests on perpetual medium-term notes		-	-	-	-	(566)	(566)	(1,607)	(2,173)
Dividend on preference shares		-	-	-	-	(718)	(718)	-	(718)
Transaction with non-controlling interests		-	-	-	(16)	-	(16)	(63)	(79)
Acquisition of subsidiaries	40	-	-	-	-	-	-	996	996
Disposal of subsidiaries	41	-	-	-	-	-	-	(21)	(21)
Transfer to statutory surplus reserve	36(b)	-	-	-	358	(358)	-	-	-
Transfer from general reserve	36(c)	-	-	-	(131)	131	-	-	-
Transfer from safety production reserve	36(d)	-	-	-	(14)	14	-	-	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	21	-	-	-	(3,110)	3,110	-	-	-
As at 31 December 2019		16,175	19,656	30,423	35,316*	128,583*	230,153	66,226	296,379

Continued/...

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

		Attributable to owners of the parent							
	Notes	Share capital RMB million	Share premium RMB million	Financial instruments classified as equity RMB million	Other reserve RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
As at 31 December 2017		16,175	19,656	19,431	28,443	97,217	180,922	24,672	205,594
Effect of adoption of IFRS 9, net of tax		–	–	–	85	(718)	(633)	(9)	(642)
As at 1 January 2018		16,175	19,656	19,431	28,528	96,499	180,289	24,663	204,952
Profit for the year		–	–	–	–	19,819	19,819	619	20,438
Other comprehensive income/(loss) for the year:									
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	(3,017)	–	(3,017)	–	(3,017)
Cash flow hedges, net of tax		–	–	–	(4)	–	(4)	–	(4)
Share of other comprehensive loss of joint ventures and associates		–	–	–	(106)	–	(106)	–	(106)
Actuarial loss on retirement benefit obligations, net of tax		–	–	–	(49)	–	(49)	–	(49)
Exchange differences on translation of foreign operations		–	–	–	265	–	265	(16)	249
Total comprehensive income for the year		–	–	–	(2,911)	19,819	16,908	603	17,511
Final 2017 dividend declared		–	–	–	–	(3,913)	(3,913)	–	(3,913)
Dividends to non-controlling shareholders		–	–	–	–	–	–	(116)	(116)
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	3,402	3,402
Share of other reserves of joint ventures and associates		–	–	–	9	–	9	–	9
Issue of perpetual medium-term notes		–	–	4,995	–	–	4,995	14,223	19,218
Interests on perpetual medium-term notes		–	–	–	–	(300)	(300)	(617)	(917)
Dividend on preference shares		–	–	–	–	(718)	(718)	–	(718)
Transaction with non-controlling interests		–	–	–	(92)	–	(92)	(36)	(128)
Acquisition of subsidiaries		–	–	–	–	–	–	805	805
Disposal of subsidiaries	*41*	–	–	–	–	–	–	(423)	(423)
Transfer to statutory surplus reserve	*36(b)*	–	–	–	526	(526)	–	–	–
Transfer to general reserve	*36(c)*	–	–	–	113	(113)	–	–	–
Transfer to safety production reserve	*36(d)*	–	–	–	139	(139)	–	–	–
As at 31 December 2018		16,175	19,656	24,426	26,312*	110,609*	197,178	42,504	239,682

* As at 31 December 2019, these reserve accounts comprise the consolidated reserves of RMB163,899 million (31 December 2018: RMB136,921 million) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB million	2018 RMB million
Cash flows from operating activities			
Profit before tax		**27,462**	26,046
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties	6	**8,885**	8,395
– Depreciation of right-of-use assets	6	**1,424**	–
– Amortisation of prepaid land lease payments	6	**–**	125
– Amortisation of intangible assets	6	**1,919**	1,612
– Gains on disposal of items of property, plant and equipment and other long-term assets	5	**(527)**	(472)
– Gains from business combinations achieved in stages	5	**–**	(236)
– Fair value (gains)/losses on financial assets at fair value through profit or loss	5	**(614)**	12
– Fair value (gains)/losses on derivative financial instruments	5	**(179)**	236
– Gains on disposal of financial assets at fair value through profit or loss	5	**(9)**	(109)
– Gains on disposal of subsidiaries	5	**(741)**	(482)
– Losses on disposal of joint ventures and associates	5	**2**	1
– Dividend income from financial assets at fair value through profit or loss	5	**(119)**	(160)
– Dividend income from equity investments designated at fair value through other comprehensive income	5	**(1,087)**	(700)
– Income on derivative financial instruments	5	**(247)**	(83)
– Other income from investing activities		**(39)**	(68)
– Share of profits of joint ventures and associates, net	18, 19	**(85)**	(71)
– Write-down of inventories	6	**93**	5
– Provision for impairment of concession assets	6	**–**	35
– Provision for foreseeable gains on contract assets		**–**	(125)
– Provision for impairment of contract assets	6	**255**	254
– Provision for impairment of trade and other receivables	6	**4,089**	2,498
– Interest income	7	**(8,535)**	(5,495)
– Interest expenses	8	**13,834**	10,024
– Net foreign exchange losses on borrowings	8	**186**	249
		45,967	41,491
Increase in inventories		**(15,229)**	(5,513)
Increase in contract assets		**(16,819)**	(3,999)
Decrease/(increase) in restricted bank deposits		**328**	(1,753)
Increase in trade and other receivables		**(61,998)**	(67,480)
Increase in trade and other payables		**53,371**	44,934
Increase in contract liabilities		**1,411**	5,505
Decrease in retirement benefit obligations		**(173)**	(54)
Increase/(decrease) in provisions		**210**	(293)
Increase in deferred income		**222**	158
Cash generated from operations		**7,290**	12,996
Interest income from operating activities		**3,254**	1,562
Income tax paid		**(4,613)**	(5,460)
Net cash flows from operating activities		**5,931**	9,098

Continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB million	2018 RMB million
Net cash flows from operating activities		**5,931**	9,098
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(9,881)**	(14,005)
Additions to right-of-use assets/prepaid land lease payments		**(833)**	(2,256)
Purchases of intangible assets and long-term assets		**(52,992)**	(22,246)
Purchases of investment properties		**(53)**	(311)
Proceeds from disposal of items of property, plant and equipment		**1,395**	851
Proceeds from disposal of right-of-use assets/prepaid land lease payments		**49**	20
Proceeds from disposal of intangible assets		**2**	9
Additional investments in associates		**(5,529)**	(4,882)
Additional investments in joint ventures		**(6,488)**	(8,473)
Acquisition of subsidiaries	40	**(1)**	780
Net inflow/(outflow) of cash in respect of the disposal of subsidiaries, joint venture and associates		**39**	(309)
Purchases of equity investments designated at fair value through other comprehensive income		**(1,470)**	(637)
Purchases of financial assets at fair value through profit or loss		**(1,214)**	(1,995)
Purchases of derivative financial instruments		**(583)**	–
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**5,373**	5
Proceeds from disposal of financial assets at fair value through profit or loss		**225**	3,351
Proceeds from disposal of other debt instruments		**–**	116
Loans to joint ventures, associates and third parties		**(5,856)**	(8,629)
Repayment of loans from joint ventures, associates and third parties		**7,274**	4,332
Interest received		**1,693**	1,562
Changes in time deposits with an initial term of over three months		**(1)**	(78)
Cash consideration received of concession assets		**1,128**	931
Dividends received		**2,010**	1,552
Net cash flows used in investing activities		**(65,713)**	(50,312)
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		**22,111**	3,402
Redemption of medium-term notes		**(6,963)**	–
Dividend paid to non-controlling interests of subsidiaries		**(249)**	(120)
Proceeds from financial instruments classified as equity		**17,940**	19,218
Distributions paid to holders of financial instruments classified as equity		**(2,612)**	(1,646)
Proceeds from bank and other borrowings		**173,067**	144,998
Repayments of bank and other borrowings		**(131,031)**	(109,871)
Interest paid for bank and other borrowings		**(15,936)**	(13,206)
Repayments of loans from the parent company		**–**	(450)
Transaction with non-controlling interests		**(79)**	(115)
Dividends paid to equity holders of the parent		**(3,733)**	(3,913)
Principal portion of lease payments		**(1,592)**	–
Other financing		**–**	334
Net cash flows from financing activities		**50,923**	38,631
Net decrease in cash and cash equivalents		**(8,859)**	(2,583)
Cash and cash equivalents at beginning of year	27	**127,413**	129,197
Effect of foreign exchange rate changes, net		**258**	799
Cash and cash equivalents at end of year	27	**118,812**	127,413

1. CORPORATE AND GROUP 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 (Limted). ("CCCG"), the parent company and a state-owned enterprise established in the PRC. The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 15 December 2006 and the A shares of the Company were listed on the Shanghai Stock Exchange on 9 March 2012. The address of the Company's registered office is 85 De Sheng Men Wai Street, Xicheng District, Beijing, the PRC.

The Company and its subsidiaries (together, the "Group") are principally engaged in infrastructure construction, infrastructure design and dredging businesses.

In the opinion of the directors, the immediate and ultimate holding company of the Company is CCCG, which was established in the PRC.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Unlisted –						
China Harbour Engineering Co., Ltd. ("CHEC")	PRC and other regions	Limited liability company	RMB3,278	50%	50%	Infrastructure construction
China Road and Bridge Corporation	PRC and other regions	Limited liability company	RMB3,889	96.37%	3.63%	Infrastructure construction
CCCC First Harbour Engineering Co., Ltd. ("CFHCC")	PRC	Limited liability company	RMB6,671	90.09%	–	Infrastructure construction
CCCC Second Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB4,397	86.64%	–	Infrastructure construction
CCCC Third Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB6,021	89.31%	–	Infrastructure construction
CCCC Fourth Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB4,966	86.23%	–	Infrastructure construction
CCCC First Highway Engineering Group Co., Ltd.	PRC	Limited liability company	RMB6,077	87.25%	–	Infrastructure construction
CCCC Second Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB3,465	81.94%	–	Infrastructure construction
Road & Bridge International Co., Ltd.	PRC	Limited liability company	RMB3,413	82.75%	–	Infrastructure construction
CCCC Third Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB2,156	70%	–	Infrastructure construction
CCCC Fourth Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB1,939	79.92%	–	Infrastructure construction
CCCC Water Transportation Consultants Co., Ltd.	PRC	Limited liability company	RMB818	100%	–	Infrastructure design

Continued/...

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CCCC Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB730	100%	–	Infrastructure design
CCCC First Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB723	100%	–	Infrastructure design
CCCC Second Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB428	100%	–	Infrastructure design
CCCC Third Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB731	100%	–	Infrastructure design
CCCC Fourth Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB630	100%	–	Infrastructure design
CCCC First Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB856	100%	–	Infrastructure design
CCCC Second Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB872	100%	–	Infrastructure design
China Highway Engineering Consultants Co., Ltd.	PRC	Limited liability company	RMB750	100%	–	Infrastructure design
China Infrastructure Maintenance Group Co., Ltd.	PRC	Limited liability company	RMB583	100%	–	Infrastructure design
CCCC Dredging (Group) Co., Ltd.	PRC	Limited liability company	RMB11,775	99.9%	0.1%	Dredging
CCCC Investment Co., Ltd. ("CCCC Investment")	PRC	Limited liability company	RMB10,551	100%	–	Investment holding
CCCC Xi'an Road Construction Machinery Co., Ltd.	PRC	Limited liability company	RMB433	54.31%	45.69%	Manufacture of road construction machinery
China Highway Vehicle & Machinery Co., Ltd.	PRC	Limited liability company	RMB168	100%	–	Trading of motor vehicle spare parts
Chuwa Bussan Co., Ltd.	Japan	Limited liability company	JPY12,021	99.82%	–	Trading of machinery
CCCC Shanghai Equipment Engineering Co., Ltd.	PRC	Limited liability company	RMB10	55%	–	Maintenance and repair of port machinery

Continued/...

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
CCCC Mechanical & Electrical Engineering Co., Ltd.	PRC	Limited liability company	RMB833	60%	40%	Trading of machinery
China Communications Materials & Equipment Co., Ltd.	PRC	Limited liability company	RMB1,734	100%	–	Trading of construction materials and equipment
CCCC Finance Company Limited ("CCCC Finance")	PRC	Limited liability company	RMB3,500	95%	–	Financial service
CCCC International Holding Limited ("CCCI")	Hong Kong	Limited liability company	HK$2,372	100%	–	Investment holding
CCCC Financial Leasing Co., Ltd. ("CCCC Financial Leasing")	PRC	Limited liability company	RMB5,000	45%	25%	Financial service
CCCC Fund Management Co., Ltd.	PRC	Limited liability company	RMB100	100%	–	Fund management
CCCC Asset Management Co., Ltd.	PRC	Limited liability company	RMB18,062	21.04%	78.96%	Asset management
CCCC Urban Investment Co., Ltd.	PRC	Limited liability company	RMB3,710	100%	–	Investment holding
CCCC Beijing-Tianjin-Hebei Investment Development Co., Ltd.	PRC	Limited liability company	RMB300	100%	–	Investment holding

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, equity investments and certain other financial assets which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16

IFRS 16 replaces IAS *17 Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, vessels, machinery and vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB1,737 million that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

Financial impact at 1 January 2019

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 was as follows:

	Increase/(decrease) *RMB million*
Assets	
Right-of-use assets	13,828
Property, plant and equipment	(1,737)
Prepaid land lease payments	(9,683)
Trade and other receivables	(104)
Total assets	2,304
Liabilities	
Interest-bearing bank and other borrowings	2,304
Total liabilities	2,304

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (continued)

Financial impact at 1 January 2019 (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB million
Operating lease commitments as at 31 December 2018	2,929
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	939
Commitments relating to leases of low-value assets	1
Add: Payments for optional extension periods not recognised as at 31 December 2018	656
	2,645
Weighted average incremental borrowing rate as at 1 January 2019	4.80%
Discounted operating lease commitments as at 1 January 2019	2,238
Add: Commitments relating to leases previously classified as finance leases	797
Lease liabilities as at 1 January 2019	3,035

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform* [1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below:

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, except for those acquisitions which are considered as a business combination under common control in a manner similar to pooling-of-interest.

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the ultimate controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the ultimate controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the ultimate controlling party's interest.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the prior reporting period or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as expenses in the year in which they are incurred.

Acquisition method of accounting for non-common control combinations

The Group applies the acquisition method to account for non-common control business combinations. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Acquisition method of accounting for non-common control combinations (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments, equity investments and certain financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives used for this purpose are as follows:

– Freehold land	Not depreciated
– Buildings	20 to 40 years
– Machinery	5 to 20 years
– Vessels	10 to 25 years
– Vehicles	5 years
– Other equipment	2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, vessels and machinery under construction or pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for internal use purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of the asset over its estimated useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Concession assets

The Group is engaged in certain service concession arrangements in which the Group carries out construction work (e.g., toll highways, bridges and ports) in exchange for a right for the Group to operate the asset concerned in accordance with pre-established conditions set by the granting authority. In accordance with IFRIC Interpretation 12 *Service Concession Arrangements* (IFRIC 12), the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangibles if the operator receives a right (a license) to charge users of the public service or as financial assets if the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The Group classifies the non-current assets linked to the long-term investment in these concession arrangements as "concession assets" within intangible assets on the statement of financial position if the intangible asset model is adopted. Such concession assets represent the consideration received for its construction service rendered. Once the underlying infrastructure of the concession arrangements is completed, the concession assets are amortised over the term of the concession using the traffic flow method or straight-line method under the intangible asset model.

Trademarks, patents, proprietary technologies and copyrights

Separately acquired trademarks, patents, proprietary technologies and copyrights are shown at historical cost. Trademarks, patents, proprietary technologies and copyrights acquired in a business combination are recognised at fair value at the acquisition date. Trademarks, patents, proprietary technologies and copyrights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives.

Computer software

Acquired computer software license costs are recognised as assets are amortised over their estimated useful lives of 1 to 10 years.

Research and development costs

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 70 years
Buildings	1 to 10 years
Vessels	1 to 25 years
Vehicles	2 to 3 years
Machinery	1 to 5 years
Other equipment	1 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". When a right-of-use asset meets the definition of investment property, it is included in investment properties.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value asset recognition exemption to leases below RMB50,000. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs) and presented as a receivable at an amount equal to the net investment in the lease. The finance income of such leases is recognised in the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, total return swaps, forward equity contracts and foreign exchange option. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Financial instruments classified as equity

Financial instruments issued by the Group are classified as equity instruments when all the following conditions have been met:

- The financial instruments have no contractual obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavourable circumstances;

- The financial instruments will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a variable number of its own equity instruments; if the financial instrument is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Financial instruments classified as equity instruments are recognised initially at fair value, net of transaction costs incurred.

Inventories

Inventories comprise raw materials, work in progress, properties under development, completed properties held for sale and finished goods. Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour, other direct costs and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Development cost of properties comprises cost of land use rights, construction costs and borrowing costs eligible for capitalisation incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion. Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the provision of construction services during the warranty period. Provision for these assurance-type warranties granted by the Group are recognised based on the best estimates of the Group, discounted to their present value as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Construction services

Revenue from the provision of infrastructure construction services is recognised over time, using an input method to measure progress toward satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the most likely amount or the expected value method to estimate the amounts of claims, whichever more appropriate, to best predict the amount of variable consideration to which the Group will be entitled.

(b) Provision of design and other services

Revenue from the provision of Infrastructure design and other services is recognised over time, using an input method to measure progress toward satisfaction of the service, because the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

(c) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(d) Significant financing component

For contracts that include a significant financing component, the Group adjusts the promised amount of consideration for the effects of a significant financing component and recognise revenue as the "cash selling price" of the underlying goods or services at the time of transfer. The "cash selling price" is generated by discounting the promised amount of consideration using the effective interest rate. The Group selects to use the practical expedient that it will not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

(e) Warranty

As required by law or agreed in the contract terms, the Group provides assurance-type warranties that promise the customer that the asset created in the construction services is as specified in the construction contract. The Group recognises such assurance-type warranties as provisions. For the warranties that provide a service to the customer in addition to assurance that the asset created is as specified in the contract, the Group identifies such service-type warranties as a separate performance obligation and allocates the transaction price between construction service and service-type warranties using the proportion of their standalone selling prices. The Group recognises the revenue of service-type warranties when the customer obtains control of the service. In assessing whether a warranty provides a customer with a service in addition to the assurance that the asset created in the construction services complies with the agreed specifications, the Group considers factors including whether the warranty is required by law, the length of the warranty coverage period, and the nature of the tasks that the entity promises to perform.

