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

2020
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 the world. The Company currently has 37 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 fifteen 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 fourteen consecutive years. Meanwhile, CCCG ranked the 78th 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 13 innovation platforms at national level, 78 innovation platforms at provincial level and 19 innovation platforms at group level, totaling 110 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 11 Post-Doctoral research centres and 3 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. In 2020, a leading group for scientific and technology innovation and core technology breakthroughs, a high-end scientific and technology think tank and a special committee of young scientific and technology backbones were set up, which, together with the Company's expert committee, form a sound "1+3" decision-making and consultation system for science and technology innovation of the Company. The Company has been accumulatively awarded with 40 National Science and Technology Advancement Awards, 5 Technological Invention Awards, 100 Luban Awards, 295 National Quality Project Awards (including 31 golden awards), 93 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 24 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 111 national standards and 406 industry standards that have been promulgated, and had a total of 13,697 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 spare no efforts to become a globally competitive world-class enterprise with technology, management and quality and start a new journey of high-quality development in the new era.

PERFORMANCE HIGHLIGHTS

RMB million (except per share data)	For the year ended 31 December 2020	2019	Change (%)
Revenue	**624,495**	553,114	12.9
Gross Profit	**80,036**	69,297	15.5
Operating Profit	**34,405**	34,132	0.8
Profit attributable to owners of the Company	**16,475**	19,999	(17.6)
Basic earnings per share (RMB)(Note 1)	**0.92**	1.16	(20.7)

RMB million	As at 31 December 2020	2019	Change (%)
Total assets	**1,304,169**	1,123,414	16.1
Total liabilities	**946,365**	827,004	14.4
Total equity	**357,804**	296,410	20.7
Capital and reserves attributable to owners of the Company	**245,071**	229,916	6.6

Value of New Contracts	For the year ended 31 December 2020		2019	
RMB million	Number of projects	Value of Contracts	Value of Contracts	Change (%)
Infrastructure Construction Business	**2,166**	**950,883**	851,924	11.6
— Port Construction	**407**	**37,942**	28,405	33.6
— Road and Bridge Construction	**609**	**276,907**	272,622	1.6
— Railway Construction	**28**	**15,455**	16,941	(8.8)
— Urban Construction	**859**	**418,912**	346,172	21.0
— Overseas Projects	**263**	**201,667**	187,784	7.4
Infrastructure Design Business	**5,105**	**47,730**	47,509	0.5
Dredging Business	**578**	**58,837**	52,783	11.5
Other Businesses	**N/A**	**9,349**	12,467	(25.0)
Total	**N/A**	**1,066,799**	964,683	10.6

Backlog	As at 31 December 2020		2019	
RMB million	Number of projects	Value of Contracts	Number of projects	Value of Contracts
Infrastructure Construction Business	**5,483**	**2,602,729**	6,604	1,810,347
Infrastructure Design Business	**16,229**	**129,743**	10,849	85,062
Dredging Business	**2,076**	**170,065**	1,658	95,017
Other Businesses	**N/A**	**7,785**	N/A	11,460
Total	**N/A**	**2,910,322**	N/A	2,001,886

Notes:

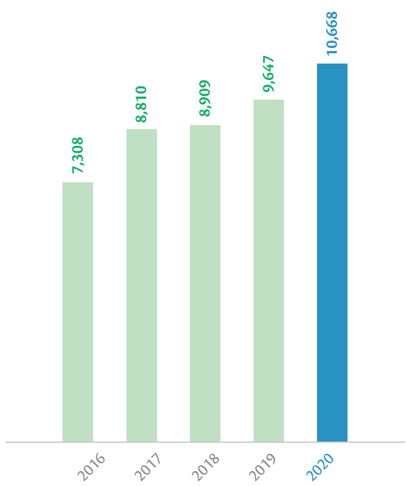
1. In calculating the amount of basic earnings per share, the interests/dividends with an aggregate amount of RMB1,586 million shall be excluded from profits
2. As a result of the business combination of CCCC Tianhe under common control in June 2020, the financial results of CCCC Tianhe have been consolidated by the Group under the other businesses segment since then. The data for the corresponding period of the previous year has been adjusted simultaneously. In 2019, CCCC Tianhe recorded a value of new contracts of RMB2,000 million
3. Since 2020, the Company has been using big data tools to achieve online production and operation data collection for outstanding contracts in a more accurate and scientific way

PERFORMANCE HIGHLIGHTS

NEW CONTRACTS VALUE

RMB
1,066,800 million in 2020

FIVE YEARS NEW CONTRACTS (RMB100 million)

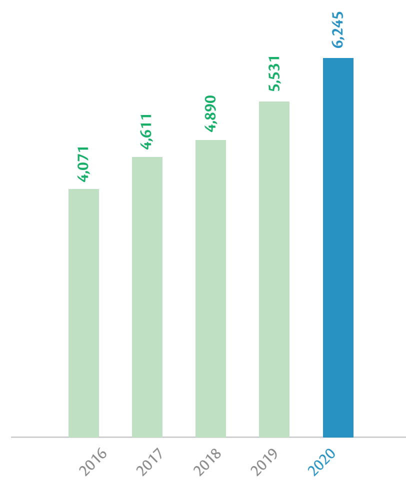


"By the end of the Thirteenth Five-Year Plan period, the scale of the Company's new contracts hit RMB1 trillion with a CAGR of approximately **8%**."

OPERATING INCOME

RMB
624,500 million in 2020

FIVE YEARS OPERATING INCOME (RMB100 million)



"By the end of the Thirteenth Five-Year Plan period, the Company's operating income reached RMB624.5 billion with a CAGR of over **9%**."

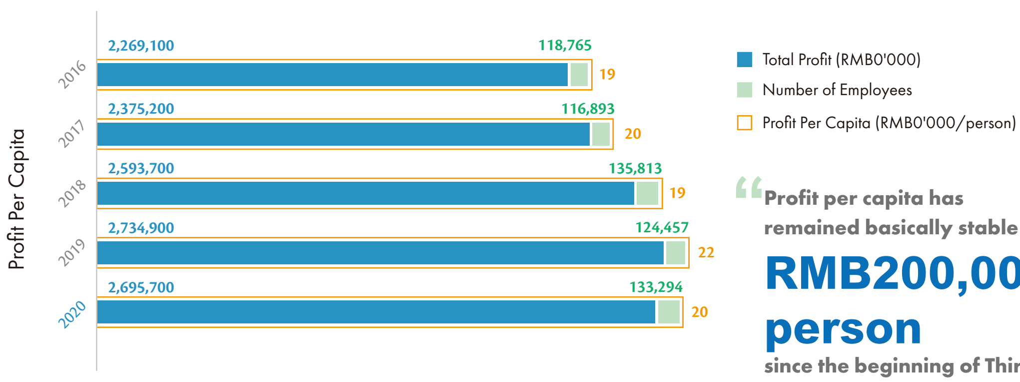
PROFIT PER CAPITA

2020

TOTAL PROFIT
RMB **27,000** million

NUMBER OF EMPLOYEES
133,294

PROFIT PER CAPITA
200 thousand/person



"Profit per capita has remained basically stable at **RMB200,000/ person** since the beginning of Thirteenth Five-Year Plan."

PERFORMANCE HIGHLIGHTS

DIVIDENDS TO PUBLIC SHAREHOLDERS

(RMB100 million)

2016	2017	2018	2019	2020
11	14	15	16	12

TOTAL CASH DIVIDENDS

RMB 17,500 million

"The Company has maintained **continuity and stability** of its dividend policy since the beginning of Thirteenth Five-Year Plan."

DIVIDEND RATE OF A SHARES AT THE DECLARATION DATE

2016	2017	2018	2019	2020
1.1%	1.9%	1.8%	2.8%	2.6%

DIVIDEND RATE OF H SHARES AT THE DECLARATION DATE

2016	2017	2018	2019	2020
1.7%	3.0%	2.8%	4.3%	6.0%

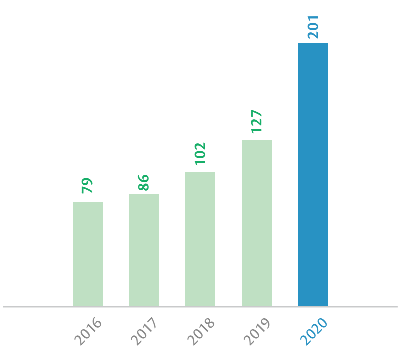
"By the end of the Thirteenth Five-Year Plan period, the dividend rate of the Company recorded **an increase**."

RESEARCH AND DEVELOPMENT COSTS

2020

RMB 20,100 million

Five Years Research and Development Costs (RMB100 million)



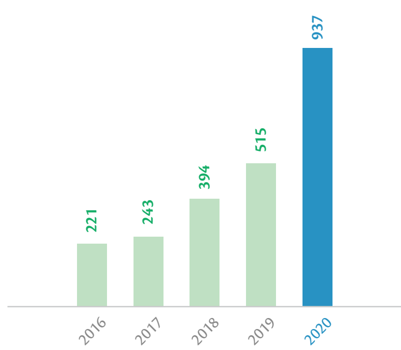
"The Company intensified its investments in research and development in line with national strategies by focusing on core technologies and bottleneck problems. By the end of the Thirteenth Five-Year Plan period, the research and development costs of the Company accounted for **3.2%** of its revenue."

CASH FLOWS FROM FINANCING ACTIVITIES

As at 31 December 2020,

RMB 93,700 million

Five Years Cash Flows from Financing Activities (RMB100 million)



"During the Thirteenth Five-Year Plan period, the Company conducted financing activities leveraging on its **operation strength** and **leading position** in the industry to provide sufficient funding and **strong support** for its production, operation and development and strategic transformation and upgrading."

Note: The performance highlights herein are for display purpose only. Any discrepancies between the amounts set out herein and those set out in this annual report are due to rounding.

Full Opening of Karakoram Highway Phase II. The highway is the core section of the land route of China-Pakistan Economic Corridor and the main component of the north-south road network of Pakistan. The completion of the project can not only facilitate the construction of Pakistan's road network and transportation infrastructure, accelerate resource development and economic development along the project, but also provide a convenient, safe and comfortable land route for China-Pakistan economic, trade, cultural and people-to-people exchanges.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present to you the 2020 annual report of the Company for your review.

In 2020, despite the austere and complex external situation and in particular, severe shock from the COVID-19, the Company elaborately and carefully planned and arranged to resume work and production in an orderly manner. Revenue of the Group for the year was RMB624,495 million, representing a year-on-year increase of 12.9%; and the contract conversion rate led peer companies in the industry. Net profit attributable to the shareholders of the Company amounted to RMB16,475 million, representing a year-on-year decrease of 17.6%, which was affected by the domestic toll-free policy on toll roads in the first half of the year, and impact of the COVID-19 on projects under construction outside of China. Entering the second half of the year, however, net profit attributable to the shareholders achieved an increase of 98.6% over the first half of the year, which means the impact brought about by the epidemic has diminished. Earnings per share were RMB0.92 and a cash dividend of approximately RMB1.81 per 10 shares was proposed. The Group's value of new contracts for the year amounted to RMB1,066,799 million, representing a year-on-year growth of 10.6%. As at 31 December 2020, the backlog of the Group amounted to RMB2,910,322 million with sufficient order backlog, which provided strong support and guarantee for sustained and steady development of the Company.

The hard work and progress in the past year is a vivid epitome of the Company's struggle to focus on high-quality development during the Thirteenth Five-Year Plan period and crossing the historical hurdle of "growing from big to strong". In the past five years, the Company has dovetailed with the major strategic deployments such as China with Transport Power, China with Ocean Power and a new type of urbanization. The Company optimized the "experts in five areas" strategic system, focused on three themes of "transport, city and life", and made good efforts in five directions, "overseas development", "bay area layout", "urbanization", "network building" and "people orientation". Our development was fully integrated with China's economic and social development, with total assets and business scale exceeding RMB1 trillion each. The value of new contract, revenue and total profit recorded annual compound growth rate of 7.9%, 9.0% and 3.6% respectively.

CHAIRMAN'S STATEMENT

As a major holding subsidiary of CCCG, the Company played an important role in the business performance of CCCG. The ranking of CCCG in the Fortune Global 500 jumped from 110th in 2016 to 78th in 2020, and has ranked the first among Chinese enterprises in ENR's Top International Contractors for the fourteenth consecutive years. Insisting on the supremacy of technology innovation, and relying on major projects, the Company made significant breakthroughs in solving the difficult technical problems, which made its voice louder in market competition and broadened space for its sustainable development. During the year 2020, the Company has won 40 National Science and Technology Advancement Awards, 5 National Technological Invention Awards, 93 Zhan Tianyou Awards and 100 Luban Awards.

The development of the Company during the Fourteenth Five-Year Plan period will still embrace important strategic opportunities which outweigh challenges. In line with CCCG's strategic goal of "two maintains and one strive (兩保一爭)" (maintaining its status as the No. 1 international contractor in Asia, maintaining its A-level assessment results as a central enterprise, and striving to enter the Fortune Global 500 during the Fourteenth Five-Year Plan period), we will stride toward worldwide markets and focus on construction, principal business and expertise. In accordance with the "123456" overall development path, we will value the tackling of "six relationships", being strategy and execution, development and safety, growing strong and big, principal business and other businesses, old and new dynamics, and doing things in the right way and doing the right thing. The Company will concentrate on "three majors (三重)" (major projects, major regions and major markets) and emphasize "two macros and two priorities (兩大兩優)" (macro traffic and macro city, as well as overseas priority and rivers, lakes and seas priority). The Company will intensify efforts on investment, project, asset and capital, enhance its core competitiveness, and promote itself to develop in a higher quality, more efficient, more equitable, more sustainable and safer manner, striving to become a globally competitive world-class enterprise with technology, management and quality.

In respect of the operation goals in 2021, the opening year of the Fourteenth Five-Year Plan, the Company plans to achieve a year-on-year growth of no less than 10% in the value of new contracts and revenue. Detailed measures will be formulated for indicators, such as gearing ratio, operating profit margin, intensity of investment in R&D, and overall labour productivity, with a view to fully achieving the assessment targets. The Company will comprehensively implement the "123456" overall development path through doing well in six key aspects including optimising operation and stabilising growth, advancing innovation and building momentum, promoting reform and stimulating vitality, refining management and improving quality and efficiency, preventing risks and guarding the bottom line, and enhancing Party building and cohesion, so as to ensure a good start during the Fourteenth Five-Year Plan period.

All Shareholders, in the face of the new situation, challenges and tasks, the Company will deeply implement General Secretary Xi Jinping's important remarks on the reform and development of state-owned enterprises and Party building. The Company will leverage on the new development stage with new development concept in mind, integrate into the new development landscape, and adhere to the general keynote of seeking progress in a stable manner. Taking the promotion of quality development as the theme, the deepening of supply-side structural reform as the line, and the conduct of reform and innovation as the fundamental force, the Company will coordinate development and safety more effectively, and start a new journey of high-quality development. 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!

Wang Tongzhou
Chairman

Beijing, the PRC
30 March 2021

The ShuiDongWan Bridge in Maoming, Guangdong Province, is not only a critical part of the efficient and fast road network of Binhai New Area, but also an important component of the green route network within Binhai New Area.

BUSINESS OVERVIEW

MAIN BUSINESS

The Company is a leading transportation infrastructure enterprise in the PRC focusing on “big transportation” and “big city” 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, land reclamation, river basin, road and bridge, railway, urban rail transit, municipal infrastructure, construction and environmental protection 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 decades.

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 subcontractors 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 and other investment projects in 2007 to obtain investment profits apart from those from reasonable design and construction. After years of development, in keeping with changes in the market environment, policy situation, and industry demand, the Company has always strictly controlled the key points in the investment process, and continuously promoted the deepening and implementation of the commitment to “value-oriented investments”. For details, please refer to the section headed “Management’s Discussion and Analysis”.

CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) Strong Advantages in the Fields of Principal Businesses

The Group 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 the largest highway investor in China, and owns the largest engineering fleet in the world. The Group has 37 principal wholly-owned or holding subsidiaries, and operates businesses in China's all provinces, cities, autonomous regions, Hong Kong Special Administrative Region and Macau Special Administrative Region and 139 countries and regions across the world.

The Group is the world's largest port design and construction company and has a leading professional ability and a complete industry chain. It undertakes the design and construction of most of medium and large ports in coastal zones since the founding of PRC, and participates in the design and construction of many large ports overseas, fostering a strong competitiveness and brand influence. In China, there are limited market players that can compete with the Group.

The Group is the world's largest road and bridge design and construction company and realizes the infrastructure industry layout with full lifecycle, whole-process and integrated services, covering from single industry chain to whole industry chain (planning, feasibility study, investment and financing, survey and design, project construction, operation and maintenance, and asset disposal), from domestic market to overseas market and from road to civil engineering industry. In the field of design and construction of expressways, high-grade highways as well as river-crossing and sea-crossing bridges, the Group has leading technologies, adequate financial capacity, outstanding project performance, abundant resource reserves and a good reputation. As social capitals are entering the infrastructure industry at a faster pace amid the country's greater efforts to deepen the reform of investment and financing circulation system, competitors of the Group are not limited to large central enterprises and local state-owned infrastructure enterprises only, and strong private enterprises, financial institutions and other social capitals will also participate in the competition.

The Group is one of the largest railway construction company in China and 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 domestic traditional railway infrastructure enterprises 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, becoming a heavyweight in the market. With regard to the railway infrastructure design, the Group entered the market during the "Eleventh Five-Year" period and it is now making efforts to further improve the market influence and stays in the market cultivation stage currently.

The Group is the world's largest dredging company and enjoys absolute influence in China's coastal dredging market. After years of development, it has strong competitiveness in core equipment, professional advantage, technological strength, credit rating, public image and industry brand, and builds a full industry chain of planning, consultation, investment, design, construction and operation in the fields of port dredging, channel dredging, land reclamation, watershed management, pre-dredging and post-dredging services and environmental protection. Currently, the Group has the largest and most advanced dredging team in China and ranks the first in the global market in terms of the total capacity of trailing suction hopper dredgers and total installed power of cutter suction dredgers.

CORE COMPETITIVENESS DURING THE REPORTING PERIOD (CONTINUED)

(II) Advance Towards a World's Leading "Sci-Tech" Enterprise

The Company attaches great importance to technological innovation, continuously improves the technological innovation system and strengthens efforts to achieve breakthrough in core technologies. It is committed to improving the independent innovation capability, continuously deepening the technology system reform, enhancing technological innovation incentive and talent pool construction, taking multiple measures to promote the strategy of innovation-driven development and staying determined to advancing towards a world's leading "sci-tech" enterprise by technological innovation.

The Company has established the leading group for technological innovation and core technology breakthrough and puts great efforts to overcome technology bottleneck. It has a "three-level and three-type" platform system that integrates fundamental application research, technology research and development, and engineering and industrialization research. Meanwhile, the Company builds the high-end technology think tank comprised of academicians of Chinese Academy of Engineering, to serves as the brain trust of the Company and the platform for introducing external high-end technology and promoting technology cooperation. Furthermore, 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 "three-in-one" nurturing model integrating talents, teams and platforms to nurture scientific and technological talents team.

The Company makes significant breakthrough in technologies regarding road construction and maintenance under complicated natural conditions, expressway in high-cold permafrost regions, long-span bridge, long and large mountain tunnel, underwater tunnel, highway-railway bridge, offshore deep-water port, rapid island building in open seas, deep-water submerged tube tunnel, installation and construction of wind power infrastructure, and ranks among the top in the international market. The core technology of super-large diameter tunnel shield machine manufacturing breaks the foreign technology blockade, realizes the domestication and industrialization of the whole machine, and is comparable to top-ranking enterprises of European and American markets. Applied technologies including BIM, Beidou satellite and high-resolution remote sensing witness rapid development and maintain the leading position in the industry domestically.

(III) New Achievements in Business Qualification

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

The Group has obtained a total of 38 extra-grade qualifications, including 10 extra-grade qualifications for general contracting of port and waterway engineering construction, 25 extra-grade qualifications for general contracting of road project construction, 2 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 and mapping, testing, and external operations.

In 2020, the Group obtained 26 first level and above construction qualifications, which greatly supported the pace of market expansion.

BUSINESS OVERVIEW

In 2020, in the face of extremely complex and severe external conditions and the global spread of COVID-19 pandemic, the Company insisted on elaborate planning and deployment, tackled tough problems precisely, coordinated its efforts in both the domestic and overseas markets to continue on expanding its footprints and innovating its business model and to accelerate "two paths" development, namely internal improvement and external growth, and therefore has achieved a new leap in the production and operation. The Company continuously deepen technological innovation, thus the overall development has maintained a good momentum of overall stability and progress.

In 2020, the value of new contracts of the Group amounted to RMB1,066,799 million, representing a year-on-year increase of 10.6%. As at 31 December 2020, the backlog of the Group amounted to RMB2,910,322 million, of which, the value of the contract signed but not yet performed was RMB758,824 million and the value of the contract performed but not yet completed was RMB2,151,498 million.

In 2020, affected by the strong resistance to the epidemic in overseas markets and the complex political environment, the market development was precise and vigorous. The value of new contracts of all businesses from overseas markets of the Group achieved RMB204,989 million (equivalent to approximately USD29,743 million), representing a year-on-year increase of 4.7%, accounting for approximately 19% of the Group's new contracts value. Statistics showed that as at 31 December 2020, the Group operated businesses in 139 countries and regions.

In 2020, the confirmed contract value from infrastructure and other investment projects of the Group amounted to RMB176,928 million[1] (the contract value domestically and overseas recognized amounted to RMB172,326 million and RMB4,602 million[2] respectively), representing a year-on-year decrease of 11.7% and accounting for approximately 17% of the Group's new contract value. The value of construction and installation contracts to be undertaken by the Group was estimated to be RMB198,892 million.

I. BUSINESS REVIEW AND MARKET STRATEGIES

(I) Domestic Market

In 2020, the whole country promoted the epidemic prevention and the economic and social development achieved major achievements. China's economy witnessed a rebound from the previous slowdown and recovered stably, the completion of major indicators was better than expected, and the gross domestic product recorded an increase of 2.3% throughout the year. Fixed asset investment in infrastructure increased by 0.9%. Specifically, investment in the waterborne transport industry increased by 9.5%, investment in ecological protection and environmental improvement increased by 8.6%, investment in water management increased by 4.5%, investment in road transport business increased by 1.8%, investment in public facility management increased by 0.2%, while investment in railway transport business decreased by 2.2%.

To cope with the impact of COVID-19 and the economic slowdown pressure, the country announced a series of favorable policies in the first half of 2020, including special local government bonds, tax cuts and fee reductions, reducing the proportion of capital in PPP projects and encouraging infrastructure REITs pilot program, all of which brought new opportunities to the industry. Owning to the implementation of reverse stimulation policies including national fiscal and financial policies and multiple measures adopted by local governments to ensure steady growth and the vigorous promotion of new infrastructure construction, new urbanization, major transportation and water projects, new industries, new segments and new growth drivers are taking shape and developing rapidly, major construction investment plans are launched in various districts, and the construction market embraces opportunities to grow for recovering from and offsetting the negative impact and opens greater space for development.

In 2020, the Company was committed to overcoming the current difficulties and demonstrating its responsibility as "A Pillar of the Great Power" in overcoming obstacles. The completion of the installation of the first submerged tube of Dalian Bay Subsea Tunnel realized the first breakthrough in the construction of submerged tube tunnel in cold areas. CCCC's Nujiang Love-Connection Bridge was officially opened to traffic, setting the record for the largest single-span pushing diameter in Asia. The largest-diameter mud-water balance shield machine "Great Wall" that independently researched and developed, designed, manufactured has successfully launched, marking the end of the era relying on foreign brands for China's super-large-diameter shield tunnel construction. Every super project and super equipment embodies CCCC's plan, power, and effort.

1 The confirmed contract value of share participation projects recognized in proportion of shareholding amounted to RMB49,586 million

2 Excluding the projects signed by John Holland

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(II) Overseas Market

In 2020, as cross affected by the COVID-19 pandemic and economic growth problems, the industrial chain and supply chain was greatly impacted. The external environment was uncertain amid imbalanced foreign policy of major western economies, headwinds from anti-globalization, and superposition of trade protection and populist security threats. Despite of these, major economies across the world still adopted investment and infrastructure development as the important solution to boost economy. China has been promoting the high-quality development of the "Belt and Road Initiative", and the construction of the road to health, cooperation, recovery and growth has become the direction of joint efforts of all countries under the new situation.

In 2020, the Company actively integrated into the overall situation of national development, deepened international exchanges and cooperation, and pioneered in implementing strategies, setting an example for deepening Sino-foreign economic and trade cooperation and high-quality co-construction of the "Belt and Road Initiative". The Company managed to achieve a rare growth in terms of market expansion against the trend under a severe global economic recession, and maintained a leading position in the industry, as its international business performance ranked in the forefront of ENR's top 250 international contractors for six consecutive years, and ranked first among the largest international engineering contractors in Asia for 14 consecutive years. In 2020, the Company withstood the pressure, fought hard, and steadily promoted the full resumption of the Malaysia East Coast Rail Link Project. Section II of Karakoram Highway Phase II Project was successfully opened to traffic, and the Kenya Mombasa-Nairobi Railway operated safely and efficiently during the pandemic, fully showcasing the Company's responsibility as "A Pillar of the Great Power".

(III) Business Summary

1. Infrastructure Construction Business

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

In 2020, the value of new infrastructure construction contracts entered into by the Group amounted to RMB950,883 million, representing a year-on-year increase of 11.6%. Wherein, the value of new contracts from overseas markets amounted to RMB201,667 million (equivalent to approximately USD29,261 million); the confirmed value of contracts from infrastructure and other investment projects amounted to RMB175,015 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB197,069 million. As at 31 December 2020, the backlog amounted to RMB2,602,729 million.

Categorised by project type and location, the value of new contracts in terms of port construction, road and bridge construction, railway construction, urban construction and overseas projects amounted to RMB37,942 million, RMB276,907 million, RMB15,455 million, RMB418,912 million and RMB201,667 million, representing 4%, 29%, 2%, 44% and 21% 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 port terminals since the founding of PRC. With compelling competitive edges, the Group encountered relatively limited substantive competitors.

In 2020, the value of new contracts of the Group for port construction projects in Mainland China amounted to RMB37,942 million, representing a year-on-year increase of 33.6%, and accounting for 4% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects amounted to RMB3,029 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 2020, according to the data published by the Ministry of Transport, the fixed assets investment in coastal and inland water transportation construction completed amounted to approximately RMB117,842 million, representing a year-on-year increase of 14.4%. Coastal ports gradually developed towards resource integration, smart upgrade and transformation, comprehensive large-scale hub ports and resource-based port construction, which created new market opportunities. Focusing on the strategy of "prioritizing rivers, lakes and seas", the Company concentrated on important regions such as the Yangtze River Delta, Guangdong, Hong Kong and Macao, etc., and responded to the demands of the construction of coastal, riverine and canal hub ports and the upgrade and transformation of terminals to explore potential, expand capacity and increase efficiency, thereby successfully implementing the Project for Channel and Breakwater of Dananhai Eastern Bank in Jieyang Port, the Zaozhuang Section of the Class II Navigation Channel Renovation Project of the Beijing – Hangzhou Grand Canal and other projects. The Company has maintained its position as the leader in the traditional business industry.

(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 state-owned infrastructure enterprises.

In 2020, the value of new contracts of the Group for road and bridge construction projects in Mainland China reached RMB276,907 million, representing a year-on-year increase of 1.6%, and accounting for 29% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects amounted to RMB60,696 million.

From January to November 2020, according to the data published by the Ministry of Transport, the fixed assets investment in road transport construction amounted to approximately RMB2,256,907 million, representing a year-on-year increase of 11.5%. The funding of infrastructure investment received strong support from various aspects, such as the effectiveness of a number of steady growth policies introduced during the post-pandemic period and the use of local government bonds, coupled with flexible and precise promotion of proactive fiscal policy and sound monetary policy. The provinces actively facilitated the construction of a strong transportation, expanded busy passages, strengthened inter-provincial passages, improved vertical passages, and implemented the construction project of national expressways to ensure smooth traffic flow.

In 2020, the Company enhanced its capability to expand the spot exchange market, and continued to optimize its regional layout and business portfolio. Leveraging on its advantages in technology, talent and market, the Company successfully secured a number of large-scale projects including the Hefei-Zongyang Section of Dezhou-Shangrao National Expressway, the Jingjiang Yangtze River Tunnel Project in Jiangyin of Jiangsu Province, and the Reconstruction and Expansion Project of Nanjing Section of Provincial Highway 126, consolidating the Company's leading position in the market of high-grade highways and large-scale bridges and tunnels. Meanwhile, the Company further leveraged its advantage in the whole industry chain in the area of transportation infrastructure investment to invest and construct the BOT Project of Dejiang-Yuqing Expressway in Guizhou Province and the BOT Project of Zhanhua-Linzi Expressway in Shandong Province so as to facilitate the Company to upgrade business towards high value-added segments.

(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 two domestic traditional railway infrastructure enterprises in terms of market shares in China. However, as to the overseas market, the Company has successfully entered the railway construction markets in Africa, Southeast Asia, etc., and several major railway projects have been completed or operated or are under construction by the Company, showing vital market influence.

In 2020, the value of new contracts of the Group for railway construction projects in Mainland China reached RMB15,455 million, representing a year-on-year decrease of 8.8%, and accounting for 2% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects amounted to RMB7,736 million.

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(III) Business Summary (continued)

1. Infrastructure Construction Business (continued)

(3) Railway Construction (continued)

In 2020, the Company increased the investment in the railway operation, and successfully signed the contracts for the spot exchange projects including the Harbin-Mudanjiang Passenger Railway Pre-Station Project, Lijiang-Shangri-La Railway Pre-Station Project, etc. The Company also invested in the construction of the Naomao Lake–Jiangjun Temple Freight Railway Project in Xinjiang, officially entering the whole industry chain construction market of the freight railway.

The "14th Five-Year Plan" of the railway business focused on improving the construction of the "eight verticals and eight horizontals" high-speed railway network, actively promoting intercity railways, accelerating the development of urban railways, enhancing the road network layout, and implementing a number of major projects such as the Sichuan-Tibet Railway and the New Western Land-Sea Corridor. In the future, the Company will enhance market development, explore the integrated management of construction, investment and operation, and integrated control of market and production to build the brand of "CCCC Railway". We will also put an emphasis on the key projects in key regions, anchor major railway trunk line projects such as the Sichuan-Tibet Railway and the Coastal High-speed Rail Corridor, and strive to achieve greater breakthroughs in performance.

(4) Urban Construction

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

In 2020, the value of new contracts of the Group for urban construction projects, etc. in Mainland China reached RMB418,912 million, representing a year-on-year increase of 21.0%, and accounting for 44% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects was RMB98,952 million.

Due to rapid progress of urbanization in China, the country and the people put forward stringent and more requirements for urban construction. Urban construction has started to develop towards vertical in-depth services with the strengthening of urban renewal and an increase in the projects related to people's livelihood and environmental protection. The government continued to increase the proportion of investment in urban public utilities, and the market capacity of municipal businesses covering urban expressway renovation, municipal pipe network construction, city traffic planning, old town renovation, living environment and ecosystem upgrade continued to increase, which created new growth points for the industry.

The Company commenced in-depth participation in the urban renewal initiatives, shifting from project-based activities to urban operation, and moving from satisfying demand to guiding and innovating demand. Focusing on building cultural cities, livable cities, resilient cities, green cities, and smart cities, the Company signed contracts for major urban projects such as the New Energy Smart Vehicle Comprehensive Test Site Project in Shangrao City, the Yinhu Resettlement Housing Project in Fuyang District, Hangzhou City, and the Jinan Changqing Industrial New City Project etc., increasing its influence and discourse power in the industry. The Company continued to exert efforts in developing the urban rail transportation market and successively implemented its plan in Tianjin, Nanjing, Chengdu and other major regions. Through precise measures such as high-end operation, internal synergies, external cooperation and regional in-depth cultivation, etc, the Company successively implemented a number of water environment treatment and water conservancy construction projects, including the Project of County Water Control Engineering in Tangshan City and the Fenghe and Juehe Comprehensive Water Treatment Project in the high-tech zone, etc.

(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, 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 2020, the value of new contracts of the Group for overseas projects in the infrastructure construction business amounted to RMB201,667 million (equivalent to approximately USD29,261 million), representing a year-on-year increase of 7.4%, and accounting for 21% of that of the infrastructure construction business. Wherein, the value of contract of the BOT Project of Kenya Nairobi Expressway Investment confirmed in the form of infrastructure and other investment project amounted to RMB4,602 million (equivalent to approximately USD668 million). In addition, 32 new projects were entered into with each contract value over USD300 million and a total contract value of USD19,175 million, accounting for 64% of total value of all overseas new contracts of the Group.

Categorised by project type, the value of overseas new infrastructure construction contracts for roads and bridges, construction, ports, railways, urban construction, etc. accounted for 31%, 19%, 5%, 4% and 41% of the value of new contracts for overseas projects, respectively.

Categorised by project location, the value of new infrastructure construction contracts for Africa, Southeast Asia, Oceania, Hong Kong/Macau/Taiwan, and other regions accounted for 36%, 20%, 13%, 8% and 23% of the value of new contracts for overseas projects, respectively.

In 2020, faced with exceptionally severe external situation, the Company overcame the impact of the pandemic, and carried out in-depth practices of the overseas priority strategy, which enhanced the brand awareness concerning China Road, China Bridge, China Port and China Island around the world. The Company strengthened its integration with the "Belt and Road" interconnection project, promoted an in-depth deployment in "six corridors and six channels serving multiple countries and ports", and made successive achievements in market development. The Company won the bid of the first contract section of Maya Railway in Mexico by combining Portugal Mota-Engil, achieving the first breakthrough of the Company in the spot exchange project of the Mexican government. The Company also secured the Water Conservancy Project in Moamba, Mozambique, which was another important achievement of China-Africa cooperation. The Company implemented the EPC project for the Tuas Comprehensive Waste Treatment Plant in Singapore, and continued to enhance the entire ecological service system of the city.

In addition, the Company paid extra attention to risk management and control, and carried out various risk management, prevention and control work in accordance with the principles of "practical planning, internationalization of resources, normalization of management, diversification of approaches, and visualization of command, advance forecasting, advance warning, advance deployment and advance action". The Company fully leveraged on its overall overseas advantages, enhanced international resources and cross-regional coordination capabilities, continuously raised the protection of security interests and the ability to address overseas emergencies, properly dealt with overseas public security threats, and optimized the organization system, institutional system, team building system, planning system, training and drill system, protection system and information-based risk control measures.

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.

In 2020, the value of new contracts of the Group in infrastructure design business reached RMB47,730 million, representing a year-on-year increase of 0.5%. Wherein, the value of new contracts from overseas markets amounted to RMB2,033 million (equivalent to approximately USD295 million), accounting for 4% of the infrastructure design business. The confirmed value of contracts from infrastructure and other investment projects was RMB823 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB790 million. As at 31 December 2020, the backlog amounted to RMB129,743 million.

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(III) Business Summary (continued)

2. Infrastructure Design Business (continued)

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 RMB14,274 million, RMB926 million, RMB28,112 million and RMB4,418 million, representing 30%, 2%, 59% and 9% of the value of new contracts for infrastructure design business, respectively. For the corresponding period of 2019, the value of new contracts of the above items accounted for 28%, 2%, 52% and 18%, respectively.

In 2020, the scale of domestic survey and design projects obtained by the Company increased significantly as compared with that in previous year, mainly due to rapid launch of new infrastructure projects that owns higher growth space for infrastructure design and benefits first as the effects of a series of policies to maintain steady growth and make a counter-cyclical adjustment released gradually. The Company played a leading role in planning and design, strengthened internal and external cooperation, optimized construction organization and design, undertook a number of expressway survey and design projects in the southwestern provinces, and continuously promoted the integrated mode of planning, consulting, design and engineering with full-process consulting and high-quality services, securing projects such as the Project of Terminal in Dalanping Operation Area, Qinzhou Port, Guangxi Province and Urban Infrastructure Project in Jiayu County, Xianning City, Hubei Province, etc.

3. Dredging Business

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

As the largest dredging enterprise in China and even in the world in terms of the total capacity of trailing suction hopper dredgers and total installed power of cutter suction dredgers, the Group enjoys absolute influence in China's coastal dredging market.

In 2020, the value of new contracts of the Group in dredging business reached RMB58,837 million, representing a year-on-year increase of 11.5%. Wherein, the value of new contracts from overseas markets amounted to RMB882 million (equivalent to approximately USD128 million), the confirmed contract value from infrastructure and other investment projects amounted to RMB1,090 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB1,033 million. As at 31 December 2020, the backlog amounted to RMB170,065 million.

In 2020, according to the vessel purchase plan, no large vessel was newly constructed with special purpose to serve in the Group's dredger fleets. As at 31 December 2020, the Group's dredging capacity amounted to approximately 784 million cubic meters under standard operating conditions.

In 2020, the market size of coastal dredging business increased significantly as compared with that in previous years with the market hot areas remaining in the southern region. The business of inland waterways, reservoirs and lake dredging embraced new growth points. The reclamation business remained relatively sluggish due to the control of reclamation and the restriction of marine environmental protection policy.

Facing both challenges and opportunities, the Group upheld the market first principle, explored innovative watershed management projects with its focus on major rivers, lakes and seas, continuously augmented the brand effect, and established a stable development pattern driven by four principles of "tradition, emergence, investment and overseas market". Firstly, the Company secured steady development in the traditional business segment, winning the bid for the Donghaidao Soft Foundation Project in Zhanjiang, Xuwei Waterway Dredging Project of Phase II of 300,000 DWT Waterway Engineering Project in Lianyungang Port, and the Waterway Project of 200,000 DWT of Caofeidian Port, Tangshan and other major projects, achieving zero loss of bids for key tracking projects. Secondly, we secured watershed management projects with water management as the core, and successfully entered new markets such as urban comprehensive development and municipal water conservancy infrastructure, and obtained a number of major projects, including the Wanfu River Comprehensive Water Treatment Project Phase I in Heze, the Comprehensive Improvement Project of the Sub-Standard Water Body in Zhongshan City, and the Comprehensive Watershed Management and Development Project of Yixin Lake C Area in Shuangliu District, Chengdu, which preliminarily constituted the "CCCC plan" for the comprehensive watershed treatment. Thirdly, the overseas business achieved new development and overcame a number of unfavorable factors to successfully facilitate the signing of the Reclamation Project in Manila Bay, Philippines with a contract value of USD780 million, which was the largest reclamation project undertaken by the Group in the overseas market.

