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

2021
ANNUAL REPORT
(H SHARE)

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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 33 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 sixteen 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 fifteen consecutive years. Meanwhile, CCCG ranked the 61st 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 High Speed Railway, 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.

During the "14th Five-Year Plan" period, the Company made plans to firmly implement the new development concept, insisted on innovation as the first driving force, grasped the direction of digitalization and smart development in the infrastructure industry, and accelerated the industrial transformation and upgrading, so as to consolidate its position as the national team of "big transportation" construction and the main force of "big city" development. In 2021, the scale of the Company's roads operation returned to the first place in China, the urban construction industry chain and value chain continued to be improved, the integration capacity of industry and city continued to be enhanced, the scale of overseas operations bucked the trend, the business of rivers, lakes and seas reached a record high, and the green low-carbon industry chain continued to be improved. The successful completion of the China-Laos Railway and the National Alpine Skiing Centre, which the Company participated in, was highly affirmed by General Secretary Xi Jinping. The Company has been working hard in Beijing-Tianjin-Hebei, Xiong'an New Area, Yangtze River Delta, Guangdong-Hong Kong-Macao and other regions, and has created a number of "firsts" in major projects such as the comprehensive development of the core area of Haihe Liulin themed "City of Design", Xiong'an Science and Technology Innovation City*(雄安科創城), the comprehensive development of the southern area of Jinhua Central Innovation Zone*(金華中央創新區), and the Dapeng branch line project of Shenzhen-Huizhou Intercity. Implementing the new-era strategy for governing Xinjiang, Tibet and the border, we have successfully promoted major projects such as the Wuwei Highway, won five consecutive bids in the Sichuan-Tibet Railway market with a total contract value of RMB20 billion, and successfully won the longest railway tunnel project in China, which fully demonstrated the strength of CCCC Railway.

The Company places great emphasis on technological innovation 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 continues to optimize the structure and layout of innovative platforms and determines to establish a "three-level and four-type" innovative platform system with key laboratories, R&D centres, enterprise technology centres and field observation stations (bases) at national, provincial and group levels as the core, to achieve the objectives to establish four types of scientifically innovative platform by carry out fundamental research on application at key laboratories, engineering and industrial R&D at R&D centres, supporting production and operation at enterprise technology centres and supporting fundamental research and fundamental research on applications by scientific observation data obtained by field observation stations (bases). The Company has a total of 13 innovation platforms at national level, 79 innovation platforms at provincial level and 25 innovation platforms at group level. This forms a group of innovation platforms that covers each session within the innovation chain and assembles the characteristics of fundamental support and guaranteed condition, fundamental research on applications, technology research and development, achievement transformation, and industrialization. The Company owns 15 Post-Doctoral research centres and 4 academician research centres and has systematically nurtured a pool of scientific experts and a professional innovation team by leveraging on innovation platforms and the establishment of key scientific research projects and key engineering projects to create a nurturing model of a "three-in-one" professional team of scientific calibers with its resources on talents, teams and platforms.

CORPORATE PROFILE

The Group has been accumulatively awarded with 40 National Science and Technology Advancement Awards, 5 Technological Invention Awards, 108 Luban Awards, 333 National Quality Project Awards (including 40 golden awards), 105 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 29 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 123 national standards and 448 industry standards that have been promulgated, and had a total of 20,566 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", the Company 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 2021	2020	Change (%)
Revenue	**682,599**	624,495	9.3
Gross Profit	**84,503**	80,036	5.6
Operating Profit	**34,539**	34,405	0.4
Profit attributable to owners of the Company	**18,348**	16,475	11.4
Basic earnings per share (RMB)(Note)	**1.04**	0.92	13.0

RMB million	As at 31 December 2021	2020	Change (%)
Total assets	**1,390,837**	1,304,169	6.6
Total liabilities	**999,483**	946,365	5.6
Total equity	**391,354**	357,804	9.4
Capital and reserves attributable to owners of the Company	**260,350**	245,071	6.2

Value of New Contracts RMB million	For the year ended 31 December 2021 Number of projects	2021 Value of Contracts	2020 Value of Contracts	Change (%)
Infrastructure Construction Business	**2,678**	**1,125,368**	950,883	18.3
— Port Construction	**465**	**48,143**	37,942	26.9
— Road and Bridge Construction	**673**	**310,877**	276,907	12.3
— Railway Construction	**26**	**25,006**	15,455	61.8
— Urban Construction	**1,270**	**531,983**	418,912	27.0
— Overseas Projects	**244**	**209,359**	201,667	3.8
Infrastructure Design Business	**4,700**	**44,508**	47,730	(6.8)
Dredging Business	**619**	**87,301**	58,837	48.3
Other Businesses	**N/A**	**10,735**	9,349	14.8
Total	**N/A**	**1,267,912**	1,066,799	18.9

Backlog RMB million	As at 31 December 2021 Number of projects	2021 Value of Contracts	2020 Number of projects	2020 Value of Contracts
Infrastructure Construction Business	**5,615**	**2,780,828**	5,483	2,602,729
Infrastructure Design Business	**17,705**	**152,473**	16,229	129,743
Dredging Business	**2,320**	**185,941**	2,076	170,065
Other Businesses	**N/A**	**9,012**	N/A	7,785
Total	**N/A**	**3,128,254**	N/A	2,910,322

Note:
In calculating the amount of basic earnings per share, the interest of perpetual securities with an aggregate amount of approximately RMB1,528 million shall be excluded from profits.

The G353 Reconstruction Project is located in the reservoir area of Baihetan Hydropower Station (白鶴灘水電站) in Ningnan County (寧南縣), Sichuan Province, in the hinterland of the Daliang Mountains (大涼山), with a total length of approximately 30.5 kilometers.

Baihetan Hydropower Station is the world's largest hydropower station under construction and is one of the key power sources for West-East Power Transmission Program. The opening of the project has effectively improved the travel conditions of the residents around the reservoir area, and has great significance in ensuring the water storage and power generation at Baihetan Hydropower Station.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present to you the 2021 annual report of the Company for your review.

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company calmly coped with the COVID-19 pandemic and other changes unseen in a century, anchored at the high-quality strategic goal of "two maintains and one strive (两保一爭)" (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), and comprehensively advanced its production practice to build itself a world-class enterprise with technology, management and quality in 2021, the opening year of the "Fourteenth Five-Year Plan". Consequently, the Company has reached its record highs in value of new contracts, revenue and net profit to achieve a good performance in the first battle of high-quality development in the "Fourteenth Five-Year Plan" period.

Revenue of the Group for the year 2021 amounted to RMB682,599 million, representing a year-on-year growth of 9.3%. Net profit attributable to the Shareholders of the Company for the year 2021 amounted to RMB18,348 million, representing a year-on-year growth of 11.4%, which means the impact brought about by the pandemic has diminished. Earnings per share for the year 2021 were RMB1.04 and a cash dividend of approximately RMB2.04 per 10 shares was proposed. The Group's value of new contracts for the year 2021 amounted to RMB1,267,912 million, representing a year-on-year growth of 18.9%. As at 31 December 2021, the backlog of the Group amounted to RMB3,128,254 million with sufficient order backlog in continuously optimised structure, which provided strong support and guarantee for sustained and steady development of the Company.