(f) Principal versus agent

The Group determines whether it is a principal or an agent in the transactions by evaluating whether it controls each specified good or service before that good or service is transferred to the customer. The Group is a principal and recognises revenue in the gross amount of consideration received or receivable if it controls the specified good or service before that good or service is transferred to a customer. Otherwise, the Group is an agent and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party, or is determined by certain agreed amounts or proportions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(g) Contract modifications

If the construction contract between the Group and the customers is modified:

(i) if the creation of new construction service and contract price are separately identified, and the new contract price reflects the separate selling price of the new construction service, the Group will treat the contract modification as a separate contract for accounting;

(ii) if the contract modification does not belong to the above situation (i), and there is a clear distinction between transferred construction services and non-transferred construction services at the date of contract modification, the Group will regard it as the termination of the original contract. Meanwhile, the unperformed part of the original contract and the part of contract modification will be merged into a new contract for accounting;

(iii) if the contract does not belong to the above situation (i), and there is no clear distinction between transferred construction services and non-transferred construction services at the date of contract modification, the Group will treat the part of modification as the component of original contract for accounting. The effect that the contract modification has on the transaction price is recognised as an adjustment to revenue at the date of the contract modification.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier). from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Offsetting of contract assets and contract liabilities

Contract assets and contract liabilities are offset and the net amount is reported in the statement of financial position if they belong to the same contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Past-service costs are recognised immediately in the consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

For defined contribution plans, the full-time employees of the Group in the PRC excluding Hong Kong and Macau ("Mainland China") are covered by the government-sponsored or privately administered pension plans under which the employees are entitled to a monthly pension based on certain formula. The Group pays contributions to these pension plans monthly, on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been made. The contributions are recognised as employee benefit expense as incurred.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

(b) Other post-employment obligations

The Group provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Housing funds

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

(e) Bonus entitlements

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

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Measurement of progress toward complete satisfaction of construction services

The Group uses input method to measure the progress toward satisfaction of the performance obligations, and specifically, the proportion of actual construction costs incurred relative to the estimated total costs. Actual construction costs incurred include direct and indirect costs in the process of transferring goods from the Group to customers. The Group believes that contract price is based on construction costs. Therefore, the proportion of actual construction costs incurred relative to the total expected costs can reflect the progress toward satisfaction of construction service. Since the duration of construction is relatively long that it may cover more than one accounting period, the Group will review and revise the budget as the contract carries forward, and adjust revenue accordingly.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Business model

The classification of financial assets upon initial recognition depends on the business model of the Group for managing financial assets. In judging the business model, the Group considers enterprises evaluation, the way of reporting the performance of financial assets to key management personnel, risks affecting the performance of financial assets and their management methods, as well as the way in which relevant business management personnel are paid, etc. In assessing whether to collect the contractual cash flow as the target, the Group needs to analyse and judge the reason, timing, frequency and amounts of the sale of financial assets before the maturity date.

Contractual cash flow characteristics

The classification of financial assets upon initial recognition depends on the contractual cash flow characteristics of financial assets. It is necessary to judge whether the contractual terms only give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, whether there are significant differences compared with the benchmark cash flow when evaluating the correction of the time value of money, and whether the fair value of the prepayment feature is insignificant for financial assets that include prepayment feature, etc.

Determination of control over structured entities

The Group invested in several structured entities which were mainly engaged in infrastructure investment activities. Based on the assessment following the basis of consolidation and accounting policies set out in notes 2.1 and 2.4 respectively, the Group has consolidated certain structured entities that it has control. For the investments that the Group has joint control on they are accounted for as joint ventures in accordance with IAS 28 *Investments in Associates and Joint Ventures*. Equities held indirectly through venture capital organisations, or mutual funds, unit trusts and similar entities including investment-linked insurance funds are accounted for as financial assets at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*. Judgement is involved when performing the assessment. Should those joint ventures and financial assets through profit or loss be consolidated, net assets, revenue and profit of the Group could be affected.

Management applies its judgement to determine whether the control indicators set out in note 2.1 indicate that the Group controls a structured entity.

The Group acts as manager to a number of structured entities and also carries interests in these entities. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity.

Further disclosure in respect of unconsolidated structured entities in which the Group has an interest has been set out in note 22.

Financial instruments classified as equity

Certain financial instruments of the Group, such as preference shares, are classified as equity, as the following conditions have been met:

(i) The financial instruments have no contractual obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavourable circumstances; and

(ii) For the financial instruments that will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a variable number of its own equity instruments; if the financial instrument is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Further details are disclosed in notes 35 and 37.

Determining whether an arrangement contains a lease

The Group entered into general equipment lease arrangements in some construction projects. According to these lease arrangements, there is no identified asset or the supplier has substantive substitution rights for the general equipment. Thus, these general equipment lease arrangements don't contain a lease, the Group take them as service acceptance.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for lease assets due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on operation if a replacement is not readily available.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment assessment on concession assets

The Group operates certain concession assets and their impairment is reviewed whenever events or changes in circumstances indicate that the carrying amounts of the concession assets may not be recoverable in accordance with the accounting policy stated in note 2.4.

The recoverable amounts of the concession assets have been determined based on a value-in-use method. The value-in-use calculations require the use of estimates on discount rates and projections of cash flows from the traffic volume and other income, deducting the necessary maintenance and operating costs incurred for the concession assets.

Based on management's best estimates, as at 31 December 2019, the Group recognised an accumulated impairment of RMB334 million (2018: RMB334 million) to profit or loss for concession assets. Further details are disclosed in note 17.

Fair value of financial instruments

The fair values of listed financial instruments are based on quoted market prices, while the fair values of unlisted financial instruments have been estimated by the most appropriate valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are included in note 46 to the financial statements.

Impairment of goodwill

The Group tests the goodwill for impairment at least annually. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

Based on management's best estimates, as at 31 December 2019, the Group recognised an accumulated impairment of RMB50 million (2018: RMB50 million) to profit or loss for goodwill. Details of the impairment test for goodwill are disclosed in note 17.

Provision for ECLs of contract assets, trade receivables and long-term receivables

The Group uses a provision matrix to calculate ECLs of the Croup's contract assets, trade receivables and long-term receivables. The provision rates are based on the ageing or the days past due for groupings of various customer segments that have similar loss patterns (i.e., by product or service type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's contract assets, trade receivables and long-term receivables is disclosed in note 25 and note 24 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Infrastructure construction and design services

The recognition of revenue and cost of infrastructure construction and design services requires the management of the Group to make judgements and estimations. For onerous contracts, the present obligation under the contract must be recognised in the current period and measured as provisions, based on the estimated budgets and losses of the construction services. Because of the nature of the activity undertaken in construction, design and dredging businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in each contract budget as the contract progresses.

The Group also monitors the payment progress from customers against the contract terms, and periodically evaluates the creditworthiness of the customers. If circumstances arise that a customer would default on all or part of its payments or otherwise fail to fulfil its performance obligations under the contract terms, the Group will reassess the outcome of the relevant contract and may revise the relevant estimates. The revision will be reflected in the consolidated statement of profit or loss in the period in which the circumstances that give rise to the revision become known by the Group.

Income taxes

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed. Further details are disclosed in note 31.

Pension benefits

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. The key assumptions for pension obligations and sensitivity analysis of the discount rate are disclosed in note 32.

Depreciation of property, plant and equipment

Depreciation on the Group's property, plant and equipment is calculated using the straight-line method to allocate cost up to residual values over the estimated useful lives of the assets. Management reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. The accounting estimate of the useful lives of property, plant and equipment is based on historical experience, taking into account anticipated technological changes. When the useful lives differ from the original estimated useful lives, management will adjust the estimated useful lives accordingly. It is possible that actual outcomes in the next financial period are different from estimates made based on historical experience, and then it could cause a material adjustment to the depreciation and carrying amount of the Group's property, plant and equipment. Further details are disclosed in note 14.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the President Office that are used to allocate resources to the operating segments and assess their performance.

The President Office considers the business from the service and product perspectives. Management assesses the performance of the following four operating segments:

(a) infrastructure construction of ports, roads, bridges and railways (the "Construction")

(b) infrastructure design of ports, roads, bridges and railways (the "Design")

(c) dredging (the "Dredging")

(d) others

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

Sales between operating segments are carried out on terms with reference to the selling prices used for sales made to third parties. The revenue from external parties reported to the President Office is measured in a manner consistent with that in the consolidated statement of profit or loss.

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

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, prepaid land lease payments, intangible assets, inventories, receivables, contract assets, equity investments designated at fair value through other comprehensive income, debt investments at amortised cost, financial assets at fair value through profit or loss, derivative financial instruments, and cash and cash equivalents. They exclude deferred tax assets, investments in joint ventures and associates and the assets of headquarter of the Company and the Company's subsidiary, CCCC Finance.

Segment liabilities comprise primarily payables, derivative financial instruments, and contract liabilities. They exclude deferred tax liabilities, tax payable, borrowings and the liabilities of headquarter of the Company and CCCC Finance.

Capital expenditure comprises mainly additions to property, plant and equipment (note 14), investment properties (note 15), prepaid land lease payments (note 16(a)), right-of-use assets (note 16(b)) and intangible assets (note 17).

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2019 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2019					
	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Eliminations *RMB million*	Total *RMB million*
Total gross segment revenue	492,814	38,018	34,578	8,286	(21,154)	552,542
Intersegment sales	(9,289)	(4,287)	(515)	(7,063)	21,154	–
Revenue ***(note 5)***	483,525	33,731	34,063	1,223	–	552,542
Segment results	28,336	3,761	1,761	362	31	34,251
Unallocated income						(180)
Operating profit						34,071
Finance income						8,535
Finance costs, net						(15,229)
Share of profits and losses of joint ventures and associates						85
Profit before tax						27,462
Income tax expense						(5,848)
Profit for the year						21,614
Other segment information						
Depreciation and amortisation	9,918	411	1,473	426	–	12,228
Write-down of inventories	59	–	–	34	–	93
Impairment losses recognised in the statement of profit or loss:						
Trade and other receivables	3,504	364	261	(40)	–	4,089
Contract assets	229	11	15	–	–	255
Capital expenditure	44,427	704	1,313	470	–	46,914

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2018 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2018					
	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Eliminations *RMB million*	Total *RMB million*
Total gross segment revenue	431,817	31,557	32,796	12,402	(19,906)	488,666
Intersegment sales	(7,070)	(3,964)	(310)	(8,562)	19,906	–
Revenue *(note 5)*	424,747	27,593	32,486	3,840	–	488,666
Segment results	27,726	3,510	1,769	604	(364)	33,245
Unallocated income						76
Operating profit						33,321
Finance income						5,314
Finance costs, net						(12,660)
Share of profits and losses of joint ventures and associates						71
Profit before tax						26,046
Income tax expense						(5,608)
Profit for the year						20,438
Other segment information						
Depreciation and amortisation	8,199	274	1,140	519	–	10,132
Write-down of inventories	(7)	–	–	12	–	5
Impairment losses recognised in the statement of profit or loss:						
Concession assets	35	–	–	–	–	35
Trade and other receivables	1,768	343	314	73	–	2,498
Contract assets	288	–	(33)	(1)	–	254
Capital expenditure	37,835	524	1,503	926	–	40,788

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The amounts provided to the President Office with respect to total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are presented based on the operating segments they are associated with.

The segment assets and liabilities at 31 December 2019 are as follows:

	As at 31 December 2019					
	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Eliminations *RMB million*	Total *RMB million*
Segment assets	856,221	46,613	96,232	68,531	(85,349)	982,248
Investments in joint ventures						24,715
Investments in associates						27,343
Other unallocated assets						86,094
Total assets						1,120,400
Segment liabilities	438,166	28,753	40,463	4,409	(52,447)	459,344
Unallocated liabilities						364,677
Total liabilities						824,021

Segment assets and liabilities at 31 December 2019 are reconciled to entity assets and liabilities as follows:

	Assets *RMB million*	Liabilities *RMB million*
Segment assets/liabilities	982,248	459,344
Investments in joint ventures	24,715	–
Investments in associates	27,343	–
Unallocated:		
Deferred tax assets/liabilities	5,213	6,345
Tax payable	–	5,932
Current borrowings	–	74,372
Non-current borrowings	–	264,415
Other corporate assets/corporate liabilities	80,881	13,613
Total assets/liabilities	1,120,400	824,021

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities at 31 December 2018 are as follows:

	As at 31 December 2018					
	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Eliminations *RMB million*	Total *RMB million*
Segment assets	698,988	35,470	78,640	47,113	(46,553)	813,658
Investments in joint ventures						18,646
Investments in associates						23,019
Other unallocated assets						105,153
Total assets						960,476
Segment liabilities	381,494	24,439	36,833	5,464	(40,264)	407,966
Unallocated liabilities						312,828
Total liabilities						720,794

Segment assets and liabilities at 31 December 2018 are reconciled to entity assets and liabilities as follows:

	Assets *RMB million*	Liabilities *RMB million*
Segment assets/liabilities	813,658	407,966
Investments in joint ventures	18,646	–
Investments in associates	23,019	–
Unallocated:		
Deferred tax assets/liabilities	4,504	5,162
Tax payable	–	4,034
Current borrowings	–	79,243
Non-current borrowings	–	215,384
Equity investments designated at fair value through other comprehensive income	21,257	–
Debt investments at amortised cost	109	–
Financial assets at fair value through profit or loss	6,048	–
Derivative financial instruments	250	2
Other corporate assets/corporate liabilities	72,985	9,003
Total assets/liabilities	960,476	720,794

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2019 **RMB million**	2018 *RMB million*
Mainland China	**456,824**	393,489
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**95,718**	95,177
	552,542	488,666

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2019 **RMB million**	2018 *RMB million*
Mainland China	**272,490**	241,291
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**26,080**	20,751
	298,570	262,042

The non-current asset information above is based on the locations of the assets and excludes financial assets, investments in joint ventures and associates, deferred tax assets and contract assets.

Information about a major customer

No revenue was derived from services or sales to a single customer which accounted for 10% or more of the Group's revenue, including the provision of services or sales to a group of entities which are known to be under common control with any single customer during 2019 and 2018.

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET

An analysis of revenue is as follows:

	2019 RMB million	2018 RMB million
Revenue from contracts with customers		
Construction	492,814	431,817
Design	38,018	31,557
Dredging	34,578	32,796
Others	8,286	12,402
Intersegment eliminations	(21,154)	(19,906)
	552,542	488,666

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Total RMB million
Type of goods or services					
Infrastructure construction and design services	456,386	33,490	–	93	489,969
Dredging services	–	–	29,739	–	29,739
Others	27,139	241	4,324	1,130	32,834
Total revenue from contracts with customers	483,525	33,731	34,063	1,223	552,542
Geographical markets					
Mainland China	392,628	32,625	30,348	1,223	456,824
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	90,897	1,106	3,715	–	95,718
Total revenue from contracts with customers	483,525	33,731	34,063	1,223	552,542
Timing of revenue recognition					
Services transferred over time	456,218	33,496	29,739	204	519,657
Goods transferred at a point in time	27,307	235	4,324	1,019	32,885
Total revenue from contracts with customers	483,525	33,731	34,063	1,223	552,542

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Total *RMB million*
Type of goods or services					
Infrastructure construction and design services	406,065	27,123	–	415	433,603
Dredging services	–	–	26,875	–	26,875
Others	18,682	470	5,611	3,425	28,188
Total revenue from contracts with customers	424,747	27,593	32,486	3,840	488,666
Geographical markets					
Mainland China	334,769	26,580	28,300	3,840	393,489
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	89,978	1,013	4,186	–	95,177
Total revenue from contracts with customers	424,747	27,593	32,486	3,840	488,666
Timing of revenue recognition					
Services transferred over time	406,303	27,134	27,483	1,116	462,036
Goods transferred at a point in time	18,444	459	5,003	2,724	26,630
Total revenue from contracts with customers	424,747	27,593	32,486	3,840	488,666

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Total RMB million
Revenue from contracts with customers					
External customers	**483,525**	**33,731**	**34,063**	**1,223**	**552,542**
Intersegment sales	**9,289**	**4,287**	**515**	**7,063**	**21,154**
Intersegment adjustments and eliminations	**(9,289)**	**(4,287)**	**(515)**	**(7,063)**	**(21,154)**
Total revenue from contracts with customers	**483,525**	**33,731**	**34,063**	**1,223**	**552,542**

For the year ended 31 December 2018

Segments	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Total RMB million
Revenue from contracts with customers					
External customers	424,747	27,593	32,486	3,840	488,666
Intersegment sales	7,070	3,964	310	8,562	19,906
Intersegment adjustments and eliminations	(7,070)	(3,964)	(310)	(8,562)	(19,906)
Total revenue from contracts with customers	424,747	27,593	32,486	3,840	488,666

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period.

	2019	2018
	RMB million	*RMB million*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction and others	**32,271**	29,707
Design	**1,651**	1,552
Dredging	**1,614**	1,247
	35,536	32,506

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction, design and dredging services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 180 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over the certain period as stipulated in the contracts.

Other services

Other services mainly include sale of goods. The performance obligation is satisfied upon delivery of the goods and payments is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

The remaining performance obligations expected to be recognised relate to construction, design, dredging and other services that are to be satisfied within 1 to 5 years.

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET (CONTINUED)

Other income

	2019 RMB million	2018 RMB million
Rental income	616	747
Revenue from consulting services	657	481
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	1,037	632
– Unlisted equity instruments	50	68
Dividend income from financial assets at fair value through profit or loss	119	160
Government grants	817	471
Income from sale of waste and materials	143	79
Income on derivative financial instruments	247	83
Income on debt investments at amortised cost	5	8
Others	1,132	1,322
	4,823	4,051

Other gains, net

	2019 RMB million	2018 RMB million
Gains on disposal of items of property, plant and equipment and other long-term assets	527	472
Gains on disposal of subsidiaries	741	482
Losses on disposal of joint ventures and associates	(2)	(1)
Fair value gains/(losses), net:		
Financial assets at fair value through profit or loss	614	(12)
Derivative financial instruments – transactions not qualifying as hedges	179	(236)
Gains on disposal of financial assets at fair value through profit or loss	9	109
Losses on derecognition of financial assets measured at amortised cost	(651)	–
Foreign exchange difference, net	763	842
Gains from business combinations achieved in stages	–	236
	2,180	1,892

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2019** **RMB million**	2018 RMB million
Raw materials and consumables used*		**154,473**	135,420
Cost of goods sold		**15,438**	13,405
Subcontracting costs		**193,885**	164,427
Employee benefit expenses*:			
– Salaries, wages and bonuses		**28,781**	24,987
– Pension costs – defined contribution plans		**3,922**	3,587
– defined benefit plans		**119**	133
– Housing benefits		**1,904**	1,709
– Welfare, medical and other expenses		**14,968**	13,933
		49,694	44,349
Minimum lease payments under operating leases		**–**	12,957
Lease payments not included in the measurement of lease liabilities		**12,929**	–
Business tax and other transaction tax		**2,057**	1,506
Fuel		**3,736**	4,131
Utilities		**1,831**	1,833
Repair and maintenance expenses		**2,335**	2,733
Research and development costs (including raw materials and consumables used, employee benefit expenses, depreciation and amortisation)		**12,592**	10,014
Depreciation of property, plant and equipment and investment properties*	*14,15*	**8,885**	8,395
Depreciation of right-of-use assets* (2018: amortisation of prepaid land lease payments)	*16(a),16(b)*	**1,424**	125
Amortisation of intangible assets*	*17*	**1,919**	1,612
Auditors' remuneration		**24**	22
Write-down of inventories to net realisable value		**93**	5
Impairment of financial and contract assets, net:			
– Impairment of trade and other receivables		**4,089**	2,498
– Impairment of contract assets	25	**255**	254
Reversal of provision for impairment of concession assets		**–**	35

* Including the raw materials and consumables used, employee benefit expenses, depreciation and amortisation charged for research and development activities which summarised in the item of "Research and development costs"

7. FINANCE INCOME

	2019 RMB million	2018 RMB million
Interest income from:		
– Bank deposits	**831**	811
– Deposit in the Central Bank and interbank placement	**335**	301
– Receivables from Public-Private-Partnership ("PPP") contracts	**3,016**	1,418
– Loan receivables	**1,262**	849
– Others	**3,091**	1,935
	8,535	5,314

8. FINANCE COSTS, NET

An analysis of finance costs is as follows:

	2019 RMB million	2018 RMB million
Interest expense incurred	**15,818**	13,235
Less: Interest capitalised	**(1,984)**	(2,556)
Net interest expense	**13,834**	10,679
Representing:		
– Bank borrowings	**11,749**	8,199
– Other borrowings	**172**	152
– Corporate bonds	**1,047**	1,266
– Debentures	**155**	190
– Non-public debt instruments	**497**	571
– Lease liabilities	**160**	–
– Finance Lease Liability	**–**	212
– Others	**54**	89
	13,834	10,679
Foreign exchange difference on borrowings, net	**186**	249
Others	**1,209**	1,732
	15,229	12,660