4. Other business

In 2020, the value of new contracts of the Group in other business amounted to RMB9,349 million, representing a year-on-year decrease of 25.0%. As at 31 December 2020, the backlog amounted to RMB7,785 million.

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	PPP Project of Huangma Work Zone and Lingang New City Work Zone (Phase I) in the Urban Harbor District of Huai'an Port in Jiangsu Province	3,029
2	Lot A and Lot B of EPC Project for Western Port Pool Terminal 8~11# of Lusi Work Zone of Nantong Port in Jiangsu Province	2,129
3	Project for Public Entrance Channel of Dananhai Eastern Bank and Breakwater of Public Wharf in Jieyang Port, Guangdong Province	1,231
4	Water Transportation Project of Phase I of Metal Ores Terminal (Continued Construction) in the Bulk Cargo Area of Huanghua Port, Hebei Province	1,200
5	EPC Project of Embankment and Breakwater of Supporting Terminal for Vinyl Oil Refining Expansion Project in Hainan Province	1,050

Road and Bridge Construction

No.	Contract Name	Contract Value
1	BOT Project of Guiyang-Jinsha-Gulin (Guizhou and Sichuan Conjunction) Highway in Guizhou Province	9,999
2	BOT Project of Chongqing-Hunan Parallel Line (City Center to Youyang Section) and Wulong-Daozhen (Chongqing Section) Highway in Chongqing	9,687
3	BOT Project of Dejiang-Yuqing Expressway in Guizhou Province	9,140
4	Project of Pingguo-Nanning Section of Tian'e-Beihai Highway in Guangxi Province	9,024
5	BOT Project of Zhanhua-Linzi Expressway in Shandong Province	5,868

Railway Construction

No.	Contract Name	Contract Value
1	BOO Project of Mengxi Industrial Park–Sanbei Yangchang Railway in Ordos City	3,383
2	BOO Project of Naomao Lake–Jiangjun Temple in Xinjiang	3,313
3	PPP Project of High-speed East Station and Supporting Road Construction in Changzhi, Shanxi Province	1,040

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(III) Business Summary (continued)

1. Infrastructure Construction Business (continued)

Urban Construction

No.	Contract Name	Contract Value
1	EPC Project of High Speed Railway New City Infrastructure and Public Construction Supporting Investment and Construction in Zhangjiagang City	20,851
2	EPC Project of Connection Works for Coastal Expressway Qianhai Section and Nanping Expressway in Shenzhen	15,900
3	EPC Project of Infrastructure Construction for Zaoyuan Region of Linyi West Town	13,900
4	PPP Project of New Urbanization Construction for Northern New City in Wanzhou District in Chongqing	13,647
5	Jinan Changqing Industrial New City Comprehensive Development Project	8,676

Overseas Projects

No.	Contract Name	Contract Value
1	Phase I of Lot 1 of EPC Project for Tuas Comprehensive Waste Treatment Plant in Singapore	7,512
2	Water Conservancy Project in Moamba, Mozambique	5,713
3	First Section of Maya Railway in Mexico	5,099
4	Reclamation Project in Manila Bay, Philippines	5,038
5	Expressway Project of Novi Sad-Ruma, Serbia	4,933

2. Infrastructure Design Business

No.	Contract Name	Contract Value
1	EPC Project of the Formation of Comprehensive Utilization Area for Public Facilities and Resources in Xiaoyangshan Port, Zhejiang Province	1,111
2	Survey and Design Project of the Golmud-Naqu Section of G6 Expressway	1,089
3	EPC Project of 1–3# Terminal in Dalanping Operation Area, Qinzhou Port in Guangxi Province	985
4	Comprehensive Remediation and Phase II Project of the North Coast Zone in Xiaodao Bay, Qingdao	910
5	EPC Project of Urban Infrastructure Project (Phase I) in Jiayu County, Xianning City, Hubei Province	778

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(III) Business Summary (continued)

3. Dredging Business

No.	Contract Name	Contract Value
1	Donghaidao Industrial Land Soft Foundation Project (Phase II) in Guangdong Province	2,291
2	Construction Project for Building Heze as A Model City on Urban Black-odor Water Treatment in Shandong Province	2,176
3	Project (Phase I) for Comprehensive Water Treatment, Ecosystem Restoration, Environment Improvement and Integrated Industry Development of Ji Canal River (Jizhou Section) in Tianjin	1,556
4	EPC Project of River Improvement and Supporting Construction for Wanfu River Comprehensive Water Treatment Project Phase I in Heze, Shandong Province	1,524
5	EPC Project (Lot II) of Water Ecological Treatment (Phase I) Project for Jin River in Chengdu, Sichuan Province	1,475

II. TECHNOLOGY INNOVATION

In performing its primary duty and conducting its main business, the Company attached great importance to the key and core technologies as well as bottleneck problems and followed the guidance of pilot project to build national strength in transportation and the national strategy for promoting new urbanization so as to achieve the goal of self-development, safe development and core competitiveness enhancement while increasing the coordination and integration of technology and digitalization, with an aim to build itself into a technology-based and world-class enterprise.

In 2020, the Company's research and development cost was RMB20,155 million, accounting for 3.2% of the operating income, representing an increase of 0.9 percentage point from last year. During the year, adhering to the guiding principle of "focusing on market, supporting development, coordinating planning, integrating resources, making key breakthroughs and leading the future", the Company stepped up efforts to make breakthroughs in key and core technologies, continuously improved the science and technology innovation system, the science and technology management capability and the construction of science and technology talent team, steadily promoted the transformation as well as promotion and application of science and technology achievements and deepened the reform of the science and technology management system and mechanism, thus effectively enhancing the innovation capability of the Company, which is mainly reflected in the following aspects:

Firstly, the Company systematically reviewed the institutional structure of the science and technology management system and improved the relevant system construction. In 2020, on top of a strengthened top-level design of the institutional structure of science and technology management system and through systematic abolition, revision and establishment, the Company established a science and technology management system consisting of 20 management policies covering the whole chain of science and technology innovation, and a hierarchical and classified technology management system consisting of 11 technology management policies covering the whole process of technology management, providing a sound institutional guarantee for the Company's science and technology innovation and technology management.

Secondly, the Company built a "1+3" decision-making and consultation system for science and technology innovation. A leading group for scientific and technology innovation and core technology breakthroughs, a high-end scientific and technology think tank and a special committee of young scientific and technology backbones were set up, which, together with the Company's expert committee, form a sound "1+3" decision-making and consultation system for science and technology innovation of the Company.

Thirdly, for the first time, three business research bases were approved for certification. The Company's Observation Base of Long Term Performance of Cross-sea Bridges, Observation Base of Long Term Performance of Marine Infrastructure and Observation Base of Frozen Soil Engineering of Qinghai-Tibet Highway were certified as Scientific Observation and Research Bases of Transportation Industry. In particular, the Observation Base of Frozen Soil Engineering of Qinghai-Tibet Highway was selected as a National Observation and Research Station pending for construction by merits-based method.

II. TECHNOLOGY INNOVATION (CONTINUED)

In 2020, the Company was awarded with 2 second-class prizes of the National Science and Technology Advancement Award, 1 second-class prize of the National Technology Invention Award, 9 Luban Awards, 34 National Quality Project Awards (including 4 golden awards), 5 Zhan Tianyou Awards, 5 Chinese Outstanding Patent Awards and 257 provincial and ministerial technology awards. The Company has participated in the compilation of 3 international standards, 16 national standards, 55 industry standards and 20 local standards that have been promulgated, engaged in the translation and compilation of 10 industry standards and promulgated 7 enterprise technological standards. The Company has been awarded with 2,043 patents, 284 software copyrights and 264 provincial and ministerial construction methods.

Over the years, the Company has been accumulatively awarded with 40 National Science and Technology Advancement Awards, 5 Technological Invention Awards, 100 Luban Awards, 295 National Quality Project Awards (including 31 golden awards), 93 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 24 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 111 national standards and 406 industry standards that have been promulgated, and had a total of 13,697 authorized patents.[3]

In the future, the Company's science and technology innovation should closely keep abreast of the trends of global leading science and technology and cross-border technology in relevant areas. The Company should closely integrate with the development trend of science and technology, bear the national strategy & security as well as market and field demand in mind, stress value creation and highlight the mutual synergy between the innovation chain and the industrial chain so as to achieve the target of "focusing on priorities, consolidating advantages, addressing inadequacies and shoring up points of weakness" in science and technology innovation. It will make plan for major research and development directions of different hierarchies and classifications to step up efforts to make breakthroughs in key and core technologies, strive to consolidate and maintain its existing technological advantages, cultivate and enhance its emerging technological capabilities, aiming to solve bottleneck technology problems as soon as possible and moving towards a technology-based and world-class enterprise in an all-out effort.

III. FINANCIAL INNOVATION

In 2020, the Company used various innovative financial products to provide financial support to its business development, improve asset structure and reduce financing cost.

The first was to give full play to the unique advantages of funds in investment and financing. It strengthened its connection with existing financing channels, such as the China Life Insurance (國壽), the Social Security Fund and China Public Private Partnerships Fund (政企基金), to provide equity financing for projects of its main business with cost efficiency.

The second was to insist on the development positioning of "financing to promote production and serve the main business". It vigorously rolled out asset-backed securitisation of supply chain, issued RMB17,100 million of ABS/ABNs on accounts receivable and accounts payable, and took the initiative to explore innovative products, such as quality assurance deposit ABS.

The third was to capitalise on the dual benefits of national regulatory policies and sufficient market liquidity. It innovated and carried out different types of financial businesses, such as equity-type and consolidated quasi-REITs and off-balance-sheet quasi-REITs to make good use of the existing infrastructure assets, thus opening up a channel for capital transformation of precipitated assets.

The fourth was to make innovation in the combination of industry and finance boldly and revitalize existing assets steadily. During the year, the fund company set up an industrial fund with China Life making the largest capital contribution to invest in the equity interests in CCCC Guanglian Expressway Investment Development Co., Ltd. The Company made innovation in the combination of industry and finance in the capital market, and revitalized its existing equity investments, which was conducive to improving the quality of the Company's assets.

3 Statistic from the awards received by the Company and its subsidiaries

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

During the Reporting Period, the Company improved data governance, strengthened data management and enhanced the quality of production and operation data.

(I) Values of Contracts Newly Entered into during the Reporting Period

Business segment	October-December 2020		Accumulated value of this year		Accumulated value of 2019[4]	Change
	Number	*Value*	*Number*	*Value*	*Value*	*(%)*
Infrastructure construction business	649	291,203	2,166	950,883	851,924	11.6
Port construction	138	8,199	407	37,942	28,405	33.6
Road and bridge construction	157	88,107	609	276,907	272,622	1.6
Railway construction	20	7,218	28	15,455	16,941	-8.8
Urban construction	258	116,753	859	418,912	346,172	21.0
Overseas projects	76	70,926	263	201,667	187,784	7.4
Infrastructure design business	1,385	22,067	5,105	47,730	47,509	0.5
Dredging business	201	12,715	578	58,837	52,783	11.5
Other businesses	N/A	3,723	N/A	9,349	12,467	-25.0
Total	**N/A**	**329,708**	**N/A**	**1,066,799**	**964,683**	**10.6**

Values of contracts newly entered into outside the PRC during the Reporting Period

Region of projects	Number of projects	Total value
Africa	92	71,981
Southeast Asia	45	39,330
Oceania	30	25,858
Hong Kong, Macao, and Taiwan	41	16,363
South America	18	4,846
Others	37	43,289
Total	263	201,667

Note: the above data of infrastructure construction business was calculated by region.

4 As a result of the business combination of CCCC Tianhe under common control in June 2020, the financial results of CCCC Tianhe have been consolidated by the Group under the other businesses segment since then. The data for the corresponding period of the previous year has been adjusted simultaneously. In 2019, CCCC Tianhe recorded a value of new contracts of RMB2,000 million.

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

(II) Completed and Accepted Projects during the Reporting Period

Total number of projects	N/A
Total project value	172,097

		Number	Value
Categorised by region	Domestic	N/A	147,785
	Overseas	N/A	24,312
Categorised by business type	Infrastructure construction business	590	153,872
	Infrastructure design business	2,044	9,402
	Dredging business	175	5,550
	Others businesses	N/A	3,273

Note: Calculated based on projects whose main construction has been completed or projects that have generated more than 95% of their output.

(III) Projects under Construction during the Reporting Period

Total number of projects	N/A
Total project value	4,271,856

		Number	Value
Categorised by region	Domestic	N/A	3,332,034
	Overseas	N/A	939,822
Categorised by business type	Infrastructure construction business	5,813	3,824,961
	Infrastructure design business	22,857	232,138
	Dredging business	2,301	209,945
	Others businesses	N/A	4,812

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

(IV) Outstanding Projects during the Reporting Period

Since 2020, the Company has been using big data tools to achieve online production and operation data collection for outstanding contracts in a more accurate and scientific way.

		Contracted but not yet commenced		**Under construction and not yet completed**
Total number of projects		N/A		N/A
Total project value		758,824		2,151,498
		Number	**Value**	**Number**	**Value**

		Contracted but not yet commenced: Number	Contracted but not yet commenced: Value	Under construction and not yet completed: Number	Under construction and not yet completed: Value
Categorised by region	Domestic	N/A	539,323	N/A	1,573,581
	Overseas	N/A	219,501	N/A	577,917
Categorised by business type	Infrastructure construction business	802	670,417	4,681	1,932,312
	Infrastructure design business	349	25,147	15,880	104,596
	Dredging business	1,101	56,624	975	113,441
	Others businesses	N/A	6,636	N/A	1,149

(V) Infrastructure and Other Investment Projects

Since 2019, a series of policies such as relaxing restrictions on the issuance of special local government bonds, the reduction of the proportion of capital in some projects and the launch of publicly offered infrastructure REITs pilot programs have been implemented to loosen the restrictions on the funds of governments and enterprises to strengthen infrastructure investments. On the other hand, China accelerated the construction of city clusters and metropolitan circles, increased investments in ecological protection and environmental management and boosted the integrative development of traditional infrastructure and "new infrastructure", so as to create new drivers for the expansion of infrastructure investments.

With a commitment to value-oriented investments, the Company maintained its strategic focus and controlled the scale of its investments, and with a focus on areas of "big transportation and big city" and the new infrastructure and new urbanization initiatives and major projects in China, the Company combined the advantages of its principal business with the development of regional economy, and strived to make use of its capacity for continuous innovation to strengthen and expand investment business. Over the past year, we won the bid for the Project of New Urbanization Construction for Northern New City in Wanzhou District in Chongqing and Jinan Changqing Industrial New City Project, accelerating the development of large-scale projects out of big cities; we were also granted a number of environmental protection projects, including the Project for Protecting the Yangtze River in Yiling District in Yichang, Hubei Province, and the Project for Comprehensive Treatment of Mihe River Basin in Shouguang City, Shandong Province, practicing the philosophy that "lucid waters and lush mountains are invaluable assets"; we prepared the plans for the TOD Project of Linyue Car Depot of Line 2 of Foshan Metro in Guangdong Province and the Comprehensive Development Project of Hangzhou-Huangshan High-speed Railway Sub-district in Fuchunwan New City, Hangzhou, making innovation in the joint development model in the Company's land use and rail transportation.

In 2020, the Company improved its management and control system in a comprehensive way and steadily enhanced supervision across the whole process to strictly control investment risks. The Positive List and Negative List of Investment Business was issued to further strengthen measures for ensuring investment safety. We carried out comprehensive inspection on investment projects under our direct management and key monitoring projects constantly to strictly control the risks of investment projects across their entire life cycles; we advanced the construction of investment management information system to achieve real-time and dynamic project monitoring and pre-warning.

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

(V) Infrastructure and Other Investment Projects (continued)

1. Infrastructure and Other Investment Projects Newly Entered into

In 2020, in line with national policies and strategic development direction, the Company, with a main task to control total investment, invest in quality new projects and improve investment quality, focused on important regions and expanded major markets to optimize its business layout. The confirmed value of contracts from infrastructure and other investment projects was RMB176,928 million. The value of construction and installation contracts to be undertaken was estimated to be RMB198,892 million, among which, the confirmed values of contracts from BOT projects, government paid projects and urban comprehensive development projects were RMB48,085 million, RMB100,311 million and RMB28,532 million respectively, accounting for 27%, 57% and 16% of that from infrastructure and other 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 RMB601,918 million, wherein, the accumulative completed investment amounted to RMB269,603 million with cumulatively RMB68,226 million have been recovered.

The total investment value of contracts for urban comprehensive development projects entered into by the Group was estimated to be RMB336,397 million, among which, RMB96,432 million of investment amount had been completed cumulatively, RMB73,902 million of sales amount had been realised and RMB51,499 million had been received by the Group.

3. Concession Projects

As at 31 December 2020, 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 RMB434,725 million, wherein, the accumulative completed investment amounted to RMB224,834 million. 24 concession projects together with 12 share-participation projects had been put into operations, and the operating revenue and net loss in 2020 was RMB5,158 million and RMB4,356 million, respectively (the direct impact of the exemption of toll on domestic highways during the epidemic was about RMB1,400 million).

(1) Infrastructure and Other Investment Projects Newly Entered into *(Unit: RMB million)*

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 New Urbanization Construction for Northern New City in Wanzhou District in Chongqing	PPP	18,197	13,647	12,508	No	Yes	8	12
2	BOT Project of Guiyang-Jinsha-Gulin (Guizhou and Sichuan Conjunction) Highway in Guizhou Province	BOT	32,493	9,999	23,511	Yes	No	4	30
3	BOT Project of Chongqing-Hunan Parallel Line (City Center to Youyang Section) and Wulong-Daozhen (Chongqing Section) Highway in Chongqing	BOT	64,577	9,687	10,937	Yes	No	5	35
4	BOT Project of Dejiang-Yuqing Highway in Guizhou Province	BOT	14,500	9,140	6,964	Yes	Yes	3	30

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

(V) Infrastructure and Other Investment Projects (continued)

3. Concession Projects (continued)

(1) Infrastructure and Other Investment Projects Newly Entered into *(Unit: RMB million)* (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	Urban Comprehensive Development Project of New Industry City in Changqing, Jinan	Comprehensive urban development	8,676	8,676	5,255	No	Yes	1.5	30
6	Comprehensive Urban Development Project in Yongning Area (Zone B of Medical City), Wenjiang District, Chengdu, Sichuan Province	Comprehensive urban development	8,274	7,447	4,691	No	Yes	5	10
7	PPP Project of County Water Control Engineering in Tangshan City	PPP	9,584	7,083	7,083	No	Yes	3	22
8	PPP Project of Rapid Transformation of Zhonghuan Road in Chifeng City	PPP	7,236	6,512	5,247	No	Yes	3	27
9	BOT Project of Zhanhua-Linzi Expressway in Shandong Province	BOT	19,561	5,868	8,347	Yes	No	3.5	25
10	TOD Project of Linyue Car Depot of Line 2 of Foshan Metro in Guangdong Province	Comprehensive urban development	5,265	4,739	3,080	No	Yes		
11	Investment Project of Expressway in Nairobi, Kenya	BOT	4,602	4,602	4,602	Yes	Yes	3	27
12	One Square Kilometers Comprehensive Development Project of Hangzhou-Huangshan High-speed Railway Sub-district in Fuchunwan New City, Hangzhou	Comprehensive urban development	4,413	3,972	2,697	No	Yes	3	5
13	Yinhu Resettlement Housing Project in Fuyang District, Hangzhou	PPP	3,860	3,474	2,478	No	Yes	3	4
14	BOO Project of Mengxi Industrial Park–Sanbei Yangchang Railway in Ordos City, Inner Mongolia	BOO	5,639	3,383	3,383	Yes	Yes	4	Long-term
15	BOO Project of Naomao Lake–Jiangjun Temple Railway in Xinjiang	BOO	9,698	3,313	4,261	Yes	No	3	Long-term
16	PPP Project of Huangma Work Zone and Lingang New City Work Zone (Phase I) in the Urban Harbor District of Huai'an Port	PPP	3,564	3,029	2,017	No	Yes	3	21
	Others		224,616	72,357	91,831	–	–	–	–
	Total		444,755	176,928	198,892	–	–	–	–

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

(V) Infrastructure and Other Investment Projects (continued)

3. Concession Projects (continued)

(2) Concession Projects under Development *(Unit: RMB million)*

No.	Project Name	Total Investment Budget Estimate	Contract Value Confirmed according to Shareholding Ratio	Investment Amount in 2020	Accumulated Investment Value
1	Highways including Taihangshan Highway in Hebei Province	47,000	14,570	–	Share participation
2	Phnom Penh-Port of Sihanoukville Expressway in Cambodia	13,643	13,643	2,712	4,203
3	Kaiping-Yangchun Expressway in Guangdong Province	13,711	12,740	–	Share participation
4	Shiqian-Yuping (Dalong) Expressway in Guizhou Province	12,407	12,407	2,628	7,337
5	CCCC Jiangyu Expressway in Guizhou	11,019	11,019	2,896	7,589
6	Jianhe-Rongjiang Section of Yanhe-Rongjiang Expressway in Guizhou Province	17,816	10,672	–	Share participation
7	Highways including Urumchi-Yuli Highway in Xinjiang	70,841	10,616	–	Share participation
8	BOT Project of Dejiang-Yuqing Highway in Guizhou Province	14,500	9,140	378	378
9	Project of Chongqing-Hunan Parallel Line (City Center to Youyang Section) and Wulong-Daozhen (Chongqing Section) Highway in Chongqing	11,350	9,080	122	122
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	–	69
12	PPP Project for Fangcheng-Tanghe Section of Jiaozuo-Tanghe Highway in Henan Province	7,788	7,009	–	–
13	Libo-Rongjiang Expressway in Guizhou Province	10,480	6,288	–	Share participation
14	G575 Expressway in Xinjiang	6,017	6,017	802	1,904
15	Hechang Section of Sanhuan Expressway in Chongqing	10,077	5,139	3,118	10,092
16	Quanzhou Section of Quanzhou-Xiamen-Zhangzhou City Alliance Highway in Fujian Province	4,708	4,708	801	4,800
17	BOT Project of Expressway in Nairobi, Kenya	4,602	4,602	425	425
18	Hefei-Zongyang Section of G3W Dezhou-Shangrao Expressway in Anhui Province	9,228	4,522	–	Share participation
19	South Section of Ring Expressway in Wanzhou, Chongqing	4,151	4,151	1,272	1,497
	Others	143,590	54,720	3,012	6,765
	Total	444,477	217,133	18,166	45,181

Note: The breakdown of concession projects under development do not include the concession projects acquired overseas.

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

(V) Infrastructure and Other Investment Projects (continued)

3. Concession Projects (continued)

(3) Concession Projects in Operation Period *(Unit: RMB million)*

No.	Project Name	Accumulated Investment Value	Operating Revenue During the Period	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	27,234	719	30	3.0
2	Daozhen-Weng'an Expressway in Guizhou Province	26,499	578	30	5.0
3	Guigang-Long'an Highway in Guangxi Province	17,833	374	30	1.5
4	Jiangkou-Weng'an Expressway in Guizhou Province	14,251	543	30	5.0
5	Guiyang-Qianxi Expressway in Guizhou Province	9,221	365	30	4.0
6	Hubei Jiatong Section Project of Wuhan-Shenzhen Expressway in Hubei Province	8,972	366	30	4.3
7	Zhongxian-Wanzhou Expressway in Chongqing	7,660	64	30	4.0
8	Yanhe-Dejiang Expressway in Guizhou Province	7,567	85	30	5.0
9	Guiyang-Duyun Expressway in Guizhou Province	7,429	485	30	9.8
10	CCCC Yulin-Zhanjiang Expressway in Guangdong Province	6,889	35	25	0.5
11	Tongzhou-Daxing Section Project of the Capital Region Ring Expressway	6,307	253	25	2.5
12	Yongchuan-Jiangjin Expressway in Chongqing	5,998	81	30	6.0
13	Jiulongpo-Yongchuan Highway in Chongqing	5,327	185	30	3.0
14	South-North Highway in Jamaica	4,730	179	50	5.0
15	Zhuankou Yangtze River Bridge Project in Wuhan, Hubei Province	4,778	94	30	3.0
16	Xianning-Tongshan Expressway in Hubei Province	3,128	152	30	7.0
17	Qingxi Bridge and Connecting Line in Guangdong Province	2,931	243	25	2.3
18	Jiayu North Section of Wuhan-Shenzhen Expressway in Hubei Province	2,622	156	30	2.0
19	Project of Wenshan-Maguan Expressway	2,485	10	30	0.2
20	Yicheng-Houma Expressway in Shanxi Province	2,413	136	30	13.0
21	Malong Connecting Line of Xuanwei-Qujing Expressway in Yunnan Province	2,050	26	30	3.0
22	Project of West Tianjin Section of Tianjin-Shijiazhuang Expressway	1,724	–	25	0.1
23	Yumenkou Yellow River Bridge of National Highway 108	1,017	8	28	0.5
24	Qingshuihe-Dafanpu Section of National Highway G109 in Inner Mongolia Autonomous Region	588	21	26	12.0

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

(V) Infrastructure and Other Investment Projects (continued)

3. Concession Projects (continued)

(3) Concession Projects in Operation Period *(Unit: RMB million)* (continued)

No.	Project Name	Accumulated Investment Value	Operating Revenue During the Period	Toll Collection Rights Period *(Year)*	Completed Toll Collection Rights Period *(Year)*
25	Fengdu-Zhongxian Expressway in Chongqing	Share participation	–	30	3.0
26	Youyang-Yanhe Expressway in Chongqing	Share participation	–	30	4.0
27	Wangjiang-Qianjiang Expressway in Anhui Province	Share participation	–	25	4.0
28	Tongliang-Yongchuan Expressway in Chongqing	Share participation	–	30	3.7
29	Chongqing Wanzhou-Sichuan Dazhou, Wanzhou-Hubei Lichuan Expressways	Share participation	–	30	5.0
30	Tongliang-Hechuan Expressway in Chongqing	Share participation	–	30	5.0
31	Fengdu-Fuling Expressway in Chongqing	Share participation	–	30	6.0
32	Fengdu-Shizhu Expressway in Chongqing	Share participation	–	30	6.0
33	Foshan-Guangming Expressway in Guangdong Province	Share participation	–	27	11.0
34	Yulin-Jiaxian Expressway in Shaanxi Province	Share participation	–	30	6.0
35	Guiyang-Weng'an Expressway in Guizhou Province	Share participation	–	30	4.0
36	Tongcheng-Jieshang Expressway in Hubei Province	Share participation	–	30	5.3
	Total	179,653	5,158		

V. BUSINESS PROSPECT

The Chinese economy will sustain long-term growth due to broad market space and strong development resilience. It is clearly stated in the 2021 Report of Work of the Government that China will enhance the quality, efficiency and sustainability of its proactive fiscal policy and keep its prudent monetary policy flexible and targeted and at a reasonable and appropriate level, so as to provide necessary support to economic recovery steadily.

V. BUSINESS PROSPECT (CONTINUED)

According to the relevant documents of the 14th Five-Year Plan issued recently and the Guidelines on Developing Comprehensive National Transport Network, and combined with the keynote of the Central Economic Working Conference and the Report of Work of the Government, during the 14th Five-Year Plan Period, China will promote the construction of new infrastructure and major projects and fix the weakness in traditional infrastructure in a coordinated way, boost coordinated development of regions and advance the construction of ecological and environmental protection constantly. Specifically, China will promote the framework construction of the comprehensive national transport network and accelerate the construction of comprehensive transportation hub clusters, hub cities and hub ports; investment will be weighted toward projects which will help significantly improve the people's wellbeing and a number of major transportation, energy and water conservancy projects will be launched with a focus on new infrastructure and new urbanization initiatives and major projects; China will clean up sewage outfalls into seas and rivers and black, malodorous water bodies in cities, enhance the capacity to collect urban household sewage and to treat waste water from industrial parks, and carry out major biodiversity protection projects.

The world is experiencing dramatic changes. A new round of scientific and technical revolution and industrial transformation are carried out vigorously, the reconstruction of global industry, supply and value chains is accelerated and peace and development remain as the main theme of this era. Meanwhile, the world enters a turbulent period of changes. The strategic competition between China and America will last a long time and bring more uncertainties, economic globalization encounters headwinds, international trade declines significantly due to the COVID-19 pandemic, and no solid foundation is seen in the recovery of global economy.

Facing complicated economic environment both at home and abroad, the Company will adopt a global version, focus on construction and highlight and concentrate on its principal business, and based on the requirements for the establishment of a "dual circulation" development pattern in which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement, the Company will capture opportunities during transformation to expand domestic and overseas markets and adjust the structure of its business layout, thus increasing its international influence.

Firstly, we will strengthen our leading position with a focus on the construction of national comprehensive transportation corridors, hubs and logistics networks, and adapt to the trend of digital development to continue our exploration and innovation in smart highway and smart port.

Secondly, we will seize the opportunities brought by the construction of rail transit networks in city clusters and metropolitan circles by paying close attention to the demand for constructing rail transit in key regions and the new sector of city railway and aiming at important trunk railway projects including the Sichuan-Tibet Railway.

Thirdly, in addition to strengthening business such as channel dredging and land reclamation, we will put emphasis on areas such as port upgrades, comprehensive treatment of watersheds and lakes, marine ecology protection and the construction of national water network. Close attention will be paid to the construction and planning of major projects such as the Marine Outfall of Xiong'an New Area, the Port-river-sea Combined Transport from Ningbo to Zhoushan and the New Sea-land Corridor in Western China. We will explore and capture the opportunities during the construction of four grand canals, and meet the demand for watershed management of the Fen River, Tai Lake and Dian Lake and obtain quality projects with our new business model and advanced technology.

Fourthly, we will fully upgrade our overseas development system to accelerate overseas reform and adjustment, optimize overseas layout and devote greater efforts to the establishment of strategic ocean transportation corridor.

The year of 2021 marks the beginning of the 14th Five-year Plan, during which there are new developments and changes in opportunities and challenges. The Company will gain accurate understanding of new development stage, deepen the implementation of new development philosophy, speed up the establishment of a new development pattern and promote high-quality development, thus getting off to a good start in comprehensively building itself into a world-class enterprise in terms of technology, management and quality.

VI. BUSINESS PLAN

In 2020, according to statistics, the value of new contracts entered into by the Group amounted to RMB1,066,799 million, accomplishing 103% of our goal. Wherein, the confirmed value of contracts from domestic infrastructure and other investment projects amounted to RMB172,326 million, accomplishing 96% of our goal. Revenue amounted to RMB624,495 million, accomplishing 105% of our goal.

The Group plans to achieve a year-on-year growth rate of not less than 10% in the value of new contracts for the year of 2021, wherein, the planned value of contracts from domestic and overseas infrastructure and other investment projects is planned to be RMB180,000 million and RMB30,000 million, respectively; and the planned year-on-year growth rate of revenue is not less than 10%.

New Urbanization Construction Project of Urban and Rural Integration Exemplary Zone in Xuchang City, Henan Province, design sketch. The implementation of the project will accelerate the new urbanization construction in demonstration zone, enhance the regional value and urban competitiveness, and promote harmonious development of regional economy and society.

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. OVERVIEW

For the year 2020, revenue of the Group increased by 12.9% to RMB624,495 million, among which revenue from external customers attributed to the regions other than PRC amounted to RMB98,532 million, representing 15.8% of the total revenue. Infrastructure construction business, infrastructure design business, dredging business and other businesses accounted for 86.2%, 6.1%, 5.9% and 1.8% of the total revenue in 2020 (all before elimination of inter-segment transactions), respectively.

Gross profit in 2020 amounted to RMB80,036 million, representing an increase of 15.5% from RMB69,297 million in 2019. Gross profit from infrastructure construction business, dredging business and other businesses increased by 14.9%, 35.7%, and 17.6%, while infrastructure design business decreased by 0.3%, respectively from 2019. Gross profit margin for infrastructure construction business, infrastructure design business, dredging business and other businesses in 2020 were 11.7%, 18.0%, 15.4% and 8.9%, respectively, as compared with 11.6%, 19.0%, 12.6% and 9.0% in 2019.

Mainly as a result of the growth in gross profit, operating profit in 2020 amounted to RMB34,405 million, representing an increase of 0.8%, from RMB34,132 million in 2019. Operating profit from infrastructure construction business and dredging business increased by 2.4% and 10.2%, respectively from 2019, while operating profit from infrastructure design business and other businesses decreased by 8.7% and 55.6% from 2019.

For the year 2020, profit attributable to owners of the parent amounted to RMB16,475 million, compared with RMB19,999 million in 2019. For the year 2020, earnings per share of the Group were RMB0.92, compared with RMB1.16 in 2019.

The following is a comparison of financial results between the years ended 31 December 2020 and 2019.

II. CONSOLIDATED RESULTS OF OPERATIONS

Revenue

Revenue in 2020 increased by 12.9% to RMB624,495 million from RMB553,114 million in 2019. Revenue from infrastructure construction business and infrastructure design business, dredging business and other businesses amounted to RMB560,987 million,RMB40,005 million, RMB38,414 million and RMB11,407 million (all before elimination of inter-segment transactions and unallocated cost), respectively representing a year-on-year increase of 13.8%, 5.2%, 11.1% and 18.5%. Revenue from external customers attributed to the regions other than PRC amounted to RMB98,532 million, representing 15.8% of total revenue.

Cost of Sales and Gross Profit

Cost of sales in 2020 amounted to RMB544,459 million, representing an increase of 12.5%, from RMB483,817 million in 2019. Cost of sales from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB495,164 million, RMB32,817 million, RMB32,501 million and RMB10,390 million (all before elimination of inter-segment transactions) respectively, representing an increase of 13.7%, 6.5%, 7.5% and 18.6% in 2020.

Cost of sales consisted mainly of subcontracting costs, cost of raw materials and consumables used and employee benefit expenses. For the year 2020, subcontracting costs, cost of raw materials and consumables used and employee benefit expenses increased by 21.0%, 12.3%, and 3.6%.

As a result of the increase in both revenue and cost of sales, gross profit in 2020 amounted to RMB80,036 million, representing an increase of 15.5% from RMB69,297 million in 2019. Gross profit from infrastructure construction business, dredging business and other businesses increase by 14.9%, 35.7% and 17.6%, while infrastructure design business decreased by 0.3% respectively, from the corresponding period of 2019. Gross profit margin increased to 12.8% in 2020 from 12.5% in 2019. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business and other businesses were 11.7%, 18.0%, 15.4% and 8.9% respectively, as compared with 11.6%, 19.0%, 12.6% and 9.0% in the corresponding period of 2019.

Administrative Expenses

Administrative expenses in 2020 amounted to RMB40,580 million, representing an increase of 15.9% from RMB35,021 million in 2019. This growth was primarily attributable to the increase in research and development costs.

II. CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Operating Profit

Operating profit in 2020 amounted to RMB34,405 million, representing an increase of 0.8% from RMB34,132 million in 2019. The increase was mainly due to the increase in gross profit.

For the year 2020, operating profit from infrastructure construction business and dredging business increased by 2.4% and 10.2% (all before elimination of inter-segment transactions and unallocated cost), respectively from 2019; operating profit from infrastructure design businesses and other businesses decreased by 8.7% and 55.6% (before elimination of inter-segment transactions and unallocated cost) from 2019. Operating profit margin decreased to 5.5% in 2020 from 6.2% in 2019.

Finance Income and Costs, net

Finance income in 2020 amounted to RMB10,305 million, representing an increase of 20.7% from RMB8,535 million in 2019. Finance costs in 2020 amounted to RMB17,140 million, representing an increase of 11.5% from RMB15,373 million in 2019.

Net finance costs in 2020 amounted to RMB6,835 million, representing a decrease of 0.04% from RMB6,838 million in 2019. The slight decrease was mainly due to interaction of increased interest income from investment projects and increased interest expenses from borrowings.

Share of Loss of Joint Ventures

Share of loss of joint ventures in 2020 amounted to RMB786 million, as compared with a loss of RMB117 million in 2019. The loss was mainly due to the increased loss of expressway operation projects influenced by COVID-19.

Share of Profit of Associates

Share of profit of associates in 2020 amounted to RMB173 million, as compared with a profit of RMB172 million in 2019.

Profit before Income Tax

Profit before income tax in 2020 amounted to RMB26,957 million, representing a decrease of 1.4% from RMB27,349 million in 2019.

Income Tax Expense

Income tax expense in 2020 amounted to RMB7,328 million, representing an increase of 25.8% from RMB5,824 million in 2019. Effective tax rate for the Group in 2020 increased to 27.2% from 21.3% in 2019, mainly due to an increase in taxable profit, an increase in tax for certain urban comprehensive development projects and an increase in non-taxable share of losses from joint ventures and associates.

Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests in 2020 amounted to RMB3,154 million compared to RMB1,526 million in 2019. The increase was mainly due to the increasing interest from perpetual bonds and dividend for non-controlling shareholders.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent in 2020 amounted to RMB16,475 million, representing a decrease of 17.6% from RMB19,999 million in 2019. The decrease was mainly due to the decrease of profit for the year and increase of profit attributable to non-controlling interests.

Profit margin with respect to profit attributable to owners of the parent decreased to 2.6% in 2020 from 3.6% in 2019.