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 61st in 2021, and has ranked the first among Chinese enterprises in ENR's Top International Contractors for the fifteenth consecutive year and rated Level A in business performance appraisal of state-owned enterprises (organized by the SASAC) for the sixteenth consecutive year. The Company has been persisting in self-reliance and self-improvement in science and technology, deepening reform of the scientific and technological system, and optimising the ecology of scientific and technological innovation. Our chief scientist Lin Ming has been elected as an academician of the Chinese Academy of Engineering. Two of our national engineering research centres have been admitted into the new administration sequence of national scientific and technological innovation bases. We have accumulated fruitful achievements in scientific and technological innovation. For instance, we've successfully solved a number of bottleneck core technology problems, and launched a series of crucial and advanced equipment including the "Beijing Capital" (首創號), a vertical boring machine featuring its super-large diameter, and the "Canal" (運河號), the largest tunnel boring machine made in China.

Based on a comprehensive judgement over the political, economic and market situation in 2022, the Company determines in its business plan to achieve a year-on-year growth of no less than 11.8% in the value of new contracts and a year-on-year growth of no less than 6% in revenue. In order to achieve high-quality development, we anchor at the goal of "two increases, one control and three improvements (兩增一控三提高)" to quantify the indicators step by step, of which, "two increases" means to achieve steady growth in total profit and net profit, "one control" means to control the gearing ratio within 75% and "three improvements" means to steadily improve operating profit margin, overall labour productivity and intensity of investment in R&D. In particular, we shall strive to improve the operating profit margin by more than 0.1 percentage point and the overall labour productivity by 2 percentage points, and shall ensure that the increase in R&D investment matches the increase in revenue. At the same time, the Company, taking into account characteristics and problems of the industry, pays close attention to the matching between cash flows and operating benefits, and strengthens the management and improvement of indicators such as net operating cash flow and surplus cash coverage.

This year, the Company will regard high-quality development as the operation emphasis and solidly carry out the campaign titled "Year for High-quality Development Implementation", highlighting measures to ensure stable growth, optimise structure and control risks. Meanwhile, it will actively respond to national strategies and give better play to its strategic supporting role as a state-owned enterprise. Prioritising stability, the Company will persevere in its advantageous traditional principal business of "big transportation" as a "red flag", live up to a "bellwether" of the new force in the "big city" segment, consolidate its "leading position" in international development, and build a solid foundation to seek progress while maintaining stability. Adhering to strategic guidance, the Company will strengthen the management over main responsibilities and principal businesses, promote professional integration, highlight regional layout, accelerate the construction of "six modernisations (六化)" (modernization in terms of economy, society, politics, culture, ecology and human being), and continue to reinforce the Group's strategic management and control. Strengthening the chassis, the Company will expand its contracting projects, strengthen its investment business, enhance the innovation of its business model, and consolidate the foundation for high-quality development. Optimising the structure, the Company will revitalise its funds, enhance its assets and optimise its capital to achieve a virtuous circle of "fund-asset-capital (三資)". Deepening reform, the Company will accomplish the three-year campaign of reform with high quality and consolidate the benefits of deepening reform. Rationalising operation, the Company will strengthen comprehensive budget and standardised management, and will comprehensively improve its management level with the support of informatisation. Improving quality and efficiency, the Company will adhere to the idea of "tightening the belts", strictly control costs and expenses, and ensure stable operation and good operating benefits while making progress. Promoting scientific and technological innovation, the Company will accelerate the construction of a base of original technologies, speed up the construction of a digital and intelligent CCCC, innovate its systems and mechanisms, and continue to cultivate development drivers. Prioritising overseas development, the Company will promote the formation of an integrated development system, strengthen its global resource allocation capabilities, accelerate the cultivation of international talents, systematically promote the upgrading development from "business internationalisation" to "enterprise internationalisation", and facilitate the joint construction of its high-quality development along the "Belt and Road". Transforming and upgrading, the Company will speed up the implementation of a chain chief mechanism over the modernisation-oriented industrial chain, strengthen the upstream and downstream management of the industrial chain, build up a new industrial chain in the direction of green and low-carbon development, and effectively enhance the resilience and competitiveness of the supply chains of such industrial chain. Holding the bottom line, the Company will resolutely and forcefully prevent and resolve all kinds of business risks.

The new era has bestowed us new missions and new goals to start a new journey. The Company will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, overcome difficulties, move forward bravely, and make every effort to build CCCC into a first-class enterprise with "Three Orientations (三型)". We will strive to repay our Shareholders with ever-improving performance of high-quality development.

Wang Tongzhou
Chairman

Beijing, the PRC
30 March 2022

Zhejiang Zhoushan-Daishan Cross-Sea Bridge is a cross-sea bridge connecting Dinghai District (定海區) and Daishan County (岱山縣) in Zhoushan City, Zhejiang Province, China. It is located in the Huibieyang (灰鱉洋) sea region, with a total length of 28 kilometers, of which the cross-sea section is 16.347 kilometers, and the bridge is a two-way four-lane expressway with a design speed of 100 km/h.

As the first highway of Daishan County, Zhou Dai Bridge ended the isolation of Daishan Island at sea, greatly narrowing the distance between Daishan and the mainland, and changed the ancient travel method of Daishan people from depending on ferry to leave the island.

I. 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, respectively. Its scope of business mainly consists of the investment, design, construction, operation and management of port, waterway, land reclamation, river basin management, road and bridge, railway, urban rail transit, municipal infrastructure, construction and environmental protection and related projects 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.

II. BUSINESS MODEL

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

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

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

At the same time as the above business was carried out, the Company began to develop infrastructure 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".

III. 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 33 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.

III. CORE COMPETITIVENESS DURING THE REPORTING PERIOD (CONTINUED)

(I) Strong Advantages in the Fields of Principal Businesses (continued)

The Group is the world's largest road and bridge design and construction company and realizes the service industry pattern with full lifecycle infrastructure and whole-process integration, 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 advantages like 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 companies 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 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 into the railway construction markets in Africa, Asia, South America and Oceania. Several major railway projects have been completed or operated or are under construction, and the Company is among the engineering construction companies first obtaining the "Railway Transportation Permit", 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 fleet of dredging vessels in China and ranks the first in the global market in terms of the total number of trailing suction hopper dredgers and cutter suction dredgers.

(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 advance 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 exterior brain, brain trust and think tank of the Company and the platform for introducing external high-end technology and promoting technology cooperation. Furthermore, the Company owns 15 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.

III. CORE COMPETITIVENESS DURING THE REPORTING PERIOD (CONTINUED)

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

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 domestic industry.

Over the years, the Company has been accumulatively awarded with 40 National Science and Technology Advancement Awards, 5 National Technological Invention Awards, 108 Luban Awards, 333 National Quality Project Awards (including 40 golden awards), 105 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 29 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 123 national standards and 448 industry standards that have been promulgated.[1]

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, national strategy and security as well as market and field demand, 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 plans 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) New Achievements in Business Qualification

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

The Company has obtained a total of 43 extra-grade qualifications, including 10 extra-grade qualifications for general contracting of port and waterway engineering construction, 29 extra-grade qualifications for general contracting of road project construction, 2 extra-grade qualifications for general contracting of architectural engineering construction and 2 extra-grade qualifications for general contracting of municipal utilities project construction. The Company now has obtained more than 740 qualifications for major engineering contracting and nearly 300 qualifications for engineering consulting, survey and design.