8. FINANCE COSTS, NET (CONTINUED)

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. A weighted average capitalisation rate of 4.34% (2018: 5.64%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets. Interest capitalised during the year was as follows:

	2019 **RMB million**	2018 *RMB million*
Inventories	**336**	1,251
Concession assets	**1,594**	1,217
Construction-in-progress	**54**	88
	1,984	2,556

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 **RMB'000**	2018 *RMB'000*
Fees	**342**	248
Other emoluments:		
Salaries, allowances and benefits in kind	**2,494**	2,775
Performance related bonuses	**4,561**	4,055
Pension scheme contributions	**281**	393
	7,336	7,223
	7,678	7,471

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 **RMB'000**	2018 *RMB'000*
Mr. Huang Long	**60**	60
Mr. Zheng Changhong	**60**	60
Mr. Ngai Wai Fung	**222**	128
	342	248

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and supervisors

	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2019				
Executive directors				
Mr. Liu Qitao	**259**	**1,390**	**50**	**1,699**
Mr. Song Hailiang *(Chief executive)*	**259**	**1,035**	**50**	**1,344**
Mr. Chen Yun (i)	**138**	**1,076**	**31**	**1,245**
	656	**3,501**	**131**	**4,288**
Non-executive directors				
Mr. Qi Xiaofei	**–**	**–**	**–**	**–**
Mr. Liu Maoxun (ii)	**45**	**–**	**–**	**45**
	45	**–**	**–**	**45**
Supervisors				
Mr. Li Sen	**474**	**546**	**50**	**1,070**
Mr. Wang Yongbin	**662**	**257**	**50**	**969**
Mr. Yao Yanmin	**657**	**257**	**50**	**964**
	1,793	**1,060**	**150**	**3,003**
	2,494	**4,561**	**281**	**7,336**
2018				
Executive directors				
Mr. Liu Qitao	242	727	55	1,024
Mr. Song Hailiang *(Chief executive)* (iii)	227	674	55	956
Mr. Chen Fenjian (iv)	114	680	27	821
Mr. Fu Junyuan (v)	140	640	36	816
Mr. Chen Yun	221	702	55	978
	944	3,423	228	4,595
Non-executive directors				
Mr. Liu Maoxun	–	–	–	–
Mr. Qi Xiaofei	–	–	–	–
	–	–	–	–
Supervisors				
Mr. Li Sen	558	200	55	813
Mr. Wang Yongbin	636	216	55	907
Mr. Yao Yanmin	637	216	55	908
	1,831	632	165	2,628
	2,775	4,055	393	7,223

(i) Mr. Chen Yun resigned as the executive director on 1 August 2019.
(ii) Mr. Liu Maoxun was the principal of central enterprises who had left the current office and served as a non-executive director of the Company from April 2019, work subsidies have been paid since then.
(iii) Mr. Song Hailiang was elected as an executive director of the board on 20 November 2018.
(iv) Mr. Chen Fenjian retired as an executive director of the board on 16 July 2018.
(v) Mr. Fu Junyuan retired as an executive director of the board on 27 September 2018.

During the year, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

None of the directors' and supervisors' emoluments as disclosed in note 9 above was included in the emoluments paid to the five highest paid individuals. The emoluments of the five individuals whose emoluments were the highest in the Group during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**6,285**	3,161
Performance related bonuses	**5,154**	5,932
Pension scheme contributions	**558**	393
	11,997	9,486

The number of the above highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
HK$1,500,000 to HK$2,000,000 (equivalent to approximately RMB1,343,670 to RMB1,791,560)	**–**	2
HK$2,000,000 to HK$3,500,000 (equivalent to approximately RMB1,791,560 to RMB3,135,230)	**5**	3
	5	5

11. INCOME TAX

Most 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% (2018: 25%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC subsidiaries of the Company, which were exempted from tax or taxed at a preferential rate of 15% (2018: 15%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019	2018
	RMB million	*RMB million*
Current		
– PRC enterprise income tax	**5,606**	5,150
– Others	**904**	350
	6,510	5,500
Deferred	**(662)**	108
Total tax charge for the year	**5,848**	5,608

11. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2019		2018	
	RMB million	***%***	*RMB million*	*%*
Profit before tax	**27,462**		26,046	
Tax at PRC statutory tax rate of 25% (2018: 25%)	**6,866**	**25.0**	6,512	25.0
Tax for the appreciation of land in the PRC	**566**	**2.1**	340	1.3
Profits and losses attributable to joint ventures and associates	**(21)**	**(0.1)**	(18)	(0.1)
Income not subject to tax	**(319)**	**(1.2)**	(368)	(1.4)
Additional tax concession on research and development costs	**(609)**	**(2.2)**	(484)	(1.9)
Expenses not deductible for tax	**170**	**0.6**	135	0.5
Temporary differences utilised from previous periods	**–**	**–**	(175)	(0.7)
Temporary differences not recognised	**103**	**0.4**	48	0.2
Tax losses utilised from previous periods	**(564)**	**(2.1)**	(130)	(0.5)
Tax losses not recognised	**1,591**	**5.8**	1,330	5.1
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(1,935)**	**(7.0)**	(1,582)	(6.1)
Tax charge at the Group's effective rate	**5,848**	**21.3**	5,608	21.4

12. DIVIDENDS

	2019	2018
	RMB million	*RMB million*
Proposed final dividend of RMB0.23276 per ordinary share (2018: RMB0.23077)	**3,765**	3,733

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("AGM").

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 16,174,735,425 (2018: 16,174,735,425) in issue during the year.

The calculation of basic earnings per share is based on:

	2019	2018
Profit attributable to ordinary equity holders of the parent *(RMB million)*	**20,094**	19,819
Less: Interests on perpetual medium-term notes *(RMB million)* (i)	**(566)**	(300)
Dividend on preference shares *(RMB million)* (ii)	**(718)**	(718)
	18,810	18,801
Weighted average number of ordinary shares in issue *(million)*	**16,175**	16,175
Basic earnings per share	**1.16**	1.16

(i) The perpetual medium-term notes (the "MTN") issued by the Company were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB566 million on the MTN which has been generated during the year was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2019.

(ii) The preference shares issued by the Company were classified as equity instruments with deferrable and non-cumulative dividend distribution and payment. As the conditions of mandatory distribution were triggered, a dividend of RMB718 million on the preference shares was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2019.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2019						
At 1 January 2019 (restated):						
Cost	15,901	29,948	39,511	13,521	7,027	105,908
Accumulated depreciation and impairment	(3,777)	(16,299)	(21,426)	(9,778)	–	(51,280)
Net carrying amount	12,124	13,649	18,085	3,743	7,027	54,628
At 31 December 2018, net of accumulated depreciation and impairment	12,124	13,908	19,563	3,743	7,027	56,365
Effect of adoption of IFRS 16	–	(259)	(1,478)	–	–	(1,737)
	12,124	13,649	18,085	3,743	7,027	54,628
At 1 January 2019 (restated)						
Additions	419	3,100	861	2,743	5,444	12,567
Disposals	(163)	(550)	(385)	(199)	(320)	(1,617)
Acquisition of subsidiaries	39	–	1	3	–	43
Disposal of subsidiaries	(1)	(18)	(1)	(17)	–	(37)
Transfer	576	336	1,435	66	(2,413)	–
Transfer from investment properties	15	–	–	–	–	15
Transfer to investment properties	(305)	–	–	–	(3)	(308)
Transfer from inventories	18	–	–	–	321	339
Transfer to inventories	–	–	–	–	(310)	(310)
Transfer from right-of-use assets	–	253	504	–	–	757
Depreciation provided during the year	(619)	(3,356)	(1,948)	(2,810)	–	(8,733)
Exchange realignment	25	(1)	99	4	–	127
At 31 December 2019, net of accumulated depreciation and impairment	12,128	13,413	18,651	3,533	9,746	57,471
At 31 December 2019:						
Cost	16,313	32,018	41,202	14,643	9,746	113,922
Accumulated depreciation and impairment	(4,185)	(18,605)	(22,551)	(11,110)	–	(56,451)
Net carrying amount	12,128	13,413	18,651	3,533	9,746	57,471

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings *RMB million*	Machinery *RMB million*	Vessels and vehicles *RMB million*	Other equipment *RMB million*	Construction in progress *RMB million*	Total *RMB million*
31 December 2018						
At 31 December 2017 and at 1 January 2018:						
Cost	12,761	26,634	41,248	12,146	7,849	100,638
Accumulated depreciation and impairment	(3,293)	(14,538)	(21,180)	(8,876)	–	(47,887)
Net carrying amount	9,468	12,096	20,068	3,270	7,849	52,751
At 1 January 2018, net of accumulated depreciation and impairment	9,468	12,096	20,068	3,270	7,849	52,751
Additions	421	5,084	884	3,500	4,527	14,416
Disposals	(362)	(663)	(240)	(438)	(359)	(2,062)
Acquisition of subsidiaries	–	–	5	3	32	40
Disposal of subsidiaries	(28)	–	(3)	(5)	–	(36)
Transfer	2,982	376	665	179	(4,202)	–
Transfer from investment properties	106	–	–	–	–	106
Transfer to investment properties	(255)	–	–	–	–	(255)
Transfer from/(to) inventories	243	–	–	–	(820)	(577)
Depreciation provided during the year	(488)	(3,070)	(1,884)	(2,771)	–	(8,213)
Exchange realignment	37	85	68	5	–	195
At 31 December 2018, net of accumulated depreciation and impairment	12,124	13,908	19,563	3,743	7,027	56,365
At 31 December 2018:						
Cost	15,901	30,381	41,731	13,521	7,027	108,561
Accumulated depreciation and impairment	(3,777)	(16,473)	(22,168)	(9,778)	–	(52,196)
Net carrying amount	12,124	13,908	19,563	3,743	7,027	56,365

The net carrying amount of the Group's fixed assets held under finance leases in the carrying amount of vessels and machinery at 31 December 2018 was RMB1,737 million.

As at 31 December 2019, the Group was in the process of applying for the registration of the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB3,588 million (31 December 2018: RMB3,808 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

At 31 December 2019, the Group's property, plant and equipment of RMB110 million were pledged to secure general banking facilities granted to the Group (2018: Nil) (note 30(d), 42(b)).

15. INVESTMENT PROPERTIES

	2019	2018
	RMB million	*RMB million*
Carrying amount at 1 January	**3,463**	2,275
Additions	**53**	–
Transfer from property, plant and equipment	**308**	255
Transfer from inventories	**292**	1,319
Transfer to property, plant and equipment	**(15)**	(106)
Transfer to inventories	**–**	(98)
Depreciation provided during the year	**(152)**	(182)
Exchange realignment	**24**	–
Carrying amount at 31 December	**3,973**	3,463

As at 31 December 2019, the fair value of the Group's investment properties was mainly based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent and professionally qualified valuers.

The investment properties located in Mainland China were valued by the income approach by taking into account the net rental income of the properties derived mainly from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The fair value of these properties for commercial purpose was RMB10,561 million (2018: RMB9,465 million), which falls into the category of fair value measurements using significant unobservable inputs (Level 3) including future rental inflows, discount rates and capitalisation rates.

The rest of the investment properties for residential purpose located in Mainland China were valued by the comparison approach with reference to comparable market transactions. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. The fair value of these properties was RMB976 million (2018: RMB966 million), which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable price in the market.

The investment properties located outside Mainland China were mainly valued by the comparison approach with reference to comparable market transactions. The fair value of these properties was RMB1,010 million (2018: RMB251 million), which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable price in the market.

The investment properties are leased to third parties under operating leases, further details of which are included in note 16 to the financial statements.

At 31 December 2019, the Group's investment properties of RMB1,079 million were pledged to secure general banking facilities granted to the Group (2018: RMB1,117 million) (note 30(d), 42(b)).

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, building, vessels, machinery, vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 70 years and no ongoing payments will be made under the terms of these land leases. Leases of building generally have lease terms between 1 and 10 years. The terms of vessels lease are generally 1 and 10 years under operating leases, while the lease period is 10 to 25 years under finance leases. Machinery generally have lease terms between 1 and 5 years and vehicles generally have lease terms between 2 and 3 years. Other equipment generally has lease terms of 1 to 3 years or less and/or is individuall1y of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB million
Carrying amount at 1 January 2018	7,230
Additions	2,566
Disposals	(20)
Amortisation during the year	(125)
Exchange realignment	32
Carrying amount at 31 December 2018	9,683

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments *RMB million*	**Buildings** *RMB million*	**Vessels** *RMB million*	**Machinery** *RMB million*	**Vehicles** *RMB million*	**Other equipment** *RMB million*	**Total** *RMB million*
As at 1 January 2019	**9,683**	**1,945**	**1,808**	**316**	**76**	**–**	**13,828**
Additions	**986**	**514**	**185**	**167**	**22**	**40**	**1,914**
Depreciation charge	**(163)**	**(731)**	**(355)**	**(115)**	**(48)**	**(12)**	**(1,424)**
Transfer to property, plant and equipment	**–**	**–**	**(504)**	**(253)**	**–**	**–**	**(757)**
As at 31 December 2019	**10,506**	**1,728**	**1,134**	**115**	**50**	**28**	**13,561**

As at 31 December 2019, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB6,040million (2018: prepaid land lease payments with a net carrying amount of approximately RMB5,028 million) were pledged to secure general banking facilities granted to the Group (note 30(d), 42(b)).

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2019 **Lease liabilities** ***RMB million***	2018 Financial lease payables *RMB million*
Carrying amount at 1 January	**3,035**	1,109
New leases	**918**	6
Interest expense	**160**	212
Payments	**(1,592)**	(597)
Carrying amount at 31 December	**2,521**	730
Analysed into:		
Current portion	**1,118**	286
Non-current portion	**1,403**	444

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 47(c) to the financial statements.

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 ***RMB million***
Interest on lease liabilities	**160**
Depreciation charge of right-of-use assets	**1,424**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	**1,617**
Expense relating to leases of low-value assets (included in administrative expenses)	**17**
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	**262**
Total amount recognised in profit or loss	**3,480**

(e) On adoption of IFRS 16, in the statement of cash flows, the Group classify:

- Cash payments for the principal portion of the lease liability within financing activities;
- Cash payments for the interest portion of the lease liability applying the requirements in IAS 7 *Statement of Cash Flows* for interest paid;
- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(e) (continued)

The following tables give an indication of the estimated impact of adoption of IFRS 16 on the Group's consolidated cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to be applied to 2019 instead of IFRS 16.

	Amounts reported under IFRS 16	Estimated amounts related to operating leases as if under IAS 17*	Estimated impact
	RMB million	*RMB million*	*RMB million*
Net cash generated from operating activities	5,931	4,715	1,216
Net cash used in financing activities	50,923	52,139	(1,216)

* The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still been applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still been applied in 2019. Any potential net tax effect is ignored.

The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 38(c) and 43(b), respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of certain of commercial and industrial properties in Mainland China and overseas under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB616 million (2018: RMB747 million).

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019	2018
	RMB million	*RMB million*
Within one year	**331**	384
After one year but within two years	**239**	291
After two years but within three years	**163**	239
After three years but within four years	**143**	148
After four years but within five years	**121**	117
After five years	**233**	384
	1,230	1,563

17. INTANGIBLE ASSETS

	Concession assets RMB million	Goodwill RMB million	Trademarks, patents, proprietary technologies and copyrights RMB million	Computer software RMB million	Others RMB million	Total RMB million
31 December 2019						
Cost at 1 January 2019, net of accumulated amortisation and impairment	**181,460**	**5,161**	**1,234**	**349**	**166**	**188,370**
Additions	**31,840**	**–**	**11**	**293**	**7**	**32,151**
Acquisition of subsidiaries	**539**	**139**	**–**	**3**	**–**	**681**
Disposal of subsidiaries	**–**	**–**	**–**	**(3)**	**–**	**(3)**
Disposal	**–**	**–**	**–**	**(1)**	**(123)**	**(124)**
Amortisation provided during the year	**(1,717)**	**–**	**(22)**	**(168)**	**(12)**	**(1,919)**
Impairment during the year	**–**	**–**	**–**	**–**	**–**	**–**
Exchange realignment	**–**	**71**	**–**	**–**	**–**	**71**
At 31 December 2019	**212,122**	**5,371**	**1,223**	**473**	**38**	**219,227**
At 31 December 2019:						
Cost	**217,816**	**5,421**	**1,466**	**1,139**	**406**	**226,248**
Accumulated amortisation and impairment	**(5,694)**	**(50)**	**(243)**	**(666)**	**(368)**	**(7,021)**
Net carrying amount	**212,122**	**5,371**	**1,223**	**473**	**38**	**219,227**
31 December 2018						
Cost at 1 January 2018, net of accumulated amortisation and impairment	153,957	5,426	1,286	417	72	161,158
Additions	23,829	5	14	107	129	24,084
Acquisition of subsidiaries	7,225	–	–	1	–	7,226
Disposal of subsidiaries	(2,170)	–	–	(1)	–	(2,171)
Disposal	–	–	(1)	(9)	–	(10)
Amortisation provided during the year	(1,346)	–	(65)	(166)	(35)	(1,612)
Impairment during the year	(35)	–	–	–	–	(35)
Exchange realignment	–	(270)	–	–	–	(270)
At 31 December 2018	181,460	5,161	1,234	349	166	188,370
At 31 December 2018:						
Cost	185,437	5,211	1,513	895	402	193,458
Accumulated amortisation and impairment	(3,977)	(50)	(279)	(546)	(236)	(5,088)
Net carrying amount	181,460	5,161	1,234	349	166	188,370

As at 31 December 2019, concession assets represent assets under "Build-Operate-Transfer" service concession arrangements and mainly consist of toll roads in Mainland China. Certain concession projects have been put into operations, the cost of related concession assets amounted to RMB160,699 million (2018: RMB139,080 million). The cost of concession assets where the related projects were under construction amounted to RMB51,423 million (2018: RMB42,380 million).

17. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2019, the Group recognised an accumulated impairment of RMB334 million (2018: RMB334 million), based on the impairment tests for concession assets in the infrastructure construction segment.

As at 31 December 2019, certain of the Group's concession assets with a net carrying amount of approximately RMB164,790 million (2018: RMB141,261 million) were pledged to secure general banking facilities granted to the Group (note 30(d), 42(b)).

Impairment testing of goodwill

Goodwill is allocated to the Group's cash generating units identified in accordance with individual acquisition groups within respective operating segments. The goodwill of the Group mainly relates to the following acquisition groups:

(a) the goodwill included in the Construction segment that arose in connection with the Group's acquisition of the 100% equity interest in John Holland Group Pty Limited ("John Holland") in April 2015 and acquisition of the 100% equity interest in RCR Holdings ("RCR") in February 2019, collectively referred to as John Holland cash-generating unit ("John Holland CGU");

(b) the goodwill included in the Design segment that arose in connection with the Group's acquisition of the 80% equity interest in Concremat Engenharia e Tecnologia S.A. ("Concremat") in January 2017; and

(c) the goodwill included in the Other segment that arose in connection with the Group's acquisition of the 100% equity interest in Friede Goldman United, Ltd. ("F&G") in August 2010.

The following is a summary of goodwill allocation for each acquisition group:

	2019	2018
	RMB million	*RMB million*
John Holland CGU (i)	**4,793**	4,608
F&G	**245**	245
Concremat	**252**	252
Others	**81**	56
	5,371	5,161

(i) For goodwill arose in connection with John Holland CGU, the recoverable amount was determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 2%. The growth rate does not exceed the long-term average growth rate for the industry in which John Holland operates.

Summary of the key assumptions are set out below:

	2019	2018
Terminal growth rate [1]	**2%**	2%
Post-tax discount rate [2]	**10.4%**	12.5%

[1] The terminal growth rate is the average annual revenue growth rate over the five-year forecast period. It is based on past performance and management's expectations of market development.