III. 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 2020 and 2019.

Business	Revenue Year ended 31 December		Gross Profit Year ended 31 December		Gross Profit Margin Year ended 31 December		Operating Profit[1] Year ended 31 December		Operating Profit Margin Year ended 31 December	
	2020 ***(RMB million)***	2019 *(RMB million)*	**2020** ***(RMB million)***	2019 *(RMB million)*	**2020** ***(%)***	2019 *(%)*	**2020** ***(RMB million)***	2019 *(RMB million)*	**2020** ***(%)***	2019 *(%)*
Infrastructure Construction	**560,987**	492,814	**65,823**	57,270	**11.7**	11.6	**29,030**	28,336	**5.2**	5.7
% of total	**86.2**	85.7	**82.3**	82.3	**–**	–	**83.8**	82.3	**–**	–
Infrastructure Design	**40,005**	38,018	**7,188**	7,210	**18.0**	19.0	**3,433**	3,761	**8.6**	9.9
% of total	**6.1**	6.6	**9.0**	10.3	**–**	–	**9.9**	10.9	**–**	–
Dredging	**38,414**	34,578	**5,913**	4,356	**15.4**	12.6	**1,940**	1,761	**5.1**	5.1
% of total	**5.9**	6.0	**7.4**	6.2	**–**	–	**5.6**	5.1	**–**	–
Other businesses	**11,407**	9,627	**1,017**	865	**8.9**	9.0	**257**	579	**2.3**	6.0
% of total	**1.8**	1.7	**1.3**	1.2	**–**	–	**0.7**	1.7	**–**	–
Subtotal	**650,813**	575,037	**79,941**	69,701	**–**	–	**34,660**	34,437	**–**	–
Intersegment elimination and unallocated profit/(costs)	**(26,318)**	(21,923)	**95**	(404)	**–**	–	**175**	(125)	**–**	–
							(430)	(180)		
Total	**624,495**	553,114	**80,036**	69,297	**12.8**	12.5	**34,405**	34,132	**5.5**	6.2

[1] Total operating profit 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 2020 and 2019.

	2020 ***(RMB million)***	2019 *(RMB million)*
Revenue	**560,987**	492,814
Cost of sales	**(495,164)**	(435,544)
Gross profit	**65,823**	57,270
Selling and marketing expenses	**(458)**	(410)
Administrative expenses	**(32,536)**	(27,511)
Impairment losses on financial and contract assets	**(4,095)**	(3,790)
Other income/(expense), net and Other gain/(loss), net	**296**	2,777
Segment result	**29,030**	28,336
Depreciation and amortisation	**10,277**	9,918

III. DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Infrastructure Construction Business (continued)

Revenue. Revenue from the infrastructure construction business in 2020 was RMB560,987 million, representing an increase of 13.8% from RMB492,814 million in 2019. This growth was primarily attributable to the increase of revenue generated from domestic road and urban construction projects.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2020 was RMB495,164 million, representing an increase of 13.7% from RMB435,544 million in 2019. Cost of sales as a percentage of revenue slightly decreased to 88.3% in 2020 from 88.4% in 2019.

Gross profit from the infrastructure construction business in 2020 increased by 14.9% to RMB65,823 million from RMB57,270 million in 2019. Gross profit margin increased to 11.7% in 2020 from 11.6% in 2019.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2020 were RMB458 million, as compared with RMB410 million in 2019.

Administrative expenses. Administrative expenses for the infrastructure construction business were RMB32,536 million in 2020, representing an increase of 18.3% from RMB27,511 million in 2019. The increase was mainly attributable to the increase in research and development cost. Administrative expenses as a percentage of revenue increased to 5.8% in 2020 from 5.6% in 2019.

Impairment losses on financial and contract assets. Impairment losses on financial and contract assets for the infrastructure construction business were RMB4,095 million in 2020, representing an increase of 8.0% from RMB3,790 million in 2019.

Other income/(expense), net and Other gain/(loss), net. Other income/(expense), net and Other gain/(loss), net for the infrastructure construction business decreased to RMB296 million in 2020 from RMB2,777 million in 2019. The decrease was mainly attributable to the foreign exchange losses.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2020 was RMB29,030 million, representing an increase of 2.4% from RMB28,336 million in 2019. Segment result margin decreased to 5.2% in 2020 from 5.7% in 2019.

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 2020 and 2019.

	Years ended 31 December	
	2020	2019
	(RMB million)	*(RMB million)*
Revenue	**40,005**	38,018
Cost of sales	**(32,817)**	(30,808)
Gross profit	**7,188**	7,210
Selling and marketing expenses	**(365)**	(389)
Administrative expenses	**(3,182)**	(3,131)
Impairment losses on financial and contract assets	**(270)**	(375)
Other income/(expense), net and Other gain/(loss), net	**62**	446
Segment result	**3,433**	3,761
Depreciation and amortisation	**434**	411

III. DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Infrastructure Design Business (continued)

Revenue. Revenue from the infrastructure design business in 2020 was RMB40,005 million, representing an increase of 5.2% from RMB38,018 million in 2019, mainly due to the growing scale of comprehensive projects.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2020 was RMB32,817 million, representing an increase of 6.5% from RMB30,808 million in 2019. Cost of sales as a percentage of revenue increased to 82.0% in 2020 from 81.0% in 2019.

Gross profit from the infrastructure design business in 2020 was RMB7,188 million, representing a decrease of 0.3% as compared with RMB7,210 million in 2019. Gross profit margin decreased to 18.0% in 2020 from 19.0% in 2019, 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 2020 decreased to RMB365 million from RMB389 million in 2019.

Administrative expenses. Administrative expenses for the infrastructure design business in 2020 were RMB3,182 million, representing an increase of 1.6% from RMB3,131 million in 2019. Administrative expenses as a percentage of revenue decreased to 8.0% in 2020 from 8.2% in 2019.

Impairment losses on financial and contract assets. Impairment losses on financial and contract assets for the infrastructure design business were RMB270 million in 2020, representing a decrease of 28.0% from RMB375 million in 2019.

Other income/(expense), net and Other gain/(loss), net. Other income/(expense), net and Other gain/(loss), net for the infrastructure design business in 2020 was RMB62 million, as compared with RMB446 million in 2019, which mainly attributes to the foreign exchange losses.

Segment result. As a result of the above, segment result for the infrastructure design business in 2020 was RMB3,433 million, representing a decrease of 8.7% from RMB3,761 million in 2019. Segment result margin decreased to 8.6% in 2020 from 9.9% in 2019.

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 2020 and 2019.

	Years ended 31 December	
	2020	2019
	(RMB million)	*(RMB million)*
Revenue	**38,414**	34,578
Cost of sales	**(32,501)**	(30,222)
Gross profit	**5,913**	4,356
Selling and marketing expenses	**(131)**	(146)
Administrative expenses	**(3,386)**	(2,933)
Impairment losses on financial and contract assets	**(949)**	(276)
Other income/(expense), net and Other gain/(loss), net	**493**	760
Segment result	**1,940**	1,761
Depreciation and amortisation	**1,260**	1,473

MANAGEMENT'S DISCUSSION AND ANALYSIS

III. DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

Dredging Business (continued)

Revenue. Revenue from the dredging business in 2020 was RMB38,414 million, representing an increase of 11.1% from RMB34,578 million in 2019. The increase was mainly due to the growing scale of dredging projects.

Cost of sales and gross profit. Cost of sales for the dredging business in 2020 was RMB32,501 million, representing an increase of 7.5% as compared with RMB30,222 million in 2019. Cost of sales as a percentage of revenue for the dredging business in 2020 decreased to 84.6% from 87.4% in 2019.

Gross profit from the dredging business in 2020 was RMB5,913 million, representing an increase of 35.7% from RMB4,356 million in 2019. Gross profit margin for the dredging business increased to 15.4% in 2020 from 12.6% in 2019, mainly attributable to the increase revenue in higher gross profit margin dredging projects.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2020 were RMB131 million, as compared with RMB146 million in 2019.

Administrative expenses. Administrative expenses for the dredging business in 2020 were RMB3,386 million, representing an increase of 15.4% from RMB2,933 million in 2019, which mainly attributes to the increase in research and development cost. Administrative expenses as a percentage of revenue increased to 8.8% in 2020 from 8.5% in 2019.

Impairment losses on financial and contract assets. Impairment losses on financial and contract assets for the dredging business were RMB949 million in 2020, representing an increase of 243.8% from RMB276 million in 2019.

Other income/(expense), net and Other gain/(loss), net. Other income/(expense), net and Other gain/(loss), net in 2020 decreased to RMB493 million from RMB760 million in 2019, which mainly attribute to foreign exchange losses and the decrease in dividend income.

Segment result. As a result of the above, segment result for the dredging business in 2020 was RMB1,940 million, representing an increase of 10.2% from RMB1,761 million in 2019, which mainly attributes to the increase in gross profit. Segment result margin was 5.1% in 2020 comparing with 5.1% in 2019.

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 2020 and 2019.

	Years ended 31 December	
	2020 **(RMB million)**	2019 *(RMB million)*
Revenue	**11,407**	9,627
Cost of sales	**(10,390)**	(8,762)
Gross profit	**1,017**	865

Revenue. Revenue from the other businesses in 2020 was RMB11,407 million, representing an increase of 18.5% from RMB9,627million in 2019.

Cost of sales and gross profit. Cost of sales for the other businesses in 2020 was RMB10,390 million, representing an increase of 18.6% from RMB8,762 million in 2019. Cost of sales as a percentage of revenue increased to 91.1% in 2020 from 91.0% in 2019.

Gross profit from the other businesses in 2020 was RMB1,017 million, representing an increase of 17.6% from RMB865 million in 2019. This increase was due to the increase of revenue. Gross profit margin decreased to 8.9% in 2020 from 9.0% in 2019.

IV. 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 2020, the Group had unutilised credit facilities in the amount of RMB1,234,091 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 Group's consolidated cash flow statements for the years ended 31 December 2020 and 2019.

	Years ended 31 December	
	2020	2019
	(RMB million)	*(RMB million)*
Net cash generated from operating activities	**13,851**	5,383
Net cash used in investing activities	**(105,687)**	(66,027)
Net cash generated from financing activities	**93,687**	51,488
Net increase/(decrease) in cash and cash equivalents	**1,851**	(9,156)
Cash and cash equivalents at beginning of year	**118,908**	127,807
Effect of foreign exchange rate changes, net	**(1,248)**	257
Cash and cash equivalents at end of year	**119,511**	118,908

Cash flow from operating activities

During the year 2020, net cash generated from operating activities increased to RMB13,851 million from RMB5,383 million in 2019. The increase of 157.3% was primarily due to increase in revenue in 2020.

Cash flow from investing activities

Net cash used in investing activities in 2020 increased to RMB105,687 million from RMB66,027 million in 2019. The increase of 60.1% was primarily attributable to the increase of purchases of intangible assets, other long-term assets and additional investments in associates and joint ventures.

Cash flow from financing activities

Net cash generated from financing activities in 2020 was RMB93,687 million, representing an increase of 82.0% from RMB51,488 million in 2019. The increase was primarily attributable to the increase in proceeds from financial instruments classified as equity.

IV. 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 2020 and 2019.

	Years ended 31 December	
	2020 **(RMB million)**	2019 (RMB million)
Infrastructure Construction Business	**45,514**	44,427
– BOT projects	**33,290**	31,840
Infrastructure Design Business	**649**	704
Dredging Business	**2,245**	1,313
Other	**408**	1,474
Total	**48,816**	47,918

Capital expenditure in 2020 was RMB48,816 million, as compared with RMB47,918 million in 2019.

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 2020 and 2019.

	Years ended 31 December	
	2020 **(Number of days)**	2019 (Number of days)
Turnover of average trade and bills receivables[1]	**60**	62
Turnover of average trade and bills payables[2]	**194**	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.

IV. 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 2020 and 2019.

	Years ended 31 December	
	2020	2019
	(RMB million)	*(RMB million)*
Less than 6 months	**73,279**	67,623
6 months to 1 year	**7,706**	8,305
1 year to 2 years	**12,599**	13,914
2 years to 3 years	**7,379**	5,433
Over 3 years	**5,938**	4,136
Total	**106,901**	99,411

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 2020, the Group had a provision for impairment of RMB16,129 million, as compared with RMB13,904 million as at 31 December 2019.

The following table sets forth an ageing analysis of trade and bills payables as at 31 December 2020 and 2019.

	Years ended 31 December	
	2020	2019
	(RMB million)	*(RMB million)*
Within 1 year	**263,688**	241,739
1 year to 2 years	**23,392**	20,813
2 years to 3 years	**6,067**	9,903
Over 3 years	**6,856**	5,504
Total	**300,003**	277,959

The Group's credit terms with its suppliers for the year ended 31 December 2020 remained the same as that for the year ended 31 December 2019. 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.

V. INDEBTEDNESS

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2020 and 2019.

	Years ended 31 December	
	2020	2019
	(RMB million)	*(RMB million)*
Within 1 year	**82,490**	76,379
1 year to 2 years	**50,026**	43,362
2 years to 5 years	**74,825**	64,382
Over 5 years	**198,037**	157,304
Total borrowings	**405,378**	341,427

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Japanese Yen, Euro and Hong Kong dollar. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 31 December 2020 and 2019.

	Years ended 31 December	
	2020	2019
	(RMB million)	*(RMB million)*
Renminbi	**385,713**	319,288
U.S. dollar	**12,851**	14,537
Japanese Yen	**3,378**	3,892
Euro	**2,186**	1,169
Hong Kong dollar	**414**	1,490
Others	**836**	1,051
Total borrowings	**405,378**	341,427

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 2020 was 44.4%, as compared with 42.9% as at 31 December 2019.

V. INDEBTEDNESS (CONTINUED)

Contingent Liabilities

	Years ended 31 December	
	2020	2019
	(RMB million)	*(RMB million)*
Pending lawsuits[1]	**1,672**	1,201
Outstanding loan guarantees[2]	**3,540**	2,951
Total	**5,212**	4,152

(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 RMB1,672 million (2019: RMB1,201 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.

(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.

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.

(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 2020, certain of the ABS and ABN in issue with an aggregate amount of RMB14,969 million (2019: RMB10,387 million) included the ABS and ABN issued to preferential investors of an aggregate amount of RMB13,976 million (2019: RMB9,669 million). For ABS and ABN issued to preferential investors of an aggregate amount of RMB12,226 million (2019: RMB7,919 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 2020, the outstanding balance of guarantees provided by the Group was approximately RMB3,456 million.

VI. MARKET RISKS

The Group is exposed to various types of market risks, including changes in interest rate risks and foreign currency 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 macroeconomic factors including investment scale of social fixed assets and the process of urbanization.

In recent years, the national economy has kept a stable growth and the global economy has gradually come out of the shadow of financial crisis and is in the process of recovering. However, the possibility of periodic fluctuations of macro-economy cannot be eliminated. If the global macro-economy was in the down cycle or the national economic growth speed significantly slows down, there would 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, Southeast Asia, Oceania, Hong Kong, Macao Taiwan, and South America. If the political and economic conditions of such countries and regions changed adversely, daily operation of the Group in those regions could be affected, and the overseas business of the Group in such countries and regions would be exposed to certain risks.

VI. 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 2020 and 2019, 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 2020 and 2019.

As at 31 December 2020, the Group's borrowings of approximately RMB221,299 million (2019: RMB215,097 million) were at variable rates. As at 31 December 2020, 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 RMB2,213 million (2019: RMB2,151 million), mainly as a result of higher/lower interest expense on floating rate borrowings.

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 2020, the Group's aggregate net assets of RMB25,258 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 2020, 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 RMB420 million (2019: RMB248 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 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.

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, the conduct of business activities and etc. 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.

Hassyan clean coal power plant under construction in Dubai will be the first clean coal power plant in Mideast.

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 2020.

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 2020 and the financial position of the Group as at 31 December 2020 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 30 March 2021, the Board recommended a final dividend of RMB0.18088 (including tax) per share (amounting to approximately RMB2,924 million in total) for the year ended 31 December 2020. The recommended final dividends are subject to Shareholders' approval at the annual general meeting to be held on 10 June 2021. The H Share register of members of the Company will be closed for the purpose of determining H Shareholders' entitlement to attend the annual general meeting of the Company from Monday, 7 June 2021 to Thursday, 10 June 2021 (both days inclusive). In order to attend the annual general meeting, H Shareholders shall complete the registration of H Share not later than 4:30 p.m. on Friday, 4 June 2021. The recommended final dividends distribution will be made based on the Company's entire issued share capital of 16,165,711,425 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 Thursday, 24 June 2021. The register of members will be closed from Monday, 21 June 2021 to Thursday, 24 June 2021 (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 RMB0.84437 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 annual general meeting for 2020, which, among others, will set out the record date and ex-entitlement date of dividend distribution for A Shares.

DIVIDENDS (CONTINUED)

Pursuant to relevant laws and regulations including the Individual Income Tax Law of the People's Republic of China (《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.

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 1 January 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 1 January 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 2020 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 2020 final dividend following withholding corporate income tax at the rate of 10% to all H 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 PRC organization code certificate issued by the relevant PRC 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 the PRC (as defined under the Tax Law of the People's Republic of China), on or before 4:30 p.m. on Friday, 18 June 2021.

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 Thursday, 24 June 2021. 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.

(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

Please refer to Note 34 of the audited financial statements for movements in share capital of the Company for the year ended 31 December 2020. As at 31 December 2020, 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	72.67%
2	H Shares	4,418,476,000	27.33%
	Total	16,165,711,425	100.00%

REPORT OF THE BOARD OF DIRECTORS

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 2020 (before tax)** (Note 1) *(RMB'000)*
WANG Tongzhou (Note 2)	55	Executive Director, chairman of the Board and president	22 October 2020 and 22 September 2020	178
LIU Maoxun	65	Non-executive Director	22 November 2017	60
HUANG Long	67	Independent non-executive Director	22 November 2017	60
ZHENG Changhong	65	Independent non-executive Director	22 November 2017	60
NGAI Wai Fung	58	Independent non-executive Director	22 November 2017	100
LI Sen	56	Chairman of the Supervisory Committee (representative of the Shareholders)	22 November 2017	651
WANG Yongbin	55	Supervisor (representative of the Shareholders)	22 November 2017	949
YAO Yanmin	57	Supervisor (representative of the employees)	22 November 2017	976
WEN Gang	54	Vice president	22 November 2017	1,133
WANG Jian	56	Vice president	22 November 2017	1,080
ZHOU Jingbo	57	Vice president	30 October 2019	1,883
LI Maohui	58	Vice president	30 October 2019	1,636
ZHU Hongbiao	50	Chief financial officer	30 October 2019	906
PEI Minshan	49	Vice president	30 October 2019	1,618
CHEN Zhong	49	Vice president	30 October 2019	1,429
ZHOU Changjiang	55	Secretary of the Board and company secretary	22 November 2017 and 13 December 2017	990
LIU Qitao (Note 3)	63	Executive Director and chairman of the Board	22 November 2017	596
SONG Hailiang (Note 4)	55	Executive Director and president	20 November 2018 and 22 October 2018	673
QI Xiaofei (Note 5)	63	Non-executive Director	22 November 2017	–

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 2020. 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.

Note 2: Mr. Wang Tongzhou was elected as the executive Director and chairman of the Board on 22 October 2020 and appointed as the president of the Company on 22 September 2020.

Note 3: Mr. Liu Qitao resigned as the executive Director and chairman of the Board on 22 October 2020 due to the attainment of retirement age.

Note 4: Mr. Song Hailiang resigned as the executive Director and president of the Company on 17 September 2020 due to change of work.

Note 5: Mr. Qi Xiaofei resigned as the non-executive Director on 13 February 2020 due to change of work.

Details of the emoluments (before taxes) of each senior management of the Company (excluding Directors who also hold executive positions) in 2020 are set out below:

Name	**Basic salaries, housing allowances and other allowances**	**Contributions to pension plans**	**Discretionary bonuses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
WEN Gang	238	39	856	1,133
WANG Jian	239	39	802	1,080
ZHOU Jingbo	512	39	1,332	1,883
LI Maohui	498	4	1,134	1,636
ZHU Hongbiao	493	39	374	906
PEI Minshan	760	39	819	1,618
CHEN Zhong	596	39	794	1,429
ZHOU Changjiang	463	39	488	990

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 2020, 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	57.99	Beneficial owner
The Bank of New York Mellon Corporation	262,533,917 (Long position)	H Shares	5.94	1.62	Interest of controlled corporation
	255,151,772 (Lending pool)	H Shares	5.77	1.58	Approved lending agent

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 2020.

Note 2: The percentage of respective type of shares is based on 11,747,235,425 A Shares and 4,418,476,000 H Shares of the Company as at 31 December 2020, respectively.

Note 3: The percentage of total number of shares in issue is based on 16,165,711,425 shares of the total issued share capital of the Company as at 31 December 2020.

As at 31 December 2020, there were 13,161 H Shareholders and 167,102 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 2020 were as follows:

	Name of Shareholder	**Nature**	**Percentage**	**Number**	**Number of shares subject to trading restriction**	**Number of shares pledged or frozen**
1.	CCCG	State	57.99	9,374,616,604	0	Nil
2.	HKSCC NOMINEES LIMITED	Foreign legal person	27.08	4,377,227,832	0	Unknown
3.	China Securities Finance Corporation Limited	State-owned legal person	2.99	483,846,096	0	Unknown
4.	Central Huijin Asset Management Ltd.	State-owned legal person	0.61	98,075,800	0	Unknown
5.	Hong Kong Securities Clearing Company Limited	Foreign legal person	0.29	46,399,895	0	Unknown
6.	Bank of Communications Co., Ltd. – GF China Securities Infrastructure Project Index ETF	Unknown	0.13	20,667,138	0	Unknown
7.	China Merchants Bank Co., Ltd. – Bosera CSI Central – SOEs Technological Innovation Index ETF	Unknown	0.10	15,510,326	0	Unknown
8.	Ping An Life Insurance Company of China, Ltd. – Dividend	Unknown	0.07	11,151,366	0	Unknown
9.	Bank of China Limited – Harvest CSI Central – SOEs Technological Innovation Index ETF	Unknown	0.06	9,837,902	0	Unknown
10.	Bosera Funds – Agricultural Bank of China – Bosera CSI Financial Assets Management Plan	Unknown	0.06	9,825,100	0	Unknown

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

As at 31 December 2020, 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 contained in Appendix 10 to the Hong Kong Listing Rules.

As at 31 December 2020, 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 2020, 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

CCCC has implemented green development practices, promoted construction of ecological civilization, strictly abided by laws and regulations such as the Environmental Protection Law and the Interim Measures for Supervision and Management Over Energy Saving and Emission Reduction of State-owned Enterprises, continued to improve green management, strictly pursued energy saving and emission reduction, constantly improved the efficiency of energy and resource utilization, increased the efforts on nature and ecological protection, actively responded to climate change and therefore realized harmonious development between enterprise and nature.

CCCC has established a sound environmental management system, strengthened the top-level design of environmental management and established a leading group for environmental protection with our chairman and president as the two team leaders. It has been tightening up the implementation of principal responsibilities for eco-environmental protection, strictly implementing the environmental responsibility of the Party and the government and double responsibilities for one post, and holding the bottom line of environmental protection compliance. The Company accelerated the construction of the eco-environmental protection system, formulated the supervision and management methods for eco-environmental protection and the inspection methods for eco-environmental protection, compiled the eco-environmental protection accountability system and eco-environmental protection assessment methods, deployed and implemented the three-year action plan for energy conservation and eco-environmental protection, improved the statistical monitoring system for energy conservation and eco-environmental protection, and continually carried out eco-environmental protection compliance addressing activities, in an effort to comprehensively improve the Company's eco-environmental management standards. For details of the Group's environmental policies and performance, please refer to the Group's "2020 Environmental, Social and Governance Report of China Communications Construction Company Limited" to be published on the websites of the Hong Kong Stock Exchange and the Company, and the Group's "2020 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 2020, 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 2020. 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, provides them with diversified and systematic training, sets clear career development path for them, and helps them achieve self-worth. According to the corporate development needs, CCCC conducts talent recruitment on the open, fair, competitive, merit-based principle, and treats different type of labour forces equally. The Group actively promotes the establishment of harmonious labour relations through providing good career development space and working environment for the employees, providing them with competitive remuneration packages, concerning about their lives, safeguarding occupational health, carrying out a variety of recreational and sports activities, and sharing the corporate development results with them, thus realising 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 establishes a sound customer service system, protects the safety of customer information, improves the communication mechanism with its customers, actively creates values for its customers, and enhances the level of service satisfaction.

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 suppliers management systems such as the Management Measures of CCCC for Equipment and Materials Suppliers (Trial) (《中國交建設備物資供應商管理辦法(暫行)》), the Management Rules for Materials Suppliers of China Communications Construction Company Limited (《中國交通建設股份有限公司物資供應商管理細則》) and the Measures of CCCC for Selection of Outstanding Materials Suppliers (《中國交建優秀物資供應商評選辦法》). The Company selected suppliers based on their legal qualifications, 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., and applied strict control over the qualifications of its suppliers. The philosophy of social responsibility has been fully integrated into the processes of preparations, implementation, decision-making and the entering into of agreements and their performance of purchases to actively carry out green purchases. A full-cycle supplier assessment system has been established to promote suppliers' performance of their duties in various ways.

For the steady progress of the supply chain management system building, the Group 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 2020, the Company participated in the benchmarking evaluation of procurement management of central enterprises, and obtained the second place among central enterprises in the construction sector for two consecutive years.

PERMITTED INDEMNITY PROVISION

As at 31 December 2020, all directors of the Company were covered under the liability insurance purchased by the Company for its directors.

PURCHASE, SALE AND REDEMPTION OF SHARES

Repurchase of H Shares

During the year ended 31 December 2020, the Company repurchased a total of 9,024,000 H Shares on the Hong Kong Stock Exchange at an aggregate consideration of approximately HKD44.19 million (excluding commission and other expenses), pursuant to the general mandate granted to the Board at the 2019 second extraordinary general meeting, 2019 first class meeting for holders of the A Shares and 2019 first class meeting for holders of the H Shares held by the Company on 15 November 2019. Details of the repurchase are set out below. As at 31 December 2020, all the 9,024,000 repurchased H Shares have been cancelled.

Month/year	Number of H Shares purchased	Price paid per H Share		Aggregate consideration
		Highest	Lowest	
		(HKD)	*(HKD)*	*(HKD)*
05/2020	5,000,000	4.93	4.77	24,206,700
06/2020	4,024,000	4.99	4.94	19,983,645
Total	9,024,000	/	/	44,190,345

The Directors of the Company believe that the repurchase of H Shares is conducive to strengthening the management of the Company's equity value and enhancing its brand image in the market, and is in the interests of the Company and the Shareholders as a whole.

Redemption of Preference Shares

During the year ended 31 December 2020, the Company redeemed all the preference shares of the Company, i.e., a total of 145,000,000 preference shares that issued in the PRC in 2015 with the par value of RMB100 each and an aggregate amount of RMB14,500 million. Details of the redemption are set out below. As at 31 December 2020, all the 145,000,000 redeemed preference shares have been cancelled and therefore there are no outstanding preference shares of the Company in issue.

Date/month/year	Number of preference shares redeemed	Price paid per preference share *(RMB)*	Aggregate consideration *(RMB)*
26/08/2020	90,000,000	105.10 (including par value and current dividends)	9,459,000,000
16/10/2020	55,000,000	104.70 (including par value and current dividends)	5,758,500,000
Total	145,000,000	/	15,217,500,000

Save as disclosed above, during the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

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 2020.

Consolidated Income Statement

	2020 ***RMB million***	2019 *RMB million*	2018 *RMB million*	2017 *RMB million*	2016 *RMB million*
Revenue	**624,495**	553,114	489,022	461,054	407,134
Gross profit	**80,036**	69,297	64,520	60,531	54,535
Profit before tax	**26,957**	27,349	25,937	23,752	22,691
Profit for the year	**19,629**	21,525	20,339	18,601	17,500
Attributable to:					
– Owners of the parent	**16,475**	19,999	19,694	17,985	17,143
– Non-controlling interests	**3,154**	1,526	645	616	357
Earnings per share for profit attributable to the equity holders of the parent *(expressed in RMB)*					
Basic					
– For profit for the year	**0.92**	1.16	1.16	1.23	1.00
– For profit from continuing operations	**0.92**	1.16	1.16	1.04	0.99
Diluted					
– For profit for the year	**0.92**	1.16	1.16	1.23	1.00
– For profit from continuing operations	**0.92**	1.16	1.16	1.04	0.99
Dividends	**2,924**	3,765	3,733	3,913	3,145

Note: As affected by the disposal of ZPMC in 2017 and the business combination of CCCC Tianhe under common control in 2020, the comparative statements of profit or loss in 2016 to 2019 for the Group have been restated.

Consolidated Balance Sheet

	2020	2019	2018	2017	2016
Total assets	**1,304,169**	1,123,414	963,124	852,676	801,082
Total liabilities	**946,365**	827,004	723,314	646,551	614,512
Equity attributable to owners of the Company	**245,071**	229,916	197,036	181,127	159,323
Non-controlling interests	**112,733**	66,494	42,774	24,998	27,247

Note: The financial figures for the year 2019 and 2020 were extracted from the 2020 Consolidated Financial Statements. As affected by the business combination of CCCC Tianhe under common control in 2020, the financial figures for the year 2017 to 2019 have been restated.

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.

ISSUANCE OF SUBORDINATED PERPETUAL SECURITIES

The subordinated perpetual securities in the aggregate principal amount of USD1,000,000,000 with an initial distribution rate of 3.425% per annum (the "Series A Securities") and the subordinated perpetual securities in the aggregate principal amount of USD500,000,000 with an initial distribution rate of 3.650% per annum (the "Series B Securities", and together with the Series A Securities, the "Securities") guaranteed by the Company have been issued by CCCI Treasure Limited, a subsidiary of the Company. Pursuant to the terms and conditions of the Series A Securities, unless redeemed, the distribution rate of the Series A Securities will first be reset on 21 February 2025 and thereafter be reset every five years. Pursuant to the terms and conditions of the Series B Securities, unless redeemed, the distribution rate of the Series B Securities will first be reset on 21 February 2027 and thereafter be reset every five years. The distribution of the Securities will be payable semi-annually in equal instalments in arrears on 21 February and 21 August of each year commencing on 21 August 2020. For more details, please refer to the announcements of the Company dated 11 February 2020, 14 February 2020 and 21 February 2020.

ISSUANCE OF DEBENTURES

In order to optimize the debt structure and reduce the financing costs, the Company issued the following debentures in 2020:

1. The first tranche of 2020 ultra-short-term financing bonds was issued on 18 March 2020 with the maturity date on 18 April 2020. The issuance scale is RMB2 billion and the interests rate is 1.50%.

2. The second tranche of 2020 ultra-short-term financing bonds was issued on 8 April 2020 with the maturity date on 30 September 2020. The issuance scale is RMB2 billion and the interests rate is 1.63%.

3. The third tranche of 2020 ultra-short-term financing bonds was issued on 15 April 2020 with the maturity date on 13 October 2020. The issuance scale is RMB2 billion and the interests rate is 1.67%.

4. The fourth tranche of 2020 ultra-short-term financing bonds was issued on 8 June 2020 with the maturity date on 6 December 2020. The issuance scale is RMB2 billion and the interests rate is 1.30%.

5. The fifth tranche of 2020 ultra-short-term financing bonds was issued on 17 July 2020 with the maturity date on 13 November 2020. The issuance scale is RMB2 billion and the interests rate is 1.49%.

6. The first tranche of 2020 mid-term notes was issued on 11 August 2020 with the maturity date on 13 August 2023. The issuance scale is RMB2 billion and the interests rate is 3.85%.

7. The 2020 sustainable corporate bonds was publicly issued to qualified investors (first tranche) (type 1) on 13 August 2020 with the maturity date on 13 August 2023. The issuance scale is RMB2 billion and the interests rate is 3.85%.

8. The sixth tranche of 2020 ultra-short-term financing bonds was issued on 9 October 2020 with the maturity date on 15 December 2020. The issuance scale is RMB2 billion and the interests rate is 1.49%.

9. The second tranche of 2020 mid-term notes was issued on 15 October 2020 with the maturity date on 19 October 2023. The issuance scale is RMB2 billion and the interests rate is 4.34%.

10. The third tranche of 2020 mid-term notes was issued on 25 December 2020 with the maturity date on 29 December 2022. The issuance scale is RMB2 billion and the interests rate is 3.85%.

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 2020.

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 2020.

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 2020.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2020 amounted to approximately RMB25,254 million.

DONATIONS

For the year ended 31 December 2020, the Group made charitable and other donations in a total amount of approximately RMB118 million.

SUBSIDIARIES

Please refer to Note 1 of the audited financial statements for details of the Company's principal subsidiaries as at 31 December 2020.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Please refer to Notes 14, 15, 16(a), 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 2020.

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 2020, the sales of the Group to the five largest customers amounted to RMB31,358 million, representing 5.0% of the Group's revenue; the aggregate purchase from the five largest suppliers by the Group amounted to RMB3,297 million, representing 0.6% of the Group's aggregate purchase for the year.

CONNECTED TRANSACTIONS

The Company has entered into the following connected transactions in the year 2020.

1. Formation of a Project Company

On 23 January 2020, CCCC Haosheng City Construction Development Co., Ltd. ("CCCC Haosheng"), CCCC Fourth Harbour, CCCC East China Investment Limited ("CCCC East China"), CCCC Highway Consultants (all being subsidiaries of the Company) and CCCG Real Estate (being a subsidiary of CCCG) entered into the cooperative development contract for the formation of the project company and joint development of the project land parcel. Pursuant to the cooperative development contract, the registered capital of the project company is RMB800 million, of which RMB80 million will be contributed by CCCC Haosheng, CCCC Fourth Harbour, CCCC East China and CCCC Highway Consultants, respectively, accounting for 10% of the total registered capital of the project company, respectively, and RMB480 million will be contributed by CCCG Real Estate, accounting for 60% of the total registered capital of the project company.

On 23 January 2020, CCCG Real Estate 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. CCCG 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 cooperative development contract 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 cooperative development contract exceeds 0.1% but is less than 5%, the cooperative development contract 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 23 January 2020.

2. Acquisition of 30% Equity Interest in CRED Tianjin

On 23 January 2020, CFHEC, CCCC Beijing-Tianjin-Hebei Investment and Development Co., Ltd. ("CCCC Beijing-Tianjin-Hebei"), CCCG Property Co., Ltd. ("CCCG Property") and CRED (Tianjin) Real Estate Development Ltd. ("CRED Tianjin") entered into the equity transfer agreement, pursuant to which CFHEC has conditionally agreed to acquire and CCCG Property has conditionally agreed to sell 20% equity interest in CRED Tianjin at the consideration of RMB560,001,100, and CCCC Beijing-Tianjin-Hebei has conditionally agreed to acquire and CCCG Property has conditionally agreed to sell 10% equity interest in CRED Tianjin at the consideration of RMB280,000,550.

On 23 January 2020, CCCG Property and CRED Tianjin are subsidiaries of CCCG, the controlling Shareholder of the Company which holds approximately 57.96% equity interests in the issued ordinary shares of the Company. CCCG Property and CRED Tianjin are thus connected persons of the Company under the Hong Kong Listing Rules. As such, the transaction under the equity transfer 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 transaction under the equity transfer agreement exceeds 0.1% but is less than 5%, the equity transfer agreement and the transaction 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 23 January 2020.

CONNECTED TRANSACTIONS (CONTINUED)

3. Formation of a Project Company

On 31 March 2020, CCCC Kunming Construction Development Co., Ltd. ("CCCC Kunming Construction"), CCCC Second Harbour (both being subsidiaries of the Company) and CCCG Real Estate (being a subsidiary of CCCG) 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 RMB2,080.00 million, of which RMB166.40 million, RMB624.00 million and RMB1,289.60 million will be contributed by CCCC Kunming Construction, CCCC Second Harbour and CCCG Real Estate, accounting for 8%, 30% and 62% of the total registered capital of the project company, respectively. As a result, the project company will become a subsidiary of CCCG Real Estate, and its financial results will be consolidated into the financial results of CCCG Real Estate.

On 31 March 2020, CCCG Real Estate 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. CCCG 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 31 March 2020.

4. Formation of a Joint Venture

On 27 April 2020, to jointly invest in the project of cold chain area and second express area of Guangzhou railway container central station, CCCC Fourth Harbour (being a subsidiary of the Company) and CCCC Industrial Investment Holding Limited ("CCCC Industrial Investment") (being a subsidiary of CCCG) entered into the shareholders' cooperation agreement for the formation of the joint venture. Pursuant to the shareholders' cooperation agreement, the registered capital of the joint venture is RMB100 million, of which RMB80 million will be contributed by CCCC Fourth Harbour, accounting for 80% of the total registered capital of the joint venture; and RMB20 million will be contributed by CCCC Industrial Investment, accounting for 20% of the total registered capital of the joint venture. Upon establishment of the joint venture, CCCC Fourth Harbour and CCCC Industrial Investment will make additional capital contributions to the joint venture (which will be included in capital reserve) in proportion to their respective shareholding in the joint venture in accordance with the actual situation. The aggregate capital contribution amount of CCCC Fourth Harbour will be approximately RMB827.41 million.

On 27 April 2020, CCCC Industrial Investment 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 Industrial Investment 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' 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 joint venture under the shareholders' cooperation agreement exceeds 0.1% but is less than 5%, the shareholders' 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 April 2020.

CONNECTED TRANSACTIONS (CONTINUED)

5. Formation of a Project Company

On 12 May 2020, in order to jointly invest in the PPP project of new urbanization in North New Town, Wanzhou District, Chongqing City, CCCC Fourth Harbour, Road & Bridge, CCC First Highway Consultants Co., Ltd. ("CCCC First Highway Consultants") (all being subsidiaries of the Company) entered into the shareholders' agreement with Southwest Municipal Engineering Design and Research Institute of China ("SMEDRIC") (being a subsidiary of CCCG), Changjiang Survey, Planning, Design and Research Co., Ltd. ("CSPDR") and Chongqing Wanzhou Sanxia Pinghu Co., Ltd. ("CWSP") for the formation of the project company. Pursuant to the shareholders' agreement, the registered capital of the project company is RMB500,000,000, of which RMB307,469,470, RMB56,265,000, RMB7,502,000, RMB3,751,000, RMB112,530, RMB124,900,000 will be contributed by CCCC Fourth Harbour, Road & Bridge, CCCC First Highway Consultants, SMEDRIC, CSPDR and CWSP, respectively, accounting for 61.4939%, 11.2530%, 1.5004%, 0.7502%, 0.0225% and 24.9800% of the total registered capital of the project company. Upon formation of the project company, the parties will make additional capital contributions to the project company in proportion to their respective shareholdings in the project company in accordance with the actual situation. The total capital contribution to be made by the subsidiaries of the Company, namely CCCC Fourth Harbour, Road & Bridge and CCCC First Highway Consultants, will be approximately RMB2,972,197,800.

Upon formation of the project company, the Company will hold 74.2473% 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 12 May 2020, SMEDRIC 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. 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 12 May 2020.