In 2021, the Company obtained a total of 16 grade A and extra-grade qualifications, including 1 extra-grade qualification for general contracting of municipal utilities project construction and 5 extra-grade qualifications for general contracting of road project construction. The acquisition of these 6 extra-grade qualifications will further improve the Group's core competitiveness in the municipal engineering industry, consolidate the leading position in the highway industry, provide a strong support to "big city" and "big transportation" businesses and accelerate the market development.

[1] Statistics from the awards received by the Company and its subsidiaries.

IV. BUSINESS OVERVIEW

In 2021, in the face of the complex and severe domestic situation and many risk challenges, the Company implemented the "three majors, two macros and two priorities" business strategy in depth, and achieved a stable but positive development trend. By intensively approaching key projects, important regions and major markets, the Company has returned to the No. 1 in the country in terms of the scale of highway projects, continuously improved the industrial chain and supply chain of urban construction, and enhanced its ability of industry-city integration. The Company's position as the national team for "big transportation" construction and the main force in the development of "big city" was further strengthened, and its position as a leader in rivers, lakes and seas business continued to be consolidated.

In 2021, the value of new contracts of the Group amounted to RMB1,267,912 million, representing a year-on-year increase of 18.9%, which was mainly due to the increased investment and construction demand from comprehensive urban development, municipal engineering, building construction, roads and bridges, rail transit and other projects. As at 31 December 2021, the backlog of the Group amounted to RMB3,128,254 million.

In 2021, the Company calmly responded to the changes and the pandemic, both unseen in a century, and moved forward to adapt to and seek changes in an active manner, with the value of overseas new contracts increasing against the trend. The value of new contracts of all businesses from overseas markets of the Group amounted RMB215,978 million (equivalent to approximately USD31,299 million), representing a year-on-year increase of 5.4%, accounting for approximately 17% of the Group's new contracts value. Wherein, 24 new projects were entered into with each contract value of over USD300 million and a total contract value of USD18,526 million, accounting for 59% of total value of all overseas new contracts of the Group. Statistics showed that as at 31 December 2021, the Group operated businesses in 139 countries and regions.

In addition, the total investment in infrastructure and other investment projects newly entered into was estimated to RMB400,196 million, of which RMB218,104 million was recognised in proportion to the Company's shareholding, and the contract value of construction and installation contracts to be undertaken by the Company in the design and construction sector was estimated to RMB187,155 million.

(I) BUSINESS REVIEW AND MARKET STRATEGIES

1. Domestic Market

In 2021, the whole country continued to consolidate and expand the achievements made in the epidemic prevention and control and the economic development, and China's economy sustained a steady recovery. Major indicators stayed within a reasonable range, the economic development witnessed the steady growth momentum consolidated and GDP recorded a year-on-year growth of 8.1%. Fixed asset investment in infrastructure recorded a year-on-year growth of 0.4%. Specifically, investment in water management increased by 1.3% year on year; investment in road transportation business decreased by 1.2% year on year; investment in public facility management decreased by 1.3% year on year; investment in railway transport business decreased by 1.8% year on year and investment in ecological protection and environmental improvement decreased by 2.6% year on year.

In 2021, to maintain necessary support to economic recovery, the country continued to implement proactive fiscal policies and prudent monetary policies and extended tax and fee cuts. However, due to the continued tightening control on real estate, the hidden debt problem of local governments and the pressure on PPI, the downward pressure on the economy has intensified, and the infrastructure development was not significant. In the second and fourth quarters, as the issuance of government special bonds was accelerated, and the Central Economic Work Conference proposed to appropriately implement in-advance infrastructure investment and to coordinate the convergence of macro policies for this year and next, sources of funding such as bonds and green credit are expected to provide incremental funding for infrastructure without significantly increasing leverage, and the expectation of stable infrastructure growth has increased.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

1. Domestic Market (continued)

In 2021, keeping in mind "what is of vital importance to the nation", the Company deeply engaged in major regional strategies such as Beijing-Tianjin-Hebei region, the Yangtze River Delta, Guangdong, Hong Kong and Macao, and promoted a large number of major national strategic projects such as the Winter Olympics project, the Sichuan-Tibet Railway and the Shenzhen-Zhongshan Bridge with high quality, highlighting its role as the national team for the construction of a strong transportation country. Focusing on the "3060" dual-carbon target, the Company continued to build China's No. 1 brand in offshore wind power, actively participated in the integrated development and management of the Yangtze River Basin, the ecological protection and high-quality development of the Yellow River Basin, setting an exemplary example in major strategic areas such as the Marine Power and Beautiful China. The Company has been playing an active role in the areas of rural revitalisation and urban renewal for the well-being of the people by fully aligning with the needs of economic and social development as well as the people to successfully implement a number of key projects with strong representative and influential effects, such as the municipal pipe network construction, old town renovation, and living environment and ecosystem upgrade. In addition, the Company promoted advanced technology to traditional industries and developed independently the largest domestic tunnel boring machine of 16.07 meters in diameter, the "Canal" (運河號), which was deployed successfully in the renovation of the East Sixth Ring Road Renovation Project in Beijing, leading the shield equipment manufacturing of China to a new high end and making great strides on the road of strengthening the country with science and technology.

2. Overseas Market

In 2021, amid increasing changes and recurring pandemic both unseen in a century, the risk of stagnation in major global economies increased, China and the United States entered a new stage in the all-round strategic game, trade protectionism was on the rise, the competition in the international infrastructure market has become more intense, and the pressure on overseas expansion, compliant operation and supply chain stability continued to increase. However, as the countries and regions along the Belt and Road Initiative are the world's longest spanning economic corridors, there is a constant and rigid demand for infrastructure construction, and "high standards, sustainability and benefit for people's livelihood" has become the new direction and goal. Greater room for industrial, health, green and digital cooperation, and deepening multilateral and bilateral cooperation mechanisms provided new impetus for industry recovery and transformation. At the same time, global demand for infrastructure will be gradually released as the economy recovers, and the economic stimulus plans of many countries focusing on infrastructure investment have also provided new opportunities for development.

In 2021, the Company continued to consolidate the foundation of interconnection and cooperation and vigorously promoted the smooth implementation of major projects: China-Laos Railway, the flagship project of China-Laos cooperation for mutual benefit, was successfully completed; double-lane access of the Tunnel Project under River Karnaphuli in Bangladesh, the first overseas large diameter underwater shield tunnel project, was completed; and the deck closure of Peljesac Bridge, in Croatia, the largest infrastructure project for the promotion of tripartite cooperation between China and the European Union under the framework of "Belt and Road", was successfully achieved. A large number of key projects have been implemented to actively help those countries to combat the epidemic, resume work and production, improve people's livelihood and develop their economies, demonstrating China's speed, China's brand and China's image, and demonstrating CCCC's role in implementing national strategies and promoting the building of a human community with a shared future.

Under the dual impact of the ongoing global economic downturn and the spreading of COVID-19, the Company adjusted its business strategy in a timely manner to focus on key projects and large-scale projects, combine quality resources and professional strengths, accumulated commercial capability and risk management capacity, and concentrated on self-operated projects and projects in new business areas, achieving a steady increase in the value of new overseas contracts.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary

(1) Infrastructure Construction Business

The scope of infrastructure construction business mainly consists of investment, design, construction, operation and management of ports, roads and bridges, railways, urban rail transit, municipal infrastructures, buildings, environmental protection and related projects at home and abroad. Categorised by project type, it specifically covers port construction, road and bridge construction, railway construction, urban construction, and overseas projects.