[2] The discount rate used is post-tax and reflects specific risks relating to the acquisition group.

No impairment was recognised based on the assessment in relation of goodwill allocated to John Holland CGU as at 31 December 2019 and 2018.

18. INVESTMENTS IN JOINT VENTURES

	2019	2018
	RMB million	*RMB million*
At 1 January	**18,646**	11,133
Additions	**6,562**	8,490
Disposals	**(3)**	(3)
Share of profits or losses, net	**(117)**	168
Dividend distribution	**(400)**	(459)
Residual interests in joint ventures arising from disposal of subsidiaries	**29**	178
Conversion into subsidiaries arising from increase in equity interests in joint ventures	**–**	(862)
Share of other comprehensive income of joint ventures	**–**	1
Others	**(2)**	–
At 31 December	**24,715**	18,646

In the opinion of the directors, none of the joint ventures is individually material to the Group.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019	2018
	RMB million	*RMB million*
Share of the joint ventures' (losses)/profit for the year	**(117)**	168
Share of the joint ventures' other comprehensive income	**–**	1
Share of the joint ventures' total comprehensive (loss)/income	**(117)**	169
Aggregate carrying amount of the Group's investments in the joint ventures	**24,715**	18,646

All of the joint ventures of the Group are accounted for using the equity method.

The Group's receivable and payable balances with and guarantees provided to the joint ventures are disclosed in notes 44(b) and 44(c) to the financial statements.

19. INVESTMENTS IN ASSOCIATES

	2019	2018
	RMB million	*RMB million*
At 1 January	**23,019**	19,409
Additions	**4,593**	4,882
Disposals	**(20)**	(29)
Share of profits or losses, net	**202**	(97)
Dividend distribution	**(325)**	(238)
Residual interests in associates arising from disposal of subsidiaries	**414**	324
Conversion into subsidiaries arising from increase in equity interests in associates	**(334)**	(1,083)
Share of other comprehensive loss of associates	**(227)**	(149)
Others	**21**	–
At 31 December	**27,343**	23,019

Particulars of the Group's material associate is as follows:

Name	**Particulars of issued shares held**	**Place of incorporation/ registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activity**
Shanghai Zhenhua Heavy Industries Co., Ltd. ("ZPMC")	Ordinary shares	Mainland China	16.24%	Manufacture of heavy-duty equipment

ZPMC, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the manufacture of heavy-duty equipment and is accounted for using the equity method.

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information in respect of ZPMC and reconciled to the carrying amount in the consolidated financial statements:

	2019 ***RMB million***	2018 *RMB million*
Non-current assets	**38,841**	35,891
Current assets	**35,636**	34,707
Total assets	**74,477**	70,598
Current liabilities	**(44,341)**	(34,591)
Non-current liabilities	**(11,565)**	(18,394)
Total liabilities	**(55,906)**	(52,985)
Non-controlling interests	**(3,028)**	(2,427)
Equity attributable to owners of the parent	**15,543**	15,186
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership *(%)*	**16.24%**	16.24%
Group's share of net assets of the associate, excluding goodwill	**2,536**	2,466
Goodwill on acquisition (less cumulative impairment)	**1,911**	1,911
Carrying amount of the investment	**4,447**	4,377
Revenue	**24,596**	21,812
Profit attributable to owners of the parent	**515**	443
Other comprehensive income attributable to owners of the parent	**16**	(50)
Total comprehensive income for the year attributable to owners of the parent	**531**	393
Dividend received	**43**	36

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019 ***RMB million***	2018 *RMB million*
Share of the associates' profit/(loss) for the year	**98**	(169)
Share of the associates' other comprehensive loss	**(193)**	(140)
Share of the associates' total comprehensive loss	**(95)**	(309)
Aggregate carrying amount of the Group's investments in the associates	**22,896**	18,642

All of the associates of the Group are accounted for using the equity method.

The Group's trade receivable and payable balances with and the guarantees provided to the associates are disclosed in notes 44 (b) and 44(c) to the financial statements.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **RMB million**	2018 RMB million
Listed equity investments (note a)	**383**	135
Other unlisted investments (note b)	**6,755**	5,913
	7,138	6,048
Less: Non-current portion		
Unlisted investments (note b)	**6,723**	5,893
Current portion	**415**	155

(a) The listed equity investments at 31 December 2019 were classified as financial assets at fair value through profit or loss as they were held for trading. The fair value of these investments was based on the quoted market prices at the end of the reporting period.

(b) The unlisted investments at 31 December 2019 mainly include unlisted equity investments and wealth management products issued by financial institutions in Mainland China. The above equity investments were classified at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. The wealth management products were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB million	2018 RMB million
Listed equity instruments		
– China Merchants Bank	**15,888**	14,411
– China Merchants Securities Co., Ltd.	**3,867**	2,833
– Zhengzhou Yutong Bus Co., Ltd.	**583**	484
– China Everbright Bank	**329**	276
– CECEP Environmental Protection Equipment Co., Ltd.	**214**	184
– China Development Bank Financial Leasing Co., Ltd.	**207**	270
– Bank of Communications	**170**	175
– Tysan Holdings Limited*	**153**	361
– Others	**345**	289
	21,756	19,283
Unlisted equity instruments		
– Lunan High Speed Railway Co., Ltd.	**1,398**	967
– Tianjin CCCC Greentown City Construction Development Co., Ltd.	**1,014**	–
– Beijing CEDC Ltd.	**303**	298
– Hubei Jiaotou Shiwu Expressway Co., Ltd.	**136**	129
– China-ASEAN Investment Cooperation Fund	**113**	149
– Dalian Taipingwan Investment Holding Co., Ltd.	**65**	135
– Others	**233**	296
	3,262	1,974
	25,018	21,257

* Tysan Holdings Limited was renamed from Hong Kong International Construction Investment Management Group Co., Limited in 2019.

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2019, the Group sold certain shares of a listed bank and other equity investments, accumulated changes in fair value of RMB3,455 million had been transferred from other comprehensive income to retained earnings with the amount of RMB3,110 million and to statutory surplus reserve with the amount of RMB345 million.

During the year ended 31 December 2019, the Group received dividends in total amounts of RMB1,087 million, mainly including RMB505 million, RMB412 million and RMB56 million from China Merchants Bank, Tysan Holdings Limited and China Merchants Securities Co., Ltd., respectively.

22. UNCONSOLIDATED STRUCTURED ENTITIES MANAGED BY THE GROUP

The Group is principally involved with structured entities through financial investments. These structured entities generally purchase assets through financing. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. The unconsolidated structured entities include private equity funds, unit trust funds, trust products and asset management plans, etc. The nature and purpose of these structured entities are to engage in infrastructure investment activities. These structured entities were financed through the issue of units to investors.

As at 31 December 2019, the maximum exposure to loss and the book values of relevant investments of the Group arising from the interests held in invested structured entities that are sponsored by the Group or the third party financial institutions are set out as below:

	2019		2018	
	Carrying amount	**Maximum exposure to loss**	Carrying amount	Maximum exposure to loss
	RMB million	***RMB million***	*RMB million*	*RMB million*
Financial assets at fair value through profit or loss	**5,335**	**5,335**	4,049	4,049
Interests in associates and joint ventures	**7**	**7**	7	7
	5,342	**5,342**	4,056	4,056

In 2019, the Group received management fees, commission and performance fees amounting to RMB62 million (2018: RMB58 million) from unconsolidated structured entities sponsored by the Group.

As at 31 December 2019, there were no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities (2018: Nil).

23. INVENTORIES

	2019 RMB million	2018 RMB million
Raw materials	**18,361**	16,719
Work in progress	**950**	699
Properties under development (note a)	**35,537**	24,092
Completed properties held for sale (note b)	**5,944**	4,136
Finished goods	**1,070**	851
Others	**208**	364
	62,070	46,861

At 31 December 2019, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amount of RMB2,408 million (2018: RMB3,597 million) were pledged to secure the Group's bank loans (note 30(d), 42(b)).

(a) Properties under development comprise:

	2019 RMB million	2018 RMB million
Land use rights	**22,830**	12,443
Construction cost	**11,107**	9,889
Finance costs capitalised	**1,600**	1,760
	35,537	24,092

All of the properties under development are expected to be completed within the Group's normal operating cycle and are included under current assets.

(b) The amount of completed properties held for sale expected to be recovered beyond one year is RMB3,736 million (2018: RMB1,712 million). The remaining amount is expected to be recovered within one year.

24. TRADE AND OTHER RECEIVABLES

	2019 *RMB million*	2018 *RMB million*
Trade and bills receivables (note a)	**113,088**	100,176
Impairment	**(13,872)**	(12,380)
	99,216	87,796
Long-term receivables (note b)	**217,812**	152,384
Impairment	**(2,788)**	(1,474)
	215,024	150,910
Other receivables:		
Prepayments	**26,348**	18,431
Deposits (note c)	**23,078**	19,494
Others	**40,629**	40,237
	90,055	78,162
Impairment	**(2,455)**	(2,014)
	87,600	76,148
	401,840	314,854
Portion classified as non-current		
Long-term receivables	**172,224**	113,090
Other receivables:		
Prepayments	**4,290**	4,161
Deposits	**1,446**	1,716
Others	**48**	–
	178,008	118,967
Current portion	**223,832**	195,887

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The majority of the Group's revenues are generated through infrastructure construction, infrastructure design and dredging contracts, and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An ageing analysis of trade and bills receivables as at the end of the reporting period, net of provisions, is as follows:

	2019 ***RMB million***	2018 *RMB million*
Within 6 months	**67,432**	61,140
6 months to 1 year	**8,379**	9,417
1 year to 2 years	**13,855**	9,218
2 years to 3 years	**5,416**	3,950
Over 3 years	**4,134**	4,071
	99,216	87,796

The movements in provision for impairment of trade and bills receivables are as follows:

	2019 ***RMB million***	2018 *RMB million*
At beginning of year	**12,380**	10,158
Impairment losses, net	**2,604**	2,221
Acquisition of subsidiaries	**5**	11
Disposal of subsidiaries	**(58)**	(10)
Amount reversal or written off as uncollectible*	**(841)**	–
Others	**(218)**	–
At end of year	**13,872**	12,380

* During the year ended 31 December 2019, an accumulated impairment of RMB791 million was reversed as uncollectible because of the relevant trade and bill receivables amounted to RMB33,500 million were derecognized due to non-recourse factoring agreements, asset-backed securities (ABS), asset-backed notes (ABN), endorsement and discount.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the ageing of the balances for groupings of various customer segments with similar loss patterns (i.e., by service type, customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Ageing						
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**
Expected credit loss rate	**0.96%**	**13.56%**	**24.77%**	**39.13%**	**55.15%**	**80.03%**	**8.63%**
Gross carrying amount *(RMB million)*	**76,262**	**13,661**	**6,683**	**2,597**	**2,113**	**3,251**	**104,567**
Expected credit losses *(RMB million)*	**731**	**1,852**	**1,656**	**1,016**	**1,166**	**2,601**	**9,022**

As at 31 December 2018

	Ageing						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	0.91%	13.69%	24.72%	39.13%	55.09%	80.00%	8.75%
Gross carrying amount *(RMB million)*	69,288	10,599	4,819	3,052	2,264	3,037	93,059
Expected credit losses *(RMB million)*	632	1,451	1,191	1,195	1,247	2,430	8,146

In addition to the above provision matrix, for certain customers with credit risk increased significantly, the Group has made individual loss allowance. As at 31 December 2019, the accumulated individual loss allowance was RMB4,850 million (2018: RMB4,234 million) with a carrying amount before loss allowance of RMB8,521 million (2018: RMB7,117 million).

(b) Long-term receivables mainly represented amounts due from customers for PPP projects and certain construction works with payment periods over one year.

(c) Deposits mainly represented tender and performance bonds due from customers.

(d) As part of its normal business, the Group has entered into certain recourse and non-recourse factoring agreements with certain banks so as to obtain bank advances. As at 31 December 2019, the relevant outstanding trade receivables and long-term receivables with recourse factoring clauses in the agreements amounted to RMB1,180 million (2018: RMB820 million). In the opinion of the directors, such transactions did not qualify for derecognition of the relevant receivables and were accounted for as secured borrowings. In addition, as at 31 December 2019, outstanding trade receivables of RMB19,459 million (2018: RMB15,666 million) had been transferred to the banks in accordance with the relevant non-recourse factoring agreements, among which outstanding trade receivables and long-term receivables of RMB19,396 million (2018: RMB13,894 million) were derecognised as the directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition of the relevant receivables, whilst substantial risks and rewards of the other outstanding trade receivables of RMB63 million (2018: RMB1,772 million) have not been transferred and hence were not qualified for derecognition and the relevant transactions were accounted for as secured borrowings.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) The Group has entered into certain agreements with certain financial institution so as to establish asset-backed securities (ABS) and asset-backed notes (ABN). The ABS and ABN are bonds or notes backed by trade receivables and long-term receivables. The Group sell pools of trade receivables and long-term receivables to a special-purpose vehicle (SPV), whose sole function is to buy such assets in order to securitise them. The SPV, which is usually a corporation, then sells them to a trust. The trust repackages the loans as interest-bearing securities and issues them. As at 31 December 2019, the relevant outstanding trade receivables and long-term receivables under the ABS and ABN amounted to RMB10,694 million (2018: RMB7,230 million). Such trade receivables and long-term receivables were derecognised as the directors are of the opinion that the substantial risks and rewards associated with the trade receivables and long-term receivables have been transferred and therefore qualified for derecognition.

(f) As at 31 December 2019, outstanding bills receivable of RMB198 million (2018: RMB217 million) were endorsed to suppliers, with RMB68 million (2018: RMB81 million) discounted with banks. In the opinion of directors, the Group has retained the substantial risks and rewards, which include default risks relating to such bills receivable, and accordingly, it continued to recognise the full carrying amounts of the bills receivable. In addition, as at 31 December 2019, outstanding bills receivable of RMB1,050 million (2018: RMB296 million) were endorsed to suppliers, with RMB4,114 million (2018: RMB574 million) discounted with banks. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to such bills receivable which were fully derecognised.

(g) As at 31 December 2019, certain of the Group's outstanding trade and other receivables with a net carrying amount of approximately RMB34,435 million (2018: RMB27,261 million) were pledged to secure general banking facilities granted to the Group (note 30(d), 42(b)).

25. CONTRACT ASSETS

	31 December 2019 ***RMB million***	31 December 2018 *RMB million*	1 January 2018 *RMB million*
Contract assets arising from:			
Infrastructure construction	**129,598**	117,416	99,606
Infrastructure design	**5,464**	4,105	2,864
Dredging	**12,783**	10,346	12,777
Others	**29**	1,951	1,690
	147,874	133,818	116,937
Impairment	**(1,370)**	(1,139)	(885)
	146,504	132,679	116,052
Portion classified as non-current	**30,268**	28,698	19,818
Current portion	**116,236**	103,981	96,234

Contract assets are initially recognised for revenue earned from the provision of construction, design and dredging services. Upon settlement with the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2019 and 2018 was the result of the increase in the ongoing provision of construction and design services at the end of each of the years.

During the year ended 31 December 2019, RMB255 million (2018: RMB254 million) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 24 to the financial statements.

As at 31 December 2019, the expected timing of recovery or settlement for contract assets was subject to the specific contracts terms and the progress of the performance obligations.

25. CONTRACT ASSETS (CONTINUED)

The movements in the loss allowance for impairment of contract assets are as follows:

	2019	2018
	RMB million	*RMB million*
At beginning of year	**1,139**	885
Impairment losses, net *(note 6)*	**255**	254
Disposal of subsidiaries	**(8)**	–
Exchange realignment	**(16)**	–
At end of year	**1,370**	1,139

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on the ageing of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by service type, customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2019	2018
Expected credit loss rate	**0.93%**	0.85%
Gross carrying amount *(RMB million)*	**147,874**	133,819
Expected credit losses *(RMB million)*	**1,370**	1,139

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	***RMB million***	*RMB million*	*RMB million*
Forward currency contracts				
– Cash flow hedges	**9**	**5**	2	2
Total return swap (note a)	**224**	**–**	21	–
Forward equity contracts (note b)	**233**	**–**	227	–
Foreign exchange option (note c)	**311**	**–**	–	–
	777	**5**	250	2

(a) In 2016 and 2018, CCCI entered into several agreements with banks, and paid US$100 million and US$125 million respectively, to secure the subscriptions of US$400 million and US$500 million, respectively, by the banks in senior perpetual securities. Both of the senior perpetual securities were issued by a subsidiary of Greentown China Holding Limited ("Greentown China"). According to the agreements, CCCI could earn any distribution by reference to the banks' subscription, and also have to pay a fixed amount of rewards and any loss on the subscription to the banks. As Greentown China is a subsidiary of CCCG, the total return swap constitutes a related party transaction of the Company.

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) In 2016, the Group disposed of 85% equity interests in certain subsidiaries engaged in toll roads operation to a joint venture (a fund engaged in infrastructure investment activities) of the Company, and entered into certain forward equity contracts to obtain the options to repurchase these equity interests in future with discounts under some conditions. The fair value of these forward equity contracts was RMB122 million (2018: RMB104 million) as at 31 December 2019.

In 2017, the Group disposed of 99% equity interests in certain subsidiaries engaged in toll roads operation to a joint venture (a fund engaged in infrastructure investment activities) of the Company, and entered into certain forward equity contracts to obtain the options to repurchase these equity interests in future with discounts under some conditions. The fair value of these forward equity contracts was RMB111 million (2018: RMB123 million) as at 31 December 2019.

(c) In October 2019, a subsidiary of the Company entered into a foreign exchange option contract with a bank to acquire a right, but not any obligation, to exchange United States Dollar ("USD") with Columbia Peso on fixed dates and at a fixed rate. This foreign exchange option is used as a hedge against exchange rate fluctuations of this subsidiary's bank loans denominated in USD. The fair value of this foreign exchange option was RMB311 million as at the transaction date and there is no material changes in its fair value at as 31 December 2019.

27. CASH AND BANK BALANCES

	2019 ***RMB million***	2018 *RMB million*
Restricted bank deposits (note a)	**4,305**	4,633
Time deposits with an initial term of over three months (note b)	**2,322**	2,322
	6,627	6,955
Cash and cash equivalents	**118,812**	127,413
	125,439	134,368

(a) As at 31 December 2019, restricted bank deposits mainly included deposits for issuance of bank acceptance notes, performance bonds, letters of credit to customers, and mandatory reserve deposits placed with the People's Bank of China by CCCC Finance.

(b) Time deposits with an initial term of over three months are excluded from cash and cash equivalents, as management is of the opinion that these time deposits are not readily convertible to known amounts of cash without significant risk of changes in value.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB82,555 million (2018: RMB89,296 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2019, less than 3% (2018: less than 3%) of the cash and bank balances denominated in currencies other than RMB were deposited in banks in certain countries which are subject to foreign exchange control and the currencies are not freely convertible into other currencies or remitted out of those countries.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

28. TRADE AND OTHER PAYABLES

	2019 RMB million	2018 RMB million
Trade and bills payables (note a)	**277,763**	242,167
Deposits from suppliers	**27,979**	25,020
Retentions	**28,077**	19,110
Deposits in CCCC Finance (note b)	**5,429**	9,283
Other taxes	**22,633**	17,256
Payroll and social security	**2,625**	2,247
Accrued expenses and others	**22,045**	16,598
	386,551	331,681
Portion classified as non-current		
Retentions	**20,051**	13,192
Other taxes	**153**	144
Others	**3,574**	3,849
	23,778	17,185
Current portion	**362,773**	314,496

(a) An ageing analysis of trade and bills payables as at the end of the reporting period is as follows:

	2019 RMB million	2018 RMB million
Within 1 year	**241,519**	214,046
1 year to 2 years	**20,836**	19,779
2 years to 3 years	**9,903**	4,943
Over 3 years	**5,505**	3,399
	277,763	242,167

(b) CCCC Finance, a subsidiary of the Company, accepted deposits from CCCG and fellow subsidiaries. These deposits were due within one year with an average annual interest rate of 0.8% (2018: 0.9%).

29. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2019 RMB million	2018 RMB million
Contract liabilities arising from:		
Infrastructure construction	**74,015**	65,445
Infrastructure design	**6,211**	5,489
Dredging	**2,064**	2,910
Others	**518**	8,109
	82,808	81,953

Contract liabilities mainly include short-term advances received to render construction, design and dredging services. The increase in contract liabilities in 2019 and 2018 was mainly due to the increase in short-term advances received from customers in relation to the provision of services at the end of the year.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2019 RMB million	2018 RMB million
Non-current			
Long-term bank borrowings			
– secured	(d)	167,364	132,721
– unsecured	(e)	58,582	59,985
		225,946	192,706
Long-term other borrowings			
– secured	(d)	1,170	–
– unsecured	(e)	1,649	1,120
		2,819	1,120
Corporate bonds	(f)	23,729	15,974
Non-public debt instruments	(h)	10,518	5,140
Lease liabilities	16	1,403	–
Financial lease liabilities	(i)	–	444
		35,650	21,558
Total non-current borrowings		264,415	215,384
Current			
Current portion of long-term bank borrowings			
– secured	(d)	4,653	4,185
– unsecured	(e)	14,638	14,393
		19,291	18,578
Short-term bank borrowings			
– secured	(d)	2,270	3,901
– unsecured	(e)	48,120	41,400
		50,390	45,301
Current portion of long-term other borrowings			
– secured	(d)	4	–
– unsecured	(e)	634	12
		638	12
Short-term other borrowings			
– secured	(d)	100	–
– unsecured	(e)	195	57
		295	57
Corporate bonds	(f)	275	8,406
Debentures	(g)	1,009	5,003
Non-public debt instruments	(h)	1,356	1,600
Lease liabilities	16	1,118	–
Finance lease liabilities	(i)	–	286
		3,758	15,295
Total current borrowings		74,372	79,243
Total borrowings		338,787	294,627

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

(a) The Group's borrowings (excluding lease liabilities) were repayable as follows:

	2019 RMB million	2018 RMB million
Bank borrowings		
– Within one year	**69,681**	63,879
– In the second year	**33,266**	29,775
– In the third to fifth years, inclusive	**43,347**	39,251
– Beyond five years	**149,333**	123,680
	295,627	256,585
Others, excluding lease liabilities/finance lease liabilities		
– Within one year or on demand	**3,573**	15,078
– In the second year	**8,710**	6,734
– In the third to fifth years, inclusive	**20,384**	11,115
– Beyond five years	**7,972**	4,385
	40,639	37,312
	336,266	293,897

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

	2019 RMB million	2018 RMB million
RMB	**317,184**	272,367
USD	**14,533**	14,925
JPY	**3,805**	3,992
HKD	**1,169**	1,404
EUR	**1,190**	1,386
Others	**906**	553
	338,787	294,627

(c) Borrowings of the Group, excluding corporate bonds, medium-term notes, debentures, non-public debt instruments and lease liabilities/finance lease liabilities, bear interest at effective rates ranging from 0.30% to 8.34% (2018: 0.30% to 8.39%) per annum at the end of the reporting period and excluding the borrowing bearing an interest rate of 11.36% for a Columbia subsidiary of the Company.

(d) As at 31 December 2019 and 2018, the borrowings in note 30(c) above were secured by the Group's property, plant and equipment (note 14, 42(b)), investment properties (note 15, 42(b)), right-of-use assets/prepaid land lease payments (note 16, 42(b)), intangible assets (note 17, 42(b)), inventories (note 23, 42(b)) and trade and other receivables (note 24(g), 42(b)).

(e) Unsecured borrowings include those guaranteed by certain subsidiaries of the Company and certain third parties.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

(f) As approved by China Securities Regulatory Commission ("CSRC") document [2009] No. 761, the Group issued domestic corporate bonds with an aggregate principal amount of RMB7.9 billion in August 2009. These corporate bonds bore interest at a rate of 5.2% per annum and have been fully repaid during 2019.

As approved by CSRC document [2012] No. 998, the Group issued domestic corporate bonds with an aggregate principal amount of RMB12 billion in August 2012. Bonds of RMB6 billion bore interest at a rate of 4.4% per annum with maturity through 2017 and have been fully repaid, bonds of RMB2 billion bear interest at a rate of 5.0% per annum with maturity through 2022 and bonds of RMB4 billion bear interest at a rate of 5.15% per annum with maturity through 2027. These corporate bonds are guaranteed by CCCG.

As approved by CSRC document [2016] No. 162, the Group issued domestic corporate bonds in February, July and July 2016 with principal amounts of RMB2 billion, RMB3 billion and RMB1 billion, respectively, totalling RMB6 billion, and the maturity of these corporate bonds is five years from the issue date, bearing interest at rates of 2.99%, 3.01% and 3.35% per annum respectively. The Group has the right to increase the nominal interest rates and the investors could sell back at the end of the third year from the issue date.

As approved by CSRC document [2018] No. 159, the Group issued domestic corporate bonds in October 2018 with a principal amount of RMB4 billion, and the maturity of these corporate bonds is five years from the issue date, bearing interest at a rate of 4.25% per annum. The Group has the right to increase the nominal interest rate and the investors could sell back at the end of the third year from the issue date.

As approved by CSRC document [2019] No. 1024, the Group issued domestic corporate bonds in July 2019 with principal amounts of RMB3 billion and RMB1 billion, respectively, and the maturity of these corporate bonds is five years and seven years from the issue date, bearing interest at rates of 3.50% and 3.97% per annum, respectively. The Group has the right to increase the nominal interest rates and the investors could sell back at the end of the third year and fifth year, respectively, from the issue date.

As approved by CSRC document [2019] No. 1024, the Group issued domestic corporate bonds in August 2019 with principal amounts of RMB2 billion and RMB2 billion, respectively, and the maturity of these corporate bonds is five years and ten years from the issue date, bearing interest at rates of 3.35% and 4.35% per annum, respectively. The Group has the right to increase the nominal interest rate for the corporate bond with the rate of 3.35%, and the investors could sell back at the end of the third year from the issue date.

The corporate bonds are stated at amortised cost with effective rates ranging from 3.00% to 5.23%. Interest is payable once a year. Accrued interest is included in the current borrowings.

(g) The Group issued the following debentures as approved by National Association of Financial Market Institutional Investors ("NAFMII"):

– Three tranches of debentures were issued in August, November and November 2018, respectively, at nominal values of RMB3 billion, RMB0.5 billion and RMB1.5 billion, respectively, with maturity of 270 days, 270 days and 270 days from the issue date respectively. The interest rates were 3.75%, 3.87% and 3.85% per annum, respectively. These debentures have been fully repaid during 2019.

– Five tranches of debentures were issued in January, January, March, August and August 2019, respectively, at nominal values of RMB1 billion, RMB1.5 billion, RMB0.5 billion, RMB1.5 billion, RMB1.5 billion, respectively, with maturity of 239 days, 226 days, 270 days, 125 days and 123 days from the issue date respectively. The interest rates were 3.38%, 3.40%, 3.40%, 2.98% and 2.97% per annum, respectively. These debentures have been fully repaid during 2019.

– Two tranches of debentures were issued in August and November 2019 at nominal values of RMB0.5 billion and RMB0.5 billion, respectively, with maturity of 270 days and 269 days from the issue date, respectively. The interest rates are 3.27% and 3.30% per annum, respectively.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

(h) The Group issued the following non-public debt instruments:

– Two tranches of non-public debt instruments were issued in April 2013 and one tranche of non-public debt instrument was issued in October 2013, respectively, at nominal values of RMB1,500 million, RMB800 million and RMB500 million, respectively, totalling RMB2,800 million, with maturity of five years from the issue date. The interest rates were 5.10%, 6.00% and 6.30% per annum, respectively. These non-public debt instruments have been fully repaid during 2018.

– Two tranches of non-public debt instruments were issued in August and September 2014, respectively, at nominal values of RMB500 million and RMB1,000 million, respectively, totalling RMB1,500 million, with maturity of five years. The interest rates were 7.00% and 6.00% per annum, respectively. These non-public debt instruments have been fully repaid during 2019.

– Non-public debt instrument with a nominal value of RMB2,000 million was issued in August 2015, with maturity of five years from the issue date, bearing interest at a rate of 4.80% per annum. RMB860 million of these non-public debt instruments has been repaid during 2018.

– Two tranches of non-public debt instruments were issued in July and November 2018, respectively, at nominal values of RMB2,000 million and RMB2,000 million, with maturity of three years from the issue date. The interest rates are 4.97% and 4.70% per annum, respectively. These non-public debt instruments will be repaid in 2021.

– Four tranches of non-public debt instruments were issued in January, June, July and September 2019, respectively, at nominal values of RMB2,000 million, RMB1,500 million, RMB1,500 million and RMB1,500 million, respectively, with maturity of three years from the issue date. The interest rates are 3.88% 3.65% 3.60% and 3.55% per annum, respectively. These non-public debt instruments will be repaid in 2022.

The non-public debt instruments are stated at amortised cost with effective rates ranging from 4.80% to 7.00%. Interest is payable once a year. The accrued interest is included in current borrowings.

(i) Financial lease payables:

The Group leases certain of its plant and machinery and these leases were classified as finance leases prior to IFRS 16 becoming effective on 1 January 2019, and had have remaining lease terms ranging from four to six years.

As at 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments *RMB million*	**Present value of minimum lease payments** *RMB million*
Amounts payable:		
– Within one year	286	286
– In the second to fifth years, inclusive	511	444
– Beyond five years	–	–
Total minimum finance lease payments	797	730
Future finance charges	(67)	
Total net finance lease payables	730	
Portion classified as current liabilities	286	
Non-current portion	444	

31. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	2019			
	Fair value adjustments of equity investments at fair value through other comprehensive income *RMB million*	Undistributed profits in subsidiaries *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2019	3,724	1,299	2,003	7,026
Charged/(credited) to profit or loss during the year *(note 11)*	–	181	294	475
Charged/(credited) to other comprehensive income	646	–	2	648
Exchange differences	(2)	–	13	11
At 31 December 2019	4,368	1,480	2,312	8,160

Deferred tax assets:

	2019							
	Impairment of financial and contract assets *RMB million*	Depreciation and amortisation *RMB million*	Provision for foreseeable contract losses *RMB million*	Provision for employee benefits *RMB million*	Tax losses *RMB million*	Discount on long-term receivables *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2019	2,764	75	142	235	1,661	476	1,015	6,368
(Charged)/credited to profit or loss during the year *(note 11)*	383	(10)	(6)	(28)	226	(158)	730	1,137
(Charged)/credited to other comprehensive income	-	-	-	(3)	(592)	-	119	(476)
Acquisition of a subsidiary	2	-	-	-	-	-	-	2
Disposal of subsidiaries	(18)	(2)	(7)	(7)	-	-	2	(32)
Exchange differences	(38)	2	9	-	73	(2)	(15)	29
At 31 December 2019	3,093	65	138	197	1,368	316	1,851	7,028

31. DEFERRED TAX (CONTINUED)

Deferred tax liabilities:

	2018			
	Fair value adjustments of equity investments at fair value through other comprehensive income *RMB million*	Undistributed profits in subsidiaries *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2018	4,667	1,081	1,994	7,742
Charged to profit or loss during the year	–	218	57	275
Credited to other comprehensive income	(944)	–	(1)	(945)
Disposal of subsidiaries	–	–	(25)	(25)
Exchange differences	1	–	(22)	(21)
At 31 December 2018	3,724	1,299	2,003	7,026

Deferred tax assets:

	2018							
	Impairment of financial and contract assets *RMB million*	Depreciation and amortisation *RMB million*	Provision for foreseeable contract losses *RMB million*	Provision for employee benefits *RMB million*	Tax losses *RMB million*	Discount on long-term receivables *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2018	2,416	94	145	242	1,312	889	1,090	6,188
(Charged)/credited to profit or loss during the year	390	(15)	(26)	(19)	385	(402)	(146)	167
Credited to other comprehensive income	–	–	–	11	–	–	83	94
Acquisition of a subsidiary	–	–	–	–	–	–	43	43
Disposal of subsidiaries	–	–	–	–	(4)	–	(27)	(31)
Exchange difference	(42)	(4)	23	1	(32)	(11)	(28)	(93)
At 31 December 2018	2,764	75	142	235	1,661	476	1,015	6,368

31. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019		2018	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	RMB million	***RMB million***	*RMB million*	*RMB million*
The gross balance	**7,028**	**8,160**	6,368	7,026
Offsetting	**(1,815)**	**(1,815)**	(1,864)	(1,864)
	5,213	**6,345**	4,504	5,162

Deferred tax assets of RMB4,914 million (2018: RMB4,126 million) have not been recognised in respect of these losses amounting to RMB19,988 million (2018: RMB16,834 million) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Most of these tax losses will expire in one to five years for offsetting against future taxable profits.

As at 31 December 2019, the Group did not recognise deferred tax assets of RMB787 million (2018: RMB684 million) in respect of deductible temporary differences amounting to RMB3,199 million (2018: RMB2,789 million) as the directors believe it is not probable that such deductible temporary differences would be recognised.

32. RETIREMENT BENEFIT OBLIGATIONS

The Group provided supplementary pension subsidies and medical benefits to its normal retired or early retired employees in Mainland China who retired prior to 1 January 2006, which are considered to be defined benefit plans, and recognised a liability for the unfunded employee benefit obligations in the consolidated statement of financial position as follows:

	2019	2018
	RMB million	*RMB million*
Present value of defined benefit obligations	**1,119**	1,293
Portion classified as current portion	**126**	141
Non-current portion	**993**	1,152

32. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The movements in the present value of the defined benefit obligations are as follows:

	2019	2018
	RMB million	*RMB million*
At 1 January	**1,293**	1,347
Past service cost	**3**	6
Interest cost	**39**	51
	1,335	1,404
Remeasurements		
– Gains from changes in financial assumptions	**(17)**	65
– Experience gains	**(4)**	(5)
	1,314	1,464
Payments	**(163)**	(171)
Disposal of subsidiaries	**(32)**	–
At 31 December	**1,119**	1,293

The above obligations were determined based on actuarial valuation performed by an independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch, using the projected unit credit method. The significant actuarial assumptions are as follows:

	2019	2018
Discount rate	**3.00%**	3.25%
Medical cost growth rate	**4.00%–8.00%**	4.00%–8.00%

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Impact on defined benefit obligations	
	2019	2018
	RMB million	*RMB million*
Discount rate:		
– 0.25% increase	**(19)**	(22)
– 0.25% decrease	**19**	23
Medical cost growth rate:		
– 1.00% increase	**15**	21
– 1.00% decrease	**(14)**	(19)

32. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the retirement benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the retirement benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The following undiscounted payments are expected contributions to the defined benefit plan in future years:

	2019 ***RMB million***	2018 *RMB million*
Within 1 year	**126**	141
1 year to 2 years	**119**	133
2 years to 5 years	**315**	358
Over 5 years	**837**	1,032
	1,397	1,664

The average duration of the defined benefit plan obligation at the end of the reporting period was 7 years (2018: 7 years).

33. PROVISIONS

	Pending lawsuits ***RMB million***	**Provision for foreseeable losses on contract assets** ***RMB million***	**Others** ***RMB million***	**Total** ***RMB million***
At 1 January 2019	**125**	**703**	**387**	**1,215**
Additional provisions	**10**	**453**	**214**	**677**
Utilised/reversed during the year	**(14)**	**(453)**	**–**	**(467)**
At 31 December 2019	**121**	**703**	**601**	**1,425**
Non-current portion	**121**	**703**	**601**	**1,425**

	Pending lawsuits *RMB million*	Provision for foreseeable losses on contract assets *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2018	442	828	238	1,508
Additional provisions	16	448	149	613
Utilised/reversed during the year	(333)	(573)	–	(906)
At 31 December 2018	125	703	387	1,215
Non-current portion	125	703	387	1,215

34. SHARE CAPITAL AND PREMIUM

	2019 RMB million	2018 RMB million
Issued and fully paid:		
11,747,235,425 (2018: 11,747,235,425) A shares of RMB1.00 each	**11,747**	11,747
4,427,500,000 (2018: 4,427,500,000) H shares of RMB1.00 each	**4,428**	4,428
	16,175	16,175

The Company was incorporated on 8 October 2006, with an initial registered share capital of RMB10,800 million, divided into 10,800,000,000 domestic shares with a nominal value of RMB1.00 each which were issued to CCCG, the parent company.

In December 2006, the Company completed its H share listing on the Hong Kong Stock Exchange and 4,025,000,000 H shares with a nominal value of RMB1.00 each were issued at HK$4.6 (equivalent to approximately RMB4.63) each. The Company raised net proceeds of approximately RMB17,878 million (equivalent to HK$17,772 million) from the issuance of H shares, of which paid-up share capital was RMB4,025 million and share premium was approximately RMB13,853 million. Upon the issuance of H shares, 402,500,000 domestic shares (10% of the number of H shares issued) were converted into H shares and transferred to the National Social Security Fund.

In March 2012, the Company completed an initial public offering of A shares on the Shanghai Stock exchange. In this connection, the Company issued 1,349,735,425 A shares, of which 925,925,925 A shares were issued to domestic investors by way of public offering, and 423,809,500 A shares were issued for the purpose of implementing the merger agreement through share exchange with the non-controlling shareholders of Road & Bridge International Co., Ltd., a former A share listed company and a subsidiary of the Company. The Company raised net proceeds of approximately RMB7,153 million, of which paid-up share capital was RMB1,350 million and share premium was approximately RMB5,803 million. Upon the completion of this A share issuance and listing, 92,592,593 A shares (10% of the number of new A shares issued by public offering) were transferred to the National Social Security Fund.

As at 31 December 2019, the Company's share capital was RMB16,174,735,425 (2018: RMB16,174,735,425), comprising 11,747,235,425 A shares and 4,427,500,000 H shares, representing approximately 72.6% and 27.4% of the registered capital, respectively.

35. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY

	2019	2018
	RMB million	*RMB million*
Medium-term notes (note a)	**8,966**	9,958
Renewable corporate bonds (note b)	**6,989**	–
Preference shares (note c)	**14,468**	14,468
	30,423	24,426

(a) As approved by NAFMII, three tranches of MTNs were issued by the Company in 2018, with nominal values of RMB2,000 million, RMB2,000 million and RMB1,000 million, respectively. There is no maturity date for these MTNs and the holders have no right to receive a return of principal. The initial interest rates of these MTNs were 4.58%, 4.55% and 4.55% per annum respectively, which will be reset once in every three years since the issuance date. Pursuant to the terms of these MTNs, the Company may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. These MTNs are subject to redemption in whole, at the option of the Company, three years after the issue date, at its principal amount together with accrued interest.

As approved by NAFMII, two tranches of MTNs were issued by the Company in 2019, with nominal values of RMB2,500 million and RMB2,500 million, respectively. Among the total nominal value of RMB5,000 million, RMB1,000 million was purchased by one of the Company's subsidiaries. There is no maturity date for these MTNs and the holders have no right to receive a return of principal. The initial interest rates of these MTNs were 2.84% and 2.84% per annum respectively, which will be reset once in every three years since the issuance date. Pursuant to the terms of these MTNs, the Company may elect to defer the distribution of interest and is not subject to any restriction as to the number of times the distribution can be deferred. These MTNs are subject to redemption in whole, at the option of the Company, three years after the issue date, at its principal amount together with accrued interest.