6. Capital Increase in Hubei CUR

On 15 May 2020, CCCC Second Highway and CCCC Fourth Highway (both being subsidiaries of the Company) entered into the capital increase agreement with CCCG Urban and Rural Development and Construction Co., Ltd. ("CCCG Urban and Rural") (being a subsidiary of CCCG). Pursuant to the capital increase agreement, CCCC Second Highway, CCCC Fourth Highway and CCCG Urban and Rural agreed to make a capital contribution of RMB490,000,000.00, RMB490,000,000.00 and RMB409,774,780.14 to Hubei CUR Xiangyue Real Estate Development Co., Ltd. ("Hubei CUR") in cash, respectively.

On 15 May 2020, CCCG Urban and Rural 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. CCCG Urban and Rural is thus a connected person 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 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 15 May 2020.

CONNECTED TRANSACTIONS (CONTINUED)

7. Capital Increase in CCCC Tianhe

On 4 June 2020, the Company, CCCC Tianjin Dredging Co., Ltd. ("CCCC Tianjin Dredging"), Chuwa Bussan Company Limited ("Chuwa Bussan"), ZPMC and CCCC Tianhe entered into the capital increase agreement. Pursuant to the capital increase agreement, the Company agreed to make a capital increase of RMB1,000,000,000 in CCCC Tianhe in cash, of which RMB659,675,300 will be included in the registered capital and RMB340,324,700 will be included in the capital reserve.

On 4 June 2020, ZPMC 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. ZPMC is thus a connected person 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 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 June 2020.

8. Formation of a Project Company

On 28 August 2020, to jointly invest in the PPP project for the construction of rural wastewater collecting and treating system (Gangwei Town, Fugong Town, Baishui Town, Longjiao Shezu Village) in Longhai, CCCC Ecological Environmental Protection Investments Co., Ltd. ("CCCC Ecological"), CCCC Tianjin Dredging Co., Ltd. ("CCCC Tianjin Dredging"), Longhai Urban Construction Investment Development Co., Ltd. ("Longhai Urban"), Beijing Sound Environmental Engineering Co., Ltd. ("Sound Environmental") and China Northeast Municipal Engineering Design & Research Institute Co., Ltd. ("Northeast Institute") 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 RMB250.00 million, of which RMB127.50 million, RMB92.50 million, RMB25.00 million, RMB2.50 million and RMB2.50 million will be contributed by CCCC Ecological, CCCC Tianjin Dredging, Longhai Urban, Sound Environmental and Northeast Institute, accounting for 51%, 37%, 10%, 1% and 1% of the total registered capital of the project company, respectively.

Upon the formation of the project company, the Company will hold an aggregate of 88% 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 28 August 2020, Northeast Institute 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. Northeast Institute 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 28 August 2020.

CONNECTED TRANSACTIONS (CONTINUED)

9. Formation of a Project Company

On 10 September 2020, in order to jointly invest in the PPP project of the whole water treatment and clean water provision for counties and districts in Tangshan City, Certain Subsidiaries (including CFHCC, CCCC Hehai Engineering Co., Ltd., CCCC Fourth Harbour, CCCC Ecological, CCCC Tianjin Dredging, Road & Bridge and CCCC Third Highway Engineering Co., Ltd.) of the Company entered into the shareholders' agreement with China Urban and Rural Holding Group Co., Ltd. ("China Urban and Rural") (being a subsidiary of CCCG) and Other Project Partners (including LN Water Group Co., Ltd., Zhejiang First Hydro & Power Construction Group Co., Ltd., NWHG Group Co., Ltd., STECOL Corporation, PowerChina Environment Engineering Co., Ltd. and Tangshan Whole Water Treatment Development Group Co., Ltd.) for the formation of the project company. Pursuant to the shareholders' agreement, the registered capital of the project company is RMB2,361,564,000, of which RMB1,602,749,100 will be contributed by Certain Subsidiaries of the Company in total, accounting for 67.86% of the total registered capital of the project company; RMB8,164,000 will be contributed by China Urban and Rural, accounting for 0.35% of the total registered capital of the project company; and RMB750,650,900 will be contributed by Other Project Partners in total, accounting for 31.79% of the total registered capital of the project company. If any of the parties fails to pay the capital contribution within the specified period, then the other parties shall be jointly and severally liable for the specified amount of capital contributions within the agreed scope in accordance with the shareholders' agreement. Among which, the total amount of the capital contribution and joint and several liabilities by Certain Subsidiaries of the Company shall not exceed RMB1,746,754,200.

On 10 September 2020, China Urban and Rural 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. 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 10 September 2020.

10. Formation of a Project Company

On 16 October 2020, in order to jointly invest in the Salvador–Itaparica sea-crossing bridge and supporting highways project in State of Bahia, Brazil, the Company, CCCC South America Regional Company S.à.r.l. ("CCCCSA SARL") and China Railway 20th Bureau Group Co., Ltd. ("China Railway 20th Bureau") 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 R$355,000,000 (equivalent to approximately HK$489,190,000), of which R$133,125,000, R$44,375,000 and R$177,500,000 (equivalent to approximately HK$183,446,000, HK$61,149,000 and HK$244,595,000, respectively) will be contributed by the Company, CCCCSA SARL and China Railway 20th Bureau, respectively, accounting for 37.5%, 12.5% and 50.0% of the total registered capital of the project company.

CCCCSA SARL is a subsidiary of the Company. On 16 October 2020, ZPMC and CCCG Overseas Real Estate Pte. Ltd., both of which are connected persons of the Company by virtue of being subsidiaries of CCCG (the controlling Shareholder of the Company), hold an aggregate of 25.79% equity interests in CCCCSA SARL. As such, CCCCSA SARL is a connected subsidiary of the Company by virtue of Rule 14A.16 of the Hong Kong Listing Rules. Therefore, 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 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 16 October 2020.

CONNECTED TRANSACTIONS (CONTINUED)

11. Formation of a Project Company to Develop the Project Land Parcel

On 5 November 2020, Road & Bridge, CCCC Fourth Highway, CCCC Second Highway and CCCC Southwest Investment and Development Co., Ltd. ("CCCC Southwest Investment") (all being subsidiaries of the Company) entered into the cooperative development agreement with CCCG Real Estate (being a subsidiary of CCCG) for the formation of the project company and joint development of the project land parcel. Pursuant to the cooperative development agreement, the registered capital of the project company is RMB2,600 million, of which RMB624 million, RMB468 million, RMB390 million, RMB208 million and RMB910 million will be contributed by Road & Bridge, CCCC Fourth Highway, CCCC Second Highway, CCCC Southwest Investment and CCCG Real Estate, respectively, accounting for 24%, 18%, 15%, 8% and 35% of the total registered capital of the project company, respectively.

On 5 November 2020, CCCG Real Estate is a subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 57.99% interests in the issued ordinary shares of the Company. CCCG 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 cooperative development 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 cooperative development agreement exceeds 0.1% but is less than 5%, the cooperative development 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 5 November 2020.

12. Formation of a Project Company

On 30 November 2020, CCCC Second Harbour, China Urban and Rural Holding Group Co., Ltd. ("China Urban and Rural"), Beijing OriginWater Technology Co., Ltd. ("OriginWater"), China Railway 18th Bureau Group Co., Ltd. ("China Railway 18th Bureau"), Wuhan Changjiang New Town Construction Investment Group Co., Ltd. ("Changjiang New Town Construction Investment"), CITIC Construction Co., Ltd. ("CITIC Construction") and Xinheng Yintong Fund Management (Beijing) Co., Ltd. ("Xinheng Yintong") entered into the shareholders' contract for the joint investment in the Infrastructure PPP Project of Starting Area of Changjiang New Town in Wuhan. Pursuant to the shareholders' contract, the registered capital of the project company is approximately RMB1,596 million, of which approximately RMB984 million, RMB324 million, RMB192 million, RMB48 million, RMB16 million, RMB16 million and RMB16 million will be contributed by Xinheng Yintong, CCCC Second Harbour, CITIC Construction, Changjiang New Town Construction Investment, China Urban and Rural, OriginWater and China Railway 18th Bureau, respectively, accounting for 61.67%, 20.33%, 12.00%, 3.00%, 1.00%, 1.00% and 1.00% of the total registered capital of the project company, respectively.

On 30 November 2020, China Urban and Rural and OriginWater are subsidiaries of CCCG, the controlling Shareholder of the Company which holds approximately 57.99% interests in the issued ordinary shares of the Company. China Urban and Rural and OriginWater are thus connected persons of the Company under the Hong Kong Listing Rules. As such, the formation of the project company under the shareholders' contract 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' contract exceeds 0.1% but is less than 5%, the shareholders' contract 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 30 November 2020.

13. Supplemental Information

Reference is made to the announcement of the Company dated 5 February 2021 in relation to the agreement among CCCC Northeast Investment Co., Ltd., Harbin Greentown Real Estate Co., Ltd. ("Harbin Greentown Real Estate") and Harbin Metro Real Estate Development Co., Ltd. to provide the project company with loans. After the publication of the announcement, Greentown China Holdings Limited (the holding company of Harbin Greentown Real Estate, the shares of which are listed on the Hong Kong Stock Exchange under stock code 03900) published an announcement on 9 April 2021 and confirmed that the project company is not a subsidiary of Harbin Greentown Real Estate. Save as disclosed above, there is no change in the information disclosed in the announcement of the Company dated 5 February 2021.

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 2020 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)

1. 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 annual 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 31 March 2020, the Company and CCCG entered into a supplemental agreement to the mutual project contracting framework agreement to revise the existing annual cap 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 2020 from RMB3,500 million to RMB16,000 million and from RMB130 million to RMB4,500 million, respectively. In addition, in respect of the project contracting services provided by the Group, the scope will be adjusted from provision of construction services for real property development projects that may be undertaken by CCCG Group to provision of construction, design, consultation and management services for real property and wastewater treatment projects that may be undertaken by CCCG Group; in respect of the labour and subcontracting services provided by CCCG Group, the scope will be adjusted from provision of consultancy and management services that may be required for the development of real property projects to provision of consultancy and management services that may be required for the development of projects.

On 31 March 2020, 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 under the mutual project contracting framework agreement exceeds 5%, the project contracting services under the mutual project contracting framework agreement and the revised annual cap are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Company convened the annual general meeting and obtained independent Shareholders' approval for the project contracting services under the mutual project contracting framework agreement and the revised annual cap thereof on 9 June 2020.

As the highest applicable percentage ratio of the revised annual cap for the labour and subcontracting services under the mutual project contracting framework agreement exceeds 0.1% but is less than 5%, the labour and subcontracting services 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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

1. Mutual Project Contracting Framework Agreement Entered into between the Company and CCCG (continued)

On 29 October 2020, the Company and CCCG entered into a supplemental agreement to the mutual project contracting framework agreement to revise the existing annual cap for the fees for the labour and subcontracting services provided by CCCG Group to the Group thereunder for the year ended 31 December 2020 from RMB4,500 million to RMB5,200 million.

On 29 October 2020, CCCG is the controlling Shareholder of the Company holding approximately 57.99% 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 labour and subcontracting services under the mutual project contracting framework agreement exceeds 0.1% but is less than 5%, the labour and subcontracting services 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 transactions, please refer to the announcements of the Company dated 29 August 2018, 31 March 2020 and 29 October 2020 and the circular of the Company dated 28 September 2018.

The annual caps for the continuing connected transactions described above as compared with the actual transaction amounts receivable and payable by the Group for the year ended 31 December 2020 are set out as follows:

	Annual cap for 2020 ***(RMB million)***	**Actual amount for 2020** ***(RMB million)***
Project contracting service fees receivable by the Group from CCCG Group	**16,000**	**12,431**
Labour and subcontracting service fees payable by the Group to CCCG Group	**5,200**	**3,500**

2. 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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

2. Financial Services Agreement Entered into between CCCC Finance and CCCG (continued)

As the highest applicable percentage ratio of the proposed annual caps for the loan services contemplated under the financial services agreement (for the loan services only) exceeds 0.1% but is less than 5%, the loan services 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 loan services contemplated thereunder on 20 November 2018.

On 31 March 2020, CCCC Finance entered into a supplemental agreement to the financial services agreement with CCCG to revise the existing maximum daily loan balance (including the interests accrued thereon) thereunder for the year ended 31 December 2020 from RMB1,356 million to RMB2,431 million.

On 31 March 2020, 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 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 loan services under the financial services agreement exceeds 0.1% but is less than 5%, the loan services contemplated under the financial services agreement and the revised annual caps 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 transactions, please refer to the announcements of the Company dated 29 August 2018 and 31 March 2020 and the circular of the Company dated 28 September 2018.

The annual cap for the continuing connected transactions described above as compared with the actual maximum daily balance of loans provided by CCCC Finance to CCCG Group (including the interests accrued thereon) for the year ended 31 December 2020 are set out as follows:

	Annual cap for 2020 ***(RMB million)***	**Actual amount for 2020** ***(RMB million)***
The annual cap of daily balance of loans provided by CCCC Finance to CCCG Group (including the interests accrued thereon)	**2,431**	**2,027**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

On 21 April 2017, CCCC Leasing (a subsidiary of the Company) entered into the original finance lease framework agreement with CCCG, pursuant to which CCCC 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 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 Leasing to CCCG Group, CCCC 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 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 transactions, please refer to the announcement of the Company dated 29 August 2018 and the circular of the Company dated 28 September 2018.

The annual caps for the continuing connected transactions described above as compared with the actual aggregate amount for finance lease services and the commercial factoring services provided by CCCC Leasing to CCCG Group for the year ended 31 December 2020 are set out as follows:

	Annual cap for 2020 *(RMB million)*	**Actual amount for 2020 *(RMB million)***
Aggregate amount for finance lease services provided by CCCC Leasing to CCCG Group	**5,000**	**1,410**
Aggregate amount of the commercial factoring services provided by CCCC Leasing to CCCG Group	**5,000**	**2,869**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

4. 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.

On 31 March 2020, the Company and CCCG entered into a supplemental agreement to the mutual product sales and purchase agreement to revise the existing annual cap for the fees to be received by the Group in respect of sales of material products to CCCG Group thereunder for the year ended 31 December 2020 from RMB360 million to RMB900 million.

On 31 March 2020, 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 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 revised annual cap for the sales of material products to CCCG Group under the mutual product sales and purchase agreement exceeds 0.1% but is less than 5%, the sales of material products to CCCG Group under the mutual product sales and purchase 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 29 October 2020, the Company and CCCG entered into a supplemental agreement to the mutual product sales and purchase agreement to revise the existing annual cap for the fees receivable by the Group for sales of material products to CCCG Group thereunder for the year ended 31 December 2020 from RMB900 million to RMB1,200 million.

On 29 October 2020, CCCG is the controlling Shareholder of the Company holding approximately 57.99% 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 revised annual cap for the sales of material products to CCCG Group under the mutual product sales and purchase agreement exceeds 0.1% but is less than 5%, the sales of material products to CCCG Group under the mutual product sales and purchase 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 transactions, please refer to the announcements of the Company dated 29 August 2018, 31 March 2020 and 29 October 2020 and the circular of the Company dated 28 September 2018.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

4. Mutual Product Sales and Purchase Agreement entered into between the Company and CCCG (continued)

The annual caps for the continuing connected transactions 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 2020 are set out as follows:

	Annual cap for 2020 *(RMB million)*	Actual amount for 2020 *(RMB million)*
Aggregate amount for the fees to be received by the Group from CCCG Group	1,200	1,058
Aggregate amount for the fees to be paid by the Group to CCCG Group	3,500	1,733

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

On 29 August 2018, in order to further regulate the finance lease services and commercial factoring services provided by CCCC Leasing to the Group, the Company and CCCC 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 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 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 Leasing. Therefore, CCCC 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 transactions, please refer to the announcement of the Company dated 29 August 2018 and the circular of the Company dated 19 October 2018.

The annual caps for the continuing connected transactions described above as compared with the actual aggregate amount for finance lease services and the commercial factoring services provided by CCCC Leasing to the Group for the year ended 31 December 2020 are set out as follows:

	Annual cap for 2020 *(RMB million)*	Actual amount for 2020 *(RMB million)*
Aggregate amount for finance lease services provided by CCCC Leasing to the Group	23,250	3,072
Aggregate amount of the commercial factoring services provided by CCCC Leasing to the Group	23,250	8,464

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

6. Leasing and Asset Management Services Framework Agreement Entered into between the Company and CCCG

On 31 March 2020, the Company and CCCG entered into the leasing and asset management services framework agreement, pursuant to which, CCCG Group agreed to lease certain buildings and plants, auxiliary facilities and equipment for production and operation and other products owned by it to the Group from 31 March 2020 to 31 December 2020 for the Group's operation and office use.

On 31 March 2020, 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 leasing and asset management services 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 leasing and asset management services framework agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the leasing and asset management services 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.

For details of the aforesaid continuing connected transactions, please refer to the announcement of the Company dated 31 March 2020.

The annual cap for the continuing connected transactions described above as compared with the actual aggregate amount for the leasing by CCCG Group to the Group for the year ended 31 December 2020 are set out as follows:

	Annual cap for 2020 *(RMB million)*	Actual amount for 2020 *(RMB million)*
Leasing of certain buildings and plants, auxiliary facilities and equipment for production and operation and other products by CCCG Group to the Group	**380**	**244**

7. Product Purchase Framework Agreement Entered into between the Company and CCCC Tianhe

On 8 July 2020, the Company and CCCC Tianhe entered into the product purchase framework agreement, pursuant to which CCCC Tianhe and its subsidiaries agreed to sell and the Group agreed to purchase engineering products during the period from 8 July 2020 to 31 December 2020.

CCCC Tianhe is a subsidiary of the Company. On 8 July 2020, ZPMC, a connected person of the Company by virtue of being a subsidiary of CCCG (the controlling Shareholder of the Company), holds 16.52% interests in CCCC Tianhe. Therefore, CCCC Tianhe is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Hong Kong Listing Rules. As such, the product purchase 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 cap for the transactions contemplated under the product purchase framework agreement exceeds 0.1% but is less than 5%, the transactions contemplated thereunder 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.

For details of the aforesaid continuing connected transactions, please refer to the announcement of the Company dated 8 July 2020.

The annual cap for the continuing connected transactions described above as compared with the actual aggregate amount for the purchase of engineering products by the Group from CCCC Tianhe and its subsidiaries for the year ended 31 December 2020 are set out as follows:

	Annual cap for 2020 *(RMB million)*	Actual amount for 2020 *(RMB million)*
Purchase of engineering products by the Group from CCCC Tianhe and its subsidiaries	**2,100**	**174**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

8. Product Leasing Framework Agreement Entered into between the Company and CCCC Tianhe

On 8 July 2020, the Company and CCCC Tianhe entered into the product leasing framework agreement, pursuant to which CCCC Tianhe and its subsidiaries agreed to lease engineering products to the Group during the period from 8 July 2020 to 31 December 2020.

CCCC Tianhe is a subsidiary of the Company. On 8 July 2020, ZPMC, a connected person of the Company by virtue of being a subsidiary of CCCG (the controlling Shareholder of the Company), holds 16.52% interests in CCCC Tianhe. Therefore, CCCC Tianhe is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Hong Kong Listing Rules. As such, the product leasing 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 cap for the transactions contemplated under the product leasing framework agreement exceeds 0.1% but is less than 5%, the transactions contemplated thereunder 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.

For details of the aforesaid continuing connected transactions, please refer to the announcement of the Company dated 8 July 2020.

The annual cap for the continuing connected transactions described above as compared with the actual aggregate amount for the leasing of engineering products by CCCC Tianhe and its subsidiaries to the Group for the year ended 31 December 2020 are set out as follows:

	Annual cap for 2020 ***(RMB million)***	**Actual amount for 2020** ***(RMB million)***
Leasing of engineering products by CCCC Tianhe and its subsidiaries to the Group	**2,900**	**173**

9. Financial Services Framework Agreement Entered into between CCCC Finance and CCCC Tianhe

On 8 July 2020, CCCC Finance (a subsidiary of the Company) and CCCC Tianhe entered into the financial services framework agreement, pursuant to which CCCC Finance agreed to provide deposit services and loan services to CCCC Tianhe and its subsidiaries during the period from 8 July 2020 to 31 December 2020.

CCCC Tianhe is a subsidiary of the Company. On 8 July 2020, ZPMC, a connected person of the Company by virtue of being a subsidiary of CCCG (the controlling Shareholder of the Company), holds 16.52% interests in CCCC Tianhe. Therefore, CCCC Tianhe is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Hong Kong Listing Rules. As such, the financial services framework agreement and the transactions contemplated thereunder 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 CCCC Tianhe and its subsidiaries is to be made on normal commercial terms or more favourable terms which are in the Group's interests, and no assets of the Group are to be pledged as security for such deposit services in favour of CCCC Tianhe and its subsidiaries. Therefore, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, the provision of deposit services by CCCC Finance to CCCC Tianhe and its subsidiaries under the financial services framework 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 cap for the transactions contemplated under the financial services framework agreement (for the loan services only) exceeds 0.1% but is less than 5%, the transactions contemplated thereunder 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.

For details of the aforesaid continuing connected transactions, please refer to the announcement of the Company dated 8 July 2020.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

9. Financial Services Framework Agreement Entered into between CCCC Finance and CCCC Tianhe (continued)

The annual cap for the continuing connected transactions described above as compared with the actual maximum daily balance of loans provided by CCCC Finance to CCCC Tianhe and its subsidiaries for the year ended 31 December 2020 are set out as follows:

	Annual cap for 2020 *(RMB million)*	Actual amount for 2020 *(RMB million)*
Maximum daily loan balance (including the interests accrued thereon) provided by CCCC Finance to CCCC Tianhe and its subsidiaries	**510**	**0**

10. Financial Services Framework Agreement Entered into between CCCC Finance and CCCC Intelligence Transportation

On 29 October 2020, CCCC Finance (a subsidiary of the Company) and CCCC Intelligence Transportation entered into the financial services framework agreement, pursuant to which CCCC Finance agreed to provide deposit services and loan services to CCCC Intelligence Transportation and its subsidiaries during the period from 29 October 2020 to 31 December 2021.

The Company has effective control over CCCC Intelligence Transportation and the financial results of which are consolidated into that of the Group, and therefore CCCC Intelligence Transportation is a subsidiary of the Company. On 29 October 2020, CCCG (the controlling Shareholder of the Company holding approximately 57.99% equity interests in the issued ordinary shares of the Company) holds more than 10% equity interests in CCCC Intelligence Transportation. Therefore, CCCC Intelligence Transportation is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Hong Kong Listing Rules. As such, the financial services framework agreement and the transactions contemplated thereunder 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 CCCC Intelligence Transportation and its subsidiaries is to be made on normal commercial terms or more favourable terms which are in the Group's interests, and no assets of the Group are to be pledged as security for such deposit services in favour of CCCC Intelligence Transportation and its subsidiaries. Therefore, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, the provision of deposit services by CCCC Finance to CCCC Intelligence Transportation and its subsidiaries under the financial services framework 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 cap for the transactions contemplated under the financial services framework agreement (for the loan services only) exceeds 0.1% but is less than 5%, the transactions contemplated thereunder 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.

For details of the aforesaid continuing connected transactions, please refer to the announcement of the Company dated 29 October 2020.

The annual cap for the continuing connected transactions described above as compared with the actual maximum daily balance of loans provided by CCCC Finance to CCCC Intelligence Transportation and its subsidiaries for the year ended 31 December 2020 are set out as follows:

	Annual cap for 2020 *(RMB million)*	Actual amount for 2020 *(RMB million)*
Maximum daily loan balance (including the interests accrued thereon) provided by CCCC Finance to CCCC Intelligence Transportation and its subsidiaries	**240**	**0**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Explanation on the Continuing Connected Transactions of CCCC Finance and CCCC 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 connected persons 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 connected persons is no more than 75% of the daily average deposit balance in CCCC Finance. The loan interest rate is implemented with reference to the quoted interest rate in the loan market, and is not lower than the interest rate applicable to the same period and similar loan services provided by major domestic commercial banks.

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.

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 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.

As a banking financial institution, CCCC Finance manages its accounts in strict compliance with the Measures for Payment and Settlement and Measures for the Administration of RMB Bank Settlement Accounts issued by the People's Bank of China, and ensures the safety of the funds of the account holders in accordance with the laws. The accounts opened by the Group and connected persons with CCCC Finance are independent of each other, and there is no interchange of funds in the accounts.

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). During the course of business, CCCC Finance also assigns dedicated personnel to follow up the utilization of loan. If the use of the loan is changed, CCCC Finance will recover the entire principal and interest, and impose an additional penalty of 100% interest.

The borrowing contract entered into between CCCC Finance and connected persons expressly provides that, if connected persons does not repay the principal and interest within the repayment period as stipulated in the contract, CCCC Finance is entitled to require connected persons to repay the principal and interest within a certain period of time, and charge a penalty interest on the overdue borrowings in accordance with the contract, generally at 50% of the benchmarking rate for the same period of borrowings.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

2. Risk Management and Review Process (continued)

CCCG unconditionally and irrevocably warrants to the Group that during the term of the Financial Services Agreement, CCCG will (i) guarantee the full performance of obligations and liabilities of connected persons under the Financial Services Agreement; and (ii) indemnify the Group against any loss suffered by the Group as a result of connected persons' failure to meet its obligations and liabilities under the Financial Services Agreement or the terms thereof.

In the future, CCCC Finance will adopt similar measures to safeguard the interests of the Group from losses when providing connected persons with other financial services within the scope of its operations. When a guarantee is issued to connected persons, relevant protection terms will be specified in the signed agreement. If CCCC Finance receives a statement of claim from the beneficiary, CCCC Finance is entitled to directly deduct the deposits agreed in the agreement and all the amounts in the account opened by connected persons with CCCC Finance for external payment (where the amounts is a time deposit, CCCC Finance is entitled to directly deduct the money regardless of whether the deposit has matured or not, and any loss arising from such deduction shall be borne by connected persons themselves). If the currency of the deducted deposits is different from the currency of the debt to be repaid, it should be converted into the same currency of the debt to be repaid at the exchange rate announced by CCCC Finance at the time of the deduction. In the event that the amounts of the deducted deposits is not sufficient for external payments claim, connected persons shall remit the corresponding amounts to the account opened by connected persons with CCCC Finance within three banking days from the date of receipt of the notice of payment from CCCC Finance at the latest for CCCC Finance to make external payments claim.

If connected persons does not make repayment within the repayment period, CCCC Finance is entitled to require connected persons to make such repayment within a certain period of time, and charge a penalty interest on the overdue borrowings in accordance with the contract, generally at 50% of the benchmarking rate for the same period of borrowings.

3. Risk Control Measures of CCCC over CCCC Finance

(i) The Company will arrange senior management to be responsible for monitoring the implementation and transactions of the Financial Services Agreement;

(ii) The senior management is required to report to the chairman, finance supervisor or chief financial officer and other senior management in a timely manner when any issue is identified. In the event that no issues are identified, such senior management are also required to report on a monthly basis to the chairman, finance supervisor or chief financial officer and other senior management regarding the implementation of the Financial Services Agreement; and

(iii) The Company will engage a third-party auditor to conduct quarterly audits or reviews of the implementation of the Financial Services Agreement and the adequacy of the internal control system of CCCC Finance, and report the results of the audits or reviews to the independent non-executive Directors and Supervisors of the Company.

4. 2020 Deposit and Loan Business of CCCC Finance

In 2020, the balance of deposits from connected persons to CCCC Finance amounted to approximately RMB5,793 million, accounting for 13.04% of the total deposit of CCCC Finance, and paid interest of RMB109 million to connected persons. The maximum daily average loan balance to connected persons and corresponding interests amounted to RMB2,027 million.

CCCC 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 Company Limited, 10% by CCCC International Holding Limited), and 30% held by ZPMC. In 2017, CCCC's corporate credit rating was AAA.

CCCC 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 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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

1. Pricing Principle

CCCC 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 Leasing and connected persons (CCCG and its subsidiaries) adopted a market-based fair pricing principle. CCCC 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 Leasing and the lease. CCCC Leasing provided CCCG with the pricing principle of commercial factoring service, the quoted price of which is offered by CCCC Leasing and determined by CCCG after negotiation with CCCC 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 Leasing formulated certain internal rules and policies for managing and controlling the operating risks with a comprehensive internal control system. CCCC 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 Leasing monitored transactions in a timely manner through centralized management, safe and effective business system.

3. Finance Leases of CCCC Leasing in 2020

For the year 2020, CCCC Leasing entered into finance lease transactions with the connected persons with the total amount of RMB1,410 million, accounting for 6.08% of the total amount of the finance leases of CCCC Leasing for that year.

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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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 2020, the Group had 133,294 employees that had signed labor contracts with the Group. The breakdown of employees as at 31 December 2020 was as follows:

1. Categorized by Major

Major	Number of Employees	Percentage
Management	89,590	67.2%
Specialist	30,481	22.9%
Technician	9,865	7.4%
Others	3,358	2.5%
Total	133,294	100.0%

2. Categorized by Degree Held

	Number of Employees	Percentage
Master and above	13,335	10.0%
Bachelor	85,654	64.3%
Junior college degree	20,631	15.5%
Associate degree	4,924	3.7%
Junior high school degree and other	8,750	6.5%
Total	133,294	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 2020. 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.

REPORT OF THE BOARD OF DIRECTORS

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 2020, 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 2019 annual general meeting of the Company held on 9 June 2020 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 2019 annual general meeting and ending at the 2020 annual general meeting 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.

Ecological Restoration Project at Nanhu Lake, Jiaxing City, Zhejiang Province. Through environmental dredging, water regulation, water purification, turbidity reduction, ecological restoration, etc., a green corridor surrounding the lake was formed to conserve water, protect biodiversity of the South Lake and create a beautiful waterfront landscape.

REPORT OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee of China Communications Construction Company Limited fulfilled its duties faithfully in accordance with the relevant requirements of the Company Law, the Articles of Association and the Rules of Procedures for Meetings of the Supervisory Committee, fully played the important role of preventing risks, promoting the reform and strengthening the supervision, and focused on the compliance with laws and regulations, the duty performance of the Directors and the senior management, the decision making of significant events, financial affairs, the internal control and related-party transactions. Details are reported below:

I. WORK OF THE SUPERVISORY COMMITTEE

(i) Focus of Supervision

During the Reporting Period, the Supervisory Committee focused on the quality and efficiency improvement of the Company's large projects under direct management with the goal of promoting the high-quality development of the Company, and conducted special inspections on the quality and efficiency improvement of three projects under direct management, Wuwei Highway, Songtong Highway and the branch line of Shenzhen Metro Line 6, by basing on the audit results and through reviewing financial information, listening to special reports, visiting project sits, holding communication meetings and providing improvement suggestions in writing.

In the supervision and inspection, the Supervisory Committee identified the following issues in respect of the management of these projects: firstly, some projects had a weak penetrating power in the management; secondly, large equipment had a relatively lower operation efficiency; thirdly, some subcontractors recorded a relatively higher labor unit price due to the lax control; fourthly, some units violated system requirements in the course of business.

The Supervisory Committee informed the management of the said issues and risks and provided advice on taking targeted measures: the first is to deeply cultivate key markets, capitalise on existing strengths and improve the brand image. The second is to integrate the leadership of the headquarters and the initiative of subsidiaries. The third is to establish the regular mechanism for equipment dispatching and important materials guaranteeing. The fourth is to further strengthen the promotion and implementation of systems.

As the Company actively urged the relevant units to implement the improvement measures, all specific issues have been addressed effectively, and issues that require long-term improvement are being addressed gradually in accordance with the improvement plans.

(ii) Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee held 10 meetings and considered 58 resolutions. It considered 18 resolutions on routine supervision matters, including regular reports, financial reports and annual operation objectives of the Company; considered 31 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 6 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. The Supervisory Committee also considered 3 resolutions on amendments to constitutional documents. The number of Supervisors attending 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.

During the Reporting Period, the Supervisory Committee attended 2 general meetings and 12 board meetings to supervise the significant decisions of the Company, and attended 17 meetings of the President's Office to fully understand the operation and management decisions of the Company.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

(i) Overall Assessment of the Management and the Performance

During the Reporting Period, facing the severe and complex external environment, the arduous tasks for achieving steady reform and development and the great impact of COVID-19 pandemic, the Company adhered to Xi Jinping's thought on socialism with Chinese characteristics for a new era, kept the original aspiration and mission in mind, maintained the strategic focus and fully implemented the "six stability" and "six security" tasks of the Central Government and the "two goals" of the SASAC of the State Council. It effectively coped with risks and challenges, acted proactively, took real actions and worked diligently, thus maintaining a steady and healthy development, achieving all budget targets and the goals set by the SASAC and becoming the only construction central enterprise of "15 As" rating. Ranking the 78th among Fortune Global 500 and the first among ENR's Top International Contractors of China and Asia for 14 consecutive years, the Company witnessed continuous improvement of global competitiveness and brand influence and further consolidated the leading position and the development advantage as a first-rate central enterprise.

In the meantime, the Supervisory Committee held the view that the Company should further enhance the quality and efficiency improvement and firmly hold the base line of risk prevention, and it provided advice from several aspects. Firstly, the Company should actively participate in and serve the national strategies, seize the opportunities to expand the development space and continuously consolidate the development foundation. Secondly, the Company should make innovation as the primary driving force of development, and devote every effort to build an independent, controllable, safe and reliable industry chain and supply system. Thirdly, the Company should further improve the control and governance system and the market-oriented operation mechanism. Fourthly, the Company should prioritise the "action of benchmarking management against world-class enterprises" as the main task and improve the management to generate better efficiency and benefits. Fifthly, the Company should maintain a balance between development and safety, keep the base line in mind and take a systematic approach to dissolve existing risks and prevent potential risks.

(ii) Independent Opinions on Specific Matters

1. Compliance with Laws and Regulations

During the Reporting Period, the Company operated in accordance with the Company Law, the Securities Law, the Articles of Association and other relevant policies and regulations, and the decision-making procedures were legitimate and valid. The Directors and the senior management of the Company worked diligently, and they had no violation of laws, regulations and the Articles of Association or act that was detrimental to the interests of the Company and the shareholders when fulfilling their duties.

2. Financial Position

During the Reporting Period, the Company prepared the financial statements in accordance with the Enterprise Accounting System, the Accounting Standard for Business Enterprises and other relevant requirements. The financial report of the Company for 2020 gave an objective and true view of the Company's financial position and operation results, and the accounting firm issued the audit report with the standard unqualified opinion, which was objective and fair.

3. Use of Proceeds

During the Reporting Period, the Company used the proceeds in strict compliance with the relevant requirements, and the actual utilization of the proceeds was in line with the committed purposes without prejudice to the interests of the Company and the shareholders.

4. Related-Party (Connected) Transactions

During the Reporting Period, all related-party (connected) transactions made by the Company were in compliance with the requirements of laws, regulations and the Company's systems, 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, and followed the statutory approval procedures. There was no act that was detrimental to the interests of the Company and the shareholders. In the meantime, the Company developed the Related-Party (Connected) Transaction Management Plan and the Related-Party (Connected) Transaction Management Manual, and established the related-party (connected) transaction management system, promoting practices that were beneficial to the improvement of corporate governance level and the mitigation of compliance risk.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE (CONTINUED)

(ii) Independent Opinions on Specific Matters (continued)

5. Special Notes to the Internal Control Assessment Report

During the Reporting Period, the Supervisory Committee followed and supervised the construction of internal control system of the Company, and was unaware of any act that violated the Guidelines for the Internal Control of Listed Companies and the Basic Standard for Enterprise Internal Control. The Internal Control Assessment Report of the Company for 2020 gave a comprehensive, objective and true view of the actual conditions of the Company's internal control.

6. Implementation of the Insider Registration System

During the Reporting Period, the Company recorded matters related to the inside information in accordance with requirements of the Management System for Inside Information of China Communications Construction Company Limited. Through verification, the Supervisory Committee were unaware of any Directors, Supervisors and senior management of the Company and relevant insiders who bought or sold shares on the basis of inside information before the disclosure of material and sensitive information that may affect the share price of the Company.

In 2021, the Supervisory Committee will follow the requirements for promoting the governance system and the governance modernisation of state-owned enterprises, further develop new supervision approaches and methods, and continue to improve the supervision system, so as to protect the legitimate rights and interests of the Company and the shareholders and support the Company to build the globally competitive world-class enterprise with technology, management and quality.

The whole line of Beijing-Harbin High Speed Railway was opened to traffic – the Jing Cheng section undertaken by the Company was launched for operation.

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, 2012, 2015, 2017 and 2020 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 and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange. As a result, the Company has set up a corporate governance system that complies with the regulatory requirements for 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, save as disclosed below, 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 2020.

Pursuant to Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman of the board of directors and the chief executive should be separate and should not be performed by the same individual. Pursuant to the announcements of the Company dated 18 September 2020 and 22 September 2020, Mr. Song Hailiang resigned as an executive Director and the president of the Company due to change of work, and Mr. Wang Tongzhou was appointed as the president of the Company. Pursuant to the announcement of the Company dated 22 October 2020, Mr. Liu Qitao resigned as an executive Director and the chairman of the Board due to the attainment of retirement age, and Mr. Wang Tongzhou was elected as the chairman of the Board. Therefore, a deviation from Code Provision A.2.1 occurred. Notwithstanding, the Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced talents with a sufficient number thereof being independent non-executive Directors, and therefore the performance of the roles of the chairman of the Board and the president of the Company concurrently by Mr. Wang Tongzhou temporarily will not impair the balance of power and authority between the Board and the management of the Company. As a commitment to retain high level of corporate governance and continuous efforts to comply with the Hong Kong Listing Rules, the Company will endeavor to find eligible candidates to meet the requirements set out in Code Provision A.2.1.

THE BOARD OF DIRECTORS

1. Composition of the Board of Directors

As at 31 December 2020, the Board consisted of five Directors, including one executive Director, one non-executive Director and three independent non-executive Directors. Members of the Board were as follows:

Chairman of the Board: Wang Tongzhou

Executive Director: Wang Tongzhou

Non-executive Director: Liu Maoxun

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 2020 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 the independence.

THE BOARD OF DIRECTORS (CONTINUED)

2. Shareholders' General Meetings

In 2020, the Company held two shareholders' general meetings. The table below sets out the details of shareholders' general meeting attendance of each Director in 2020:

Director	Number of Meetings Attended
Liu Qitao (Note 1)	1
Song Hailiang (Note 2)	1
Wang Tongzhou (Note 3)	0
Liu Maoxun	2
Qi Xiaofei (Note 4)	0
Huang Long	2
Zheng Changhong	2
Ngai Wai Fung	0

Note 1: Mr. Liu Qitao resigned as the executive Director on 22 October 2020.