In 2021, the value of new infrastructure construction contracts entered into by the Group amounted to RMB1,125,368 million, representing a year-on-year increase of 18.3%. Wherein, the value of new contracts from overseas markets amounted to RMB209,359 million (equivalent to approximately USD30,340 million); the confirmed value of contracts from infrastructure and other investment projects amounted to RMB214,895 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB178,417 million. As at 31 December 2021, the backlog amounted to RMB2,780,828 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 RMB48,143 million, RMB310,877 million, RMB25,006 million, RMB531,983 million and RMB209,359 million, representing 4%, 28%, 2%, 47% and 19% 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 the PRC. With compelling competitive edges, the Group encountered relatively limited substantive competitors.

In 2021, the value of new contracts of the Group for port construction projects in Mainland China amounted to RMB48,143 million, representing a year-on-year increase of 26.9%, 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 RMB2,233 million.

Data published by the Ministry of Transport showed that fixed asset investment in coastal and inland water transport construction amounted to approximately RMB134,192 million from January to November 2021, representing a year-on-year increase of 13.9%. Investments focused on key coastal container ports, important unloading bases of crude energy materials, upgrading and reconstruction of automated terminals and construction of high-grade inland waterway network. Guided by the strategy of "prioritizing rivers, lakes and seas", the Company worked on port upgrading and reconstruction and high-grade inland waterways, participated in the construction of national comprehensive transportation corridors, hubs and logistics networks, followed the country's initiative to promote the expansion and upgrading of high-grade inland waterways, signed a number of projects including Container Berths in South Operation Area of Dalanping District, Qinzhou Port, Guangxi Province, Oil and Chemical Berths of North Breakwater, Dongying Port, Shandong Province and Integrated Passenger Hub of Xinhai Roll-on Roll-off Terminal, Haikou, Hainan Province, and further strengthened its advantages in the traditional water engineering field.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

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 2021, the value of new contracts of the Group for road and bridge construction projects in Mainland China reached RMB310,877 million, representing a year-on-year increase of 12.3%, and accounting for 28% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects amounted to RMB87,389 million.

Data published by the Ministry of Transport showed that fixed asset investment in road transport construction amounted to approximately RMB2,392,569 million from January to November 2021, representing a year-on-year increase of 6.0%. During the "Fourteenth Five-Year Plan" period, China will construct its expressways with a target of accelerating the construction of a country with strong transportation network and guided by developing modernized, high-quality, integrated and multi-dimensional transportation networks. China will continue to improve the structure and function of its road network and reasonably guide local expressways to develop in an orderly way, so as to enhance the quality of national expressway networks and develop a modern and integrated transportation system.

In 2021, the Company continued to intensify its efforts on contracting and investment projects. The Company seized the opportunities brought by the improvement of weak links in Western China, quality improvement and renovation in Northeast China and the construction of transportation corridors and hubs in Central China to strengthen smart operation and sustainable operation, actively contribute to the target of constructing a country with strong transportation network and continue to expand its leading advantage in big transportation. On the one hand, the Company regained the first place in the highway market through focusing on spot exchange projects, returning to its primary duty and main business and further consolidating the advantageous position in key businesses and key regions. The Company successively secured a number of quality spot exchange projects, including Qinghai-Gansu Boundary Section of Zhangye-Wenchuan National Highway, Phase II of Ring Expressway of Changchun Economic Circle and EPC for G5615 Tianbao-Houqiao Highway in Yunnan Province. In the meantime, the Company leveraged the advantage of full industrial chain in the field of transportation infrastructure investment to invest in BOT Project for Chongqing-Wuhan Highway Expansion, Tongliang-Anyue Highway and Chongqing-Luzhou Highway Expansion in Chongqing, and BOT Project of Quanzhou-Rongxian Highway (Pingle-Zhaoping Section) in Guangxi Province, so as to facilitate businesses to upgrade to high added-value 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 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 into 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 2021, the value of new contracts of the Group for railway construction projects in Mainland China reached RMB25,006 million, representing a year-on-year increase of 61.8%, 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 RMB389 million.

In 2021, 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 high-speed railways along the Yangtze River, and projects that strength trunk line corridors and improve the coordination between stations and railway lines to fix weakness. The Company closely followed national layout and development direction and focused advantageous resources on key projects. The Company had won the bid in the Sichuan-Tibet Railway market for five times in a row with a total contract value of RMB20,000 million, and successfully secured the longest railway tunnel project in China, which had fully demonstrated CCCC's strength in railways. The Company successfully accomplished its annual targets and built the reputation of "CCCC Railway" brand.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

④ Urban Construction

The Group actively participated in urban construction for urban rail transit, buildings and utility tunnel system 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 2021, the value of new contracts of the Group for urban construction projects in Mainland China reached RMB531,983 million, representing a year-on-year increase of 27.0%, and accounting for 47% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects was RMB124,884 million.

Categorised by project type, the value of new contracts for comprehensive urban development, building construction, municipal engineering, urban rail transit, environmental improvement and other projects accounted for 26%, 25%, 21%, 10%, 6% and 12%, respectively, of the value of new contracts for urban construction projects.

Under the backdrop of accelerating process of urbanization in China, the state and its people put forward higher and more requirements on urban construction. More efforts are put on urban renewal and projects related to the people's livelihood and environmental protection. As both the Outline of the "Fourteenth Five-Year Plan" and the Report on the Work of the Government have clearly proposed the action of urban renewal and the establishment of urban renewal policy systems by local governments according to local conditions, demands for old town renovation, urban expressways, living environment and ecosystem upgrade gradually increase, which created more growth drivers for the industry.

In 2021, the Company catered to a new round of demands for district development and construction brought by the strategy of new type of urbanization, national land space planning and adjustment and urban renewal actions. The Company won the bid for a group of large-scale comprehensive urban development projects with a contract value of over RMB10,000 million each, including the "Capital of Design" in Haihe Liulin area in Tianjin, the Central Innovation District in Jinhua and Zhenan Science and Technology City in Wenzhou, which contributed to the increasing scale of operation. The Company focused on the needs and desire of the people and provided targeted services to meet the urgent needs of governments. The Company was contracted to construct the resettlement housing projects in Haikou, Shangrao, Luoyang and other cities, which helped to expand in the areas of people's livelihood and housing construction. The Company developed in segments with high technology contents such as complex urban transportation, the upgrade and renovation of urban expressways and underground engineering. The Company implemented a series of municipal infrastructure projects in Dalian Changxingdao Fine Chemical Industrial Park, Ningde Lithium Electric Car Liwan Park, Xi'an Space Base Data Industrial Park and other parks to enhance regional services and provide important support for urban economic development. The rail transit business has covered 34 cities by capturing the opportunities of "four networks integration" of rail transit and the efficient connection of urban transportation, breakthroughs were made in the markets of Chongqing and Xiong'an for the first time, and continued operations were achieved in 9 cities, including Tianjin, Nanjing, Shenzhen and Harbin. The Company vigorously developed urban utilities such as urban water environment treatment and new energy. The Company implemented the Wastewater Treatment Project across Bazhou City and the Comprehensive Environmental Improvement Project in Yubei District, Chongqing, as well as a large number of quality offshore wind power projects, including Guangdong Yue Dong, Ningbo Xiangshan and Changle Offshore Wind Farms.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

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 roads and bridges, ports, railways, airports, subways, buildings, etc., with remarkable competitive edges in the market.