The directors of the Company are of the opinion that the Group has no contractual obligations to repay the principal or to pay any distribution for these MTNs, and these MTNs should be classified as equity.

A tranche of MTN was redeemed by the Company in 2019, which was issued by the Company in 2014, with a nominal value of RMB5,000 million.

(b) As approved by CSRC, two tranches of renewable corporate bonds were issued by the Company in 2019, with nominal values of RMB5,000 million and RMB2,000 million, respectively. There is no maturity date for these bonds and the holders have no right to receive a return of principal. Pursuant to the terms of these bonds, the Company may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The initial interest rates of these bonds were 4.10% and 3.88% per annum respectively, which will be reset once in every three years since the issuance date. The Company has the right to redeem the bonds if it has the unavoidable liability to pay additional taxes for the survival of bonds due to changes or amendments to laws, regulations or judicial interpretations of relevant laws and regulations. The Company has the right to redeem the bonds if the Company can no longer account the bonds as equity in its consolidated financial statements due to changes in the accounting standards of the enterprise or other laws and regulations. Except for the above two cases, the Company has no rights or obligations to redeem the bonds.

The directors of the Company are of the opinion that the Group has no contractual obligations to repay the principal or to pay any distribution for these renewable corporate bonds, and these renewable corporate bonds should be classified as equity.

(c) As approved by the CSRC, two tranches of preference shares were issued in 2015, with a total number of shares of 145 million. The initial dividend rates of these tranches of preference shares were 5.1% and 4.7% respectively, which will be reset at the end of the fifth year since the issuance dates. The declaration of dividend is optional for the issuer and the undeclared dividend is non-cumulative. The subscription price of these preference shares was RMB100 per share and the total net proceeds were RMB14,468 million.

The directors of the Company are of the opinion that the Group has no contractual obligations to repay the principal or to pay any dividend for the preference shares, and the preference shares should be classified as equity.

36. RESERVES

	Capital reserve (a)	Statutory surplus reserve	General reserve	Remeasurement reserve	Investment revaluation reserve	Hedging reserve	Safety reserve	Exchange reserve	Retained earnings	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB Million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2019	4,850	5,242	1,088	(97)	12,105	(1)	2,355	770	110,609	136,921
Profit for the year	-	-	-	-	-	-	-	-	20,094	20,094
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	5,732	-	-	-	-	5,732
Cash flow hedges, net of tax	-	-	-	-	-	3	-	-	-	3
Share of other comprehensive loss of joint ventures and associates		-	-	-	(172)	-	-	-	-	(172)
Share of other reserves of joint ventures and associates	70	-	-	-	-	-	-	-	-	70
Actuarial gains on retirement benefit obligations, net of tax	-	-	-	15	-	-	-	-	-	15
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	375	-	375
Final 2018 dividend declared	-	-	-	-	-	-	-	-	(3,733)	(3,733)
Capital contribution from non-controlling interests(a)	5,894	-	-	-	-	-	-	-	-	5,894
Transaction with non-controlling interests	(16)	-	-	-	-	-	-	-	-	(16)
Interest on perpetual medium-term notes	-	-	-	-	-	-	-	-	(566)	(566)
Divided on preference shares	-	-	-	-	-	-	-	-	(718)	(718)
Transfer to statutory surplus reserve (b)	-	358	-	-	-	-	-	-	(358)	-
Transfer from general reserve (c)	-	-	(131)	-	-	-	-	-	131	-
Transfer from safety production reserve (d)	-	-	-	-	-	-	(14)	-	14	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	-	345	-	-	(3,455)	-	-	-	3,110	-
At 31 December 2019	10,798	5,945	957	(82)	14,210	2	2,341	1,145	128,583	163,899

36. RESERVES (CONTINUED)

	Capital reserve (a)	Statutory surplus reserve	General reserve	Remeasurement reserve	Investment revaluation reserve	Hedging reserve	Safety reserve	Exchange reserve	Retained earnings	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB Million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 31 December 2017	4,933	4,716	975	(48)	15,143	3	2,216	505	97,217	125,660
Effect of adoption of IFRS 9, net of tax	–	–	–	–	85	–	–	–	(718)	(633)
At 1 January 2018(restated)	4,933	4,716	975	(48)	15,228	3	2,216	505	96,499	125,027
Profit for the year	–	–	–	–	–	–	–	–	19,819	19,819
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	(3,017)	–	–	–	–	(3,017)
Cash flow hedges, net of tax	–	–	–	–	–	(4)	–	–	–	(4)
Share of other comprehensive loss of joint ventures and associates	9	–	–	–	(106)	–	–	–	–	(97)
Actuarial loss on retirement benefit obligations, net of tax	–	–	–	(49)	–	–	–	–	–	(49)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	265	–	265
Final 2017 dividend declared	–	–	–	–	–	–	–	–	(3,913)	(3,913)
Transaction with non-controlling interests	(92)	–	–	–	–	–	–	–	–	(92)
Interest on perpetual medium-term notes	–	–	–	–	–	–	–	–	(300)	(300)
Divided on preference shares	–	–	–	–	–	–	–	–	(718)	(718)
Transfer to statutory surplus reserve	–	526	–	–	–	–	–	–	(526)	–
Transfer to general reserve	–	–	113	–	–	–	–	–	(113)	–
Transfer to safety production reserve	–	–	–	–	–	–	139	–	(139)	–
At 31 December 2018	4,850	5,242	1,088	(97)	12,105	(1)	2,355	770	110,609	136,921

36. RESERVES (CONTINUED)

(a) Capital reserve

During 2019, the Group entered into investment agreements and subscription agreements with six investors (the "Investors").

Pursuant to the investment agreements and the subscription agreements, the Investors respectively agreed to invest in certain subsidiaries of the Company, CCCC Forth Harbor Engineering Co., Ltd., CCCC Second Harbor Engineering Co., Ltd., CCCC First Highway Engineering Group Co., Ltd., Road & Bridge International Co., Ltd., CCCC Second Highway Engineering Co., Ltd., CCCC Third Harbor Engineering Co., Ltd., CCCC First Harbor Engineering Co., Ltd., CCCC Forth Highway Engineering Co., Ltd. and CCCC Third Highway Engineering Co., Ltd. ("Target Companies") by cash amounting to approximately RMB18,000 million in aggregate. The investment did not result in a loss of the Company's control over the subsidiaries. On the capital injection date, the carrying amount of the net assets of Target Companies attributed to the Investors was RMB12,106 million, therefore, the difference amounting to RMB5,894 million was recorded in capital reserve.

(b) 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 owners. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2019, the board of directors proposed an appropriation of 10% (2018: 10%) of the Company's profit after tax, as determined under PRC GAAP, of RMB358 million (2018: RMB526 million) to the statutory surplus reserve. During the year ended 31 December 2019, the Group sold certain stock shares of a listed bank and other equity investments, which were accounted as equity investments designated at fair value through other comprehensive income, accumulated changes in fair value of RMB3,455 million were then transferred from other comprehensive income to retained earnings with the amount of RMB3,110 million and to statutory surplus reserve with the amount of RMB345 million.

(c) General reserve

CCCC Finance, one of the subsidiaries of the Company, is required by the Ministry of Finance to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year-end balance of its risk assets.

The general reserve balance of CCCC Finance as at 31 December 2019 amounted to RMB957 million (2018: RMB1,088 million).

(d) 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 from profit after tax an amount to a safety reserve at different rates ranging from 1.5% to 2% of the total construction contract revenue recognised for the year. The reserve can be utilised for improvements of safety on the construction work, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred, and at the same time the corresponding amounts of safety reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Percentage of equity interests held by non-controlling interests:

	2019 (%)	2018 (%)
CCCC (Beijing) One-term Equity Investment Fund LLP	**39.98**	39.98
CCCC Financial Leasing	**30.00**	30.00
CCCC First Highway Engineering Group Co., Ltd.	**12.75**	–
CCCC Second Highway Engineering Co., Ltd.	**18.06**	–
CCCC Third Highway Engineering Co., Ltd.	**30.00**	–
CCCC Forth Highway Engineering Co., Ltd.	**20.08**	–
CCCC First Harbor Engineering Co., Ltd.	**9.91**	–
CCCC Second Harbor Engineering Co., Ltd.	**13.36**	–
CCCC Third Harbor Engineering Co., Ltd.	**10.69**	–
CCCC Forth Harbor Engineering Co., Ltd.	**13.77**	–
Road & Bridge International Co., Ltd.	**17.25**	–

Profit/(loss) for the year allocated to non-controlling interests:

	2019 RMB million	2018 RMB million
CCCC (Beijing) One-term Equity Investment Fund LLP	**(4)**	(1)
CCCC Financial Leasing	**89**	87
CCCC First Highway Engineering Group Co., Ltd.	**24**	–
CCCC Second Highway Engineering Co., Ltd.	**14**	–
CCCC Third Highway Engineering Co., Ltd.	**4**	–
CCCC Forth Highway Engineering Co., Ltd.	**30**	–
CCCC First Harbor Engineering Co., Ltd.	**2**	–
CCCC Second Harbor Engineering Co., Ltd.	**31**	–
CCCC Third Harbor Engineering Co., Ltd.	**3**	–
CCCC Forth Harbor Engineering Co., Ltd.	**29**	–
Road & Bridge International Co., Ltd.	**30**	–

Dividends paid to non-controlling interests:

	2019 RMB million	2018 RMB million
CCCC Financial Leasing	**10**	47

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Accumulated balances of non-controlling interests at the reporting date:

	2019 ***RMB million***	2018 *RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**4,461**	1,761
CCCC Financial Leasing	**1,799**	1,719
CCCC First Highway Engineering Group Co., Ltd.	**1,572**	–
CCCC Second Highway Engineering Co., Ltd.	**1,417**	–
CCCC Third Highway Engineering Co., Ltd.	**908**	–
CCCC Forth Highway Engineering Co., Ltd.	**1,183**	–
CCCC First Harbor Engineering Co., Ltd.	**1,098**	–
CCCC Second Harbor Engineering Co., Ltd.	**1,535**	–
CCCC Third Harbor Engineering Co., Ltd.	**1,062**	–
CCCC Forth Harbor Engineering Co., Ltd.	**2,092**	–
Road & Bridge International Co., Ltd.	**1,405**	–

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2019	**CCCC Financial Leasing** ***RMB million***	**CCCC (Beijing) One-term Equity Investment Fund LLP** ***RMB million***	**CCCC Forth Harbor Engineering Co., Ltd.** ***RMB million***	**CCCC Second Harbor Engineering Co., Ltd.** ***RMB million***	**CCCC First Highway Engineering Group Co., Ltd.** ***RMB million***	**Road & Bridge International Co., Ltd.** ***RMB million***	**CCCC Second Highway Engineering Co., Ltd.** ***RMB million***	**CCCC Third Harbor Engineering Co., Ltd.** ***RMB million***	**CCCC First Harbor Engineering Co., Ltd.** ***RMB million***	**CCCC Forth Highway Engineering Co., Ltd.** ***RMB million***	**CCCC Third Highway Engineering Co., Ltd.** ***RMB million***
Revenue	**2,052**	**-**	**35,959**	**74,349**	**102,514**	**37,383**	**45,492**	**36,804**	**39,172**	**37,200**	**22,302**
Profit/(loss) for the year	**297**	**(10)**	**2,235**	**1,251**	**848**	**1,172**	**1,327**	**391**	**1,361**	**1,170**	**320**
Total comprehensive income/ (loss)	**387**	**(10)**	**2,487**	**1,263**	**822**	**1,034**	**1,254**	**435**	**1,371**	**1,176**	**318**
Current assets	**19,939**	**-**	**24,541**	**62,214**	**77,267**	**20,969**	**32,570**	**38,434**	**41,618**	**30,039**	**18,945**
Non-current assets	**21,340**	**11,166**	**45,166**	**31,104**	**65,017**	**43,741**	**22,505**	**22,751**	**32,990**	**22,033**	**6,877**
Current liabilities	**21,497**	**16**	**37,455**	**64,228**	**83,004**	**31,196**	**41,038**	**43,112**	**54,241**	**32,380**	**19,699**
Non-current liabilities	**11,265**	**-**	**11,247**	**11,471**	**35,916**	**18,455**	**3,083**	**6,404**	**4,368**	**10,321**	**2,728**
Net cash flows (used in)/ generated from operating activities	**(61)**	**-**	**4,108**	**1,948**	**5,320**	**2,779**	**301**	**369**	**1,481**	**294**	**(1,205)**
Net cash flows used in investing activities	**(93)**	**(6,761)**	**(11,325)**	**(3,957)**	**(8,802)**	**(9,216)**	**(3,499)**	**(2,108)**	**(6,711)**	**(3,997)**	**(659)**
Net cash flows (used in)/ generated from financing activities	**(1,002)**	**6,759**	**7,307**	**2,667**	**6,672**	**8,861**	**3,294**	**1,616**	**4,962**	**5,387**	**2,069**
Exchange gains/(losses) on cash and cash equivalents	**2**	**-**	**21**	**41**	**2**	**(3)**	**5**	**12**	**11**	**(8)**	**3**
Net increase/(decrease) in cash and cash equivalents	**(1,154)**	**(2)**	**111**	**699**	**3,192**	**2,421**	**101**	**(111)**	**(257)**	**1,676**	**208**

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

2018	CCCC Financial Leasing *RMB million*	CCCC (Beijing) One-term Equity Investment Fund LLP *RMB million*
Revenue	1,693	–
Profit/(loss) for the year	352	(3)
Total comprehensive income/(loss)	354	(3)
Current assets	16,768	2
Non-current assets	14,387	4,406
Current liabilities	14,391	–
Non-current liabilities	9,283	6
Net cash flows used in operating activities	(1,108)	–
Net cash flows used in investing activities	(505)	(4,406)
Net cash flows generated from financing activities	2,668	4,406
Exchange gains on cash and cash equivalents	4	–
Net increase in cash and cash equivalents	1,059	–

In addition, the other information of partly-owned subsidiaries with material non-controlling interests is as below:

In 2019, eight tranches of debt instruments were issued by subsidiaries of the Company, with nominal value in a total amount of RMB7,000 million. There is no maturity date for these debt instruments and the holders have no right to receive returns of principal, so these financial instruments were classified as equity of the issuer, and consequently, as non-controlling interests of the Group. The initial interest rates of these debt instruments were in the range from 4.20% to 5.19%, which will be reset every three or five years after the issuance date. In 2019, two tranches of debt instruments were redeemed by subsidiaries of the Company, with nominal value in a total amount of RMB2,000 million.

As of 31 December 2019, the total balance of perpetual bonds and perpetual medium-term notes issued by subsidiaries of the Company was RMB32,798 million. These perpetual bonds and perpetual medium-term notes are classified as equity and presented as non-controlling interests in the consolidated financial statements.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group has below significant non-cash transactions:

	2019 ***RMB million***	2018 *RMB million*
Trade and other payables transferred to non-controlling interests	**1,965**	–
Bank acceptance bills received for sale of goods and services endorsed to engineering contractors or equipment suppliers	**89**	10

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

2019	**Bank and other loans** *RMB million*	**Finance lease payables/ lease liabilities** *RMB million*	**Corporate bonds** *RMB million*	**Debentures** *RMB million*	**Non-public debt instruments** *RMB million*	**Dividend** *RMB million*	**Total** *RMB million*
At 31 December 2018	**257,774**	**730**	**24,380**	**5,003**	**6,740**	**317**	**294,944**
Effect of adoption of IFRS 16	**–**	**2,305**	**–**	**–**	**–**	**–**	**2,305**
At 1 January 2019 (restated)	**257,774**	**3,035**	**24,380**	**5,003**	**6,740**	**317**	**297,249**
Changes from financing cash flows	**27,704**	**(1,592)**	**(1,434)**	**(4,149)**	**4,635**	**(6,633)**	**18,531**
New leases	**–**	**918**	**–**	**–**	**–**	**–**	**918**
Foreign exchange movement	**186**	**–**	**–**	**–**	**–**	**–**	**186**
Declared dividends	**–**	**–**	**–**	**–**	**–**	**6,904**	**6,904**
Interest expense	**13,905**	**160**	**1,047**	**155**	**497**	**–**	**15,764**
Discounted amounts	**–**	**–**	**11**	**–**	**2**	**–**	**13**
Decrease arising from disposal of subsidiaries	**(190)**	**–**	**–**	**–**	**–**	**–**	**(190)**
At 31 December 2019	**299,379**	**2,521**	**24,004**	**1,009**	**11,874**	**588**	**339,375**

2018	Bank and other loans *RMB million*	Finance lease payables *RMB million*	Corporate bonds *RMB million*	Debentures *RMB million*	Non-public debt instruments *RMB million*	Dividend *RMB million*	Total *RMB million*
At 1 January 2018	233,390	1,109	20,244	–	6,459	304	261,506
Changes from financing cash flows	15,644	(597)	2,865	4,813	(291)	(5,679)	16,757
New finance lease	–	6	–	–	–	–	6
Foreign exchange movement	249	–	–	–	–	–	249
Declared dividends	–	–	–	–	–	5,664	5,664
Interest expense	11,907	212	1,266	190	571	–	13,146
Discounted amounts	–	–	5	–	1	–	6
Increase arising from acquisition of subsidiaries	2,153	–	–	–	–	122	2,275
Decrease arising from disposal of subsidiaries	(4,569)	–	–	–	–	(94)	(4,663)
At 31 December 2018	257,774	730	24,380	5,003	6,740	317	294,944

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB million
Within operating activities	1,532
Within investing activities	833
Within financing activities	1,592
	3,957

39. CONTINGENT LIABILITIES

The Group has contingent liabilities in the ordinary course of business to the extent as follows:

	2019 RMB million	2018 RMB million
Pending lawsuits (note a)	1,201	626
Outstanding loan guarantees (note b)	2,951	8,217
	4,152	8,843

(a) The Group has been named defendants 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 the above pending lawsuits of RMB1,201 million (2018: RMB626 million) as the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.

(b) The Group has acted as the guarantor for several external borrowings made by certain joint ventures and associates of the Group. The above amount represents the maximum exposure to default risk under the financial guarantee.

After the assessment of the financial position of these joint ventures and associates, the directors concluded there is no significant default risk and no provision for such guarantees are required.

(c) As disclosed in note 24 (e), the Group has entered into certain agreements with certain financial institution so as to establish asset-backed securities (ABS) and asset-backed notes (ABN). As at 31 December 2019, certain of the ABS and ABN in issue with an aggregate amount of RMB10,387 million (2018: RMB6,710 million) included the ABS and ABN issued to preferential investors of an aggregate amount of RMB7,919 million (2018: RMB6,322 million). Under the clauses of the agreements, the Group is subject to the obligations of liquidity supplementary payments to preferential investors when the cash available for distribution of the principal and fixed return at the due date is not sufficient. The directors of the Company evaluate the possibilities and assume that the obligations of liquidity supplementary payments is low.

(d) The companies in the Group which are engaged in the real estate business provide guarantees to banks for the mortgage loans of the property buyers. As at 31 December 2019, the outstanding balance of guarantees provided by the Group was approximately RMB3,994 million.

40. BUSINESS COMBINATION

During the year ended 31 December 2019, the Group obtained control over several companies from certain independent third parties, with a total consideration of RMB864 million.