Note 2: Mr. Song Hailiang resigned as the executive Director on 17 September 2020.

Note 3: Mr. Wang Tongzhou was elected as the executive Director on 22 October 2020.

Note 4: Mr. Qi Xiaofei resigned as the non-executive Director on 13 February 2020.

3. Board Meetings

In 2020, the Company held 12 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 2020:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao (Note 1)	8	8	0	100%
Song Hailiang (Note 2)	7	7	0	100%
Wang Tongzhou (Note 3)	4	4	0	100%
Liu Maoxun	12	12	0	100%
Qi Xiaofei (Note 4)	0	0	0	100%
Huang Long	12	12	0	100%
Zheng Changhong	12	12	0	100%
Ngai Wai Fung	12	12	0	100%

Note 1: Mr. Liu Qitao resigned as the executive Director on 22 October 2020.

Note 2: Mr. Song Hailiang resigned as the executive Director on 17 September 2020.

Note 3: Mr. Wang Tongzhou was elected as the executive Director on 22 October 2020.

Note 4: Mr. Qi Xiaofei resigned as the non-executive Director on 13 February 2020.

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.

The corporate governance functions of the Company are performed by the Board. In 2020, 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 2020.

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 2020, each of Mr. Liu Qitao and Mr. Song Hailiang has attended the training course on securities law for listed issuers incorporated in Beijing organized by the Listed Companies Association of Beijing once. Mr. Wang Tongzhou has attended the training course for directors and supervisors of listed issuers incorporated in Beijing organized by the Listed Companies Association of Beijing once. Each of Mr. Liu Maoxun and Mr. Zheng Changhong has attended the 2020 training course for external directors, secretaries of the board of directors and directors of board office of central enterprises organized by SASAC once. Mr. Ngai Wai Fung has attended 38 seminars in relation to listing rules and duties of directors organized by various professional institutions and firms, including the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries, the Listed Companies Association of Beijing, etc., for approximately 60 hours.

The company secretary of the Company 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 2020, the company secretary of the Company 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 2020, the Strategy and Investment Committee consisted of two members, namely Mr. Wang Tongzhou and Mr. Liu Maoxun, and is chaired by Mr. Wang Tongzhou.

The Strategy and Investment Committee held 1 meeting in 2020 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 2020:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao *(Note 1)*	1	1	0	100%
Song Hailiang *(Note 2)*	1	1	0	100%
Wang Tongzhou *(Note 3)*	0	0	0	100%
Liu Maoxun	1	1	0	100%
Qi Xiaofei *(Note 4)*	0	0	0	100%

Note 1: Mr. Liu Qitao ceased to serve as a member of the Strategy and Investment Committee with effect from 22 October 2020.

Note 2: Mr. Song Hailiang ceased to serve as a member of the Strategy and Investment Committee with effect from 17 September 2020.

Note 3: Mr. Wang Tongzhou became a member of the Strategy and Investment Committee with effect from 22 October 2020.

Note 4: Mr. Qi Xiaofei ceased to serve as a member of the Strategy and Investment Committee with effect from 13 February 2020.

(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 2020, 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 10 meetings in 2020 to discuss, among other things, the audited annual financial statements of 2019, the internal control report of the Company of 2019, the internal audit summary of 2019 and the plan of 2020, the report of duty performance of the Audit and Internal Control Committee in 2019, the quarterly financial reports of 2020 and the interim financial report of 2020, the re-appointment of the international and domestic auditors for 2020 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 2020:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Maoxun	10	10	0	100%
Huang Long	10	10	0	100%
Zheng Changhong	10	10	0	100%
Ngai Wai Fung	10	10	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 2020, the Remuneration and Appraisal Committee consisted of three members, namely Mr. Huang Long, Mr. Zheng Changhong and Mr. Ngai Wai Fung and is chaired by Mr. Huang Long. All the members of the Remuneration and Appraisal Committee were independent non-executive Directors.

The Remuneration and Appraisal Committee held 1 meeting in 2020 to review and discuss the report on payment of total remuneration of CCCC for the year 2019, the report on total remuneration budget scheme of CCCC for the year 2020, the recommendation on the assessment of operational performance and remuneration of senior management of CCCC for the year 2019 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 2020:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Qi Xiaofei[Note 1]	0	0	0	100%
Huang Long	1	1	0	100%
Zheng Changhong	1	1	0	100%
Ngai Wai Fung	1	1	0	100%

Note 1: Mr. Qi Xiaofei ceased to serve as a member of the Remuneration and Appraisal Committee with effect from 13 February 2020.

CORPORATE GOVERNANCE REPORT

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 of the Company 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 2020, the Nomination Committee consisted of four members, namely Mr. Wang Tongzhou, Mr. Huang Long, Mr. Zheng Changhong and Mr. Ngai Wai Fung, and is chaired by Mr. Wang Tongzhou.

The Nomination Committee held 1 meeting in 2020 to discuss the appointment of the president of the Company. The table below sets out the details of Nomination Committee meeting attendance of each Director in 2020:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao *(Note 1)*	1	1	0	100%
Song Hailiang *(Note 2)*	0	0	0	100%
Wang Tongzhou *(Note 3)*	0	0	0	100%
Huang Long	1	1	0	100%
Zheng Changhong	1	1	0	100%
Ngai Wai Fung	1	1	0	100%

Note 1: Mr. Liu Qitao ceased to serve as a member of the Nomination Committee with effect from 22 October 2020.

Note 2: Mr. Song Hailiang ceased to serve as a member of the Nomination Committee with effect from 17 September 2020.

Note 3: Mr. Wang Tongzhou became a member of the Nomination Committee with effect from 22 October 2020.

For the year ended 31 December 2020, the Nomination Committee adopted a basic policy concerning diversity of Board members. The 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 2020, 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 10 meetings in 2020 to consider and approve the 2019 report of the Supervisory Committee, the 2019 internal control assessment report of the Company, the 2020 first quarterly report, the 2020 third quarterly report of the Company and etc.. The table below sets out the details of Supervisory Committee meeting attendance of each Supervisor in 2020:

Supervisors	**Number of Meetings to be Attended**	**Number of Meetings Attended in Person**	**Number of Meetings Attended by Proxy**	**Attendance Rate**
Li Sen *(chairman)*	10	10	0	100%
Wang Yongbin	10	10	0	100%
Yao Yanmin	10	10	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 2020 are as follows:

	RMB'000
Audit services	25,900
Other non-audit services	360

The Company has resolved the resolution on appointment of auditors at the 45th 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 2020 Internal Control Self-assessment Report of the Company has been published on the Company's website.

INSIDE INFORMATION

The Company formulated the Inside Information Management System, which set out the detailed rules for the handing, disclosure and internal control of inside information. In 2020, 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 2020 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 2020, 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 annual general meeting of the Company serves as an effective forum for communication between Shareholders and the Board. Notice of the annual general meeting together with the meeting materials will be dispatched to all Shareholders not less than 20 clear business days (the date on which the Hong Kong Stock Exchange opens for securities trading) prior to the annual general meeting. 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 annual general meeting to answer questions from Shareholders. External auditors will also be invited to attend the annual general meeting 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.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In accordance with the relevant requirements of the Company Law of the People's Republic of China and the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)), the Board proposed to make amendments to the relevant articles of the Articles of Association after taking into account the actual situations of the Company based on the principles of prudence, appropriateness and necessity. The amendments to the Articles of Association have been considered and approved by the Shareholders at the 2019 annual general meeting of the Company held on 9 June 2020.

For details, please refer to the circular of the Company dated 20 May 2020, the announcements of the Company dated 13 May 2020 and 9 June 2020, and the amended Articles of Association dated 9 June 2020.

INVESTOR RELATIONS

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

The Shenzhen – ZhongShan Bridge Project of CFHCC conducted an independent development of a visual safety monitoring system for immersed tubes, undocking, floating and mooring.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

As at 31 December 2020, the Board consisted of five Directors, including one executive Director, one non-executive Director and three independent non-executive Directors. Profiles of the Directors are as follows:

Mr. Wang Tongzhou, born in 1965, Chinese nationality with no overseas permanent residence, is the executive Director, the chairman of the Board, the secretary of the Party Committee, and the president of the Company. He also serves as the chairman, the general manager and the secretary of the Party Committee of CCCG. Mr. Wang has extensive operational and management experience. Mr. Wang served as the general manager of China State Construction Development Co., Ltd., the director of sixth engineering division of China State Construction Engineering Corporation, a member of the standing committee of the Party Committee and the deputy general manager of Sinohydro Corporation, a member of the standing committee of the Party Committee and the deputy general manager of Power Construction Corporation of China, the director, the general manager and the deputy secretary of the Party Committee of China Energy Conservation and Environmental Protection Group, the chairman of the board, the secretary of the Party Committee and the general manager of China Nonferrous Metal Mining (Group) Co., Ltd., the chairman of the board and the secretary of the Party Committee of China Nonferrous Metal Mining (Group) Co., Ltd., and the executive director and the chairman of the board of China Nonferrous Mining Corporation Limited. Mr. Wang possesses a doctoral degree in economics. Mr. Wang is a professor equivalent senior engineer, a Chartered Builder of The Chartered Institute of Building, U.K., and a professional who enjoys special government allowance of the State Council. Mr. Wang has been serving as the executive Director and the president of the Company since October 2020.

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 CCCG. 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 the head of service administration bureau (administration bureau of the former and retired staff) of the former State Economic and Trade Commission, the head of service administration bureau (administration bureau of the former and retired staff) of the SASAC, the deputy head of inspection team of the SASAC, and 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. 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 COSCO SHIPPING (Hong Kong) Co., Limited. He has extensive experience in corporate administration. Mr. Huang held positions as the deputy manager and the manager of international cooperation department of and the manager of international cooperation and commercial contract department of Huaneng International Power Development Corporation, the deputy general manager and the vice chairman of Huaneng Power International, Inc., and the deputy general manager of China Huaneng Group. Mr. Huang graduated with a master's degree in science 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.

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 the deputy head of Beijing Erqi Locomotive Works (北京二七機車廠), the director of the general office, a director and the 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, the deputy general manager, the secretary of the Party Committee and deputy general manager, and the general manager and deputy secretary of the Party Committee of CSR Group Corporation (中國南車集團公司), an executive director, the vice chairman, the president, the chairman and the 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, the vice chairman and the 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.

BOARD OF DIRECTORS (CONTINUED)

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, Beijing Capital Grand Limited, BBMG Corporation, TravelSky Technology Limited and China Energy Engineering Corporation Limited (since 5 February 2021). He is also an independent director of 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 China Railway Construction Corporation Limited, China Coal Energy Company Limited, China Railway Group Limited, Health and Happiness (H&H) International Holdings Limited and SITC International Holdings Company Limited. Dr. Ngai is a fellow member of the Association of Chartered Certified Accountants, a member of Hong Kong Institute of Certified Public Accountants, a fellow member of Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators), a fellow member of The Hong Kong Institute of Chartered Secretaries, a fellow 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 from 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 from 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 2020, 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 secretary of the Party Committee and the executive president of Greentown China Holdings Limited. Mr. Li joined the Company in 2014 and has extensive management experience. He held positions as the deputy division chief of cadre management division of Personnel of Ministry of Coal, the head of the first section of cadre education bureau and the head of the comprehensive affairs section under the Organization Department of the Central Committee of the Party, the deputy director of the education department of China National School of Administration (assisting roles of departments or equivalents), the member of the standing committee of the Party Committee, the deputy mayor, the head of propaganda department, head of organization department of Liaoyuan Municipality in Jilin Province, the 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), the chairman of the supervisory committee, the temporary deputy secretary of the Party Committee, the temporary secretary of committee for discipline inspection and the 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.

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, the chairman of supervisory committee of Zhenhua Logistics Group Co., Ltd., a supervisor of China Northeast Municipal Engineering Design & Research Institute 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, the assistant to 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, the 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. Yao has been serving as a Supervisor of the Company since April 2014.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

As at 31 December 2020, the Company's senior management consisted of nine members with the profile as follow (for the profile of Mr. Wang Tongzhou, 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 the deputy general manager of CRBC, the executive general manager of the overseas business department of the Company, the chairman of CRBC and the assistant to president of the Company. Mr. Wen graduated from Guangzhou International Studies Institute majoring 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 the deputy general manager of CCCC Tunnel Engineering Co., Ltd., the general manager of east China regional headquarters, the 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 majoring in 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, the deputy general manager and the general manager of No.1 Engineering Company of CFHCC, the deputy general manager of CFHCC, the chairman, the general manager and the deputy secretary of the Party Committee of CCCC Tianjin Dredging, and the chairman, the general manager and the acting secretary of the Party Committee of CCCG 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.

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 the 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, the deputy head (in temporary capacity) of the first assessment bureau of China Development Bank, the deputy chief economist of CRBC, the general manager of investment department of CCCG, the general manager of capital operation department of the Company, the director, the general manager and the deputy secretary of the Party Committee of CCCC Investment, the 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.

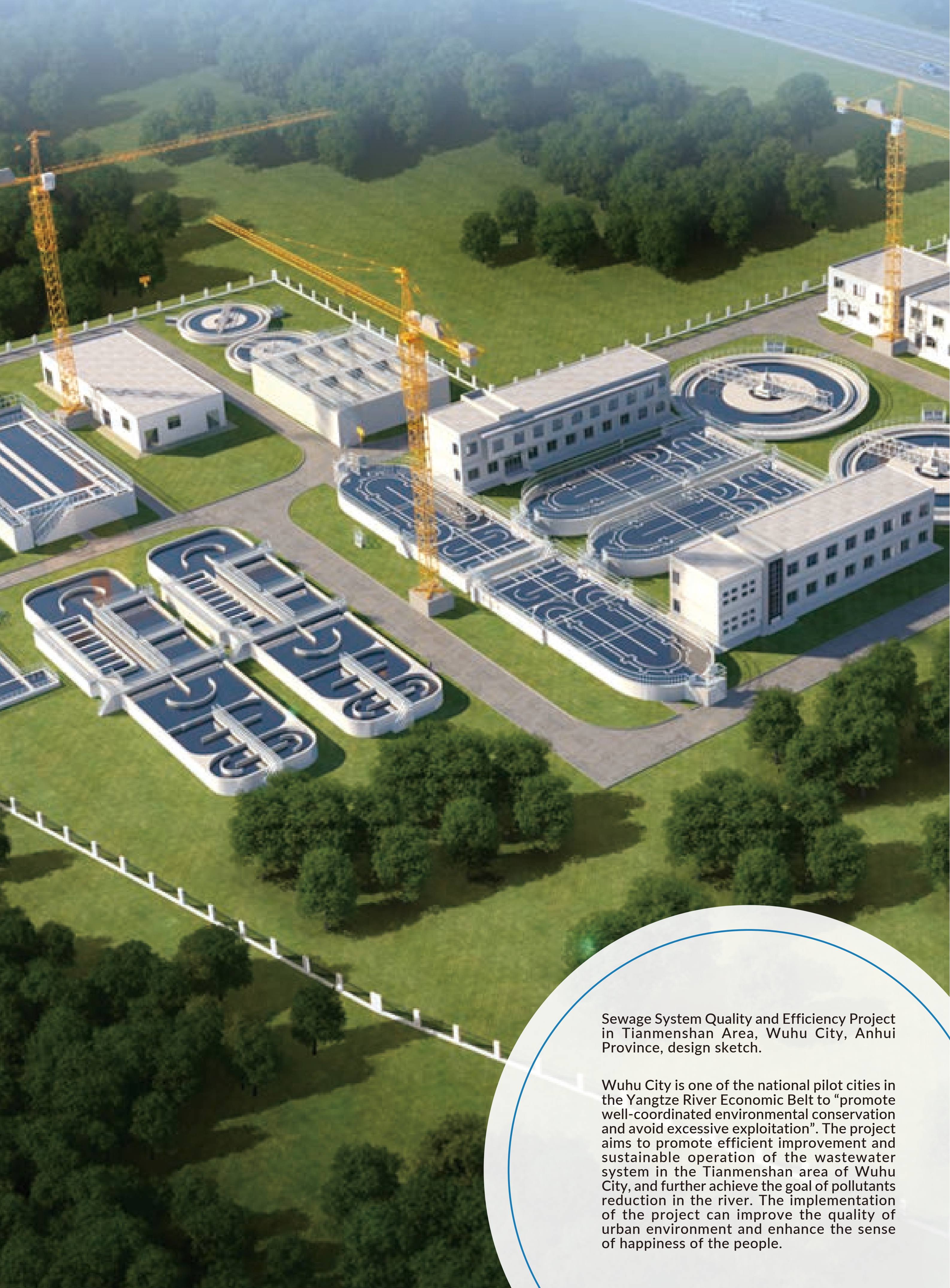
Mr. Zhu Hongbiao, born in 1970, with Chinese nationality and no overseas permanent residence, is currently the chief financial officer and a member of the Party Committee of the Company. He also serves as the chairman of CCCC Finance Company Limited. Mr. Zhu joined the Company in 1994 and has extensive capital and financial management experience. Mr. Zhu served as the deputy chief of finance and accounting department, the assistant to general manager and the deputy general manager of capital management department, the deputy general manager of finance and accounting department and the director of fund settlement center of CRBC. Mr. Zhu also served as the deputy general manager of fund department and the deputy director of fund settlement center of CCCG and the general manager of finance fund department and the 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.

SENIOR MANAGEMENT (CONTINUED)

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 director and the chairman of CCCC Industrial Investment Holding Limited (since 20 January 2021), the director and the chairman of China Highway Engineering Consultants Co., Ltd. (since 28 January 2021), and 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, the deputy head of the Transportation Bureau of Luoning County in Henan, the director of special regional operation of bridges office, the director of production and operational management department, the assistant to general manager, the deputy general manager, the director, the general manager and the deputy secretary of the Party Committee of CCCC Highway Consultants. Mr. Pei graduated from Southeast University and Beijing University of Technology with a bachelor's degree in engineering and a master's degree in engineering, respectively. He also holds a doctor's degree in engineering of Tongji University. He is a professorate senior engineer and enjoys special government allowance of the State Council. 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 and 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 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 the chief engineer of 101 Highway Project in Mauritania of CFHCC, the deputy chief of overseas business division and the chief engineer of CFHCC, the deputy general manager of No.1 Engineering Company of CFHCC, the head and the executive director of Tianjin Port Engineering Institute of CFHCC (中交天津港灣工程研究所), the general manager of No.1 Engineering Company of CFHCC, the deputy general manager and the chief engineer of CHEC, the deputy general manager and the 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 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, the deputy general manager of the enterprise planning department of China Harbour Engineering Company (Group) and the 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.

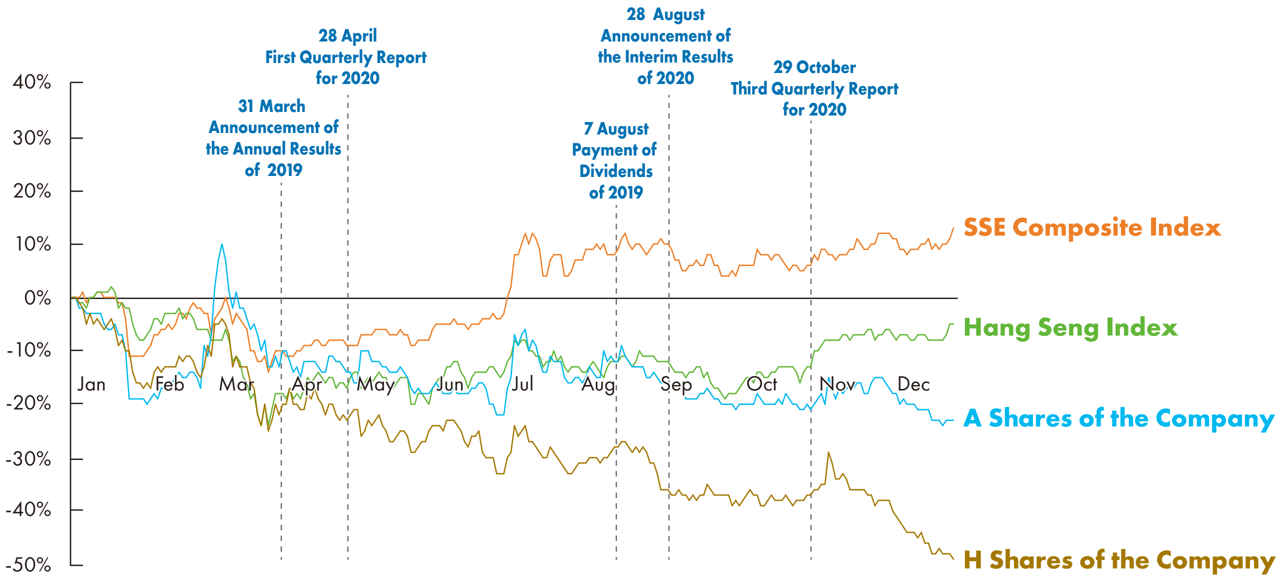


Sewage System Quality and Efficiency Project in Tianmenshan Area, Wuhu City, Anhui Province, design sketch.

Wuhu City is one of the national pilot cities in the Yangtze River Economic Belt to "promote well-coordinated environmental conservation and avoid excessive exploitation". The project aims to promote efficient improvement and sustainable operation of the wastewater system in the Tianmenshan area of Wuhu City, and further achieve the goal of pollutants reduction in the river. The implementation of the project can improve the quality of urban environment and enhance the sense of happiness of the people.

(I) CAPITAL MARKET REVIEW

In 2020, the Company's share price continued to decline due to lower industry valuations and large blue chips valuations in general. The closing price of the Company's H Shares on 31 December 2020 was HKD3.35, representing a decrease of 47.2% as compared to the closing price of HKD6.35 on 31 December 2019. The closing price of the Company's A Shares on 31 December 2020 was RMB7.26, representing a decrease of 20.7% as compared to the closing price of RMB9.16 on 31 December 2019.



(II) FULL COMMISSIONING OF ONLINE ACTIVITIES TO TRANSFORM AND UPGRADE TRADITIONAL IR WORK

In 2020, investor relations activities were shifted from on-site to online communications under the influence of the global COVID-19 pandemic. The Company took a proactive attitude and overcame difficulties to explore new approaches and forms of investor communication, which built a comprehensive investor relations service system on one hand, and accumulated initial experience in information-based and networking-oriented development of the Company's investor relations work on the other.

1. Fully Adoption of Online Results Announcement to Keep Information Transmission Smooth and Efficient

In 2020, the Company, for the first time, held its annual and interim results announcements via live broadcast and telephone dial-in, and also held one-to-one meetings and group meetings with some investors. The management of the Company initiated adequate communication with investors on the problems and challenges faced by the Company's business performance this year, allowing them to understand the potential impact of the COVID-19 pandemic on the Company and the Company's countermeasures, so that they could fully understand the Company's business risks and market opportunities. At the same time, the Company listened to investors' opinions and suggestions on the operation and management of the Company, with a view to further enhancing the transparency of governance of the Company and realising effective communication with investors.

With a view to strengthening communications and conversations between the Company and small and medium investors, and protecting their legal interests, upon announcement of 2019 annual results and 2020 interim results, the Company held results presentations by using the online interactive platforms of Shanghai Stock Exchange 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, the Company 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.

(II) FULL COMMISSIONING OF ONLINE ACTIVITIES TO TRANSFORM AND UPGRADE TRADITIONAL IR WORK (CONTINUED)

2. Taking an Active Attitude in Investor Forums Attendance and Taking Initiative in Communication and Relation Maintenance

In 2020, the Company took the initiative to participate in an aggregate of 37 investor forums, seminars on work resumption and REITs-themed forums organised by domestic and international investment institutions, involving the attendance of more than 1,200 investors. On these occasions, the Company provided timely updates on its latest developments, aiming at alleviating investors' concerns and maintaining market confidence, and exchanged ideas with investors over the macro economy of the PRC, the development prospect of the industry 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. Leveraging "Internet + Management" for Investor Protection

The Company has always treated investors of all types on an equal footing. With over 180,000 minority Shareholders, the Company arranged dedicated staff to attend to calls to the IR hotline, to handle the IR mailbox and to reply to investors' questions from E-interactive platforms of Shanghai Stock Exchange in a prompt manner, basically within 24 hours, thus enabling investors to have timely understanding of the Company's strategic vision, integrated operating model and development characteristics of each business segment, etc. At the same time, the Company reported the suggestions and key demands of investors on the operation and management of the Company to the management and relevant departments of the Company across the board in a timely method, so as to jointly promote the better corporate development.

List of the Company's major investor relations activities in 2020

Month	Activity	Organiser
January	20th Greater China Conference	UBS Securities
February	Seminar on Post-Pandemic Work Resumption	Morgan Stanley
	Seminar on Post-Pandemic Work Resumption	China Everbright Securities
	Seminar on Post-Pandemic Work Resumption	Industrial Securities
	Seminar on Post-Pandemic Work Resumption	Huatai Securities
	Seminar on Work Resumption	TF Securities
	Seminar on Work Resumption of Construction Enterprises	Hua Chuang Securities
	Seminar on Work Resumption	Changjiang Securities
March	2019 Annual Results Announcement	CCCC
April	• Online Results Presentation	
	• Meeting of Analysts and Investors	
	• Non-deal Roadshow	
	2020 Spring Online Strategy Conference	Guosen Securities
	2020 First Quarterly Report	CCCC

(II) FULL COMMISSIONING OF ONLINE ACTIVITIES TO TRANSFORM AND UPGRADE TRADITIONAL IR WORK (CONTINUED)

3. Leveraging "Internet + Management" for Investor Protection (Continued)

List of the Company's major investor relations activities in 2020 (Continued)

Month	Activity	Organiser
May	Infrastructure REITs Online Forum	Guosheng Securities
	REITs-themed Forum	China Everbright Securities
	REITs-themed Forum	Zhongtai Securities
	REITs-themed Forum	Huatai Securities
	REITs-themed Forum	Guotai Junan
	REITs-themed Forum	Founder Securities
	7th China Conference	HSBC
	Online Exchange Conference of Listed Companies	Northeast Securities
	China A Share Summit Organised by Daiwa Securities	Daiwa Securities
	Industry Strategy Conference	TF Securities
June	Online Investor Forum	CICC
	Innovation China Forum	BAML
	2020 Capital Market Forum	CITIC Securities
	2020 Interim Online Strategy Conference	Industrial Securities
	2020 Interim Online Strategy Conference	China Everbright Securities
July	2020 Interim Online Strategy Conference	Essence Securities
	Online Asian Industrial Company Day Organised by UBS Securities	UBS Securities
August	2020 Interim Results Announcement	CCCC
September	• Online Results Presentation • Meeting of Analysts and Investors • Non-deal Roadshow	
	Reception Day of the Listed Companies Association of Beijing	Listed Companies Association of Beijing
	2020 Autumn Investment Strategy Conference	Changjiang Securities
	Asian Online Forum Organised by Jefferies Group	Jefferies Group
	2020 Face-to-Face Offline Communication Session of Listed Companies	Guosheng Securities
	2020 Autumn Exchange Meeting of Listed Companies – Overseas Investors' Session Organised by Huatai Securities	Huatai Securities
October	2020 Third Quarterly Report	CCCC
November	11th China Investment Forum	Credit Suisse
	2020 China Investment Forum	BAML
	2020 Online China Investment Forum	Goldman Sachs
	15th China Investor Summit	Citi Group
	2021 Annual Investment Strategy Conference	Industrial Securities
	2021 Capital Market Conference	CITIC Securities

(II) FULL COMMISSIONING OF ONLINE ACTIVITIES TO TRANSFORM AND UPGRADE TRADITIONAL IR WORK (CONTINUED)

3. Leveraging "Internet + Management" for Investor Protection (Continued)

List of the Company's major investor relations activities in 2020 (Continued)

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 the information disclosure responsibility by communicating the business strategies and operation performance to investors, the Company also actively listened to the questions and suggestions raised by investors. The Company 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 the work and services, an effective and interactive bridge of communication was built between the investors from the capital market and the Company.

(III) QUALITY AND COMPLIANT 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 column 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.

(IV) CONTINUOUS IMPROVEMENT OF INVESTOR RELATIONS

Through the activities above, the Company 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 was awarded the 3rd New Fortune – Best IR H Share Company (第三屆新財富最佳IR港股公司) and the 3rd Best A Share Listed Company (第三屆A股最佳上市公司) by New Fortune magazine, and won three major awards (including the Best Board of Directors on the Main Board (主板最佳董事會獎), the Best Secretary to the Board of Directors on the Main Board (主板最佳董秘獎) and the Best Investor Relations Company (最佳投關公司獎)) in the election of the 11th Tianma Award for Chinese Listed Companies' Investor Relations (第11屆中國上市公司投資者關係天馬獎) organised by Securities Times and guided by China Securities Investor Services Center. In addition, as evaluated by Shanghai Stock Exchange, the Company was considered again as A class (highest level of honor) in terms of information disclosure. All these achievements represent recognitions from investors on the unremitting efforts in corporate governance, operational management, information disclosure and investor relations management by the Company in the past year, which further reinforced the sound image of the Company in 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 2021. Investor relation management will be taken as a sustainable development strategy. The Company is committed to maximising shareholders' return through effective multi-channel and multi-level communication with investors that features equality, sincerity and mutual respect.

The “Great Wall” (長城號), the largest tunnel boring machine independently designed and manufactured in China, was rolled off the production line, marking the end of the reliance on foreign brands for large diameter shield tunnel construction in China.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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 110 to 236, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), 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
Recognition of revenue from construction services The Group derives most of its revenue from construction services and accounted for such revenue 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 items such as total contract revenue, total cost according to the scope of deliveries and services required and remaining cost to completion. 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 recognition of revenue from 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 on a sample basis by tracing to 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 ECLs 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, 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 ECLs 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 related documents on a sample basis. We evaluated the management's credit risk assessment on contract assets, trade receivables and long-term receivables.
Impairment assessment of concession assets For those concession assets with indications of impairment, the management of the Group performed impairment tests to revalue 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 of 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 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 them with the forecasted traffic volume, the operation performance 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 2020. We also evaluated the reasonableness of the discount rates.

INDEPENDENT AUDITOR'S REPORT

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, actions taken to eliminate threats or safeguards applied.

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.

Ernst & Young
Certified Public Accountants

Hong Kong
30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB million	2019 RMB million
Revenue	4, 5	**624,495**	553,114
Cost of sales		**(544,459)**	(483,817)
Gross profit		**80,036**	69,297
Other income	5	**5,124**	4,909
Other gains, net	5	**(1,129)**	2,184
Selling and marketing expenses		**(1,180)**	(1,175)
Administrative expenses		**(40,580)**	(35,021)
Impairment losses on financial and contract assets, net		**(5,449)**	(4,362)
Other expenses		**(2,417)**	(1,700)
Operating profit		**34,405**	34,132
Finance income	7	**10,305**	8,535
Finance costs, net	8	**(17,140)**	(15,373)
Share of profits and losses of:			
– Joint ventures		**(786)**	(117)
– Associates		**173**	172
Profit before tax	6	**26,957**	27,349
Income tax expense	11	**(7,328)**	(5,824)
Profit for the year		**19,629**	21,525
Attributable to:			
– Owners of the parent		**16,475**	19,999
– Non-controlling interests		**3,154**	1,526
		19,629	21,525
Earnings per share attributable to ordinary equity holders of the parent	13		
Basic		**RMB0.92**	RMB1.16
Diluted		**RMB0.92**	RMB1.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 *RMB million*	2019 *RMB million*
Profit for the year	**19,629**	21,525
Other comprehensive income		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax:		
Actuarial gains on retirement benefit obligations	**41**	15
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	**3,624**	5,732
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**3,665**	5,743
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax:		
Cash flow hedges	**7**	3
Share of other comprehensive loss of joint ventures and associates	**(43)**	(168)
Exchange differences on translation of foreign operations	**(3,070)**	390
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(3,106)**	225
Other comprehensive income for the year, net of tax	**559**	5,968
Total comprehensive income for the year	**20,188**	27,493
Attributable to:		
– Owners of the parent	**17,227**	25,952
– Non-controlling interests	**2,961**	1,541
	20,188	27,493

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB million	2019 RMB million
Non-current assets			
Property, plant and equipment	14	61,040	60,400
Investment properties	15	4,523	3,973
Right-of-use assets	16(a)	15,788	13,623
Intangible assets	17	229,482	219,227
Investments in joint ventures	18	33,534	24,715
Investments in associates	19	34,068	26,683
Financial assets at fair value through profit or loss	20	10,513	6,723
Debt investments at amortised cost		124	111
Equity investments designated at fair value through other comprehensive income	21	30,736	25,018
Trade and other receivables	24	262,698	178,037
Contract assets	25	30,520	30,265
Deferred tax assets	31	6,646	5,270
Total non-current assets		719,672	594,045
Current assets			
Inventories	23	72,877	62,613
Trade and other receivables	24	258,004	223,768
Contract assets	25	124,798	116,236
Financial assets at fair value through profit or loss	20	124	415
Derivative financial instruments	26	640	799
Restricted bank deposits and time deposits with an initial term of over three months	27	8,543	6,630
Cash and cash equivalents	27	119,511	118,908
Total current assets		584,497	529,369
Current liabilities			
Trade and other payables	28	404,230	362,901
Contract liabilities	29	88,558	82,992
Derivative financial instruments	26	11	12
Tax payable		7,303	5,929
Interest-bearing bank and other borrowings	30	82,490	76,379
Retirement benefit obligations	32	116	126
Total current liabilities		582,708	528,339
Net current assets		1,789	1,030
Total assets less current liabilities		721,461	595,075

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB million	2019 RMB million
Total assets less current liabilities		**721,461**	595,075
Non-current liabilities			
Trade and other payables	*28*	**27,917**	23,743
Interest-bearing bank and other borrowings	*30*	**322,888**	265,048
Deferred income		**1,078**	1,111
Deferred tax liabilities	*31*	**7,721**	6,345
Retirement benefit obligations	*32*	**844**	993
Provisions	*33*	**3,209**	1,425
Total non-current liabilities		**363,657**	298,665
Net assets		**357,804**	296,410
Equity			
Equity attributable to owners of the parent			
Share capital	*34*	**16,166**	16,175
Share premium	*34*	**19,625**	19,656
Financial instruments classified as equity	*35*	**33,938**	30,423
Reserves	*36*	**175,342**	163,662
		245,071	229,916
Non-controlling interests		**112,733**	66,494
Total equity		**357,804**	296,410

Wang Tongzhou
Director

Liu Maoxun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Notes	Attributable to owners of the parent							
		Share capital RMB million	Share premium RMB million	Financial instruments classified as equity RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 31 December 2019		16,175	19,656	30,423	35,316	128,583	230,153	66,226	296,379
Business combination under common control		-	-	-	(49)	(188)	(237)	268	31
At 31 December 2019		16,175	19,656	30,423	35,267 *	128,395 *	229,916	66,494	296,410
Profit for the year		-	-	-	-	16,475	16,475	3,154	19,629
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		-	-	-	3,624	-	3,624	-	3,624
Cash flow hedges, net of tax		-	-	-	7	-	7	-	7
Share of other comprehensive loss of joint ventures and associates		-	-	-	(43)	-	(43)	-	(43)
Actuarial gains on retirement benefit obligations, net of tax		-	-	-	41	-	41	-	41
Exchange differences on translation of foreign operations		-	-	-	(2,877)	-	(2,877)	(193)	(3,070)
Total comprehensive income for the year		-	-	-	752	16,475	17,227	2,961	20,188
Final 2019 dividend declared		-	-	-	-	(3,765)	(3,765)	-	(3,765)
Interest on perpetual securities (i)		-	-	-	-	(721)	(721)	(1,780)	(2,501)
Dividends on preference shares		-	-	-	-	(718)	(718)	-	(718)
Dividends to non-controlling shareholders		-	-	-	-	-	-	(1,155)	(1,155)
Shares repurchased (ii)		(9)	(31)	-	-	-	(40)	(1,140)	(1,180)
Share of other reserves of joint ventures and associates		-	-	-	12	-	12	-	12
Capital contribution from non-controlling shareholders		-	-	-	-	-	-	5,148	5,148
Acquisition of subsidiaries	*40*	-	-	-	-	-	-	1,761	1,761
Issuance of perpetual securities		-	-	17,983	-	-	17,983	51,868	69,851
Redemption of perpetual securities		-	-	(14,468)	(32)	-	(14,500)	(11,514)	(26,014)
Transaction with non-controlling interests		-	-	-	(44)	-	(44)	90	46
Transfer to statutory surplus reserve	*36(a)*	-	-	-	1,694	(1,694)	-	-	-
Transfer from general reserve	*36(b)*	-	-	-	(248)	248	-	-	-
Transfer to safety production reserve	*36(c)*	-	-	-	269	(269)	-	-	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	*21*	-	-	-	(9)	9	-	-	-
Others		-	-	-	-	(279)	(279)	-	(279)
At 31 December 2020		16,166	19,625	33,938	37,661 *	137,681 *	245,071	112,733	357,804

* As at 31 December 2020, these reserve accounts comprise the consolidated reserves of RMB175,342 million (2019: RMB163,662 million) in the consolidated statement of financial position.

(i) The Company accrued interest on perpetual securities totalling RMB759 million, of which RMB38 million was distributed to CCCC Finance Company Limited ("CCCC Finance"), a subsidiary of the Company.

(ii) From 28 May 2020 to 9 June 2020, the Company repurchased a total of 9,024,000 H shares. As at 31 December 2020, all the repurchased shares have been cancelled.