In 2021, the value of new contracts of the Group for overseas projects in the infrastructure construction business amounted to RMB209,359 million (equivalent to approximately USD30,340 million), representing a year-on-year increase of 3.8%, and accounting for 19% of that of the infrastructure construction business.

Categorised by project type, the value of contracts for ports, roads and bridges, railways, environmental protection and urban construction accounted for 10%, 31%, 8%, 14% and 37% 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, Eastern Europe and Southeastern Europe and Hong Kong, Macau, Taiwan and other regions accounted for 23%, 30%, 16%, 14% and 17% of the value of new contracts for overseas projects, respectively.

The Company actively participated in large-scale multilateral and bilateral international activities led and promoted by government ministries, dovetailed mechanisms and platforms in relation to infrastructure, connectivity, financial cooperation, technical innovation in a practical way, and effectively integrated overseas market development into national strategies and the local social and economic development and improvement of people's livelihood in host countries. Intensified efforts were put on the innovative application of established domestic business models, financing models, and industry and finance integration models in overseas markets. The Company launched the Subic-Clark Railway Project in Philippines, laying a foundation for achieving the port-railway-air multimodal transportation in the core region of local economy. The contract for the Wastewater Treatment Project in Serbia had been signed, helping the implementation of "Serbia Vision 2025" and improving the modernization level of Serbia. The Company smoothly promoted Phase I of the International Financial Center Project in Colombo, Sri Lanka, leading the modernization process of developing Colombo into an international metropolis and contributing to the economic recovery and social development of Sri Lanka.

In 2021, the Company was committed to establishing an integrated development system through streamlining domestic and overseas management chains, and comprehensively promoting the system upgrade and mechanism rebuilding of organizational structure, project management and risk prevention and control to achieve integrated management. The Company strengthened its capacity of global resources allocation, carried out pilot separate operations and localization of overseas institutions and the demutualization of companies in different countries in an orderly way, and advanced overseas investments and acquisitions and mergers prudently. The Company speeded up the cultivation of international talents by actively encouraging the communication, job rotation and two-way exchange among talents at home and abroad, so as to accelerate the cultivation of a large group of compound talents who have global vision and good knowledge of international rules and are familiar with local operations, thus providing strong support for the international development of the Company. The Company has done well in the prevention and control of overseas risks, accelerated the improvement of overseas compliance systems, conducted comprehensive checks on overseas operation risks and implemented list management by levels and classification.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(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 into the market during the "Eleventh Five-Year Plan" period, and its operations mainly involve overseas railway projects and domestic rail transit projects.

In 2021, the value of new contracts of the Group in infrastructure design business reached RMB44,508 million, representing a year-on-year decrease of 6.8%. Wherein, the value of new contracts from overseas markets amounted to RMB1,562 million (equivalent to approximately USD226 million). The confirmed value of contracts from infrastructure and other investment projects was RMB1,636 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB1,205 million. As at 31 December 2021, the backlog amounted to RMB152,473 million.

Categorised by project type, the value of new contracts for survey and design, project supervision, EPC general contracting, and other projects (including PPP projects) amounted to RMB11,668 million, RMB982 million, RMB25,622 million and RMB6,236 million, representing 26%, 2%, 58% and 14% of the value of new contracts for infrastructure design business, respectively. For the corresponding period of prior year, the value of new contracts of the above items accounted for 30%, 2%, 59% and 9% of the value of new contracts for infrastructure design business, respectively.

In 2021, the Company continued to strengthen the role of ballast stone of traditional infrastructure design business and move forward with determination in the field of big transportation and big city; at the same time, it attached importance to the traction role of high-end planning and consulting in market development and drove the midstream and downstream industry chains through high-quality planning, consulting and design, so as to seize preemptive advantage over competitors and create markets with high-quality technical solutions. In terms of coastal water transportation business, the Company focused on port integration and upgrading, upgrading and renovation of old terminals, and successfully implemented core projects in traditional markets such as Shandong LNG Phase III Terminal Project and EPC Project in Xiasha Comprehensive Operation Area in Qiantang Port, Hangzhou. In terms of inland waterway shipping business, the Company seized strategic opportunities such as the New Western Land-Sea Corridor and the Beibu Gulf International Gateway Port, and won bids for projects such as the Second-line Ship Lock Project at Jinjitan Junction of the You River in Guangxi Province and the Feasibility Study for the Second-line Ship Lock Project at Longtoushan of the Gan River. In terms of road and bridge business, the Company gave full play to its absolute leading edge in highway design and implemented important projects such as the Ningbo section of the Hangzhou-Ningbo Expressway Parallel Line and the Reconstruction and Expansion of Guangzhou-Shenzhen section of the Beijing-Hong Kong-Macao Expressway. In terms of urban business, the Company continued to take root in the city, cultivate business in the city and operate at the city level, and promoted the implementation of several key national investment projects and key company-level projects, including EPC Project for Land Formation and Infrastructure Improvement for Zhoushan Jintang Characteristic Material Base and PPP Project for Mountain Ecology Restoration and Urban Green Improvement in Lixia District, Jinan, Shandong Province.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(3) Dredging Business

The scope of dredging business mainly includes infrastructure dredging, maintenance dredging, environmental dredging, land 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, the Group enjoys absolute influence in China's coastal dredging market.

In 2021, the value of new contracts of the Group in dredging business reached RMB87,301 million, representing a year-on-year increase of 48.4%. Wherein, the value of new contracts from overseas markets amounted to RMB4,321 million (equivalent to approximately USD626 million), the confirmed contract value from infrastructure and other investment projects amounted to RMB1,573 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB7,533 million. As at 31 December 2021, the backlog amounted to RMB185,941 million.

In 2021, the Group continued to optimize its asset structure by eliminating some old and inefficient outdated vessels and putting into production a small number of green, intelligent and efficient advanced vessels. As at 31 December 2021, the Group's dredging capacity amounted to approximately 782 million cubic meters under standard operating conditions.

National coastal investment gradually slowed down and the traditional reclamation business was relatively sluggish due to the impact of water transport and environmental protection policies. However, as the country rolled out the blueprint for "four horizontals, four verticals and two networks" and the green development concept was widely accepted, smart upgrading of coastal ports, improvement of high-grade inland waterways, ecological improvement and protection of watershed brought out new market opportunities.

In 2021, the Company dug deep into the stock in coastal areas, consolidated the traditional main business market, guarded its market share and fought for every inch of it, and successfully won bids for key projects in the traditional business such as the Waterway Project of 50,000 DWT of Caofeidian Port in Tangshan, the Fanshi Channel and the Sanjiasha Lane at Nantong Port, thus establishing the Company's leading position in the dredging field. The Company seized the opportunity of the development of national ecological civilization construction needs, and actively put efforts in the large ecological and environmental protection and water resources incremental market, promoting the implementation of a number of target-oriented key projects with global drive, such as the Comprehensive Improvement Project of the Sub-Standard Water Body in Zhongshan City, the Starting Area of Conversion from Old Drivers to New Drivers in Jinan, and the "Beautiful Jiaozhou Bay" in Qingdao.