The fair value and book value of assets and liabilities of these companies at the date of acquisition were as follows:

	Acquisition date fair value *RMB million*	**Acquisition date book value** *RMB million*
Non-current assets		
Long-term receivables	1,205	1,205
Property, plant and equipment	43	29
Intangible assets	542	542
Deferred tax assets	2	2
	1,792	1,778
Current assets		
Trade and other receivables	30	30
Contract assets	6	6
Inventories	50	50
Cash and cash equivalents	260	260
	346	346
Current liabilities		
Trade and other payables	(183)	(183)
Contract liabilities	(2)	(2)
	(185)	(185)
Non-current liabilities		
Trade and other payables	(232)	(232)
	(232)	(232)
Net assets	1,721	1,707
Non-controlling interests	996	
Goodwill on acquisition	139	
Consideration	864	
Satisfied by cash	261	

40. BUSINESS COMBINATION (CONTINUED)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2019 *RMB million*
Total consideration	**864**
Cash paid for acquisition of subsidiaries	**(261)**
Cash and bank balances of subsidiaries acquired	**260**
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(1)**

Since the acquisition, the acquirees contributed RMB32 million to the Group's revenue and caused a loss of RMB6 million to the consolidated profit for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB553,154 million and RMB21,658 million, respectively.

41. DISPOSAL OF SUBSIDIARIES

(a) On 30 June 2019, CFHCC, a subsidiary of the Company, entered into an equity transfer agreement with China Airport Construction Group Co., Ltd. ("CACC"), pursuant to which CFHCC disposed of 67% equity interests in CCCC First Harbour Fourth Engineering Co., Ltd. to CACC for a consideration of RMB798 million. Thereafter, the Group no longer has control over CCCC First Harbour Fourth Engineering Co., Ltd.. Revaluation gain of RMB216 million on residual interests in CCCC First Harbour Fourth Engineering Co., Ltd. was recognised and included in the gains on disposal of subsidiaries below.

(b) On 30 June 2019, the Company and its subsidiaries, China Harbour Engineering Co., Ltd., China Highway Engineering Consultants Co., Ltd. and CCCC Fourth Harbour Consultants Co., Ltd. (the "Acquiring Group") entered into an equity transfer agreement with CACC, pursuant to which the Acquiring Group disposed of 100% equity interests in CCCC Airport Investigation and Design Institute Co., Ltd. to CACC for a consideration of RMB123 million.

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c) The aggregate financial information of the subsidiaries mentioned above and other subsidiaries disposed of by the Group, at the date of disposal in 2019, is as follows:

	2019
	RMB million
Non-current assets	**825**
Current assets	**8,693**
Current liabilities	**(8,023)**
Non-current liabilities	**(650)**
	845
Non-controlling interests	**(21)**
	824
Gains on disposal of subsidiaries	**741**
	1,565
Represented by:	
Residual interests in joint ventures	**29**
Residual interests in associates	**414**
Financial assets at fair value through profit or loss	**64**
Cash consideration	**1,058**
	1,565

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019	2018
	RMB million	*RMB million*
Cash received from disposal of subsidiaries in the current year	**921**	859
Cash received from disposal of subsidiaries in the prior year	**87**	593
Cash and bank balances of subsidiaries disposed of	**(991)**	(1,792)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**17**	(340)

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(d) The information of disposal of subsidiaries that occurred and has been completed in 2018 is as follows:

On 27 December 2018, the Group entered into an equity transfer agreement with China Communications Real Estate Co., Ltd. ("CCCC Real Estate") to transfer 100% equity interests in Beijing United Real Estate Co., Ltd. to CCCC Real Estate for a consideration of RMB866 million. Upon the completion of equity transfer, Beijing United Real Estate Co., Ltd. ceased to be subsidiary of the Company.

On 27 December 2018, two third parties made capital contributions to Yulin Zhongjiao Construction Investment Co., Ltd. ("Yulin Zhongjiao") of RMB80 million through Zhongjiao Yulin Road Network Upgrade and Private Investment No. 1 Fund ("No. 1 Fund"), and of RMB200 million through Zhongjiao Yulin Road Network Upgrade and Private Investment No. 2 Fund ("No. 2 Fund"), respectively. Upon the completion of equity transfer, CFHCC, No. 1 Fund and No. 2 Fund jointly control Yulin Zhongjiao, and the Group no longer has the control over Yulin Zhongjiao.

On 24 December 2018, Zhongjiao Jianyin (Xiamen) Equity Investment Fund Management Co., Ltd. made a capital contribution of RMB70 million to Guangdong Zhongjiao Yuzhan Expressway Development Co., Ltd. ("Guangdong Yuzhan") through Beijing Zhongjiao Luqiao Investment Phase III Fund LLP. Upon the completion of equity transfer, CFHCC and Beijing Zhongjiao Luqiao Investment Phase III Fund LLP jointly control Guangdong Yuzhan, and the Group no longer has the control over Guangdong Yuzhan.

On 21 December 2018, China Communications Water Transportation Consultants Co., Ltd. ("Water Transportation Consultants") and CCCG entered into a capital increase agreement, pursuant to which CCCG agreed to make a capital contribution in cash of RMB318 million to China Communications Information Center, while Water Transportation Consultants agreed to make a capital contribution to China Communications Information Center with its 58% equity interests in Beijing Zhongjiao Ziguang Technology Co., Ltd.. Upon the completion of equity transfer, the Group no longer has the control over China Communications Information Center.

In addition, during 2018, the Group disposed of certain other companies, and the aggregate financial information of the subsidiaries disposed of by the Group, at the date of disposal in 2018, is as follows:

	Total *RMB million*
Non-current assets	3,555
Current assets	6,191
Current liabilities	(3,310)
Non-current liabilities	(4,910)
Non-controlling interests	(423)
	1,103
Gains on disposal of subsidiaries	482
	1,585
Represented by:	
Residual interests in joint ventures	178
Residual interests in associates	324
Financial assets at fair value through profit or loss	138
Cash consideration	945
	1,585

42. PLEDGE OF ASSETS

(a) At 31 December 2019, the restricted deposits were RMB4,305 million (2018: RMB4,633 million).

(b) Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are as follows:

	2019	2018
	RMB million	*RMB million*
Property, plant and equipment *(note 14)*	**110**	–
Investment properties *(note 15)*	**1,079**	1,117
Right-of-use assets/prepaid land lease payments *(note 16)*	**6,040**	5,028
Intangible assets *(note 17)*	**164,790**	141,261
Inventories *(note 23)*	**2,408**	3,597
Trade and other receivables *(note 24)*	**34,435**	27,261
	208,862	178,264

43. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019	2018
	RMB million	*RMB million*
Intangible assets – concession assets	**100,846**	122,293
Property, plant and equipment	**1,231**	1,387
	102,077	123,680

(b) Operating lease commitments as at 31 December 2018

The Group leases certain of its offices, warehouses, residential properties, machinery and vessels under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	RMB million
Within one year	1,439
In the second to fifth year, inclusive	1,249
Beyond five years	241
	2,929

44. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2019 *RMB million*	2018 *RMB million*
Transactions with CCCG		
– Rental fee	**171**	108
– Deposit-taking	**16,533**	20,252
– Interest expense on deposits	**19**	39
– Loans to CCCG	**700**	–
– Interest income from loans	**7**	–
– Other borrowings from CCCG	**60**	2,000
– Interest expense on loans	**29**	128
Transactions with fellow subsidiaries		
– Revenue from the provision of construction and construction related services	**4,552**	2,290
– Revenue from sale of goods	**297**	286
– Revenue from sale of property	**339**	–
– Rental income	**5**	2
– Deposit-taking	**78,408**	41,193
– Interest expense on deposits	**49**	43
– Purchase of materials	**481**	1,604
– Subcontracting and services charges	**2,936**	74
– Rental fee	**58**	50
– Purchase of right-of-use assets	**37**	–
– Loans to fellow subsidiaries	**855**	723
– Interest income from loans	**14**	43
– Factoring to fellow subsidiaries	**82**	–
– Interest income from factoring	**1**	1
– Finance lease loans to fellow subsidiaries	**413**	459
– Interest income from finance lease loans	**111**	155
Transactions with fellow subsidiaries' joint ventures and associates		
– Revenue from the provision of construction and construction related services	**179**	46
– Interest income on finance lease loans	**–**	1
– Subcontracting and services charges	**25**	1
Transactions with joint ventures and associates		
– Revenue from the provision of construction and construction related services	**51,571**	51,928
– Revenue from sale of goods	**1,599**	2,156
– Purchase of materials	**840**	2,373
– Subcontracting and services charges	**821**	877
– Rental income	**1**	2
– Deposit-taking	**10,796**	7,663
– Interest expense from deposits	**12**	10
– Loans to joint ventures and associates	**4,807**	3,284
– Interest income from loans	**589**	427
– Factoring to joint ventures and associates	**510**	1,491
– Interest income from factoring	**58**	44
– Finance lease loans to joint ventures and associates	**2,280**	425
– Interest income on finance lease loans	**71**	21

These transactions were carried out on terms based on those terms in the ordinary course of business.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

Balances with related parties other than government-related entities:

	2019 RMB million	2018 RMB million
Trade and bills receivables due from		
– Fellow subsidiaries	**2,351**	2,527
– Joint ventures and associates	**5,000**	6,512
– Fellow subsidiaries' joint ventures	**58**	–
	7,409	9,039
Long-term trade receivables due from		
– Fellow subsidiaries	**3,262**	3,445
– Joint ventures and associates	**14,916**	12,621
– Fellow subsidiaries' joint ventures	**197**	–
	18,375	16,066
Prepayments to		
– Fellow subsidiaries	**2,618**	1,289
– Joint ventures and associates	**220**	457
	2,838	1,746
Other receivables due from		
– CCCG	**8**	2
– Fellow subsidiaries	**1,881**	1,198
– Joint ventures and associates	**2,569**	3,303
	4,458	4,503
Contract assets		
– CCCG	**169**	–
– Fellow subsidiaries	**246**	115
– Joint ventures and associates	**3,006**	3,686
– Fellow subsidiaries' joint ventures	**35**	4
	3,456	3,805
	36,536	35,159

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties: (continued)

	2019 RMB million	2018 RMB million
Trade and other payables due to		
– Fellow subsidiaries	4,698	1,739
– Joint ventures and associates	1,861	2,211
– Fellow subsidiaries' joint ventures	–	6
	6,559	3,956
Long-term trade payables due to		
– Fellow subsidiaries	1,494	204
– Joint ventures and associates	639	749
	2,133	953
Advances from customers		
– Fellow subsidiaries	319	186
– Joint ventures and associates	10,535	9,621
– Fellow subsidiaries' joint ventures	12	7
	10,866	9,814
Contract liabilities		
– Fellow subsidiaries	119	147
– Joint ventures and associates	1,715	2,738
	1,834	2,885
Deposits from		
– CCCG	1,338	3,900
– Fellow subsidiaries	3,742	4,877
– Joint ventures and associates	1,636	1,044
	6,716	9,821
Other payables due to		
– CCCG	304	391
– Fellow subsidiaries	1,107	466
– Joint ventures and associates	1,650	1,333
– Fellow subsidiaries' joint ventures	3	–
	3,064	2,190
Other borrowings		
– CCCG	560	2,500
Lease liabilities		
– CCCG	–	–
– Joint ventures and associates	30	–
– Fellow subsidiaries	40	–
	70	–
	31,802	32,119

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees with related parties

	2019 RMB million	2018 RMB million
Outstanding loan guarantees provided to		
– Joint ventures	**1,196**	6,546
– Associates	**1,755**	1,671
	2,951	8,217
Outstanding guarantees provided by CCCG	**6,148**	14,158

(d) Commitments with related parties:

	2019 RMB million	2018 RMB million
Provision of construction services		
– Fellow subsidiaries	**3,353**	3,565
– Joint ventures and associates	**114,218**	158,487
– Fellow subsidiaries' joint ventures	**53**	191
	117,624	162,243
Purchase of services		
– Fellow subsidiaries	**1,067**	140
– Joint ventures and associates	**80**	434
	1,147	574
Operating lease as lessee		
– CCCG	**–**	108

(e) Key management compensation

	2019 RMB'000	2018 RMB'000
Short term employee benefits	**14,945**	11,129
Post-employment benefits	**601**	690
	15,546	11,819

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Other transactions with related parties

(i) During the year, the equity investments together with the related parties are set below:

	2019 *RMB million*
Transactions with CCCG	
– Establishment of associates of the Group	**70**
Transactions with fellow subsidiaries	
– Establishment of associates of the Group	**100**
– Establishment of joint ventures of the Group	**832**
	932
Transactions with joint ventures and associates	
– Establishment of an associate of the Group	**2**
	1,004

(ii) Details of the Group's other equity transactions with related parties are included in note 41 to the financial statements.

(iii) During the period, the Company's subsidiary, CCCC Urban Investment Holding Co., Ltd. entered into an equity transfer agreement with Hangzhou Greentown Zhizhen Investment Co., Ltd., which disposed 30% equity interests in Hangzhou Zhaolian Investment Co., Ltd. to CCCC Urban Investment Holding Co., Ltd. for a consideration of RMB2 million.

(iv) During the period, the Company's subsidiary, CCCC Urban Investment Holding Co., Ltd. entered into an equity acquisition agreement with CCCC Real Estate Co., Ltd., which disposed 100% equity interests in Ningbo CCCC Urban Future Real Estate Co., Ltd. to CCCC Urban Investment Holding Co., Ltd. for a consideration of RMB11 million.

(v) During the period, the Company's subsidiary, Shanghai CCCC Head Communication Technology Co., Ltd. issued 27 million shares to China Communications Information Technology Group Co.,Ltd. ("CCITG") for a consideration of RMB38 million.

(vi) During the period, the Company's subsidiaries, CFHCC and CCCC Beijing-Tianjin-Hebei Investment and Development Co., Ltd. entered into investment agreements with a fellow subsidiaries of the Group, Tianjin CCCC Greentown City Construction Development Co., Ltd. ("Tianjin CCCC Greentown"), and paid RMB670 million and RMB344 million respectively, to purchase the perpetual capital securities issued by Tianjin CCCC Greentown.

(vii) Details of the Group's arrangement of the total return swap with related parties are included in note 26(a).

ZPMC, Airport Construction Engineering Co., Ltd. ("ACEC") and CCITG are associates of the Group, and a fellow subsidiaries of the Group as well. The transaction with ZPMC, ACEC and CCITG and these companies' subsidiaries during the 2019 and 2018, and the outstanding balances with ZPMC, ACEC and CCITG and these companies' subsidiaries as at 31 December 2019 and 2018 were included within the category of transactions and balances with fellow subsidiaries.

The related party transactions with CCCG and fellow subsidiaries also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss		
	Debt investments *RMB million*	Equity investments *RMB million*	Held for trading *RMB million*	Financial assets at amortised cost *RMB million*	Total *RMB million*
Financial assets at fair value through profit or loss	–	–	7,138	–	7,138
Equity investments designated at fair value through other comprehensive income	–	25,018	–	–	25,018
Derivative financial instruments	–	–	777	–	777
Debt investments at amortised cost	–	–	–	111	111
Trade and other receivables excluding prepayments and other non-financial assets	2,073	–	–	352,882	354,955
Cash and bank balances	–	–	–	125,439	125,439
	2,073	25,018	7,915	478,432	513,438

Financial liabilities

	Financial liabilities at fair value through profit or loss *RMB million*	Financial liabilities at amortised cost *RMB million*	Total *RMB million*
Borrowings (excluding lease liabilities)	–	336,266	336,266
Lease liabilities	–	2,521	2,521
Derivative financial instruments	5	–	5
Trade and other payables excluding statutory and other non-financial liabilities	–	361,309	361,309
	5	700,096	700,101

45. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2018

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss		
	Debt investments *RMB million*	Equity investments *RMB million*	Held for trading *RMB million*	Financial assets at amortised cost *RMB million*	Total *RMB million*
Financial assets at fair value through profit or loss	–	–	6,048	–	6,048
Equity investments designated at fair value through other comprehensive income	–	21,257	–	–	21,257
Derivative financial instruments	–	–	250	–	250
Debt investments at amortised cost	–	–	–	109	109
Trade and other receivables excluding prepayments and other non-financial assets	4,341	–	–	272,341	276,682
Cash and bank balances	–	–	–	134,368	134,368
	4,341	21,257	6,298	406,818	438,714

Financial liabilities

	Financial liabilities at fair value through profit or loss *RMB million*	Financial liabilities at amortised cost *RMB million*	Total *RMB million*
Borrowings (excluding finance lease liabilities)	–	293,897	293,897
Finance lease liabilities	–	730	730
Derivative financial instruments	2	–	2
Trade and other payables excluding statutory and other non-financial liabilities	–	312,423	312,423
	2	607,050	607,052

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*
Financial liabilities				
Non-current				
Bank borrowings	**225,946**	192,706	**226,027**	192,755
Other borrowings (other than lease liabilities)	**2,819**	1,120	**2,819**	1,120
Corporate bonds	**23,729**	15,974	**23,729**	15,974
Non-public debt instruments	**10,518**	5,140	**10,518**	5,140
	263,012	214,940	**263,093**	214,989

Management has assessed that the fair values of cash and bank balances, financial assets included in trade and other receivables, and financial liabilities included in trade and other payables approximate to their carrying amounts.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include future cash flow, PBR (price/book ratio) of companies in same category and unit price of comparable property.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments, including forward currency contracts and total return swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and total return swaps are the same as their fair values.

As at 31 December 2019, the market-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value measurement categorised within level 3 adopts discounted cash flow method. The unobservable inputs are weighted average capital costs and long-term growth rate.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments have been estimated by the most appropriate valuation techniques based on assumptions that are not supported by observable market prices or rates, including: (i) market approach by using initial cost of the investment itself or a multiple of earnings, or of revenue depending on the stage of development of an enterprise; and (ii) income approach by using the discounted cash flows or earnings of underlying business based on reasonable assumptions and estimations of expected future cash flows (or expected future earnings), the terminal value, and the appropriate risk-adjusted rate that captures the risk inherent in the projections.

The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by financial institutions in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets and liabilities measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB million	***RMB million***	***RMB million***	***RMB million***
Assets				
Bills receivables	–	2,073	–	2,073
Equity investments designated at fair value through other comprehensive income	21,756	–	3,262	25,018
Financial assets at fair value through profit or loss	415	–	6,723	7,138
Derivative financial instruments				
– Forward currency contracts	–	9	–	9
– Total return swap	–	–	224	224
– Forward equity contracts	–	–	233	233
– Foreign exchange option	–	–	311	311
	22,171	2,082	10,753	35,006
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	5	–	5

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value: (continued)

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB million*	Significant observable inputs (Level 2) *RMB million*	Significant unobservable inputs (Level 3) *RMB million*	Total *RMB million*
Assets				
Bills receivables	–	4,341	–	4,341
Equity investments designated at fair value through other comprehensive income	19,283	–	1,974	21,257
Financial assets at fair value through profit or loss	155	–	5,893	6,048
Derivative financial instruments				
– Forward currency contracts	–	2	–	2
– Total return swap	–	–	21	21
– Forward equity contracts	–	–	227	227
	19,438	4,343	8,115	31,896
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	2	–	2

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

The movements in fair value measurements within Level 3 during the year are as follows:

	2019 **RMB million**	2018 *RMB million*
At 1 January	**8,115**	4,090
Effect of adoption of IFRS 9	**–**	2,896
At 1 January (restated)	**8,115**	6,986
Total gains/(losses) recognised in the statement of profit or loss included in other gains	**734**	(213)
Total losses recognised in other comprehensive income	**(81)**	(226)
Purchases	**3,870**	2,860
Disposals	**(1,885)**	(1,292)
At 31 December	**10,753**	8,115

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
Bank borrowings	–	226,027	–	226,027
Other borrowings (other than lease liabilities)	–	2,819	–	2,819
Corporate bonds	5,995	17,734	–	23,729
Non-public debt instruments	–	10,518	–	10,518
	5,995	257,098	–	263,093

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
Bank borrowings	–	192,755	–	192,755
Other borrowings (other than lease liabilities)	–	1,120	–	1,120
Corporate bonds	5,993	9,981	–	15,974
Non-public debt instruments	–	5,140	–	5,140
	5,993	208,996	–	214,989

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk management is carried out by the finance department under policies approved by the board of directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign currency risk

The functional currency of the majority of the entities within the Group is RMB. Most of the Group's transactions are based and settled in RMB. Foreign currencies are used to settle the Group's revenue from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers, and certain expenses.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

As at 31 December 2019, the Group's aggregate net assets of RMB26,048 million, including trade and other receivables, cash and bank balances, trade and other payables and borrowings, were denominated in foreign currencies, mainly USD.