Continued/…

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent							
	Share capital *RMB million*	Share premium *RMB million*	Financial instruments classified as equity *RMB million*	Other reserves *RMB million*	Retained earnings *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 31 December 2018	16,175	19,656	24,426	26,312	110,609	197,178	42,504	239,682
Business combination under common control	–	–	–	(49)	(93)	(142)	270	128
At 31 December 2018	16,175	19,656	24,426	26,263	110,516	197,036	42,774	239,810
Profit for the year	–	–	–	–	19,999	19,999	1,526	21,525
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	19,999	25,952	1,541	27,493
Final 2018 dividend declared	–	–	–	–	(3,733)	(3,733)	–	(3,733)
Interest on perpetual securities	–	–	–	–	(566)	(566)	(1,607)	(2,173)
Dividends on preference shares	–	–	–	–	(718)	(718)	–	(718)
Dividends to non-controlling shareholders	–	–	–	–	–	–	(279)	(279)
Share of other reserves of joint ventures and associates	–	–	–	70	–	70	–	70
Capital contribution from non-controlling shareholders	–	–	–	5,894	–	5,894	18,173	24,067
Acquisition of subsidiaries	–	–	–	–	–	–	996	996
Disposal of subsidiaries	–	–	–	–	–	–	(21)	(21)
Issuance of perpetual securities	–	–	10,960	–	–	10,960	6,980	17,940
Redemption of perpetual securities	–	–	(4,963)	–	–	(4,963)	(2,000)	(6,963)
Transaction with non-controlling interests	–	–	–	(16)	–	(16)	(63)	(79)
Transfer to statutory surplus reserve	–	–	–	358	(358)	–	–	–
Transfer from general reserve	–	–	–	(131)	131	–	–	–
Transfer from safety production reserve	–	–	–	(14)	14	–	–	–
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	–	–	–	(3,110)	3,110	–	–	–
At 31 December 2019	16,175	19,656	30,423	35,267	128,395	229,916	66,494	296,410

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB million	2019 RMB million
Cash flows from operating activities			
Profit before tax		**26,957**	27,349
Adjustments for:			
– Depreciation of property, plant and equipment, investment properties and right-of-use assets	6	**10,130**	10,455
– Amortisation of intangible assets	6	**2,212**	1,919
– Gains on disposal of items of property, plant and equipment, intangible assets and other long-term assets	5	**(427)**	(527)
– (Gains)/losses on disposal of joint ventures and associates	5	**(62)**	2
– Fair value gains on financial assets at fair value through profit or loss	5	**(347)**	(614)
– Fair value losses/(gains) on derivative financial instruments	5	**132**	(194)
– Gains on disposal of financial assets at fair value through profit or loss	5	**(81)**	(9)
– Gains on disposal of subsidiaries	5	**(147)**	(741)
– Dividend income from financial assets at fair value through profit or loss	5	**(125)**	(119)
– Dividend income from equity investments designated at fair value through other comprehensive income	5	**(778)**	(1,087)
– Dividend income on derivative financial instruments	5	**(206)**	(247)
– Other income from investing activities		**19**	(39)
– Share of profits of joint ventures and associates, net	18, 19	**613**	(55)
– Write-down of inventories	6	**198**	93
– Provision for impairment of contract assets	6	**140**	251
– Provision for impairment of property, plant and equipment	14	**3**	–
– Provision for impairment of trade and other receivables	6	**5,309**	4,107
– Interest income	7	**(10,305)**	(8,535)
– Interest expenses	8	**15,961**	13,954
– Net foreign exchange (gains)/losses on borrowings	8	**(75)**	186
		49,121	46,149
Increase in inventories		**(15,719)**	(15,403)
Increase in contract assets		**(11,814)**	(16,819)
(Increase)/decrease in restricted bank deposits		**(967)**	328
Increase in trade and other receivables		**(62,568)**	(61,705)
Increase in trade and other payables		**52,204**	52,705
Decrease in contract liabilities		**5,468**	1,228
Decrease in retirement benefit obligations		**(159)**	(173)
Increase in provisions		**1,784**	208
(Decrease)/increase in deferred income		**(33)**	220
Cash generated from operations		**17,317**	6,738
Interest income from operating activities		**3,594**	3,257
Income tax paid		**(7,060)**	(4,612)
Net cash flows generated from operating activities		**13,851**	5,383

Continued/…

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB million	2019 RMB million
Net cash flows generated from operating activities		**13,851**	5,383
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(10,485)**	(10,195)
Purchases of investment properties		**(175)**	(53)
Additions to right-of-use assets		**(2,220)**	(833)
Purchases of intangible assets		**(29,156)**	(27,943)
Purchases of other long-term assets		**(50,149)**	(25,049)
Proceeds from disposal of items of property, plant and equipment		**1,383**	1,395
Proceeds from disposal of right-of-use assets		**58**	49
Proceeds from disposal of intangible assets		**4,907**	2
Acquisition of subsidiaries	40	**(329)**	(1)
Additional investments in associates		**(8,508)**	(5,530)
Additional investments in joint ventures		**(7,776)**	(6,488)
Disposal of subsidiaries		**221**	17
Disposal of joint ventures and associates		**46**	2
Withdrawal from joint ventures and associates		**660**	20
Purchases of equity investments designated at fair value through other comprehensive income		**(1,063)**	(1,470)
Purchases of financial assets at fair value through profit or loss		**(7,359)**	(1,214)
Purchases of derivative financial instruments		**–**	(583)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**70**	5,373
Proceeds from disposal of financial assets at fair value through profit or loss		**4,093**	225
Loans to joint ventures, associates and third parties		**(10,037)**	(5,856)
Repayment of loans from joint ventures, associates and third parties		**5,603**	7,274
Interest received		**953**	1,694
Changes in time deposits with an initial term of over three months		**(946)**	(1)
Cash consideration received of concession assets		**2,862**	1,128
Dividends received		**1,660**	2,010
Net cash flows used in investing activities		**(105,687)**	(66,027)
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		**5,148**	22,102
Withdrawal of capital contribution to non-controlling interests		**(1,140)**	–
Dividends paid to non-controlling shareholders		**(1,079)**	(250)
Dividends paid to equity holders of the parent		**(3,765)**	(3,733)
Proceeds from perpetual securities		**69,851**	17,940
Interest paid for perpetual securities		**(3,079)**	(2,612)
Redemption of perpetual securities		**(26,046)**	(6,963)
Proceeds from bank and other borrowings		**278,519**	175,209
Repayments of bank and other borrowings		**(206,807)**	(132,487)
Interest paid for bank and other borrowings		**(17,834)**	(16,047)
Loans from joint ventures, associates and fellow subsidiaries		**2,868**	–
Repayments of joint ventures, associates and fellow subsidiaries borrowings		**(1,325)**	–
Transaction with non-controlling interests		**90**	(79)
H share repurchase		**(40)**	–
Lease payments		**(1,674)**	(1,592)
Net cash flows generated from financing activities		**93,687**	51,488
Net increase/(decrease) in cash and cash equivalents		**1,851**	(9,156)
Cash and cash equivalents at beginning of year	27	**118,908**	127,807
Effect of foreign exchange rate changes, net		**(1,248)**	257
Cash and cash equivalents at end of year	27	**119,511**	118,908

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 (Limited) ("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.

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	Percentage of equity attributable to the Company Indirect	Principal activities
Unlisted						
China Harbour Engineering Co., Ltd. ("CHEC")	PRC and other regions	Limited liability company	RMB6,000	50.10%	49.90%	Infrastructure construction
China Road and Bridge Corporation	PRC and other regions	Limited liability company	RMB6,000	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
CCCC Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB730	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 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	RMB774	92.24%	7.76%	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	RMB12,500	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	JPY100	99.82%	–	Trading of machinery
CCCC Shanghai Equipment Engineering Co., Ltd.	PRC	Limited liability company	RMB10	55%	–	Maintenance and design of port machinery
CCCC Mechanical & Electrical Engineering Co., Ltd.	PRC	Limited liability company	RMB833	60%	40%	Infrastructure construction

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
China Communications Materials & Equipment Co., Ltd.	PRC	Limited liability company	RMB1,734	100%	–	Trading of construction materials and equipment
CCCC Finance	PRC	Limited liability company	RMB3,500	95%	–	Financial services
CCCC International Holding Limited ("CCCI")	Hong Kong	Limited liability company	HK$2,372	50.98%	49.02%	Investment holding
CCCC Financial Leasing Co., Ltd. ("CCCC Leasing")	PRC	Limited liability company	RMB5,000	45%	25%	Financial leasing
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%	Investment holding
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
CCCC Tianhe Machinery and Equipment Manufacturing Co., Ltd. ("CCCC Tianhe")	PRC	Limited liability company	RMB1,341	61.12%	22.36%	Machinery and equipment manufacturing

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 2020. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. The amount of reduction in the lease payments arising from rent concessions was not material. The amendment did not have significant impact on the financial position and performance of the Group.

(e) 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, or both. The amendments did not have any impact on the financial position and 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	*Reference to the Conceptual Framework* [2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2* [1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
IFRS 17	*Insurance Contracts* [3]
Amendments to IFRS 17	*Insurance Contracts* [3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use* [2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract* [2]
Amendments to IAS 1	*Disclosure of Accounting Policies* [3]
Amendments to IAS 8	*Definition of Accounting Estimates* [3]
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 [2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below:

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is 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, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in RMB and foreign currencies based on various Interbank Offered Rates as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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 by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to *IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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 and costs incurred in combining operations of the previously separate businesses and 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Acquisition method of accounting for non-common control combinations (continued)

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 other 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:

– 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Computer software is measured on initial recognition cost and 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.

Leases

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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 years to indefinite
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 lease. 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.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 90 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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 values 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, and 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, for 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 include 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 includes a service to the customer 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

When 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 have terms to maturity approximating the terms of the related pension obligations.

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.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

(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.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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.

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. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

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 interest 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 do not contain a lease, and 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 the option to renew or to terminate the lease (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 and there will be a significant negative effect on operation if a replacement is not readily available.

Impact of covid-19

Since the outbreak of the covid-19 pandemic 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 pandemic on the Group's operations was mainly reflected in the slowdown of project progress, the conduct of business activities. The extent of the impact will depend on factors such as the situation of the pandemic, macro policies and the progress of work and production resumption of enterprises. The Group has strengthened its efforts on the prevention and control of the impact of the covid-19 epidemic through implementing various policies and arrangements of the central government, and meanwhile steadily promoted the resumption of the projects.

There are still uncertainties of the future impact of the covid-19, and the extent of the impact will depend on a number of factors, including the duration and severity of covid-19, the development and progress of distribution of covid-19 vaccine and other medical treatments, the actions taken by government authorities, particularly those to contain the outbreak, to stimulate the economy and to improve business condition, almost all of which are beyond the Company's control. As a result, certain of the Company's estimates and assumptions, including the impairment of contract assets, trade receivables and long-term receivables, the impairment assessment on concession assets, the valuation of certain debt and equity investments subject to impairment assessments, require significant judgments and carry a higher degree of variabilities and volatilities that could result in material changes to the Company's current estimates in future periods.

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 2020, the Group recognised an accumulated impairment of RMB334 million (2019: 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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 2020, the Group recognised an accumulated impairment of RMB50 million (2019: 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 Group'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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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, municipal and environmental engineering and others (the "Construction")

(b) infrastructure design of ports, roads, bridges, railways and others (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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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, 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, the assets of the headquarters of the Company and the assets of CCCC Finance, a subsidiary of the Company.

Segment liabilities comprise primarily payables, derivative financial instruments, and contract liabilities. They exclude deferred tax liabilities, tax payable, borrowings, the liabilities of the headquarters of the Company and the liabilities of CCCC Finance.

Capital expenditure comprises mainly additions to property, plant and equipment (note 14), investment properties (note 15), right-of-use assets (note 16(a)) and intangible assets (note 17).

The segment results for the year ended 31 December 2020 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2020					
	Construction	**Design**	**Dredging**	**Others**	**Eliminations**	**Total**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Total gross segment revenue	560,987	40,005	38,414	11,407	(26,318)	624,495
Intersegment sales	(8,277)	(8,879)	(234)	(8,928)	26,318	-
Revenue *(note 5)*	552,710	31,126	38,180	2,479	-	624,495
Segment results	29,030	3,433	1,940	257	175	34,835
Unallocated income						(430)
Operating profit						34,405
Finance income						10,305
Finance costs, net						(17,140)
Share of profits and losses of joint ventures and associates						(613)
Profit before tax						26,957
Income tax expense						(7,328)
Profit for the year						19,629
Other segment information						
Depreciation	8,114	383	1,262	371	-	10,130
Amortisation	2,161	51	-	-	-	2,212
Write-down of inventories	174	-	-	24	-	198
Impairment losses recognised in the statement of profit or loss:						
Trade and other receivables	3,949	271	949	140	-	5,309
Contract assets	134	6	-	-	-	140
Capital expenditure	45,514	649	2,245	408	-	48,816

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	9,627	(21,923)	553,114
Intersegment sales	(9,289)	(4,287)	(515)	(7,832)	21,923	–
Revenue *(note 5)*	483,525	33,731	34,063	1,795	–	553,114
Segment results	28,336	3,761	1,761	579	(125)	34,312
Unallocated income						(180)
Operating profit						34,132
Finance income						8,535
Finance costs, net						(15,373)
Share of profits and losses of joint ventures and associates						55
Profit before tax						27,349
Income tax expense						(5,824)
Profit for the year						21,525
Other segment information						
Depreciation	8,122	373	1,465	495	–	10,455
Amortisation	1,872	38	9	–	–	1,919
Write-down of inventories	59	–	–	34	–	93
Impairment losses recognised/(reversed) in the statement of profit or loss:						
Trade and other receivables	3,504	364	261	(22)	–	4,107
Contract assets	229	11	15	(4)	–	251
Capital expenditure	44,427	704	1,313	1,474	–	47,918

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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities at 31 December 2020 are as follows:

	As at 31 December 2020					
	Construction *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Eliminations** *RMB million*	**Total** *RMB million*
Segment assets	992,901	52,898	101,115	83,218	(82,295)	1,147,837
Investments in joint ventures						33,534
Investments in associates						34,068
Other unallocated assets						88,730
Total assets						1,304,169
Segment liabilities	481,716	29,658	44,570	5,536	(43,986)	517,494
Unallocated liabilities						428,871
Total liabilities						946,365

Segment assets and liabilities at 31 December 2020 are reconciled to entity assets and liabilities as follows:

	Assets *RMB million*	**Liabilities** *RMB million*
Segment assets/liabilities	1,147,837	517,494
Unallocated:		
Investments in joint ventures	33,534	–
Investments in associates	34,068	–
Deferred tax assets/liabilities	6,646	7,721
Tax payable	–	7,303
Current borrowings	–	82,490
Non-current borrowings	–	322,888
Other unallocated assets/liabilities	82,084	8,469
Total assets/liabilities	1,304,169	946,365

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 31 December 2019 are as follows:

	As at 31 December 2019					
	Construction	Design	Dredging	Others	Eliminations	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	856,078	46,613	96,232	72,271	(85,350)	985,844
Investments in joint ventures						24,715
Investments in associates						26,683
Other unallocated assets						86,172
Total assets						1,123,414
Segment liabilities	437,713	28,753	40,463	5,368	(52,447)	459,850
Unallocated liabilities						367,154
Total liabilities						827,004

Segment assets and liabilities as at 31 December 2019 are reconciled to total assets and liabilities as follows:

	Assets	Liabilities
	RMB million	*RMB million*
Segment assets/liabilities	985,844	459,850
Unallocated:		
Investments in joint ventures	24,715	–
Investments in associates	26,683	–
Deferred tax assets/liabilities	5,270	6,345
Tax payable	–	5,929
Current borrowings	–	76,379
Non-current borrowings	–	265,048
Other unallocated assets/liabilities	80,902	13,453
Total assets/liabilities	1,123,414	827,004

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2020 **RMB million**	2019 RMB million
Mainland China	**525,963**	457,396
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**98,532**	95,718
	624,495	553,114

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2020 **RMB million**	2019 RMB million
Mainland China	**287,694**	275,510
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**32,384**	26,080
	320,078	301,590

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 derived from services or sales to a single customer accounted for 10% or more of the Group's revenue during 2020 and 2019.

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET

An analysis of revenue is as follows:

	2020 RMB million	2019 RMB million
Revenue from contracts with customers		
Construction	560,987	492,814
Design	40,005	38,018
Dredging	38,414	34,578
Others	11,407	9,627
Intersegment eliminations	(26,318)	(21,923)
	624,495	553,114

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Total RMB million
Type of goods or services					
Infrastructure construction services	521,835	18,781	–	77	540,693
Infrastructure design services	1,320	11,859	734	10	13,923
Dredging services	–	–	34,838	–	34,838
Others	29,555	486	2,608	2,392	35,041
Total revenue from contracts with customers	552,710	31,126	38,180	2,479	624,495
Geographical markets					
Mainland China	457,755	30,305	35,424	2,479	525,963
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	94,955	821	2,756	–	98,532
Total revenue from contracts with customers	552,710	31,126	38,180	2,479	624,495
Timing of revenue recognition					
Services transferred over time	522,689	30,609	35,179	199	588,676
Services transferred at a point in time	7,417	–	–	–	7,417
Merchandise transferred at a point in time	22,604	517	3,001	2,280	28,402
Total revenue from contracts with customers	552,710	31,126	38,180	2,479	624,495

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31 December 2020

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 2019

Segments	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Total *RMB million*
Type of goods or services					
Infrastructure construction services	455,219	20,636	–	68	475,923
Infrastructure design services	1,167	12,854	666	25	14,712
Dredging services	–	–	29,073	–	29,073
Others	27,139	241	4,324	1,702	33,406
Total revenue from contracts with customers	483,525	33,731	34,063	1,795	553,114
Geographical markets					
Mainland China	392,628	32,625	30,348	1,795	457,396
Other regions (primarily including Australia, Hong Kong, 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	1,795	553,114
Timing of revenue recognition					
Services transferred over time	474,743	33,688	31,627	228	540,286
Services transferred at a point in time	6,986	–	–	–	6,986
Merchandise transferred at a point in time	1,796	43	2,436	1,567	5,842
Total revenue from contracts with customers	483,525	33,731	34,063	1,795	553,114

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 2020

Segments	**Construction** *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Revenue from contracts with customers					
External customers	**552,710**	**31,126**	**38,180**	**2,479**	**624,495**
Intersegment sales	**8,277**	**8,879**	**234**	**8,928**	**26,318**
Intersegment adjustments and eliminations	**(8,277)**	**(8,879)**	**(234)**	**(8,928)**	**(26,318)**
Total revenue from contracts with customers	**552,710**	**31,126**	**38,180**	**2,479**	**624,495**

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	1,795	553,114
Intersegment sales	9,289	4,287	515	7,832	21,923
Intersegment adjustments and eliminations	(9,289)	(4,287)	(515)	(7,832)	(21,923)
Total revenue from contracts with customers	483,525	33,731	34,063	1,795	553,114

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.

	2020	2019
	RMB Million	*RMB million*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction	**36,413**	32,100
Design	**1,151**	1,651
Dredging	**1,908**	1,614
Others	**223**	193
	39,695	35,558

(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 90 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 are 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

	2020 RMB million	2019 RMB million
Rental income	660	616
Revenue from consulting services	522	657
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	728	1,037
– Unlisted equity instruments	50	50
Government grants	738	821
Dividend income from financial assets at fair value through profit or loss	125	119
Income from sale of scraps	147	143
Dividend income on derivative financial instruments	206	247
Income on debt investments at amortised cost	11	5
Others	1,937	1,214
	5,124	4,909

Other gains, net

	2020 RMB million	2019 RMB million
Gains on disposal of items of property, plant and equipment	231	274
Gains on disposal of items of intangible assets and other long-term assets	196	253
Gains on disposal of subsidiaries	147	741
Gains/(losses) on disposal of joint ventures and associates	62	(2)
Fair value gains/(losses), net:		
– Financial assets at fair value through profit or loss	347	614
– Derivative financial instruments – transactions not qualifying as hedges	(132)	194
Foreign exchange difference, net	(1,420)	752
Gains on disposal of financial assets at fair value through profit or loss	81	9
Losses on derecognition of financial assets at amortised cost	(641)	(651)
	(1,129)	2,184

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2020 RMB million	2019 RMB million
Raw materials and consumables used*		**182,249**	162,335
Cost of goods sold		**16,431**	15,443
Subcontracting costs		**234,534**	193,899
Employee benefit expenses*:			
– Salaries, wages and bonuses		**31,109**	30,555
– Pension costs – defined contribution plans		**3,194**	4,164
– defined benefit plans		**35**	42
– Housing benefits		**2,268**	2,024
– Welfare, medical and other expenses		**18,024**	15,944
		54,630	52,729
Equipment and plant usage costs		**14,434**	12,937
Business tax and other taxes		**1,568**	2,057
Fuel		**3,157**	3,736
Utilities		**1,753**	1,833
Repair and maintenance expenses		**2,716**	2,339
Research and development costs (including raw materials and consumables used, employee benefit expenses, depreciation and amortisation)		**20,094**	12,617
Depreciation of property, plant and equipment, investment properties and right-of-use assets*	*14, 15, 16(a)*	**10,130**	10,455
Amortisation of intangible assets*	*17*	**2,212**	1,919
Auditors' remuneration		**26**	24
Write-down of inventories to net realisable value		**198**	93
Impairment of trade and other receivables		**5,309**	4,107
Impairment of contract assets	*25*	**140**	251

* Including the raw materials and consumables used, employee benefit expenses, depreciation and amortisation charged for research and development activities, and those cost and expenses are also summarised in the item of "Research and development costs".

7. FINANCE INCOME

	2020 RMB million	2019 RMB million
Interest income from:		
– Bank deposits	702	832
– Deposit in the Central Bank and interbank placement	344	335
– Receivables from Public-Private-Partnership ("PPP") contracts	4,638	3,016
– Loan receivables	1,887	1,262
– Others	2,734	3,090
	10,305	8,535

8. FINANCE COSTS, NET

An analysis of finance costs is as follows:

	2020 RMB million	2019 RMB million
Interest expense incurred	18,062	15,938
Less: Interest capitalised	(2,101)	(1,984)
Net interest expense	15,961	13,954
Representing:		
– Bank borrowings	13,798	11,870
– Other borrowings	200	172
– Corporate bonds	979	1,047
– Debentures	364	155
– Non-public debt instruments	379	497
– Lease liabilities	145	159
– Others	96	54
	15,961	13,954
Foreign exchange difference on borrowings, net	(75)	186
Others	1,254	1,233
	17,140	15,373

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 4.54% (2019: 4.34%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets.

8. FINANCE COSTS, NET (CONTINUED)

Interest capitalised during the year was as follows:

	2020	2019
	RMB million	*RMB million*
Inventories	**548**	336
Concession assets	**1,507**	1,594
Construction in progress	**46**	54
	2,101	1,984

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:

	2020	2019
	RMB'000	*RMB'000*
Fees	**220**	342
Other emoluments:		
Salaries, allowances and benefits in kind	**1,984**	2,494
Performance related bonuses	**1,991**	4,561
Pension scheme contributions	**108**	281
	4,083	7,336
	4,303	7,678

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020	2019
	RMB'000	*RMB'000*
Mr. Huang Long	**60**	60
Mr. Zheng Changhong	**60**	60
Mr. Ngai Wai Fung	**100**	222
	220	342

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and supervisors

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2020				
Executive directors				
Mr. Wang Tongzhou *(Chief executive)* (i)	**87**	**74**	**17**	**178**
Mr. Liu Qitao (ii)	**218**	**367**	**11**	**596**
Mr. Song Hailiang (iii)	**174**	**477**	**22**	**673**
	479	**918**	**50**	**1,447**
Non-executive directors				
Mr. Qi Xiaofei (iv)	**–**	**–**	**–**	**–**
Mr. Liu Maoxun	**60**	**–**	**–**	**60**
	60	**–**	**–**	**60**
Supervisors				
Mr. Li Sen	**114**	**529**	**8**	**651**
Mr. Wang Yongbin	**664**	**274**	**11**	**949**
Mr. Yao Yanmin	**667**	**270**	**39**	**976**
	1,445	**1,073**	**58**	**2,576**
	1,984	**1,991**	**108**	**4,083**
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 (v)	138	1,076	31	1,245
	656	3,501	131	4,288
Non-executive directors				
Mr. Qi Xiaofei	–	–	–	–
Mr. Liu Maoxun (vi)	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

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and supervisors (continued)

(i) Mr. Wang Tongzhou was elected as the executive director of the board on 22 October 2020.
(ii) Mr. Liu Qitao resigned as the executive director on 22 October 2020.
(iii) Mr. Song Hailiang resigned as the executive director on 17 September 2020.
(iv) Mr. Qi Xiaofei resigned as the non-executive director on 13 February 2020.
(v) Mr. Chen Yun resigned as the executive director on 1 August 2019.
(vi) 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.

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 as mentioned in note 9 above was included in 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:

	2020	2019
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**4,601**	6,285
Performance related bonuses	**5,364**	5,154
Pension scheme contributions	**911**	558
	10,876	11,997

The number of the above five highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK$2,500,000 to HK$3,000,000 (equivalent to approximately RMB2,104,100 to RMB2,524,920)	**5**	4
HK$3,000,000 to HK$3,500,000 (equivalent to approximately RMB2,524,920 to RMB2,945,740)	**–**	1
	5	5

11. INCOME TAX

Most of the companies of the Group are subject to PRC enterprise income tax, which was provided based on the statutory income tax rate of 25% (2019: 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 taxed at a preferential rate of 15% (2019: 15%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which was provided at the rate of 16.5% (2019: 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.

	2020	2019
	RMB million	*RMB million*
Current		
– PRC enterprise income tax	**7,319**	5,606
– Others	**1,115**	904
	8,434	6,510
Deferred	**(1,106)**	(686)
Total tax charge for the year	**7,328**	5,824

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2020		2019	
	RMB million	**%**	*RMB million*	%
Profit before tax	**26,957**		27,349	
Tax at PRC statutory tax rate of 25%	**6,739**	**25.0**	6,837	25.0
Tax for the appreciation of land in the PRC	**920**	**3.4**	566	2.1
Profits and losses attributable to joint ventures and associates	**153**	**0.6**	(14)	(0.1)
Income not subject to tax	**(301)**	**(1.1)**	(319)	(1.1)
Additional tax concession on research and development costs	**(890)**	**(3.3)**	(616)	(2.3)
Expenses not deductible for tax	**94**	**0.4**	169	0.6
Temporary differences utilised from previous periods	**(20)**	**(0.1)**	–	–
Temporary differences not recognised	**600**	**2.2**	103	0.4
Tax losses utilised from previous periods	**(220)**	**(0.8)**	(564)	(2.0)
Tax losses not recognised	**1,888**	**7.0**	1,591	5.8
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(1,850)**	**(6.9)**	(1,986)	(7.3)
Adjustments in respect of current income tax of previous years	**242**	**0.9**	86	0.3
Others	**(27)**	**(0.1)**	(29)	(0.1)
Tax charge at the Group's effective rate	**7,328**	**27.2**	5,824	21.3

12. DIVIDENDS

	2020	2019
	RMB million	*RMB million*
Proposed final dividend of RMB0.18088 per ordinary share (2019: RMB0.23276)	**2,924**	3,765

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 16,169,656,343 (2019: 16,174,735,425) in issue during the year.

The calculation of basic earnings per share is based on:

	2020	2019
Profit attributable to ordinary equity holders of the parent *(RMB million)*	**16,475**	19,999
Less: Interest on perpetual securities *(RMB million)* (i)	**(868)**	(566)
Dividend relating to preference shares *(RMB million)* (ii)	**(718)**	(718)
	14,889	18,715
Weighted average number of ordinary shares in issue *(million)* (iii)	**16,170**	16,175
Basic earnings per share	**RMB0.92**	RMB1.16

(i) The perpetual securities issued by the Company were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB868 million on the perpetual securities which has been generated during the year was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2020.

(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 2020.

(iii) The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

The Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

14. PROPERTY, PLANT AND EQUIPMENT

	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 2020						
At 31 December 2019, net of accumulated depreciation and impairment	12,562	14,621	18,655	3,540	11,022	60,400
Additions	224	2,648	1,086	2,667	4,108	10,733
Disposals	(4)	(834)	(103)	(203)	(271)	(1,415)
Acquisition of subsidiaries	75	62	11	–	10	158
Disposal of subsidiaries	–	–	(2)	(1)	–	(3)
Transfer	1,190	1,554	259	21	(3,024)	–
Transfer from investment properties	59	–	–	–	–	59
Transfer from right-of-use assets	–	–	253	–	126	379
Transfer from inventories	–	–	–	–	477	477
Transfer to investment properties	(398)	–	–	–	(172)	(570)
Transfer to right-of-use assets	–	–	–	–	(185)	(185)
Transfer to inventories	–	–	–	–	(236)	(236)
Depreciation provided during the year	(506)	(3,564)	(1,604)	(2,674)	–	(8,348)
Impairment	–	–	–	–	(3)	(3)
Exchange realignment	(68)	(184)	(118)	(36)	–	(406)
At 31 December 2020, net of accumulated depreciation and impairment	13,134	14,303	18,437	3,314	11,852	61,040
At 31 December 2020						
Cost	17,771	34,979	42,146	15,317	11,934	122,147
Accumulated depreciation and impairment	(4,637)	(20,676)	(23,709)	(12,003)	(82)	(61,107)
Net carrying amount	13,134	14,303	18,437	3,314	11,852	61,040

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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	16,345	30,794	39,522	13,535	7,970	108,166
Accumulated depreciation and impairment	(3,849)	(16,422)	(21,434)	(9,787)	–	(51,492)
Net carrying amount	12,496	14,372	18,088	3,748	7,970	56,674
At 31 December 2018, net of accumulated depreciation and impairment	12,496	14,631	19,566	3,748	7,970	58,411
Effect of adoption of IFRS 16	–	(259)	(1,478)	–	–	(1,737)
	12,496	14,372	18,088	3,748	7,970	56,674
At 1 January 2019 (restated)						
Additions	420	2,331	863	2,746	7,250	13,610
Disposals	(163)	(550)	(385)	(199)	(163)	(1,460)
Acquisition of subsidiaries	39	–	1	3	–	43
Disposal of subsidiaries	(1)	(18)	(1)	(17)	–	(37)
Transfer	576	1,809	1,435	66	(3,886)	–
Transfer from investment properties	15	–	–	–	–	15
Transfer from right-of-use assets	–	253	504	–	–	757
Transfer from inventories	18	–	–	–	321	339
Transfer to investment properties	(305)	–	–	–	(3)	(308)
Transfer to right-of-use assets	–	–	–	–	(157)	(157)
Transfer to inventories	–	–	–	–	(310)	(310)
Depreciation provided during the year	(558)	(3,575)	(1,949)	(2,811)	–	(8,893)
Exchange realignment	25	(1)	99	4	–	127
At 31 December 2019, net of accumulated depreciation and impairment	12,562	14,621	18,655	3,540	11,022	60,400
At 31 December 2019						
Cost	16,758	33,500	41,214	14,660	11,022	117,154
Accumulated depreciation and impairment	(4,196)	(18,879)	(22,559)	(11,120)	–	(56,754)
Net carrying amount	12,562	14,621	18,655	3,540	11,022	60,400

As at 31 December 2020, the Group was in the process of applying for the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB3,141 million (2019: RMB3,588 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 2020, the Group's property, plant and equipment of RMB5 million were pledged to secure general banking facilities granted to the Group (2019: RMB110 million) (notes 30(d) and 42(b)).

15. INVESTMENT PROPERTIES

	2020 RMB million	2019 RMB million
Carrying amount at 1 January	**3,973**	3,463
Additions	**175**	53
Transfer from property, plant and equipment	**570**	308
Transfer from inventories	**137**	292
Acquisition of a subsidiary	**72**	–
Transfer to property, plant and equipment	**(59)**	(15)
Disposals	**(155)**	–
Depreciation provided during the year	**(188)**	(152)
Exchange realignment	**(2)**	24
Carrying amount at 31 December	**4,523**	3,973
Fair value at 31 December (a)	**11,903**	12,547

(a) As at 31 December 2020, 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 fair value of the investment properties located in Mainland China as at 31 December 2020 was determined based on the income approach, the comparison approach and the residual method.

Major of the investment properties located in Mainland China were valued by the income approach 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 was RMB9,470 million (2019: RMB10,561 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.

An investment property which is under construction located in Mainland China was valued by the residual method, assuming that it is newly completed in accordance with the development proposal provided to us in term of property use, respective saleable areas and construction schedule to establish the gross development value ("GDV") of the property. The total unexpended costs of the development including construction costs, professional fees and other associated expenditure, together with an allowance for interest expenses, and developer's profits are estimated and deducted from the established GDV of the property. The resultant residual figures are then adjusted back to the valuation date to arrive at the fair value of the property concerned in its existing state. The fair value of the property was RMB503 million, which falls into the category of fair value measurement using significant unobservable inputs (Level 3) including future rental inflows, discount rates and unexpended costs.

The rest of the investment properties 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 RMB999 million (2019: RMB976 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 RMB931 million (2019: RMB1,010 million), which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable price in the market.

15. INVESTMENT PROPERTIES (CONTINUED)

(a) (continued)

The fair value falls into the category of fair value measurements using significant unobservable inputs (level 3) including future rental cash inflows, capitalisation rate and current prices in an active market for similar properties.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties as at 31 December 2020 using significant unobservable inputs (Level 3):

Valuation techniques	**Significant unobservable inputs**	**Range** 2020	2019
Income approach and residual method (2019: Income approach)	Discount rate	**1.0%-12.0%**	2.5%–12.0%
	Average monthly rental (per square meter)	**RMB2-RMB390 per square meter**	RMB3–RMB493 per square meter

There were no transfers between Level 1 and Level 2 and into or out of Level 3 during the year (2019: Nil).

(b) The investment properties are leased to third parties under operating leases, further details of which are included in note 16 to the financial statements.

(c) As at 31 December 2020, the Group was in the process of applying for the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB832 million (2019: RMB2,357 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

(d) At 31 December 2020, none of the Group's investment properties was pledged to secure general banking facilities granted to the Group (2019: RMB1,079 million) (notes 30(d) and 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 buildings generally have lease terms between 1 and 10 years. The terms of vessels lease are generally 1 to 10 years under operating leases, while the lease period is 8 to 25 years under finance leases. Machinery generally have lease terms between 1 and 5 years and vehicles generally have lease terms between 1 and 5 years. Other equipment generally has lease terms of 1 to 5 years or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) 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*
31 December 2020							
At 31 December 2019, net of accumulated depreciation	10,589	1,728	1,134	94	50	28	13,623
Additions	2,220	1,309	46	128	271	80	4,054
Transfer from property, plant and equipment	185	-	-	-	-	-	185
Transferred from inventories	202	-	-	-	-	-	202
Acquisition of subsidiaries	117	8	-	-	-	-	125
Depreciation charge	(224)	(972)	(197)	(107)	(59)	(35)	(1,594)
Disposal of subsidiaries	-	(1)	-	-	-	-	(1)
Transfer to property, plant and equipment	(126)	-	(251)	-	(2)	-	(379)
Disposal, retirement, or others	(102)	(240)	(67)	(11)	(4)	(3)	(427)
At 31 December 2020	12,861	1,832	665	104	256	70	15,788

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

	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*
31 December 2019							
At 1 January 2019, net of accumulated depreciation	9,768	1,945	1,808	316	76	–	13,913
Additions	833	900	202	121	20	40	2,116
Transfer from property, plant and equipment	157	–	–	–	–	–	157
Depreciation charge	(165)	(731)	(355)	(99)	(48)	(12)	(1,410)
Disposal of subsidiaries	(49)	–	–	–	–	–	(49)
Transfer to property, plant and equipment	–	–	(504)	(253)	–	–	(757)
Disposal, retirement, or others	45	(386)	(17)	9	2	–	(347)
At 31 December 2019	10,589	1,728	1,134	94	50	28	13,623

As at 31 December 2020, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB6,435 million (2019: RMB6,040 million) were pledged to secure general banking facilities granted to the Group (notes 30(d) and 42(b)).

(b) 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:

	2020 **Lease liabilities** ***RMB million***	2019 Financial lease payables *RMB million*
Carrying amount at 1 January	**2,499**	3,035
New leases	**1,575**	897
Interest expense	**145**	159
Payments	**(1,674)**	(1,592)
Carrying amount at 31 December	**2,545**	2,499
Analysed into:		
Current portion	**1,036**	1,118
Non-current portion	**1,509**	1,381

The maturity analysis of lease liabilities is disclosed in note 47(c) to the financial statements.

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB million	2019 RMB million
Interest on lease liabilities	145	159
Depreciation charge of right-of-use assets	1,594	1,410
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)	1,520	1,617
Expense relating to leases of low-value assets (included in administrative expenses)	2	17
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	96	262
Total amount recognised in profit or loss	3,357	3,465

(d) 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 47(c), 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 RMB660 million (2019: RMB616 million).

At 31 December 2020, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB million	2019 RMB million
Within 1 year	776	678
1 year to 2 years	370	278
2 years to 3 years	256	181
3 years to 4 years	159	143
4 years to 5 years	89	121
Over 5 years	76	233
	1,726	1,634

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 2020						
Cost at 1 January 2020, net of accumulated amortisation and impairment	**212,122**	**5,371**	**1,223**	**473**	**38**	**219,227**
Additions	**33,574**	**–**	**47**	**140**	**69**	**33,830**
Acquisition of subsidiaries	**7,879**	**11**	**–**	**–**	**80**	**7,970**
Disposal of subsidiaries	**(23,869)**	**–**	**–**	**–**	**–**	**(23,869)**
Disposal	**(5,559)**	**–**	**(33)**	**(7)**	**–**	**(5,599)**
Amortisation provided during the year	**(1,984)**	**–**	**(19)**	**(180)**	**(29)**	**(2,212)**
Exchange realignment	**–**	**135**	**–**	**–**	**–**	**135**
At 31 December 2020	**222,163**	**5,517**	**1,218**	**426**	**158**	**229,482**
At 31 December 2020:						
Cost	**229,842**	**5,567**	**1,463**	**1,242**	**435**	**238,549**
Accumulated amortisation and impairment	**(7,679)**	**(50)**	**(245)**	**(816)**	**(277)**	**(9,067)**
Net carrying amount	**222,163**	**5,517**	**1,218**	**426**	**158**	**229,482**
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)
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	286	226,128
Accumulated amortisation and impairment	(5,694)	(50)	(243)	(666)	(248)	(6,901)
Net carrying amount	212,122	5,371	1,223	473	38	219,227

As at 31 December 2020, 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 net carrying amount of the related concession assets was RMB171,716 million (2019: RMB160,699 million). The net carrying amount of concession assets where the related projects were under construction was RMB50,447 million (2019: RMB51,423 million).

17. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2020, the Group recognised an accumulated impairment of RMB334 million (2019: RMB334 million), based on the impairment tests for concession assets in the infrastructure construction segment.