(4) Other businesses

In 2021, the value of new contracts of the Group in other businesses amounted to RMB10,735 million, representing a year-on-year increase of 14.8%. As at 31 December 2021, the backlog amounted to RMB9,012 million.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

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

(1) Infrastructure Construction Business

Port Construction

No.	Contract Name	Contract Value
①	Utilities and Infrastructure Project at the Green Chemical and Hydrogen Energy Industrial Park, Binhai New Area, Maoming, Guangdong Province	2,233
②	No. 1–3 Berths at Sangangchi of Tongzhou Bay Port Area in Nantong Port, Jiangsu Province	1,686
③	2,000-ton Waterway Construction Project of Yuanshui River from Changde to Nianyukou in Hunan Province	1,258
④	No. 1 Berth in Chisha Operation Area of Qisha Port, Fangchenggang, Guangxi Province	1,220
⑤	Container Berths in South Operation Area of Dalanping District, Qinzhou Port, Guangxi Province	1,213

Road and Bridge Construction

No.	Contract Name	Contract Value
①	Project of Chongqing-Wuhan Highway Expansion, Tongliang-Anyue Highway and Chongqing-Luzhou Highway Expansion in Chongqing	21,686
②	Chengde (Lijiaying)-Pinggu (Hebei and Beijing Conjunction) Section Project of the Capital Region Ring Expressway (G95)	14,316
③	Project of Quanzhou-Rongxian Highway (Pingle-Zhaoping Section) in Guangxi Province	9,192
④	Project of Cross-Border Highway from South to North in Baise (North Ring Line of Baise) in Guangxi Province	7,548
⑤	Project of Xinmi-Xiangcheng Section of Jiaozuo-Pingdingshan Expressway in Henan Province	4,444

Railway Construction

No.	Contract Name	Contract Value
①	Pre-Station Project of Middle Section within Ya'an-Linzhi Section of the New Sichuan-Tibet Railway	5,677
②	Pre-Station Project of Two Sections within Ya'an-Linzhi Section of the New Sichuan-Tibet Railway	4,732
③	Pre-Station Project of Ma'anshan Yangtze River Bridge for Highways and Railways and Connection Lines	3,638

Urban Construction

No.	Contract Name	Contract Value
①	Comprehensive Development Project in Mengyang New Town in Pengzhou, Chengdu	42,396
②	Smart City of Pukou Development Zone, Nanjing	16,930
③	Comprehensive Development Project in Central Innovation Zone (South Area) in Jinhua, Zhejiang Province	16,770
④	Integrated Comprehensive Development Project in Core Area of Yunhe New City in Jining, Shandong Province	13,698
⑤	General Contracting Project of Phase I of Line 30 of Chengdu Rail Transit	12,931

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

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

(1) Infrastructure Construction Business (continued)

Overseas Projects

No.	Contract Name	Contract Value
①	Wastewater Treatment Project in Serbia	22,561
②	Preliminary Works of West Gate Tunnel in Melbourne	8,248
③	Subic-Clark Railway Project in Philippines	6,478
④	Comprehensive Urban Development Project in the Democratic Republic of the Congo	6,210
⑤	Bus Operation and Maintenance Project in Greater Sydney Region in Australia	4,963

(2) Infrastructure Design Business

No.	Contract Name	Contract Value
①	EPC Project for Land Formation and Infrastructure Improvement for Zhoushan Jintang Characteristic Material Base	1,966
②	Roundabout Tourism Highway Project in Hainan Province	1,731
③	Project for Mountain Ecology Restoration and Urban Green Improvement in Lixia District, Jinan, Shandong Province	1,226
④	Supporting Terminal EPC Project for Ethylene and Oil Refining Facility Renovation and Expansion Works, Hainan	1,224
⑤	EPC Project of First Section of Reconstruction Project for Yuhang Town-Wuchang Section of National Highway 235 in Hangzhou	1,095

(3) Dredging Business

No.	Contract Name	Contract Value
①	Berths 1 and 2 of Ore Terminal in Cheng'ao Operation Area, Sandu'ao Port Area, Ningde Port, Fujian Province	3,269
②	Section No.1 of Comprehensive Improvement of Substandard Waters in Zhongshan, Guangdong Province	3,158
③	Construction Contract for Dredging of Miaogong Reservoir in Chengde	2,990
④	Land Formation and Ground Improvement Project for Reclamation Project of Dadeng and Xiaodeng in Xiamen, Fujian Province	2,693
⑤	Land Reclamation EPC Works for Ethylene Project, Guangdong Province	1,706

(II) MAJOR PRODUCTION AND OPERATIONAL DATA

1. Values of Contracts Newly Entered into during the Reporting Period *(RMB million)*

Business segment	October – December 2021		Accumulated in 2021		Accumulated in the corresponding period of 2020	Year-on-year change
	Number	*Value*	*Number*	*Value*	*Value*	*(%)*
Infrastructure construction business	755	234,561	2,678	1,125,368	950,883	18.35
Port construction	76	7,584	465	48,143	37,942	26.89
Road and bridge construction	168	65,296	673	310,877	276,907	12.27
Railway construction	17	11,720	26	25,006	15,455	61.80
Urban construction	422	61,179	1,270	531,983	418,912	26.99
Overseas projects	72	88,782	244	209,359	201,667	3.81
Infrastructure design business	1,021	8,308	4,700	44,508	47,730	-6.75
Dredging business	108	16,785	619	87,301	58,837	48.38
Other businesses	N/A	1,545	N/A	10,735	9,349	14.83
Total	**N/A**	**261,199**	**N/A**	**1,267,912**	**1,066,799**	**18.85**

Values of infrastructure construction contracts newly entered into outside the PRC during the Reporting Period *(RMB million)*

Region of projects	Number of projects	Total value
Africa	81	47,337
Southeast Asia	57	62,427
Oceania	17	33,920
Eastern Europe and Southeastern Europe	10	28,536
Hong Kong, Macau, Taiwan and other regions	79	37,139
Total	244	209,359

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

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

2. Completed and Accepted Projects during the Reporting Period *(RMB million)*

Total number of projects	N/A
Total project value	153,547

		Number	Value
Categorised by region	Domestic	N/A	143,060
	Overseas	N/A	10,487
Categorised by business type	Infrastructure construction business	834	133,183
	Infrastructure design business	1,520	8,658
	Dredging business	137	8,473
	Other businesses	N/A	3,233

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

3. Projects under Construction during the Reporting Period *(RMB million)*

Total number of projects	N/A
Total project value	4,449,581

		Number	Value
Categorised by region	Domestic	N/A	3,459,064
	Overseas	N/A	990,517
Categorised by business type	Infrastructure construction business	6,289	3,941,479
	Infrastructure design business	24,158	259,448
	Dredging business	2,457	241,192
	Other businesses	N/A	7,462

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

4. Outstanding Projects during the Reporting Period *(RMB million)*

		Contracted but not yet commenced		Under construction and not yet completed	
Total number of projects		N/A		N/A	
Total project value		784,496		2,343,758	
		Number	**Value**	**Number**	**Value**
Categorised by region	Domestic	N/A	481,063	N/A	1,781,073
	Overseas	N/A	303,433	N/A	562,685
Categorised by business type	Infrastructure construction business	1,195	689,840	4,420	2,090,988
	Infrastructure design business	439	28,949	17,266	123,524
	Dredging business	1,334	57,462	986	128,479
	Other businesses	N/A	8,245	N/A	767

5. Infrastructure and Other Investment Projects

In 2021, special local government bonds were issued as usual primarily for infrastructure construction purpose, the launch of publicly offered infrastructure REITs pilot programs was steadily promoted, and policy-oriented financial institutions increased their support for PPPs. All these policy-based advantages loosened restrictions on funds of governments and enterprises and revitalized existing assets. In addition, increased investment in project construction across fields of high-quality urbanization development, rural revitalization, addressing inadequacies, equalization of public services, and etc., created new drivers for the expansion of infrastructure investments.