To manage the impact of currency exchange rate fluctuations, the Group continually assesses its exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments when management considers necessary.

As at 31 December 2019, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, pre-tax profit for the year would had been decreased/increased by approximately RMB249 million, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated statement of financial position either as equity investments designated at fair value through other comprehensive income or financial assets or financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The table below summarises the impact of increases/decreases of quoted price in open markets on the Group's pre-tax profit for the year and on equity. The analysis is based on the assumption that the equity price had increased/decreased by 10% with all other variables held constant:

	2019	2018
Increases/decreases in quoted price in open markets	**10%**	10%

	2019	2018
	RMB million	*RMB million*
Impact on profit before tax for the year	**38**	14
Impact on equity (excluding retained profits)	**2,176**	1,928

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2019 and 2018, the Group's borrowings at variable rates were mainly denominated in RMB, USD, Euro and HKD..

Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

Increases in interest rates will increase the cost of new borrowings and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position. Management continuously monitors the interest rate position of the Group, and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the directors did not consider it was necessary to do so in 2019 and 2018.

As at 31 December 2019, the Group's borrowings of approximately RMB215,097 million (2018: RMB178,216 million) were at variable rates. As at 31 December 2019, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit before tax for the year would have been decreased/increased by RMB2,151 million (2018: RMB1,782 million), mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The carrying amounts of cash and bank balances, trade and other receivables except for prepayments, derivative financial instruments and contract assets, represent the Group's maximum exposure to credit risk in relation to financial assets.

Maximum exposure and year-end staging as at 31 December 2019

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are net carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB million*	Stage 2 *RMB million*	Stage 3 *RMB million*	Simplified approach *RMB million*	*RMB million*
Contract assets*	–	–	–	146,504	146,504
Trade and other receivables*	234,626	20,905	162	97,189	352,882
Debt investments at amortised cost	–	–	–	111	111
Restricted bank deposits and time deposits with an initial term of over three months					
– Not yet past due	6,627	–	–	–	6,627
Cash and cash equivalents					
– Not yet past due	118,812	–	–	–	118,812
Guarantees given to banks in connection with facilities granted to associates and joint ventures					
– Facilities drawn					
– Not yet past due	2,950	–	–	–	2,950
	363,015	20,905	162	243,804	627,886

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2019 (continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Contract assets*	–	–	–	132,679	132,679
Trade and other receivables*	166,690	21,700		87,796	276,186
Debt investments at amortised cost	–	–	–	109	109
Pledged deposits					
– Not yet past due	6,955	–	–	–	6,955
Cash and cash equivalents					
– Not yet past due	127,413	–	–	–	127,413
Guarantees given to banks in connection with facilities granted to associates and joint ventures					
– Facilities drawn					
– Not yet past due	8,217	–	–	–	8,217
	309,275	21,700	–	220,584	551,559

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 25 to the financial statements, respectively.

As at 31 December 2019, the financial assets classified to stage 3 for lifetime ECLs are other receivables and long-term receivables with a gross carrying amount of approximately RMB1,009 million (2018: RMB585 million). Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

(c) Liquidity risk

Liquidity risk encompasses the risk that the Group cannot meet its financial obligations in full.

The Group's maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in note 30.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the capital intensive nature of the Group's business, the Group ensures that it maintains flexibility through keeping sufficient cash and cash equivalents and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and banks and other borrowings.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates, and the amounts disclosed in the table are the contractual undiscounted cash flows.

2019	**Less than 1 year** *RMB million*	**Between 1 and 2 years** *RMB million*	**Between 2 and 5 years** *RMB million*	**Over 5 years** *RMB million*	**Total** *RMB million*
Borrowings (excluding lease liabilities)	**87,316**	**55,459**	**90,007**	**213,636**	**446,418**
Lease liabilities	**1,186**	**686**	**701**	**242**	**2,815**
Trade and other payables (excluding statutory and non-financial liabilities)	**337,905**	**10,981**	**10,507**	**2,400**	**361,793**
Net-settled derivative financial instruments	**5**	**–**	**–**	**–**	**5**
	426,412	**67,126**	**101,215**	**216,278**	**811,031**

2018	Less than 1 year *RMB million*	Between 1 and 2 years *RMB million*	Between 2 and 5 years *RMB million*	Over 5 years *RMB million*	Total *RMB million*
Borrowings	90,504	44,924	71,994	179,862	387,284
Finance lease payables	287	191	320	–	798
Trade and other payables (excluding statutory and non-financial liabilities)	295,558	10,966	5,829	527	312,880
Net-settled derivative financial instruments	2	–	–	–	2
	386,351	56,081	78,143	180,389	700,964

Derivative financial instruments comprise forward currency contracts used by the Group to hedge the exposure to foreign currency risk.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "Equity" as shown in the consolidated statement of financial position plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

	31 December 2019	1 January 2019	31 December 2018
	RMB million	*RMB million*	*RMB million*
Total borrowings *(note 30)*	**338,787**	296,322	294,627
Less: Cash and cash equivalents *(note 27)*	**(118,812)**	(127,413)	(127,413)
Net debt	**219,975**	168,909	167,214
Equity	**296,379**	239,682	239,682
Total capital	**516,354**	408,591	406,896
Gearing ratio	**42.6%**	41.3%	41.1%

The Group has adopted IFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 41.1% to 41.3% on 1 January 2019 when compared with the position as at 31 December 2018.

48. EVENTS AFTER THE REPORTING PERIOD

On 31 March 2020, the board of directors of the Company resolved that a final dividend of RMB0. 23276 per share, totalling approximately RMB3,765 million, is to be distributed to shareholders, subject to approval of shareholders at the forthcoming AGM. Such final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

On 21 February 2020, CCCI Treasure Limited, a subsidiary of the Company, completed the issue of subordinated perpetual securities guaranteed by the Company with principal amounts of US$1,000 million (with original interest rate of 3.425% per annum) and US$500 million (with original interest rate of 3.650% per annum), respectively.

On 21 April 2015, CCCI Treasure Limited issued unsubordinated guaranteed perpetual securities with principal amount of US$1,100 million (with original interest rate of 3.500% per annum). As of 31 December 2019, the remaining principal amount of the securities was US$1,100 million. On 19 March 2020, CCCI Treasure Limited announced that it will fully redeem the securities on 21 April 2020 (the "Redemption Date") at the principal amount together with the amount of interest accrued but remained unpaid up to the Redemption Date.

Since the outbreak of the COVID-19 epidemic (the "Epidemic") in January 2020, Mainland China and other countries and regions have adopted measures to prevent and control the Epidemic. The impact of the Epidemic on the Group's operations was mainly reflected in the slowdown of project progress as a result of the delay in project resumption caused by the Epidemic. The extent of the impact will depend on factors such as the situation of the Epidemic, macro policies and the progress of work and production resumption of enterprises, etc. The Group has strengthened its efforts on the prevention and control of the Epidemic through implementing various policies and arrangements of the central government, and mean while steadily promoted the resumption of the projects. The Company will closely monitor the situation of the Epidemic and continuously assess its impact on the financial positions and operating results of the Group in the future.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB million	2018 RMB million
Non-current assets		
Property, plant and equipment	1,668	143
Right-of-use assets	26	–
Intangible assets	200	231
Investments in subsidiaries	124,490	113,690
Investments in joint ventures	2,682	2,668
Investments in associates	8,025	6,741
Financial assets at fair value through profit or loss	538	460
Equity investments designated at fair value through other comprehensive income	15,469	14,453
Contract assets	1,575	2,509
Trade and other receivables	4,135	5,444
Loans to subsidiaries	455	455
Amounts due from subsidiaries	321	544
Total non-current assets	159,584	147,338
Current assets		
Inventories	439	436
Contract assets	12,659	11,620
Trade and other receivables	9,362	11,486
Loans to subsidiaries	31,727	25,741
Amounts due from subsidiaries	28,011	21,322
Restricted bank deposits	178	106
Cash and cash equivalents	48,655	58,558
Total current assets	131,031	129,269
Current liabilities		
Trade and other payables	3,744	3,139
Contract liabilities	3,976	5,290
Amounts due to subsidiaries	104,156	100,076
Tax payables	582	20
Interest-bearing bank and other borrowings	25,283	32,980
Retirement benefit obligations	5	–
Total current liabilities	137,746	141,505
Net current liabilities	(6,715)	(12,236)
Total assets less current liabilities	152,869	135,102

Continued/...

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2019 RMB million	2018 RMB million
Total assets less current liabilities	**152,869**	135,102
Non-current liabilities		
Trade and other payables	**23**	398
Amounts due to subsidiaries	**2,683**	3,252
Interest-bearing bank and other borrowings	**25,896**	17,759
Deferred tax liabilities	**3,247**	2,862
Retirement benefit obligations	**42**	54
Provisions	**84**	81
Total non-current liabilities	**31,975**	24,406
Net assets	**120,894**	110,696
Equity		
Share capital	**16,175**	16,175
Share premium	**19,656**	19,656
Financial instruments classified as equity	**31,423**	24,426
Reserves *(note)*	**53,640**	50,439
Total equity	**120,894**	110,696

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve	Statutory surplus reserve	Remeasurement reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 31 December 2018	**21,181**	**5,246**	**61**	**9,780**	**(15)**	**14,186**	**50,439**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**3,583**	**3,583**
Changes in fair value of equity instruments designated at fair value through other comprehensive income, net of tax	**-**	**-**	**-**	**4,603**	**-**	**-**	**4,603**
Share of other reserves of joint ventures and associates	**42**	**-**	**-**	**-**	**-**	**-**	**42**
Actuarial gains on retirement benefit obligations, net of tax	**-**	**-**	**3**	**-**	**-**	**-**	**3**
Share of other comprehensive loss of joint ventures and associates	**-**	**-**	**-**	**(33)**	**-**	**-**	**(33)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**20**	**-**	**20**
Final 2018 dividend declared	**-**	**-**	**-**	**-**	**-**	**(3,733)**	**(3,733)**
Interest on perpetual medium-term notes	**-**	**-**	**-**	**-**	**-**	**(566)**	**(566)**
Dividend on preference shares	**-**	**-**	**-**	**-**	**-**	**(718)**	**(718)**
Transfer to statutory surplus reserve	**-**	**358**	**-**	**-**	**-**	**(358)**	**-**
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	**-**	**345**	**-**	**(3,450)**	**-**	**3,105**	**-**
At 31 December 2019	**21,223**	**5,949**	**64**	**10,900**	**5**	**15,499**	**53,640**

	Capital reserve	Statutory surplus reserve	Remeasurement reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2018	21,176	4,720	64	11,616	(8)	14,381	51,949
Profit for the year	–	–	–	–	–	5,262	5,262
Changes in fair value of equity instruments designated at fair value through other comprehensive loss, net of tax	–	–	–	(1,828)	–	–	(1,828)
Actuarial gains on retirement benefit obligations, net of tax	–	–	(3)	–	–	–	(3)
Share of other comprehensive income/(loss) of joint ventures and associates	5	–	–	(8)	–	–	(3)
Exchange differences on translation of foreign operations	–	–	–	–	(7)	–	(7)
Final 2017 dividend declared	–	–	–	–	–	(3,913)	(3,913)
Interest on perpetual medium-term notes	–	–	–	–	–	(300)	(300)
Dividend on preference shares	–	–	–	–	–	(718)	(718)
Transfer to statutory surplus reserve	–	526	–	–	–	(526)	–
At 31 December 2018	21,181	5,246	61	9,780	(15)	14,186	50,439

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 31 March 2020.

TERMS & GLOSSARIES

DEFINITIONS

"AGM"	the annual general meeting of the Company for the year 2019 to be held in 2020
"A Shares"	domestic shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
"Articles of Association"	the articles of associations of the Company, approved on 8 October 2006, and as amended thereafter
"Board"	the board of directors of the Company
"BOT"	build, operate and transfer
"Company" or "CCCC"	China Communications Construction Company Limited, a joint stock limited company with limited liability incorporated under the laws of the PRC on 8 October 2006, and except where the context requires otherwise, all of its subsidiaries
"CCCC-AIDI"	CCCC Airport Investigation and Design Institute Co., Ltd. (中交機場勘察設計院有限公司), a wholly-owned subsidiary of CCCG upon completion of the disposal
"CCCC Dredging"	CCCC Dredging (Group) Co., Ltd.(中交疏浚(集團)股份有限公司), a wholly-owned subsidiary of the Company
"CCCC Finance"	CCCC Finance Company Limited (中交財務有限公司), a subsidiary of the Company
"CCCC-FHDI"	CCCC-FHDI Engineering Co., Ltd. (中交第四航務工程勘察設計院有限公司), a wholly-owned subsidiary of the Company
"CCCC Investment"	CCCC Investment Co., Ltd. (中交投資有限公司), a wholly-owned subsidiary of the Company
"CCCC Leasing"	CCCC Financial Leasing Co., Ltd. (中交融資租賃有限公司, formerly known as中交建融租賃有限公司), a subsidiary of the Company
"CCCG"	China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds approximately 57.96% equity interest in the Company
"CCCG Group"	CCCG and its subsidiaries (excluding the Group)
"CCCG HK"	CCCG (HK) Holding Limited, a wholly-owned subsidiary of CCCG
"CCCI"	CCCC International Holding Limited (中交國際(香港)控股有限公司), a wholly-owned subsidiary of the Company
"CFHCC"	CCCC First Harbor Engineering Co., Ltd. (中交第一航務工程局有限公司), a subsidiary of the Company
"CFHEC"	CCCC First Highway Engineering Group Co., Ltd. (中交一公局集團有限公司), a subsidiary of the Company
"CHEC"	China Harbour Engineering Company Ltd. (中國港灣工程有限責任公司), a subsidiary of the Company
"CHECC"	China Highway Engineering Consultants Co., Ltd. (中國公路工程諮詢集團有限公司), a wholly-owned subsidiary of the Company

TERMS & GLOSSARIES

"CTHEC"	CCCC Third Harbour Engineering Co., Ltd. (中交第三航務工程局有限公司), a subsidiary of the Company
"CRBC"	China Road and Bridge Corporation (中國路橋工程有限責任公司), a subsidiary of the Company
"Director(s)"	the director(s) of the Company
"EPC"	Engineer-Procure-Construct, being the general contracting of design-procurement- construction
"experts in five areas"	the strategy of being "experts in five areas" proposed by CCCG, is the optimisation and re-building of CCCG based on its existing businesses, markets and resources. That is, to build CCCG to be a world-famous engineering contractor, an urban complex developer and operator, a distinctive real estate developer, an integrated infrastructure investor and a general contractor of offshore heavy equipment and port machinery manufacturing and system integration. As an important holding subsidiary of CCCG, CCCC is the significant implementor of such strategy
"Group"	the Company itself and all of its subsidiaries
"H Shares"	overseas-listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars"	the lawful currency of Hong Kong
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Macau"	the Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"No. 4 Engineering Company"	No. 4 Engineering Co., Ltd. of CCCC First Harbor Engineering Co., Ltd. (中交一航局第四工程有限公司), a non-wholly-owned subsidiary of CCCG upon completion of disposal
"PPP"	Public-Private-Partnership, the cooperative model between governments and private sector, which refers to the mechanisms through which governments build profit sharing, risk pooling and long-term cooperating relationship with the private sector, such as granting exclusivity rights, services purchasing and co-investment, so as to enhance the availability of public products and services and improve supplying efficiency
"PRC" or "China" or "Mainland China"	the People's Republic of China excluding, for the purposes of this report, Hong Kong, Macau and Taiwan
"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	State-owned Assets Supervisor and Administration Commission of the State Council
"Shanghai Listing Rules"	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
"Shareholders"	the shareholders of the Company

TERMS & GLOSSARIES

"Supervisor(s)"	the supervisor(s) of the Company
"three roles"	the positioning of playing "three roles" proposed by CCCG, including being responsible for government and economic and social development, taking deep participation in regional economic development and serving as a quality provider of government procurement of public services
"two reserves"	funds reserved for accounts receivable and inventory
"USD"	United States dollars, the lawful currency of the United States of America
"ZPMC"	Shanghai Zhenhua Heavy Industries Co., Ltd. (上海振華重工(集團)股份有限公司), a company incorporated on 14 February 1992 in the PRC and listed on the Shanghai Stock Exchange, and a non-wholly owned subsidiary of CCCG
"%"	percent

CORPORATE INFORMATION

I. CORPORATE INFORMATION

Legal name of the Company in Chinese: 中國交通建設股份有限公司
Legal Chinese abbreviation of the Company: 中國交建
Legal name of the Company in English: China Communications Construction Company Limited
Legal English abbreviation of the Company: CCCC
Legal representative of the Company: LIU Qitao

II. CONTACT PERSON AND CONTACT DETAILS

Secretary to the Board of the Company: ZHOU Changjiang
Address: 85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Tel: 8610-82016562
Fax: 8610-82016524
E-mail: ir@ccccltd.cn

III. BASIC INFORMATION

Registered address of the Company:
85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Postal code: 100088

Office address of the Company:
85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Postal code: 100088

Company website: http://www.ccccltd.cn
E-mail: ir@ccccltd.cn

IV. INFORMATION DISCLOSURE AND PLACE AVAILABLE FOR INSPECTION

Newspapers designated by the Company for disclosure of information (A Shares):
China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by China Securities Regulatory Commission for publishing annual reports of A Shares:
www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publishing annual reports of H Shares:
www.hkexnews.hk

Place available for inspection of the Company's annual reports of A Shares:
19th Floor, 85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Place available for inspection of the Company's annual reports of H Shares:
Room 2805, 28th Floor, Convention Plaza Office Tower, 1 Harbour Road, Wanchai, Hong Kong, China

CORPORATE INFORMATION

V. BASIC INFORMATION ON SHARES OF THE COMPANY

Listing place of A Shares: Shanghai Stock Exchange
Abbreviation of A Shares: 中國交建
Stock code of A Shares: 601800

Listing place of H Shares: The Stock Exchange of Hong Kong Limited
Abbreviation of H Shares: CHINA COMM CONS
Stock code of H Shares: 01800

VI. OTHER INFORMATION OF THE COMPANY

Domestic Auditors:
Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower, Oriental Plaza, No.1 East Chang An Avenue, Dong Cheng District, Beijing, China
Signing auditors: ZHANG Yiqiang and ZHANG Ningning

International Auditors:
Ernst & Young (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)
22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Signing auditor: CHEONG Ming Yik, Hoffman

Sponsor performing continuous supervisory duty during the reporting period:
CITIC Securities Co., Ltd.
CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, China
Signing representative of sponsor: LIU Yan and YE Jianzhong
Period of continuous supervision: 1 January 2019 to 31 December 2019

Hong Kong legal advisors:
Baker & Mckenzie
14/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

PRC legal advisors:
Guantao Law Firm
18/F, Tower B, Xinsheng Plaza, 5 Finance Street, Xicheng District, Beijing, PRC

Authorised representatives of H Shares:
SONG Hailiang, ZHOU Changjiang

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

中國交通建設股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

Room 2805, 28th Floor, Convention Plaza Office Tower,
1 Harbour Road, Wanchai, Hong Kong

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