As at 31 December 2020, certain bank and other borrowings were secured by concession assets and trade receivables from PPP projects with a total carrying amount of approximately RMB254,432 million (2019: RMB183,235 million) notes 30(d) and 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:

	2020 ***RMB million***	2019 *RMB million*
John Holland CGU (i)	**4,928**	4,793
Concremat	**252**	252
F&G	**245**	245
Others	**92**	81
	5,517	5,371

(i) For goodwill arose in connection with John Holland CGU, the recoverable amount was determined based on value-in-use calculation. 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 1.5%. 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 is set out below:

	2020	2019
Terminal growth rate [1]	**1.5%**	2%
Before tax discount rate [2]	**14.9%**	14.9%

(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 before 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 2020 and 2019.

18. INVESTMENTS IN JOINT VENTURES

	2020 *RMB million*	2019 *RMB million*
At 1 January	**24,715**	18,646
Additions	**7,771**	6,562
Disposals	**(213)**	(3)
Share of profits or losses, net	**(786)**	(117)
Dividend distribution	**(254)**	(400)
Residual interests in joint ventures arising from disposal of subsidiaries	**1,866**	29
Conversion into subsidiaries arising from increase in equity interests in joint ventures	**(175)**	–
Conversion into a joint venture from an associate	**795**	–
Share of other comprehensive income of joint ventures	**(1)**	–
Others	**(184)**	(2)
At 31 December	**33,534**	24,715

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:

	2020 *RMB million*	2019 *RMB million*
Share of the joint ventures' losses for the year	**(786)**	(117)
Share of the joint ventures' other comprehensive loss	**(1)**	–
Share of the joint ventures' total comprehensive loss	**(787)**	(117)
Aggregate carrying amount of the Group's investments in the joint ventures	**33,534**	24,715

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

	2020 *RMB million*	2019 *RMB million*
At 1 January	**26,683**	22,390
Additions	**9,122**	4,593
Disposals	**(431)**	(20)
Share of profits or losses, net	**173**	172
Dividend distribution	**(259)**	(325)
Residual interests in associates arising from disposal of subsidiaries	**29**	414
Conversion into subsidiaries arising from increase in equity interests in associates	**(287)**	(334)
Conversion into a joint venture from an associate	**(795)**	–
Share of other comprehensive loss of associates	**(42)**	(227)
Others	**(125)**	20
At 31 December	**34,068**	26,683

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

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 and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of ZPMC and reconciled to the carrying amount in the consolidated financial statements:

	2020 *RMB million*	2019 *RMB million*
Non-current assets	**38,518**	38,841
Current assets	**40,802**	35,636
Total assets	**79,320**	74,477
Current liabilities	**(42,575)**	(44,341)
Non-current liabilities	**(19,670)**	(11,565)
Total liabilities	**(62,245)**	(55,906)
Non-controlling interests	**(2,504)**	(3,028)
Perpetual securities	**(500)**	–
Equity attributable to ordinary equity holders of the parent	**14,071**	15,543
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	**2,302**	2,536
Goodwill on acquisition (less cumulative impairment)	**1,911**	1,911
Carrying amount of the investment	**4,213**	4,447
Revenue	**22,655**	24,596
Profit attributable to owners of the parent	**422**	515
Other comprehensive (loss)/income attributable to owners of the parent	**(86)**	16
Total comprehensive income for the year attributable to owners of the parent	**336**	531
Dividend received	**43**	43

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020	2019
	RMB million	*RMB million*
Share of the associates' profit for the year	**105**	69
Share of the associates' other comprehensive loss	**(28)**	(193)
Share of the associates' total comprehensive income/(loss)	**77**	(124)
Aggregate carrying amount of the Group's investments in the associates	**29,855**	22,236

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

	2020	2019
	RMB million	*RMB million*
Listed equity investments *(note a)*	**124**	383
Unlisted investments *(note b)*	**10,513**	6,755
	10,637	7,138
Less: Non-current portion		
Unlisted investments	**10,513**	6,723
Current portion	**124**	415

(a) The listed equity investments at 31 December 2020 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 2020 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

	2020 ***RMB million***	2019 *RMB million*
Listed equity instruments		
– China Merchants Bank Co., Ltd.	**18,581**	15,888
– China Merchants Securities Co., Ltd.	**6,415**	3,867
– Zhengzhou Yutong Bus Co., Ltd.	**692**	583
– China Everbright Bank Co., Ltd.	**298**	329
– China Development Bank Financial Leasing Co., Ltd.	**149**	207
– CECEP Environmental Protection Equipment Co., Ltd.	**144**	214
– Bank of Communications Co., Ltd.	**136**	170
– Others	**414**	498
	26,829	21,756
Unlisted equity instruments		
– Lunan High Speed Railway Co., Ltd.	**1,434**	1,398
– Tianjin CCCC Greentown City Construction Development Co., Ltd.	**1,043**	1,014
– Hubei Jiaotou Shiwu Expressway Co., Ltd.	**332**	136
– Beijing CEDC Ltd.	**316**	303
– Shandong Expressway Jiqing Midline Highway Co., Ltd.	**150**	–
– Shanghai Kerry Oils & Grains Industries Co., Ltd.	**121**	36
– China-ASEAN Investment Cooperation Fund	**101**	113
– Others	**410**	262
	3,907	3,262
	30,736	25,018

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 2020, the Group sold certain shares of equity investments, and accumulated changes in fair value of RMB9 million (2019: RMB3,455 million) which had been transferred from other comprehensive income to retained earnings with the amount of RMB9 million (2019: RMB3,110 million) and none of accumulated changes in fair value was transferred to statutory surplus reserve (2019: RMB345 million).

During the year ended 31 December 2020, the Group received dividends in a total amount of RMB778 million, mainly including RMB507 million, RMB92 million and RMB41 million from China Merchants Bank Co., Ltd, China Merchants Securities Co., Ltd. and Zhengzhou Yutong Bus Co., Ltd., respectively.

22. UNCONSOLIDATED STRUCTURED ENTITIES

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 2020, 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:

	2020		2019	
	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	**9,256**	**9,256**	5,335	5,335
Interests in associates and joint ventures	**10**	**10**	7	7
	9,266	**9,266**	5,342	5,342

In 2020, the Group received management fees, commission and performance fees amounting to RMB58 million (2019: RMB62 million) from unconsolidated structured entities sponsored by the Group.

As disclosed in notes 24(e) and 39(c), 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 2020, the Group has invested in certain subordinated tranches of ABS and ABN with an aggregated amount of RMB62 million (2019: RMB62 million). The directors of the Company evaluate that the position of subordinated tranches invested is low, and therefore determined not to consolidate such special-purpose vehicles (SPVs).

As at 31 December 2020, there were no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities (2019: Nil).

23. INVENTORIES

	2020 RMB million	2019 RMB million
Raw materials	**19,778**	18,667
Work in progress	**1,753**	1,187
Properties under development *(note a)*	**43,783**	35,537
Completed properties held for sale *(note b)*	**6,553**	5,944
Finished goods	**728**	1,070
Others	**282**	208
	72,877	62,613

At 31 December 2020, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amount of RMB6,543 million (2019: RMB2,408 million) were pledged to secure the Group's bank loans (notes 30(d) and 42(b)).

(a) Properties under development comprise:

	2020 RMB million	2019 RMB million
Land use rights	**29,627**	22,830
Construction cost	**12,268**	11,107
Finance costs capitalised	**1,888**	1,600
	43,783	35,537

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 RMB3,661 million (2019: RMB3,736 million). The remaining amount is expected to be recovered within one year.

24. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB million	*RMB million*
Trade and bills receivables *(note a)*	**123,030**	113,315
Impairment	**(16,129)**	(13,904)
	106,901	99,411
Long-term receivables *(note b)*	**322,174**	217,812
Impairment	**(4,301)**	(2,788)
	317,873	215,024
Other receivables:		
Prepayments	**21,262**	26,091
Deposits *(note c)*	**23,559**	23,093
Others	**54,085**	40,641
	98,906	89,825
Impairment	**(2,978)**	(2,455)
	95,928	87,370
	520,702	401,805
Portion classified as non-current		
Long-term receivables	**252,114**	172,224
Other receivables:		
Prepayments	**2,759**	4,319
Deposits	**1,375**	1,446
Others	**6,450**	48
	262,698	178,037
Current portion	**258,004**	223,768

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.

An ageing analysis of trade and bills receivables as at the end of the reporting period, net of provisions, is as follows:

	2020	2019
	RMB million	*RMB million*
Within 6 months	**73,279**	67,623
6 months to 1 year	**7,706**	8,305
1 year to 2 years	**12,599**	13,914
2 years to 3 years	**7,379**	5,433
Over 3 years	**5,938**	4,136
	106,901	99,411

The movements in provision for impairment of trade and bills receivables are as follows:

	2020	2019
	RMB million	*RMB million*
At beginning of year	**13,904**	12,405
Impairment losses, net	**3,149**	2,621
Acquisition of subsidiaries	**6**	5
Disposal of subsidiaries	**–**	(58)
Amount written off*	**(791)**	(841)
Others	**(139)**	(228)
At end of year	**16,129**	13,904

* During the year ended 31 December 2020, an accumulated impairment of RMB767 million (2019: RMB791 million) was written off because of the relevant trade and bill receivables amounting to RMB32,221 million (2019: RMB33,500 million) were derecognised due to the arrangement of non-recourse factoring agreements, ABS, 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 and bills receivables using a provision matrix:

As at 31 December 2020

	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	**1.05%**	**13.56%**	**24.78%**	**39.18%**	**55.15%**	**80.07%**	**9.76%**
Gross carrying amount *(RMB million)*	**81,351**	**13,612**	**8,160**	**4,826**	**1,991**	**4,296**	**114,236**
Expected credit losses *(RMB million)*	**(857)**	**(1,846)**	**(2,022)**	**(1,891)**	**(1,098)**	**(3,440)**	**(11,154)**

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	0.97%	13.56%	24.77%	39.16%	55.13%	80.04%	8.64%
Gross carrying amount *(RMB million)*	76,393	13,729	6,705	2,602	2,113	3,252	104,794
Expected credit losses *(RMB million)*	(744)	(1,862)	(1,661)	(1,019)	(1,165)	(2,603)	(9,054)

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 2020, the accumulated individual loss allowance was RMB4,975 million (2019: RMB4,850 million) with a carrying amount before loss allowance of RMB8,794 million (2019: RMB8,521 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 2020, the relevant outstanding trade receivables and long-term receivables with recourse factoring clauses in the agreements amounted to RMB747 million (2019: RMB1,243 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 2020, outstanding trade receivables of RMB17,644 million (2019: RMB18,514 million) had been transferred to the banks in accordance with the relevant non-recourse factoring agreements. In the opinion of the directors, the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition of the relevant receivables.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) The Group has entered into certain agreements with certain financial institution so as to establish ABS and 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 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 2020, the relevant outstanding trade receivables and long-term receivables under the ABS and ABN amounted to RMB12,607 million (2019: RMB9,823 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 2020, outstanding bills receivable of RMB649 million (2019: RMB267 million) were endorsed to suppliers or 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 2020, outstanding bills receivable of RMB1,970 million (2019: RMB5,164 million) were endorsed to suppliers or 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 2020, certain of the Group's outstanding trade and other receivables with a net carrying amount of approximately RMB13,342 million (2019: RMB15,989 million) were pledged to secure general banking facilities granted to the Group (notes 30(d) and 42(b)).

25. CONTRACT ASSETS

	31 December 2020 ***RMB million***	31 December 2019 *RMB million*	1 January 2019 *RMB million*
Contract assets arising from:			
Infrastructure construction	**138,579**	129,595	117,416
Infrastructure design	**6,406**	5,464	4,105
Dredging	**11,802**	12,783	10,346
Others	**30**	29	1,951
	156,817	147,871	133,818
Impairment	**(1,499)**	(1,370)	(1,139)
	155,318	146,501	132,679
Portion classified as non-current	**30,520**	30,265	28,698
Current portion	**124,798**	116,236	103,981

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 2020 and 2019 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 2020, RMB140 million (2019: RMB251 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 2020, the expected timing of recovery or settlement for contract assets was subject to the specific contract 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:

	2020 RMB million	2019 RMB million
At beginning of year	**1,370**	1,139
Impairment losses, net *(note 6)*	**140**	251
Disposal of subsidiaries	**–**	(8)
Exchange realignment	**(11)**	(12)
At end of year	**1,499**	1,370

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 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:

	2020	2019
Expected credit loss rate	**0.96%**	0.93%
Gross carrying amount *(RMB million)*	**156,817**	147,871
Expected credit losses *(RMB million)*	**1,499**	1,370

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Assets RMB million	Liabilities RMB million	Assets RMB million	Liabilities RMB million
Forward currency contracts				
– Cash flow hedges	**25**	**11**	9	12
Total return swap *(note a)*	**104**	**–**	224	–
Forward equity contracts *(note b)*	**206**	**–**	233	–
Foreign exchange option *(note c)*	**305**	**–**	333	–
	640	**11**	799	12

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) In 2018, CCCI entered into several agreements with banks, and paid US$125 million to secure the subscriptions of US$500 million, by the banks in senior perpetual securities. 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 Group.

(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 RMB121 million (2019: RMB122 million) as at 31 December 2020.

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 RMB85 million (2019: RMB111 million) as at 31 December 2020.

(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 RMB305 million (2019: RMB311 million) as at 31 December 2020.

27. CASH AND BANK BALANCES

	2020 ***RMB million***	2019 *RMB million*
Restricted bank deposits *(note a)*	**5,275**	4,308
Time deposits with an initial term of over three months *(note b)*	**3,268**	2,322
	8,543	6,630
Cash and cash equivalents	**119,511**	118,908
	128,054	125,538

(a) As at 31 December 2020, 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 RMB84,867 million (2019: RMB82,534 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 2020, less than 3% (2019: 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

	2020 RMB million	2019 RMB million
Trade and bills payables *(note a)*	**300,003**	277,959
Deposits from suppliers	**33,752**	27,984
Retentions	**34,754**	28,042
Deposits in CCCC Finance *(note b)*	**6,178**	5,374
Other taxes	**28,329**	22,647
Payroll and social security	**2,115**	2,625
Accrued expenses and others	**27,016**	22,013
	432,147	386,644
Portion classified as non-current		
Retentions	**23,894**	20,016
Other taxes	**173**	153
Others	**3,850**	3,574
	27,917	23,743
Current portion	**404,230**	362,901

(a) An ageing analysis of trade and bills payables as at the end of the reporting period is as follows:

	2020 RMB million	2019 RMB million
Within 1 year	**263,688**	241,739
1 year to 2 years	**23,392**	20,813
2 years to 3 years	**6,067**	9,903
Over 3 years	**6,856**	5,504
	300,003	277,959

(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% (2019: 0.8%).

29. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2020 RMB million	2019 RMB million
Contract liabilities arising from:		
Infrastructure construction	**78,385**	74,015
Infrastructure design	**6,050**	6,211
Dredging	**3,132**	2,064
Others	**991**	702
	88,558	82,992

Contract liabilities mainly include short-term advances received to render construction, design and dredging services. The increase in contract liabilities in 2020 and 2019 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	2020 RMB million	2019 RMB million
Non-current			
Long-term bank borrowings			
– secured	(d)	**215,492**	167,364
– unsecured	(e)	**73,131**	59,238
		288,623	226,602
Long-term other borrowings			
– secured	(d)	**4,625**	1,170
– unsecured	(e)	**2,144**	1,648
		6,769	2,818
Corporate bonds	(f)	**17,959**	23,729
Non-public debt instruments	(h)	**8,028**	10,518
Lease liabilities	16(b)	**1,509**	1,381
Total non-current borrowings		**322,888**	265,048
Current			
Current portion of long-term bank borrowings			
– secured	(d)	**9,543**	4,653
– unsecured	(e)	**13,685**	15,151
		23,228	19,804
Short-term bank borrowings			
– secured	(d)	**6,388**	2,270
– unsecured	(e)	**39,118**	49,614
		45,506	51,884
Current portion of long-term other borrowings			
– secured	(d)	**173**	4
– unsecured	(e)	**145**	634
		318	638
Short-term other borrowings			
– secured	(d)	**273**	100
– unsecured	(e)	**166**	195
		439	295
Corporate bonds	(f)	**6,047**	275
Debentures	(g)	**1,720**	1,009
Non-public debt instruments	(h)	**4,196**	1,356
Lease liabilities	16(b)	**1,036**	1,118
Total current borrowings		**82,490**	76,379
Total borrowings		**405,378**	341,427

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

(a) The Group's borrowings (excluding lease liabilities) were repayable as follows:

	2020 **RMB million**	2019 RMB million
Bank borrowings		
– Within one year	**68,734**	71,688
– In the second year	**31,870**	33,271
– In the third to fifth years, inclusive	**66,136**	43,999
– Beyond five years	**190,617**	149,332
	357,357	298,290
Others, excluding lease liabilities		
– Within one year or on demand	**12,720**	3,573
– In the second year	**17,523**	8,710
– In the third to fifth years, inclusive	**8,000**	20,383
– Beyond five years	**7,233**	7,972
	45,476	40,638
	402,833	338,928

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

	2020 **RMB million**	2019 RMB million
Renminbi	**385,713**	319,288
United States dollar	**12,851**	14,537
Japanese Yen	**3,378**	3,892
Euro	**2,186**	1,169
Hong Kong dollar	**414**	1,490
Others	**836**	1,051
	405,378	341,427

(c) Borrowings of the Group, excluding corporate bonds, debentures, non-public debt instruments, and lease liabilities, bore interest at effective rates ranging from 0.21% to 8.34% (2019: 0.30% to 8.34%) per annum at the end of the reporting period, and an overseas bank borrowing bore an interest rate of 11.27%.

(d) As at 31 December 2020 and 2019, the borrowings in note 30(c) above were secured by the Group's property, plant and equipment (notes 14 and 42(b)), investment properties (notes 15 and 42(b)), right-of-use assets (notes 16 and 42(b)), intangible assets (notes 17 and 42(b)), inventories (notes 23 and 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 [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 of 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 a number of debentures as approved by National Association of Financial Market Institutional Investors ("NAFMII"), the interest rates range from 1.30% to 3.30% per annum, with maturity ranging from 30 days to 282 days.

(h) The Group issued the following non-public debt instruments:

– 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.

– Two tranches of non-public debt instruments were issued in April and August 2020, respectively, at nominal values of RMB500 million and RMB1,000 million, respectively, with maturity of three years from the issue date. The interest rates are 2.80% and 3.78% per annum, respectively. These non-public debt instruments will be repaid in 2023.

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.

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

	2020			
	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 2020	4,228	1,480	2,452	8,160
Charged to profit or loss during the year *(note 11)*	–	161	1,018	1,179
Charged to other comprehensive income	1,145	–	6	1,151
Acquisition of subsidiaries	–	–	3	3
Exchange differences	1	–	14	15
At 31 December 2020	5,374	1,641	3,493	10,508

Deferred tax assets

	2020				
	Impairment of financial and contract assets *RMB million*	Tax losses *RMB million*	Discount on long-term receivables *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2020	3,097	1,369	316	2,303	7,085
Credited to profit or loss during the year *(note 11)*	492	935	21	837	2,285
Charged to other comprehensive income	–	–	–	(3)	(3)
Acquisition of a subsidiary	14	12	–	130	156
Disposal of subsidiaries	(5)	–	–	–	(5)
Exchange differences	(2)	49	–	(132)	(85)
At 31 December 2020	3,596	2,365	337	3,135	9,433

31. DEFERRED TAX (CONTINUED)

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	3,601	1,299	2,126	7,026
Charged to profit or loss during the year *(note 11)*	–	181	311	492
Charged to other comprehensive income	629	–	2	631
Exchange differences	(2)	–	13	11
At 31 December 2019	4,228	1,480	2,452	8,160

Deferred tax assets

	2019				
	Impairment of financial and contract assets *RMB million*	Tax losses *RMB million*	Discount on long-term receivables *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2019	2,769	1,661	476	1,519	6,425
Credited/(charged) to profit or loss during the year *(note 11)*	383	226	(158)	727	1,178
(Charged)/credited to other comprehensive income	–	(592)	–	75	(517)
Acquisition of a subsidiary	2	–	–	–	2
Disposal of subsidiaries	(18)	–	–	(14)	(32)
Exchange differences	(39)	74	(2)	(4)	29
At 31 December 2019	3,097	1,369	316	2,303	7,085

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:

	2020		2019	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	RMB million	***RMB million***	*RMB million*	*RMB million*
The gross balance	**9,433**	**10,508**	7,085	8,160
Offsetting	**(2,787)**	**(2,787)**	(1,815)	(1,815)
	6,646	**7,721**	5,270	6,345

Deferred tax assets of RMB6,353 million (2019: RMB4,914 million) have not been recognised in respect of these losses amounting to RMB25,743 million (2019: RMB19,988 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. All of these tax losses will expire in one to five years for offsetting against future taxable profits.

As at 31 December 2020, the Group did not recognise deferred tax assets of RMB1,167 million (2019: RMB787 million) in respect of deductible temporary differences amounting to RMB5,520 million (2019: RMB3,199 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:

	2020	2019
	RMB million	*RMB million*
Present value of defined benefit obligations	**960**	1,119
Portion classified as current portion	**116**	126
Non-current portion	**844**	993

32. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The movements in the present value of the defined benefit obligations are as follows:

	2020 *RMB million*	2019 *RMB million*
At 1 January	**1,119**	1,293
Past service cost	**3**	3
Interest cost	**32**	39
	1,154	1,335
Remeasurements		
– Gains from changes in financial assumptions	**(16)**	(17)
– Experience gains	**(36)**	(4)
	1,102	1,314
Payments	**(142)**	(163)
Disposal of subsidiaries	**–**	(32)
At 31 December	**960**	1,119

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:

	2020	2019
Discount rate	**3.25%**	3.00%
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	
	2020 *RMB million*	2019 *RMB million*
Discount rate:		
– 0.25% increase	**(15)**	(19)
– 0.25% decrease	**16**	19
Medical cost growth rate:		
– 1.00% increase	**10**	15
– 1.00% decrease	**(9)**	(14)

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.

32. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The following undiscounted payments are expected contributions to the defined benefit plan in future years:

	2020 *RMB million*	2019 *RMB million*
Within 1 year	**116**	126
1 year to 2 years	**109**	119
2 years to 5 years	**282**	315
Over 5 years	**701**	837
	1,208	1,397

The average duration of the defined benefit plan obligation at the end of the reporting period was 6 years (2019: 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 2020	**121**	**703**	**601**	**1,425**
Additional provisions	**1**	**1,894**	**444**	**2,339**
Utilised/reversed during the year	**(89)**	**(458)**	**(8)**	**(555)**
At 31 December 2020	**33**	**2,139**	**1,037**	**3,209**
Non-current portion	**33**	**2,139**	**1,037**	**3,209**

	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

34. SHARE CAPITAL AND PREMIUM

	2020 RMB million	2019 RMB million
Issued and fully paid:		
11,747,235,425 (2019: 11,747,235,425) A shares of RMB1.00 each	**11,747**	11,747
4,418,476,000 (2019: 4,427,500,000) H shares of RMB1.00 each	**4,419**	4,428
	16,166	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.

From May 2020 to June 2020, the Company repurchased a total of 9,024,000 H shares and all the repurchased shares have been cancelled as at 31 December 2020. The Company repurchased approximately RMB40 million, of which paid-up share capital was RMB9 million and share premium was approximately RMB31 million.

As at 31 December 2020, the Company's share capital was RMB16,165,711,425 (2019: RMB16,174,735,425), comprising 11,747,235,425 A shares and 4,418,476,000 H shares, representing approximately 72.7% and 27.3% of the registered capital, respectively.

35. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY

	2020 RMB million	2019 RMB million
Perpetual securities *(note a)*	**14,950**	8,966
Renewable corporate bonds *(note b)*	**18,988**	6,989
Preference shares *(note c)*	**–**	14,468
	33,938	30,423

(a) As approved by NAFMII, three tranches of perpetual securities 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 perpetual securities and the holders have no right to receive a return of principal. The initial interest rates of these perpetual securities 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 perpetual securities, 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 perpetual securities 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 perpetual securities 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 perpetual securities and the holders have no right to receive a return of principal. The initial interest rates of these perpetual securities were 3.83% and 3.83% per annum respectively, which will be reset once in every three years since the issuance date. Pursuant to the terms of these perpetual securities, 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 perpetual securities 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, three tranches of perpetual securities were issued by the Company in 2020, with nominal values of RMB2,000 million, RMB2,000 million and RMB2,000 million, respectively. There is no maturity date for these perpetual securities and the holders have no right to receive a return of principal. The initial interest rates of these perpetual securities were 3.85%, 4.34% and 3.85% per annum respectively, which will be reset once in every three years, three years and two years, respectively, since the issuance date. Pursuant to the terms of these perpetual securities, 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 perpetual securities are subject to redemption in whole, at the option of the Company, three years, three years and two years, respectively, 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 perpetual securities, and these perpetual securities should be classified as equity.

35. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY (CONTINUED)

(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.

As approved by CSRC, one tranche of renewable corporate bonds were issued by the Company in 2020, with a nominal value of RMB2,000 million. There is no maturity date for the bonds and the holders have no right to receive a return of principal. Pursuant to the terms of this bond, 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 this tranche of bonds were 3.85% per annum, 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 bond 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 bond 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 Company signed two investment contracts with two holders to implement the infrastructure bond investment plans in 2020, with nominal values of RMB6,000 million and RMB4,000 million, respectively. There is no maturity date for these contracts and the holders have no right to receive a return of principal. The initial interest rates of these contracts were 4.80%, 4.72% and 4.77% per annum, respectively, for the first contract, and 4.69% per annum for the first ten years for the second contract, which will be reset once in every three years after ten years of the issuance date. Pursuant to the terms of these contracts, 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 contracts are subject to redemption in whole, at the option of the Company, ten years after the issue date, at its principal amount together with accrued interest.

The directors of the Company are of the opinion that the Company 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 Company 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.

On 26 August 2020 and 16 October 2020, the Company has redeemed the two tranches of preferred shares issued in August 2015. The redemption prices of the preferred shares were RMB9,459 million and RMB5,759 million respectively, including the face values of RMB9,000 million and RMB5,500 million, and the current dividends of RMB459 million and RMB259 million, respectively.

36. RESERVES

	Capital reserve (a) RMB million	Statutory surplus reserve RMB million	General reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB Million	Hedging reserve RMB million	Safety production reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
At 31 December 2019	10,798	5,945	957	(82)	14,210	2	2,341	1,145	128,583	163,899
Business combination under common control	(52)	-	-	-	-	-	3	-	(188)	(237)
At 31 December 2019	10,746	5,945	957	(82)	14,210	2	2,344	1,145	128,395	163,662
Profit for the year	-	-	-	-	-	-	-	-	16,475	16,475
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	3,624	-	-	-	-	3,624
Cash flow hedges, net of tax	-	-	-	-	-	7	-	-	-	7
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	(43)	-	-	-	-	(43)
Share of other reserves of joint ventures and associates	12	-	-	-	-	-	-	-	-	12
Actuarial gains on retirement benefit obligations, net of tax	-	-	-	41	-	-	-	-	-	41
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(2,877)	-	(2,877)
Redemption of perpetual securities	(32)	-	-	-	-	-	-	-	-	(32)
Final 2019 dividend declared	-	-	-	-	-	-	-	-	(3,765)	(3,765)
Transaction with non-controlling interests	(44)	-	-	-	-	-	-	-	-	(44)
Interest on perpetual securities	-	-	-	-	-	-	-	-	(721)	(721)
Dividends on preference shares	-	-	-	-	-	-	-	-	(718)	(718)
Transfer to statutory surplus reserve (a)	-	1,694	-	-	-	-	-	-	(1,694)	-
Transfer from general reserve (b)	-	-	(248)	-	-	-	-	-	248	-
Transfer to safety production reserve (c)	-	-	-	-	-	-	269	-	(269)	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(9)	-	-	-	9	-
Others	-	-	-	-	-	-	-	-	(279)	(279)
At 31 December 2020	10,682	7,639	709	(41)	17,782	9	2,613	(1,732)	137,681	175,342

36. RESERVES (CONTINUED)

	Capital reserve (a) RMB million	Statutory surplus reserve RMB million	General reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB Million	Hedging reserve RMB million	Safety production reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
At 31 December 2018	4,850	5,242	1,088	(97)	12,105	(1)	2,355	770	110,609	136,921
Business combination under common control	(52)	–	–	–	–	–	3	–	(93)	(142)
At 31 December 2018	4,798	5,242	1,088	(97)	12,105	(1)	2,358	770	110,516	136,779
Profit for the year	–	–	–	–	–	–	–	–	19,999	19,999
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)
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)
Share of other reserves of joint ventures and associates	70	–	–	–	–	–	–	–	–	70
Capital contribution from non-controlling shareholders	5,894	–	–	–	–	–	–	–	–	5,894
Transaction with non-controlling interests	(16)	–	–	–	–	–	–	–	–	(16)
Interest on perpetual securities	–	–	–	–	–	–	–	–	(566)	(566)
Dividends on preference shares	–	–	–	–	–	–	–	–	(718)	(718)
Transfer to statutory surplus reserve	–	358	–	–	–	–	–	–	(358)	–
Transfer from general reserve	–	–	(131)	–	–	–	–	–	131	–
Transfer from safety production reserve	–	–	–	–	–	–	(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	10,746	5,945	957	(82)	14,210	2	2,344	1,145	128,395	163,662

36. RESERVES (CONTINUED)

(a) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to 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 2020, the board of directors proposed an appropriation of 10% (2019: 10%) of the Company's profit after tax, as determined under PRC GAAP, of RMB1,694 million (2019: RMB358 million) to the statutory surplus reserve.

(b) 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 2020 amounted to RMB709 million (2019: RMB957 million).

(c) Safety production 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 production 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 production 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:

	2020	2019
	(%)	*(%)*
CCCC (Beijing) One-term Equity Investment Fund LLP	**39.98**	39.98
CCCC Leasing	**30.00**	30.00
CCCC First Highway Engineering Group Co., Ltd.	**12.75**	12.75
CCCC Second Highway Engineering Co., Ltd.	**18.06**	18.06
CCCC Third Highway Engineering Co., Ltd.	**30.00**	30.00
CCCC Forth Highway Engineering Co., Ltd.	**20.08**	20.08
CFHCC	**9.91**	9.91
CCCC Second Harbour Engineering Co., Ltd.	**13.36**	13.36
CCCC Third Harbour Engineering Co., Ltd.	**10.69**	10.69
CCCC Forth Harbour Engineering Co., Ltd.	**13.77**	13.77
Road & Bridge International Co., Ltd.	**17.25**	17.25

Profit/(loss) for the year allocated to non-controlling interests:

	2020	2019
	RMB million	*RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**(7)**	(4)
CCCC Leasing	**118**	89
CCCC First Highway Engineering Group Co., Ltd.	**145**	24
CCCC Second Highway Engineering Co., Ltd.	**116**	14
CCCC Third Highway Engineering Co., Ltd.	**58**	4
CCCC Forth Highway Engineering Co., Ltd.	**116**	30
CFHCC	**116**	2
CCCC Second Harbour Engineering Co., Ltd.	**116**	31
CCCC Third Harbour Engineering Co., Ltd.	**87**	3
CCCC Forth Harbour Engineering Co., Ltd.	**174**	29
Road & Bridge International Co., Ltd.	**116**	30

Dividends paid to non-controlling interests:

	2020	2019
	RMB million	*RMB million*
CCCC Leasing	**20**	10
CCCC First Highway Engineering Group Co., Ltd.	**117**	–
CCCC Second Highway Engineering Co., Ltd.	**90**	–
CCCC Third Highway Engineering Co., Ltd.	**42**	–
CCCC Forth Highway Engineering Co., Ltd.	**107**	–
CFHCC	**79**	–
CCCC Second Harbour Engineering Co., Ltd.	**106**	–
CCCC Third Harbour Engineering Co., Ltd.	**57**	–
CCCC Forth Harbour Engineering Co., Ltd.	**143**	–
Road & Bridge International Co., Ltd.	**106**	–

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Accumulated balances of non-controlling interests at the reporting date:

	2020	2019
	RMB million	*RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**5,023**	4,461
CCCC Leasing	**1,897**	1,799
CCCC First Highway Engineering Group Co., Ltd.	**1,600**	1,572
CCCC Second Highway Engineering Co., Ltd.	**1,443**	1,417
CCCC Third Highway Engineering Co., Ltd.	**924**	908
CCCC Forth Highway Engineering Co., Ltd.	**1,192**	1,183
CFHCC	**1,135**	1,098
CCCC Second Harbour Engineering Co., Ltd.	**1,545**	1,535
CCCC Third Harbour Engineering Co., Ltd.	**1,092**	1,062
CCCC Forth Harbour Engineering Co., Ltd.	**2,123**	2,092
Road & Bridge International Co., Ltd.	**1,415**	1,405

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2020	**CCCC (Beijing) One-term Equity Investment Fund LLP**	**CCCC Leasing**	**CCCC First Highway Engineering Group Co., Ltd.**	**CCCC Second Highway Engineering Co., Ltd.**	**CCCC Third Highway Engineering Co., Ltd.**	**CCCC Forth Highway Engineering Co., Ltd.**	**CFHCC**	**CCCC Second Harbour Engineering Co., Ltd.**	**CCCC Third Harbour Engineering Co., Ltd.**	**CCCC Forth Harbour Engineering Co., Ltd.**	**Road & Bridge International Co., Ltd.**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Revenue	**-**	**-**	**119,919**	**53,427**	**28,506**	**43,598**	**44,457**	**76,152**	**41,785**	**38,176**	**41,227**
Profit/(loss) for the year	**(18)**	**527**	**1,280**	**1,614**	**329**	**1,817**	**1,272**	**1,055**	**337**	**2,293**	**1,647**
Total comprehensive income/(loss)	**(18)**	**523**	**1,163**	**1,479**	**328**	**1,819**	**1,253**	**1,058**	**273**	**1,918**	**1,379**
Current assets	**-**	**22,820**	**77,283**	**34,164**	**23,769**	**36,714**	**41,927**	**63,788**	**39,951**	**27,058**	**24,208**
Non-current assets	**12,588**	**24,486**	**91,062**	**28,973**	**11,092**	**32,477**	**38,757**	**41,496**	**31,262**	**37,854**	**33,919**
Current liabilities	**34**	**22,432**	**89,882**	**39,950**	**26,564**	**38,216**	**56,596**	**67,285**	**48,709**	**35,040**	**30,980**
Non-current liabilities	**-**	**14,939**	**48,628**	**9,543**	**3,646**	**16,895**	**6,289**	**16,848**	**8,904**	**7,874**	**13,289**
Net cash flows (used in)/generated from operating activities	**-**	**(1,850)**	**3,093**	**3,357**	**1,589**	**4,039**	**1,576**	**(1,109)**	**1,113**	**3,499**	**2,643**
Net cash flows (used in)/generated from investing activities	**(1,422)**	**238**	**(18,716)**	**(8,465)**	**(1,307)**	**(6,921)**	**(5,374)**	**(8,600)**	**(2,740)**	**(11,454)**	**(8,372)**
Net cash flows generated from financing activities	**1,422**	**2,005**	**13,397**	**4,923**	**1,400**	**7,860**	**1,084**	**6,709**	**3,473**	**7,681**	**5,218**
Exchange gains/(losses) on cash and cash equivalents	**-**	**-**	**8**	**(5)**	**(11)**	**9**	**(122)**	**99**	**(39)**	**(38)**	**(2)**
Net increase/(decrease) in cash and cash equivalents	**-**	**393**	**(2,218)**	**(190)**	**1,671**	**4,987**	**(2,836)**	**(2,901)**	**1,807**	**(312)**	**(513)**

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations: (continued)

2019	CCCC (Beijing) One-term Equity Investment Fund LLP *RMB million*	CCCC Leasing *RMB million*	CCCC First Highway Engineering Group Co., Ltd. *RMB million*	CCCC Second Highway Engineering Co., Ltd. *RMB million*	CCCC Third Highway Engineering Co., Ltd. *RMB million*	CCCC Forth Highway Engineering Co., Ltd. *RMB million*	CFHCC *RMB million*	CCCC Second Harbour Engineering Co., Ltd. *RMB million*	CCCC Third Harbour Engineering Co., Ltd. *RMB million*	CCCC Forth Harbour Engineering Co., Ltd. *RMB million*	Road & Bridge International Co., Ltd. *RMB million*
Revenue	–	2,052	102,514	45,492	22,302	37,200	39,172	74,349	36,804	35,959	37,383
Profit/(loss) for the year	(10)	297	848	1,327	320	1,170	1,361	1,251	391	2,235	1,172
Total comprehensive income/(loss)	(10)	387	822	1,254	318	1,176	1,371	1,263	435	2,487	1,034
Current assets	–	19,939	77,267	32,570	18,945	30,039	41,618	62,214	38,434	24,541	20,969
Non-current assets	11,166	21,340	65,017	22,505	6,877	22,033	32,990	31,104	22,751	45,166	43,741
Current liabilities	16	21,497	83,004	41,038	19,699	32,380	54,241	64,228	43,112	37,455	31,196
Non-current liabilities	–	11,265	35,916	3,083	2,728	10,321	4,368	11,471	6,404	11,247	18,455
Net cash flows (used in)/generated from operating activities	–	(61)	5,320	301	(1,205)	294	1,481	1,948	369	4,108	2,779
Net cash flows used in investing activities	(6,761)	(93)	(8,802)	(3,499)	(659)	(3,997)	(6,711)	(3,957)	(2,108)	(11,325)	(9,216)
Net cash flows (used in)/generated from financing activities	6,759	(1,002)	6,672	3,294	2,069	5,387	4,962	2,667	1,616	7,307	8,861
Exchange gains/(losses) on cash and cash equivalents	–	2	2	5	3	(8)	11	41	12	21	(3)
Net increase/(decrease) in cash and cash equivalents	(2)	(1,154)	3,192	101	208	1,676	(257)	699	(111)	111	2,421

In addition, the other information of partly-owned subsidiaries with material non-controlling interests is as below:

As of 31 December 2020, the total balance of perpetual securities issued by subsidiaries of the Company was RMB73,103 million (2019: RMB32,798 million). These perpetual securities 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:

	2020 ***RMB million***	2019 *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	**139**	89

(b) Changes in liabilities arising from financing activities

2020	**Bank and other loans** ***RMB million***	**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 2019	**302,041**	**2,499**	**24,004**	**1,009**	**11,874**	**587**	**342,014**
Changes from financing cash flows	**54,547**	**(1,674)**	**(993)**	**347**	**(23)**	**(7,923)**	**44,281**
New leases	**–**	**1,575**	**–**	**–**	**–**	**–**	**1,575**
Foreign exchange movement	**(75)**	**–**	**–**	**–**	**–**	**–**	**(75)**
Declared dividends	**–**	**–**	**–**	**–**	**–**	**8,139**	**8,139**
Interest expense	**16,195**	**145**	**979**	**364**	**379**	**–**	**18,062**
Increase arising from acquisition of subsidiaries	**7,226**	**–**	**–**	**–**	**–**	**–**	**7,226**
Decrease arising from disposal of subsidiaries	**(15,051)**	**–**	**–**	**–**	**–**	**–**	**(15,051)**
Others	**–**	**–**	**16**	**–**	**(6)**	**–**	**10**
At 31 December 2020	**364,883**	**2,545**	**24,006**	**1,720**	**12,224**	**803**	**406,181**

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

2019	Bank and other loans	Lease liabilities	Corporate bonds	Debentures	Non-public debt instruments	Dividend	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 31 December 2018	259,740	730	24,380	5,003	6,740	279	296,872
Effect of adoption of IFRS 16	–	2,305	–	–	–	–	2,305
At 1 January 2019 (restated)	259,740	3,035	24,380	5,003	6,740	279	299,177
Changes from financing cash flows	28,225	(1,592)	(1,434)	(4,149)	4,635	(6,595)	19,090
New leases	–	897	–	–	–	–	897
Foreign exchange movement	186	–	–	–	–	–	186
Declared dividends	–	–	–	–	–	6,903	6,903
Interest expense	14,080	159	1,047	155	497	–	15,938
Decrease arising from disposal of subsidiaries	(190)	–	–	–	–	–	(190)
Others	–	–	11	–	2	–	13
At 31 December 2019	302,041	2,499	24,004	1,009	11,874	587	342,014

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020	2019
	RMB million	*RMB million*
Within operating activities	**1,265**	1,532
Within investing activities	**2,220**	833
Within financing activities	**1,674**	1,592
	5,159	3,957

39. CONTINGENT LIABILITIES

The Group has contingent liabilities in the ordinary course of business to the extent as follows:

	2020 ***RMB million***	2019 *RMB million*
Pending lawsuits *(note a)*	**1,672**	1,201
Outstanding loan guarantees *(note b)*	**3,540**	2,951
	5,212	4,152

(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 RMB1,672 million (2019: RMB1,201 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 is required.