The Company returned to the origin of value investment. On the premise of a full identification of risks, it actively adjusted its market development and business strategies in accordance with macro policies, shifted the focus of market development to major areas where gearing ratio of the local governments was low, fulfilled the requirements of focusing on principal businesses and on specialties, continued to optimize the allocation of investment resources, and promoted market development steadily. For instance, it advanced the second package of projects under the "13445 Project" of Henan Expressway, the Project of Quanzhou-Rongxian Highway (Pingle-Zhaoping Section) in Guangxi Province, etc., to consolidate the Company's market position in the field of expressway; signed key projects of regional influence including Comprehensive Development Project for Mengyang New Town in Pengzhou, Chengdu and Comprehensive Development Project in Central Innovation Zone (South Area) in Jinhua, Zhejiang Province, to accelerate the development of large-scale projects out of big cities; and reaped several water environment treatment projects in key regions including Guangdong-Hong Kong-Macau Greater Bay Area, Beijing-Tianjin-Hebei region and Chengdu-Chongqing Economic Circle, to implement thoroughly the concept of green, low-carbon, recyclable and sustainable development.

In 2021, the Company strengthened top-level design and coordination to guide all kinds of resources to invest in key businesses and areas, and to prevent industrial, regional and model-related system risks; improved system construction through comprehensively reviewing and upgrading the existing systems and establishing a unified investment system covering the entire process; strengthened lifecycle management by emphasizing on project selection, strict pre-investment review, enhancing intra-investment management and control, proper risk defusion and severe accountability for negligence, in an effort to steadily improve project quality and business structure.

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (continued)

(1) Infrastructure and Other Investment Projects Newly Entered into

In 2021, the Company actively adjusted market development and operation strategies according to macro policies, followed the main direction of "controlling the total, improving the structure, managing the risk and improving the quality and efficiency", and focused resources on key projects, important regions, major markets and short- and mid-cycle projects. The confirmed value of contracts from infrastructure and other investment projects was RMB218,104 million. The value of construction and installation contracts to be undertaken was estimated to be RMB187,155 million, among which, the confirmed values of contracts from BOT projects, government paid projects and urban comprehensive development projects were RMB56,432 million, RMB56,351 million and RMB105,321 million respectively, accounting for 26%, 26% and 48% 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 RMB658,269 million, wherein, the accumulative completed investment amounted to RMB324,196 million with cumulatively RMB76,039 million have been recovered.

The total investment value of contracts for urban comprehensive development projects entered into by the Group was estimated to be RMB441,718 million, among which, RMB109,538 million of investment amount had been completed cumulatively and RMB54,982 million had been received by the Group.

(3) Concession Projects

As at 31 December 2021, 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 RMB510,449 million, with the accumulative completed investment amounting to RMB223,639 million. 27 concession projects together with 19 share-participation projects had been put into operation, and the operating revenue and net loss in the first half was RMB7,765 million and RMB1,736 million, respectively.

① Infrastructure and Other Investment Projects Newly Entered into *(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	Comprehensive Development Project for Mengyang New Town in Pengzhou, Chengdu	Comprehensive urban development	47,107	42,396	24,831	No	Yes	16	20
2	Package of projects for Chongqing-Wuhan Highway Expansion, Tongliang-Anyue Highway and Chongqing-Luzhou Highway Expansion in Chongqing	BOT	27,108	21,686	19,034	Yes	Yes	4	29
3	Concession Project for Municipal Works and Supporting Facilities of Smart City in Nanjing Pukou Development Zone	Comprehensive urban development	16,930	16,930	7,619	Yes	Yes	9	4
4	Comprehensive Development Project in Central Innovation Zone (South Area) in Jinhua, Zhejiang Province	Comprehensive urban development	20,962	16,770	12,653	No	Yes	5	10
5	Chengde (Lijiaying)-Pinggu (Hebei and Beijing Conjunction) Section Project of the Capital Region Ring Expressway (G95)	BOT	14,608	14,316	11,202	Yes	Yes	4	25

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

① Infrastructure and Other Investment Projects Newly Entered into *(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)*
6	Integrated Comprehensive Development Project in Core Area of Yunhe New City in Jining, Shandong Province	Comprehensive urban development	13,836	13,698	7,755	Yes	Yes	7	3
7	Project of Quanzhou-Rongxian Highway (Pingle- Zhaoping Section) in Guangxi Province	BOT	9,192	9,192	6,911	Yes	Yes	4	30
8	Project for comprehensive development of the core area of Haihe Liulin themed "City of Design" in Tianjin	PPP	12,500	8,125	7,767	Yes	Yes	5	5
9	Project of Cross-Border Highway from South to North in Baise (North Ring Line of Baise) in Guangxi Province	BOT	7,548	7,548	5,271	Yes	Yes	3	30
10	Comprehensive Development of Xiaoguan Smart Eco City in Yunyan District, Guiyang, Guizhou Province	Comprehensive urban development	5,495	5,440	2,852	No	Yes	5	6
11	Project of Xinmi-Xiangcheng Section of Jiaozuo- Pingdingshan Expressway in Henan Province	PPP	12,100	4,444	5,543	No	No	3	5
12	New Urbanisation Construction Project in Xuchang Urban-Rural Integration Demonstration Zone, Henan Province	Comprehensive urban development	4,567	3,882	2,778	No	Yes	4	10
13	Qinyang-Yichuan Expressway in Henan Province	PPP	13,100	3,740	4,502	No	No	4	5
14	Lushi-Luonan (Henan and Shaanxi Conjunction) Expressway in Henan Province	PPP	9,929	3,623	1,650	No	No	4	4
15	Air pollution rectification and comprehensive environmental treatment project on the North 2nd Ring Rd in Xincheng District, Hohhot, Inner Mongolia	Comprehensive urban development	3,798	3,607	1,914	Yes	Yes	5	0
	Others		181,416	42,707	64,873	–	–	–	–
	Total		400,196	218,104	187,155	–	–	–	–