(c) As disclosed in note 24(e), the Group has entered into certain agreements with certain financial institution so as to establish ABS and ABN. As at 31 December 2020, certain of the ABS and ABN in issue with an aggregate amount of RMB14,969 million (2019: RMB10,387 million) included the ABS and ABN issued to preferential investors of an aggregate amount of RMB13,976 million (2019: RMB9,669 million). For ABS and ABN issued to preferential investors of an aggregate amount of RMB12,226 million (2019: RMB7,919 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 2020, the outstanding balance of guarantees provided by the Group was approximately RMB3,456 million.

40. BUSINESS COMBINATION

(a) Acquisition of subsidiaries not under common control

During the year ended 31 December 2020, the Group obtained control over several companies from certain independent third parties, with a total consideration of RMB2,796 million.

Information of major acquired companies and transactions was as follows:

Name	**Type of transaction**	**Consideration** *RMB million*	**Percentage of equity attributable to the Group**	**Acquisition date**
Lekki Port Lftz Enterprise Ltd.	Additional equity contribution	1,566	53%	31 March 2020
Puentes y Calzadas Grupo de Empresas,S.A.	Equity transfer	540	67%	30 June 2020
Hami CCCC First Highway Tiankun Construction Company Limited	Equity transfer	287	98%	1 January 2020
Guangdong CCCC Yuzhan Highway Development Company Limited	Equity transfer	100	100%	30 June 2020

40. BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of subsidiaries not under common control (continued)

The fair values and book values of assets and liabilities of all of the acquired companies at the date of acquisition were as follows:

	Acquisition date fair value *RMB million*	**Acquisition date book value** *RMB million*
Non-current assets		
Property, plant and equipment	158	143
Investment properties	72	72
Right-of-use assets	125	125
Intangible assets	7,960	7,091
Investments in joint ventures and associates	119	119
Equity instruments at fair value through other comprehensive income	71	71
Trade and other receivables	393	393
Deferred tax assets	156	156
	9,054	8,170
Current assets		
Inventories	152	152
Trade and other receivables	2,013	2,013
Contract assets	68	68
Financial assets at fair value through profit or loss	85	85
Cash and cash equivalents	2,005	2,005
	4,323	4,323
Current liabilities		
Trade and other payables	(1,231)	(1,231)
Contract liabilities	(143)	(143)
Interest-bearing bank and other borrowings	(287)	(287)
	(1,661)	(1,661)
Non-current liabilities		
Trade and other payables	(209)	(209)
Deferred tax liabilities	(3)	(1)
Interest-bearing bank and other borrowings	(6,958)	(6,958)
	(7,170)	(7,168)
Net assets	4,546	3,664
Non-controlling interests	1,761	
Goodwill on acquisition	11	
Consideration	2,796	
Less: Initial investment costs remeasured at fair value	462	
Satisfied by cash	2,334	

40. BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of subsidiaries not under common control (continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2020 RMB million
Total consideration	2,796
Cash paid for acquisition of subsidiaries	2,334
Cash and bank balances of subsidiaries acquired	2,005
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	329

Since the acquisition, the acquirees contributed RMB953 million to the Group's revenue and caused a loss of RMB159 million to the consolidated profit for the year ended 31 December 2020.

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 RMB625,399 million and RMB19,514 million, respectively.

(b) Business combinations under common control

In June 2020, the Company, together with its subsidiaries CCCC Tianjin Dredging Co., Ltd. ("CCCC Tianjin Dredging") and Chuwa Bussan Company Limited ("Chuwa Bussan"), entered into an agreement with ZPMC, a fellow subsidiary of the Company, pursuant to which the Company will increase the equity investment to CCCC Tianhe, a subsidiary of ZPMC, by RMB1 billion. Upon the completion of the investment, the Company held 61.12% and the Group totally held 83.48% of equity interests in CCCC Tianhe, the Company and the Group then obtained control over CCCC Tianhe.

Since the Company, CCCC Tianjin Dredging, Chuwa Bussan, ZPMC and CCCC Tianhe are ultimately controlled by CCCG both before and after the above acquisition, the acquisition of CCCC Tianhe is regarded as business combination involving enterprises under common control. The Group accounts for the combination applying the pooling of interest method, which means the assets and liabilities of CCCC Tianhe are consolidated by the Group using the existing book values from the controlling parties' perspective, as if the current group structure had been in existence throughout the periods presented, or since the date when the companies first came under the control of ultimate controlling party, whichever is a shorter period.

The comparative figures of this consolidated financial information have been restated. Inter-company transactions, balances and unrealised gains/losses on transactions between the Group and CCCC Tianhe have been eliminated on consolidation.

40. BUSINESS COMBINATION (CONTINUED)

(b) Business combinations under common control (continued)

The book values of CCCC Tianhe's assets and liabilities as at 4 June 2020 and 31 December 2019 were as follows:

	4 June 2020 Book value *RMB million*	31 December 2019 Book value *RMB million*
Non-current assets		
Property, plant and equipment	**2,774**	2,666
Intangible assets	**83**	83
Investment in joint ventures and associates	**47**	47
Contract assets	**–**	29
Trade and other receivables	**1**	1
Deferred tax assets	**31**	31
	2,936	2,857
Current assets		
Inventories	**1,145**	989
Trade and other receivables	**1,321**	1,243
Financial assets at fair value through profit or loss	**39**	22
Cash and cash equivalents	**1,244**	220
	3,749	2,474
Current liabilities		
Trade and other payables	**(1,140)**	(1,645)
Contract liabilities	**(570)**	(571)
Tax payable	**–**	(1)
Derivative financial instruments	**–**	(7)
Interest-bearing bank and other borrowings	**(1,879)**	(1,492)
	(3,589)	(3,716)
Non-current liabilities		
Trade and other payables	**(1)**	(1)
Interest-bearing bank and other borrowings	**(1,124)**	(645)
Deferred income	**(61)**	(62)
	(1,186)	(708)
Net assets	**1,910**	907
Non-controlling interests	**(316)**	
Incorporating price difference	**20**	
Consideration	**1,614**	

41. DISPOSAL OF SUBSIDIARIES

(a) In March 2020, CFHCC disposed of 70% equity interests in Yulin CCCC Urban Utility Tunnel Investment Co., Ltd. ("Yulin CCCC") to Beijing CCCC Road and Bridge Phase IV Investment Fund LLP for a consideration of RMB106 million. Upon the completion of equity transfer, CFHCC no longer has control over Yulin CCCC.

(b) In March 2020, CFHCC disposed of 70% equity interests in Guangxi CCCC Puqing Highway Co., Ltd. ("Guangxi Puqing") to Beijing CCCC Road and Bridge Phase I Investment Fund LLP for a consideration of RMB140 million. Upon the completion of equity transfer, CFHCC no longer has control over Guangxi Puqing.

(c) In April 2020, CFHCC City Investment Development (Tianjin) Co., Ltd. ("CFHCC City Investment"), a subsidiary of the Company, together with another subsidiary of the Company, entered into an agreement with CCCG Real Estate Corporation Limited ("CCCG Real Estate"), a fellow subsidiary of the Company, pursuant to which CCCG Real Estate will invest in Guangxi CCCC Urban Investment Development Co., Ltd. ("Guangxi CCCC Urban Investment") to acquire 40% equity interest in Guangxi CCCC Urban Investment. Both CCCG Real Estate and Guangxi CCCC Urban Investment are engaged in real estate development. Upon the completion of capital increase of Guangxi CCCC Urban Investment in May, the aggregated interests of the Group in Guangxi CCCC Urban Investment decreased from 100% to 60%. In April 2020, CFHCC City Investment also signed a shareholders' voting agreement with CCCG Real Estate, whereby CFHCC City Investment has agreed to vote unanimously with the CCCG Real Estate. Considering the above mentioned factors, the directors of Company are of the opinion that the Group no longer has control over Guangxi CCCC Urban Investment.

(d) In April 2020, China Communications Construction Bank (Xiamen) Equity Investment Fund Management Co., Ltd. ("CCCB Xiamen Equity Investment Fund"), an associate of the Group, invested in Haikou CCCC Guoxing Industrial Co., Ltd. ("Haikou CCCC Guoxing"), a real estate development company indirectly controlled by the Company, to acquire a 49% equity interest in Haikou CCCC Guoxing. Upon the completion of capital increase of Haikou CCCC Guoxing in April 2020, the Group lost control over Haikou CCCC Guoxing, and Haikou CCCC Guoxing was jointly controlled by the Group and CCCB Xiamen Equity Investment Fund.

(e) In June 2020, Huizhou Kehui Investment Development Co., Ltd. invested in Huizhou Huitong Real Estate Co., Ltd. ("Huizhou Huitong"), a real estate development company indirectly controlled by the Company, to acquire a 51% equity interest in Huizhou Huitong. Upon the completion of capital increase of Huizhou Huitong in June 2020, the Group no longer has control over Huizhou Huitong, and Huizhou Huitong was jointly controlled by the Group and Huizhou Kehui Investment Development Co., Ltd.

(f) In June 2020, Shenzhen China Merchants Real Estate Co., Ltd. and Shenzhen Jindi Shengan Real Estate Development Co., Ltd. invested in Huizhou Zhaole Real Estate Co., Ltd. ("Huizhou Zhaole"), a real estate development company indirectly controlled by the Company, to acquire a 70% equity interest in Huizhou Zhaole. Upon the completion of capital increase of Huizhou Zhaole in June 2020, the Group no longer has control over Huizhou Zhaole, and Huizhou Zhaole was jointly controlled by the Group, Shenzhen China Merchants Real Estate Co., Ltd. and Shenzhen Jindi Shengan Real Estate Development Co., Ltd.

(g) In August 2020, Hubei CCCC Xiantong Expressway Co., Ltd. disposed of 100% equity interests in Hubei Jiatong Real Estate Development Co., Ltd ("Hubei Jiatong") to Chongqing Zhongang Real Estate Co., Ltd. for a consideration of RMB129 million. Upon the completion of equity transfer, the Group no longer has control over Hubei Jiatong.

(h) In December 2020, CCCC Fourth Harbour Engineering Co., Ltd. ("CCCC Fourth Harbour") disposed of 66.67% equity interests in CCCC (Zhaoqing) Investment Development Co., Ltd. ("CCCC Zhaoqing") to Guangdong Harbour Engineering Co., Ltd., an associate of the Group, for a consideration of RMB46 million. Upon the completion of equity transfer, CCCC Fourth Harbour no longer has control over CCCC Zhaoqing.

(i) In December 2020, CCCC Fourth Harbour and another subsidiary of the Company disposed of 48.75% and 16.25% equity interests, respectively, in CCCC Guanglian Expressway Investment Development Co., Ltd. ("CCCC Guanglian") to China Communications Construction Beijing Yuexing Road and Bridge Infrastructure Equity Investment Fund LLP for a total consideration of RMB3,252 million. Upon the completion of equity transfer, the Group no longer has control over CCCC Guanglian.

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(j) The financial information of CCCC Guanglian and the aggregate financial information of the subsidiaries mentioned above and other subsidiaries disposed of by the Group, at the date of disposal in 2020, are as follows:

	CCCC Guanglian *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Non-current assets	22,121	2,965	25,086
Current assets	1,563	5,702	7,265
Current liabilities	(5,391)	(7,834)	(13,225)
Non-current liabilities	(13,292)	(413)	(13,705)
	5,001	420	5,421
Non-controlling interests	–	–	–
	5,001	420	5,421
Gains on disposal of subsidiaries	1	146	147
	5,002	566	5,568
Represented by:			
Residual interests in joint ventures	1,750	116	1,866
Residual interests in associates	–	29	29
Consideration	3,252	421	3,673
	5,002	566	5,568

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2020 ***RMB million***	2019 *RMB million*
Cash received from disposal of subsidiaries in the current year	**401**	921
Cash received from disposal of subsidiaries in the prior year	**–**	87
Cash and bank balances of subsidiaries disposed of	**(180)**	(991)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**221**	17

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(k) The information of disposal of subsidiaries that occurred and has been completed in 2019 is as follows:

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. A 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.

On 30 June 2019, the Company and its subsidiaries, CHEC, 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.

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
Consideration	1,058
	1,565

42. PLEDGE OF ASSETS

(a) At 31 December 2020, the restricted deposits were RMB5,275 million (2019: RMB4,308 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:

	2020 ***RMB million***	2019 *RMB million*
Property, plant and equipment *(note 14)*	**5**	110
Investment properties *(note 15)*	**–**	1,079
Right-of-use assets *(note 16)*	**6,435**	6,040
Concession assets and trade receivables from PPP projects *(note 17)*	**254,432**	183,235
Inventories *(note 23)*	**6,543**	2,408
Trade and other receivables (excluding PPP projects) *(note 24)*	**13,342**	15,989
	280,757	208,861

43. COMMITMENTS

Capital expenditure contracted for but not yet incurred at the end of the reporting period was as follows:

	2020 ***RMB million***	2019 *RMB million*
Intangible assets – concession assets	**92,611**	100,846
Property, plant and equipment	**2,385**	1,231
	94,996	102,077

The Group has lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these not commenced lease contracts are RMB1 million (2019: RMB59 million).

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:

	2020 ***RMB million***	2019 *RMB million*
Transactions with CCCG		
– Revenue from the provision of construction services	**4,715**	–
– Rental income	**3**	–
– Rental fee	**181**	171
– Interest expense on deposits placed in CCCC Finance	**26**	19
– Interest expense on loans	**3**	29
– Loans to CCCG by CCCC Finance	**–**	700
– Interest income from loans provided by CCCC Finance	**–**	7
– Other borrowings from CCCG	**105**	60
Transactions with fellow subsidiaries		
– Revenue from the provision of construction and construction related services	**7,715**	4,526
– Revenue from sale of goods	**1,058**	296
– Revenue from sale of property	**–**	339
– Rental income	**6**	5
– Interest expenses on deposits placed in CCCC Finance	**83**	40
– Loans from fellow subsidiaries	**9,815**	6,990
– Interest expenses on loans	**6**	8
– Purchases of materials	**1,737**	490
– Subcontracting and service charges	**3,494**	2,928
– Rental fee	**23**	34
– Loans to fellow subsidiaries by CCCC Finance	**3,300**	855
– Interest income from loans provided by CCCC Finance	**27**	10
– Interest income from other loans	**–**	4
– Factoring to fellow subsidiaries	**2,776**	82
– Interest income from factoring	**93**	1
– Finance lease loans to fellow subsidiaries	**1,283**	413
– Interest income from finance lease loans	**127**	111
Transactions with fellow subsidiaries' joint ventures and associates		
– Revenue from the provision of construction and construction related services	**205**	179
– Revenue from sale of goods	**4**	–
– Subcontracting and services charges	**–**	25
Transactions with joint ventures and associates		
– Revenue from the provision of construction and construction related services	**55,386**	51,571
– Revenue from sale of goods	**1,541**	1,599
– Purchases of materials	**2,181**	840
– Subcontracting and service charges	**483**	821
– Rental income	**–**	1
– Interest expense on deposits placed in CCCC Finance	**5**	1
– Loans from joint ventures and associates	**11,917**	9,252
– Interest expenses on loans	**16**	11
– Loans to a joint venture by CCCC Finance	**138**	–
– Loans to joint ventures and associates	**9,134**	4,807
– Interest income from other loans	**570**	589
– Factoring to joint ventures and associates	**90**	510
– Interest income from factoring	**25**	58
– Finance lease loans to joint ventures and associates	**452**	2,280
– Interest income from finance lease loans	**170**	71

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:

	2020 RMB million	2019 RMB million
Trade and bills receivables due from		
– CCCG	1,099	178
– Fellow subsidiaries	2,656	1,913
– Joint ventures and associates	7,209	5,000
– Fellow subsidiaries' joint ventures	20	58
	10,984	7,149
Long-term trade receivables due from		
– CCCG	1,024	–
– Fellow subsidiaries	3,064	3,258
– Joint ventures and associates	23,269	14,916
– Fellow subsidiaries' joint ventures	130	197
	27,487	18,371
Prepayments to		
– Fellow subsidiaries	1,668	2,075
– Joint ventures and associates	651	220
	2,319	2,295
Other receivables due from*		
– CCCG	153	8
– Fellow subsidiaries	4,231	1,825
– Joint ventures and associates	5,859	2,569
	10,243	4,402
Contract assets		
– CCCG	5	169
– Fellow subsidiaries	746	246
– Joint ventures and associates	2,426	3,006
– Fellow subsidiaries' joint ventures	66	35
	3,243	3,456
	54,276	35,673

* Including loans to related parties

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties: (continued)

	2020 RMB million	2019 RMB million
Trade and bills payables due to		
– Fellow subsidiaries	**3,908**	4,155
– Joint ventures and associates	**1,715**	1,861
– Fellow subsidiaries' joint ventures	**14**	–
	5,637	6,016
Long-term trade payables due to		
– Fellow subsidiaries	**2,975**	1,458
– Joint ventures and associates	**460**	639
	3,435	2,097
Contract liabilities		
– CCCG	**46**	–
– Fellow subsidiaries	**506**	438
– Joint ventures and associates	**11,590**	12,250
– Fellow subsidiaries' joint ventures	**26**	12
	12,168	12,700
Other payables*		
– CCCG	**1,227**	1,645
– Fellow subsidiaries	**6,033**	4,656
– Joint ventures and associates	**4,327**	3,286
– Fellow subsidiaries' joint ventures	**3**	3
	11,590	9,590
Other borrowings		
– CCCG	**105**	560
Lease liabilities		
– Joint ventures and associates	**15**	30
– Fellow subsidiaries	**1**	1
	16	31
	32,951	30,994

* Including deposits from related parties

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees with related parties:

	2020	2019
	RMB million	*RMB million*
Outstanding loan guarantees provided to		
– Joint ventures	**1,545**	1,196
– Associates	**1,765**	1,755
– Fellow subsidiaries	**60**	–
	3,370	2,951
Outstanding guarantees provided by CCCG	**12,148**	12,147

(d) Commitments with related parties:

	2020	2019
	RMB million	*RMB million*
Provision of construction services		
– CCCG	**4,403**	321
– Fellow subsidiaries	**10,839**	3,032
– Joint ventures and associates	**143,547**	114,218
– Fellow subsidiaries' joint ventures	**468**	53
	159,257	117,624
Purchase of services and goods		
– Fellow subsidiaries	**2,172**	1,067
– Joint ventures and associates	**146**	80
	2,318	1,147

(e) Key management compensation:

	2020	2019
	RMB'000	*RMB'000*
Short term employee benefits	**14,598**	14,945
Post-employment benefits	**382**	601
	14,980	15,546

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:

	2020 *RMB million*
Transactions with fellow subsidiaries	
– Establishment of joint ventures and associates of the Group	7,333
– Establishment of subsidiaries of the Group	1,675
	9,008

(ii) Details of the Group's other equity transactions with related parties are set below:

a) In January 2020, CCCC First Highway Engineering Group Co., Ltd. and CCCC Beijing-Tianjin-Hebei Investment and Development Co., Ltd., two subsidiaries of the Company, acquired 20% and 10% equity interests in CRED (Tianjin) Real Estate Development Ltd., respectively, from CCCG Property Co., Ltd., a fellow subsidiary of the Company at a total consideration of RMB840 million.

b) In April 2020, CFHCC City Investment, a subsidiary of the Company, together with another subsidiary of the Company, entered into an agreement with CCCG Real Estate, a fellow subsidiary of the Company, pursuant to which CCCG Real Estate will invest Guangxi CCCC Urban Investment to acquire a 40% equity interest in Guangxi CCCC Urban Investment. Both CCCG Real Estate and Guangxi CCCC Urban Investment are primarily engaged in real estate development. Upon the completion of capital increase of Guangxi CCCC Urban Investment in May 2020, the aggregated interest of the Group in Guangxi CCCC Urban Investment decreased from 100% to 60%. In April 2020, CFHCC City Investment signed a shareholders' voting agreement with CCCG Real Estate, whereby CFHCC City Investment has agreed to vote unanimously with the CCCG Real Estate. Considering the above-mentioned factors, the directors of Company are of the opinion that the Group lost the control over Guangxi CCCC Urban Investment.

c) In April 2020, CCCB Xiamen Equity Investment Fund, an associate of the Group, invested in Haikou CCCC Guoxing, a real estate development company indirectly controlled by the Company, to acquire a 49% equity interest in Haikou CCCC Guoxing. Upon the completion of capital increase of Haikou CCCC Guoxing in April 2020, the Group lost control over Haikou CCCC Guoxing, and Haikou CCCC Guoxing was then jointly controlled by the Group and CCCB Xiamen Equity Investment Fund.

d) In June 2020, the Company, together with its subsidiaries CCCC Tianjin Dredging and Chuwa Bussan, entered into an agreement with ZPMC, a fellow subsidiary of the Company, pursuant to which the Company will increase the equity investment to CCCC Tianhe, a subsidiary of ZPMC, by RMB1 billion. Upon the completion of the investment, the Company held 61.12% and the Group totally held 83.48% of equity interests in CCCC Tianhe, and the Company and the Group then obtained control over CCCC Tianhe.

e) In December 2020, CCCC Fourth Harbour disposed of 66.67% equity interests in CCCC Zhaoqing to Guangdong Harbor Engineering Co., Ltd. for a consideration of RMB46 million. Upon the completion of equity transfer, CCCC Fourth Harbour no longer has control over CCCC Zhaoqing.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Other transactions with related parties (continued)

In December 2018, Greentown China Holdings Limited ("Greentown"), a fellow subsidiary of the Company entered into a subscription agreement with several financial institutions (the "Subscribers") to issue principal amount of US$500 million (the "Principal Amount") senior perpetual securities. As one of the conditions precedent of the subscription agreement, CCCI Treasure Limited ("CCCI Treasure") entered into several agreements (the "Agreements 2018") with the each of the Subscribers. Under the Agreements 2018, CCCI Treasure paid a total of US$125 million as deposit, (the "Deposit Amount") each of the Subscribers shall pass through the distribution of the Securities to CCCI Treasure, and CCCI Treasure shall pay each of the Subscribers a fixed amount of distribution with reference to the difference between the Principal Amount and the Deposit Amount. The whole arrangement constitutes a related party transaction of the Company. During the period, the fair value losses and investment gains on the total return swap are RMB115 million and RMB206 million, respectively (2019: fair value gains of RMB202 million and investment gains of RMB247 million).

ZPMC is an associate and also a fellow subsidiary of the Group. The transaction with ZPMC and its subsidiaries for 2020 and 2019, and the outstanding balances with ZPMC and its subsidiaries as at 31 December 2020 and 31 December 2019 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:

2020

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	–	–	10,637	–	10,637
Equity investments designated at fair value through other comprehensive income	–	30,736	–	–	30,736
Derivative financial instruments	–	–	640	–	640
Debt investments at amortised cost	–	–	–	124	124
Trade and other receivables excluding prepayments and other non-financial assets	2,569	–	–	471,511	474,080
Cash and bank balances	–	–	–	128,054	128,054
	2,569	30,736	11,277	599,689	644,271

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)

2020 (continued)

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)	**–**	**402,833**	**402,833**
Lease liabilities	**–**	**2,545**	**2,545**
Derivative financial instruments	**11**	**–**	**11**
Trade and other payables excluding statutory and other non-financial liabilities	**–**	**401,586**	**401,586**
	11	**806,964**	**806,975**

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	–	–	799	–	799
Debt investments at amortised cost	–	–	–	111	111
Trade and other receivables excluding prepayments and other non-financial assets	2,086	–	–	353,059	355,145
Cash and bank balances	–	–	–	125,538	125,538
	2,086	25,018	7,937	478,708	513,749

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)

2019 (continued)

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)	–	338,928	338,928
Lease liabilities	–	2,499	2,499
Derivative financial instruments	12	–	12
Trade and other payables excluding statutory and other non-financial liabilities	–	361,389	361,389
	12	702,816	702,828

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**	
	2020 ***RMB million***	2019 *RMB million*	**2020** ***RMB million***	2019 *RMB million*
Financial liabilities				
Non-current				
Bank borrowings	**288,623**	226,602	**288,448**	226,682
Corporate bonds	**17,959**	23,729	**17,958**	23,730
Non-public debt instruments	**8,028**	10,518	**8,028**	10,518
Other borrowings (other than lease liabilities)	**6,769**	2,818	**6,739**	2,818
	321,379	263,667	**321,173**	263,748

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 2020 were assessed to be insignificant.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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 flows, PBR (price/book ratio) of companies in same category and unit prices 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 2020, the market-to-market value of the derivative asset position was 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.

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.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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 2020

	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	–	2,569	–	2,569
Equity investments designated at fair value through other comprehensive income	26,829	–	3,907	30,736
Financial assets at fair value through profit or loss	124	–	10,513	10,637
Derivative financial instruments				
– Forward currency contracts	–	25	–	25
– Total return swap	–	–	104	104
– Forward equity contracts	–	–	206	206
– Foreign exchange option	–	–	305	305
	26,953	2,594	15,035	44,582
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	11	–	11

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 2019

	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	–	2,086	–	2,086
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	–	–	333	333
	22,171	2,095	10,775	35,041
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	12	–	12

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 (2019: Nil).

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 ***RMB million***	2019 *RMB million*
At 1 January	**10,775**	8,115
Total gains recognised in the statement of profit or loss included in other gains	**66**	756
Total gains/(losses) recognised in other comprehensive income	**136**	(81)
Purchases	**4,309**	3,870
Disposals	**(251)**	(1,885)
At 31 December	**15,035**	10,775

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 2020

	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	**–**	**288,448**	**–**	**288,448**
Corporate bonds	**5,995**	**11,963**	**–**	**17,958**
Non-public debt instruments	**–**	**8,028**	**–**	**8,028**
Other borrowings (other than lease liabilities)	**–**	**6,739**	**–**	**6,739**
	5,995	**315,178**	**–**	**321,173**

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	–	226,682	–	226,682
Corporate bonds	5,995	17,735	–	23,730
Non-public debt instruments	–	10,518	–	10,518
Other borrowings (other than lease liabilities)	–	2,818	–	2,818
	5,995	257,753	–	263,748

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 2020, the Group's aggregate net assets of RMB25,258 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 2020, 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 RMB420 million (2019: RMB248 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:

	2020	2019
Increase/decrease in quoted price in open markets	**10%**	10%

	2020	2019
	RMB million	*RMB million*
Impact on profit before tax for the year	**12**	38
Impact on equity (excluding retained profits)	**2,683**	2,176

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 2020 and 2019, the Group's borrowings at variable rates were mainly denominated in RMB, USD, Euro and Hong Kong dollar.

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

Increase 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 2020 and 2019.

As at 31 December 2020, the Group's borrowings of approximately RMB221,299 million (2019: RMB215,097 million) were at variable rates. As at 31 December 2020, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit before tax for the year would have decreased/increased by RMB2,213 million (2019: RMB2,151 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 2020

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 2020

	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*	–	–	–	155,318	155,318
Trade and other receivables*	339,609	27,375	162	104,365	471,511
Debt investments at amortised cost	–	–	–	124	124
Restricted bank deposits and time deposits with an initial term of over three months					
– Not yet past due	8,543	–	–	–	8,543
Cash and cash equivalents					
– Not yet past due	119,511	–	–	–	119,511
Guarantees given to banks in connection with facilities granted to associates and joint ventures					
– Facilities drawn					
– Not yet past due	3,540	–	–	–	3,540
	471,203	27,375	162	259,807	758,547

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2020 (continued)

As at 31 December 2019

	12-month ECLs		Lifetime ECLs		
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Contract assets*	–	–	–	146,501	146,501
Trade and other receivables*	234,791	20,736	162	97,370	353,059
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	6,630	–	–	–	6,630
Cash and cash equivalents					
– Not yet past due	118,908	–	–	–	118,908
Guarantees given to banks in connection with facilities granted to associates and joint ventures					
– Facilities drawn					
– Not yet past due	2,951	–	–	–	2,951
	363,280	20,736	162	243,982	628,160

* 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 2020, the financial assets classified to stage 3 for lifetime ECLs are other receivables and long-term receivables with a gross carrying amount of approximately RMB1,039 million (2019: RMB1,009 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.

2020	**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)	**93,271**	**60,690**	**101,029**	**253,833**	**508,823**
Lease liabilities	**1,159**	**706**	**769**	**208**	**2,842**
Trade and other payables (excluding statutory and non-financial liabilities)	**374,542**	**20,929**	**5,588**	**1,497**	**402,556**
Net-settled derivative financial instruments	**11**	**–**	**–**	**–**	**11**
	468,983	**82,325**	**107,386**	**255,538**	**914,232**

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)	89,356	55,500	90,660	213,636	449,152
Lease liabilities	1,170	680	701	242	2,793
Trade and other payables (excluding statutory and non-financial liabilities)	338,019	10,946	10,507	2,400	361,872
Net-settled derivative financial instruments	12	–	–	–	12
	428,557	67,126	101,868	216,278	813,829

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 2020 ***RMB million***	31 December 2019 *RMB million*
Total borrowings *(note 30)*	**405,378**	341,427
Less: Cash and cash equivalents *(note 27)*	**(119,511)**	(118,908)
Net debt	**285,867**	222,519
Equity	**357,804**	296,410
Total capital	**643,671**	518,929
Gearing ratio	**44.4%**	42.9%

The Group's gearing ratio increased from 42.9% to 44.4% on 31 December 2020 when compared with the ratio as at 31 December 2019.

48. EVENT AFTER THE REPORTING PERIOD

On 30 March 2021, the board of directors of the Company resolved that a final dividend of RMB0.18088 per share, totalling approximately RMB2,924 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.

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:

	2020	2019
	RMB million	*RMB million*
Non-current assets		
Property, plant and equipment	**1,616**	1,668
Right-of-use assets	**11**	26
Intangible assets	**145**	200
Investments in subsidiaries	**130,769**	124,490
Investments in joint ventures	**3,192**	2,682
Investments in associates	**8,849**	8,025
Financial assets at fair value through profit or loss	**576**	538
Equity investments designated at fair value through other comprehensive income	**19,871**	15,469
Contract assets	**1,431**	1,575
Trade and other receivables	**3,310**	4,135
Loans to subsidiaries	**455**	455
Amounts due from subsidiaries	**645**	321
Total non-current assets	**170,870**	159,584
Current assets		
Inventories	**446**	439
Contract assets	**14,353**	12,659
Trade and other receivables	**12,734**	9,362
Loans to subsidiaries	**37,359**	31,727
Amounts due from subsidiaries	**33,926**	28,011
Restricted bank deposits	**149**	178
Cash and cash equivalents	**40,562**	48,655
Total current assets	**139,529**	131,031
Current liabilities		
Trade and other payables	**6,661**	3,744
Contract liabilities	**4,633**	3,976
Amounts due to subsidiaries	**104,127**	104,156
Tax payables	**11**	582
Interest-bearing bank and other borrowings	**18,988**	25,283
Retirement benefit obligations	**5**	5
Total current liabilities	**134,425**	137,746
Net current assets/(liabilities)	**5,104**	(6,715)
Total assets less current liabilities	**175,974**	152,869

Continued/…

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2020	2019
	RMB million	*RMB million*
Total assets less current liabilities	**175,974**	152,869
Non-current liabilities		
Trade and other payables	**35**	23
Amounts due to subsidiaries	**3,248**	2,683
Interest-bearing bank and other borrowings	**29,788**	25,896
Deferred tax liabilities	**4,238**	3,247
Retirement benefit obligations	**36**	42
Provisions	**4**	84
Total non-current liabilities	**37,349**	31,975
Net assets	**138,625**	120,894
Equity		
Share capital	**16,166**	16,175
Share premium	**19,625**	19,656
Financial instruments classified as equity	**34,938**	31,423
Reserves *(note)*	**67,896**	53,640
Total equity	**138,625**	120,894

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve *RMB million*	Statutory surplus reserve *RMB million*	Remeasurement reserve *RMB million*	Investment revaluation reserve *RMB million*	Exchange reserve *RMB million*	Retained earnings *RMB million*	Total *RMB million*
At 31 December 2019	21,223	5,949	64	10,900	5	15,499	53,640
Profit for the year	-	-	-	-	-	16,941	16,941
Changes in fair value of equity instruments designated at fair value through other comprehensive income, net of tax	-	-	-	2,942	-	-	2,942
Share of other comprehensive loss of joint ventures and associates	-	-	-	(14)	-	-	(14)
Share of other reserves of joint ventures and associates	4	-	-	-	-	-	4
Exchange differences on translation of foreign operations	-	-	-	(23)	-	-	(23)
Business combination under common control	(71)	-	-	-	-	-	(71)
Shares repurchased	(31)	-	-	-	-	-	(31)
Final 2019 dividend declared	-	-	-	-	-	(3,765)	(3,765)
Interest on perpetual securities	-	-	-	-	-	(759)	(759)
Dividend on preference shares	-	-	-	-	-	(718)	(718)
Transfer to statutory surplus reserve	-	1,694	-	-	-	(1,694)	-
Others	-	-	-	-	-	(250)	(250)
At 31 December 2020	21,125	7,643	64	13,828	(18)	25,254	67,896

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: (continued)

A summary of the Company's reserves is as follows (continued):

	Capital reserve *RMB million*	Statutory surplus reserve *RMB million*	Remeasurement reserve *RMB million*	Investment revaluation reserve *RMB million*	Exchange reserve *RMB million*	Retained earnings *RMB million*	Total *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
Final 2018 dividend declared	–	–	–	–	–	(3,733)	(3,733)
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
Interest on perpetual securities	–	–	–	–	–	(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

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 30 March 2021.

DEFINITIONS

"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
"AGM"	the annual general meeting of the Company for the year 2020 to be held in 2021
"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 Dredging"	CCCC Dredging (Group) Co., Ltd.* (中交疏浚(集團)股份有限公司), a subsidiary of the Company
"CCCC Finance"	CCCC Finance Company Limited* (中交財務有限公司), a subsidiary of the Company
"CCCC Fourth Harbour"	CCCC Fourth Harbour Engineering Co., Ltd.* (中交第四航務工程局有限公司), a subsidiary of the Company
"CCCC Fourth Highway"	CCCC Fourth Highway Engineering Co., Ltd.* (中交第四公路工程局有限公司), a subsidiary of the Company
"CCCC Highway Consultants"	CCCC Highway Consultants Co., Ltd.* (中交公路規劃設計院有限公司), a subsidiary of the Company
"CCCC Intelligence Transportation"	CCCC Intelligence Transportation Company Limited* (中交智運有限公司), a connected subsidiary of the Company
"CCCC Investment"	CCCC Investment Co., Ltd.* (中交投資有限公司), a subsidiary of the Company
"CCCC Leasing"	CCCC Financial Leasing Co., Ltd.* (中交融資租賃有限公司), a connected subsidiary of the Company
"CCCC Second Harbour"	CCCC Second Harbour Engineering Co., Ltd.* (中交第二航務工程局有限公司), a subsidiary of the Company
"CCCC Second Highway"	CCCC Second Highway Engineering Co., Ltd.* (中交第二公路工程局有限公司), a subsidiary of the Company
"CCCC Tianhe	CCCC Tianhe Machinery and Equipment Manufacturing Co., Ltd.* (中交天和機械設備製造有限公司), a connected 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 57.99% equity interest in the Company
"CCCG Group"	CCCG and its subsidiaries, excluding the Company and its subsidiaries
"CCCG Real Estate"	CCCG Real Estate Corporation Limited* (中交地產股份有限公司), a subsidiary of CCCG
"CFHCC"	CCCC First Harbour 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
"CRBC"	China Road and Bridge Corporation* (中國路橋工程有限責任公司), a subsidiary of the Company

TERMS & GLOSSARIES

"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" or "HKD"	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
"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
"Road & Bridge"	Road & Bridge International Co., Ltd.* (中交路橋建設有限公司), a subsidiary of the Company
"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
"Shareholder(s)"	the shareholder(s) of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"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: WANG Tongzhou

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
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Signing auditor: CHEONG Ming Yik

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:
WANG Tongzhou, 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

www.cccltd.cn