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

② **Concession Projects under Development[1] *(RMB million)***

No.	Project Name	Total Investment Budget Estimate	Contract Value according to Shareholding Ratio	Investment Amount in the Period	Accumulated Investment Value
1	Highways including Taihangshan Highway in Hebei Province	47,000	14,570	–	Share participation
2	Chengde (Lijiaying)-Pinggu (Hebei and Beijing Conjunction) Section Project of the Capital Region Ring Expressway (G95)	14,608	14,316	1,414	1,414
3	Phnom Penh-Port of Sihanoukville Expressway in Cambodia	13,643	13,643	3,901	8,104
4	Highways including Urumchi-Yuli Highway in Xinjiang	70,841	10,616	–	Share participation
5	Project of Guiyang-Jinsha-Gulin (between Guizhou and Sichuan) Highway in Guizhou Province	32,493	9,999	–	Share participation
6	Project of Chongqing-Hunan Parallel Line (City Center to Youyang Section) and Wulong- Daozhen (Chongqing Section) Highway in Chongqing	64,577	9,687	–	Share participation
7	Project of Dejiang-Yuqing Highway in Guizhou Province	14,902	9,388	5,781	5,908
8	Project of Quanzhou-Rongxian Highway (Pingle-Zhaoping Section) in Guangxi Province	9,192	9,192	30	30
9	Project of Chongqing-Wuhan Highway Expansion in Chongqing	11,350	9,080	1,782	1,987
10	Guiyang-Huangping Expressway in Guizhou Province	21,974	8,570	–	Share participation
11	Jianglu North Line Expressway in Chongqing	10,622	8,498	2,322	2,684
12	Phase I of Project of Urumchi Rail Transit Line 4	16,249	8,287	–	Share participation
13	Project of Cross-Border Highway from South to North in Baise (North Ring Line of Baise) in Guangxi Province	7,548	7,548	10	10
14	Tong'an Expressway in Chongqing	7,559	6,047	1,492	1,681
15	G575 Expressway in Xinjiang	6,017	6,017	1,157	3,012
16	Project of Zhanhua-Linzi Expressway in Shandong Province	19,561	5,868	–	Share participation
17	Hechang Section of Sanhuan Expressway in Chongqing	10,077	5,139	–	Share participation
18	BOT Project of Expressway in Nairobi, Kenya	4,658	4,658	2,180	2,605
19	Hefei-Zongyang Section of G3W Dezhou-Shangrao Expressway in Anhui Province	9,228	4,522	–	Share participation
20	Project of Expressway from Pubei to Beiliu in Yulin, Guangxi Province	14,426	4,328	–	Share participation

[1] The breakdown of concession projects under development does not include the concession projects acquired overseas.

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

② **Concession Projects under Development[1] *(RMB million)* (continued)**

No.	Project Name	Total Investment Budget Estimate	Contract Value according to Shareholding Ratio	Investment Amount in the Period	Accumulated Investment Value
21	South Section of Ring Expressway in Wanzhou, Chongqing	4,151	4,151	849	2,262
22	Project of Phase I of Expressway from Lingtai to Huating of Line S28 in Gansu Province	10,124	4,050	–	Share participation
23	Jiangyu Expressway in Guizhou Province	11,019	3,824	–	Share participation
24	Project of Mengxi Industrial Park-Sanbei Yangchang Railway in Ordos, Inner Mongolia	5,639	3,383	–	Share participation
25	Project of Naomao Lake-Jiangjun Temple Railway in Xinjiang	9,698	3,313	–	Share participation
26	Shanbei Project of transportation infrastructure facilities in Hami City, Xinjiang	3,346	3,279	1,646	1,810
	Others	147,087	35,299	3,090	6,970
	Total	597,589	227,272	25,654	38,477

③ **Concession Projects in Operation Period *(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	27,346	1,355	30	4.0
2	Daozhen-Weng'an Expressway in Guizhou Province	26,498	863	30	6.0
3	Jiangkou-Weng'an Expressway in Guizhou Province	14,257	778	30	6.0
4	Shiqian-Yuping (Dalong) Expressway in Guizhou Province	10,591	8	30	0.3
5	Guiyang-Qianxi Expressway in Guizhou Province	9,205	477	30	5.0
6	Hubei Jiatong Section Project of Wuhan-Shenzhen Expressway in Hubei Province	8,847	506	30	5.3
7	Zhongxian-Wanzhou Expressway in Chongqing	7,979	101	30	5.0
8	Yanhe-Dejiang Expressway in Guizhou Province	7,524	126	30	6.0

[1] The breakdown of concession projects under development does not include the concession projects acquired overseas.

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

③ **Concession Projects in Operation Period *(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)*
9	Guiyang-Duyun Expressway in Guizhou Province	7,445	619	30	10.8
10	Tongzhou-Daxing Section Project of the Capital Region Ring Expressway	6,175	337	25	3.5
11	Yongchuan-Jiangjin Expressway in Chongqing	6,000	83	30	7.0
12	Fengdu-Fuling Expressway in Chongqing	5,974	244	30	8.0
13	Fengdu-Shizhu Expressway in Chongqing	5,577	121	30	8.0
14	Foshan-Guangming Expressway in Guangdong Province	5,323	633	25	12.5
15	Quanzhou Section of Quanzhou-Xiamen-Zhangzhou City Alliance Expressway in Fujian Province	4,989	80	24	1.0
16	Zhuankou Yangtze River Bridge Project in Wuhan, Hubei Province	4,789	187	30	4.0
17	South-North Highway in Jamaica	4,622	204	50	6.0
18	Xianning-Tongshan Expressway in Hubei Province	3,116	148	30	8.0
19	Qingxi Bridge and Connecting Line in Guangdong Province	2,935	284	25	3.3
20	Jiayu North Section of Wuhan-Shenzhen Expressway in Hubei Province	2,710	223	30	3.0
21	Project of Wenshan-Maguan Expressway in Yunnan Province	2,699	46	30	1.2
22	Tongliang-Hechuan Expressway in Chongqing	2,418	48	30	7.0
23	Yicheng-Houma Expressway in Shanxi Province	2,413	191	30	14.0
24	Malong Connecting Line of Xuanwei-Qujing Expressway in Yunnan Province	1,874	32	30	4.0
25	Project of West Tianjin Section of Tianjin-Shijiazhuang Expressway	1,277	43	25	1.1
26	Project of Cultural Center in Xiaogan, Hubei Province	1,560	–	15	2.0
27	Yumenkou Yellow River Bridge of National Highway 108	1,019	28	28	1.5
28	Guigang-Long'an Highway in Guangxi Province	Share participation	–	30	3.5
29	Yulin-Zhanjiang Expressway in Guangdong Province	Share participation	–	25	1.0
30	Jiulongpo-Yongchuan Highway in Chongqing	Share participation	–	30	3.5
31	Qingshuihe-Dafanpu Section of National Highway G109 in Inner Mongolia Autonomous Region	Share participation	–	26	13.0
32	Fengdu-Zhongxian Expressway in Chongqing	Share participation	–	30	5.0

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

③ **Concession Projects in Operation Period *(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)*
33	Youyang-Yanhe Expressway in Chongqing	Share participation	–	30	5.5
34	Wangjiang-Qianjiang Expressway in Anhui Province	Share participation	–	25	6.0
35	Tongliang-Yongchuan Expressway in Chongqing	Share participation	–	30	6.7
36	Chongqing Wanzhou-Sichuan Dazhou, Wanzhou-Hubei Lichuan Expressways	Share participation	–	30	7.0
37	Yulin-Jiaxian Expressway in Shaanxi Province	Share participation	–	30	8.0
38	Guiyang-Weng'an Expressway in Guizhou Province	Share participation	–	30	6.0
39	Tongcheng-Jieshang Expressway in Hubei Province	Share participation	–	30	7.3
40	Kaiping-Yangchun Expressway in Guangdong Province	Share participation	–	25	1.0
41	Jianhe-Rongjiang Section of Yanhe-Rongjiang Expressway in Guizhou Province	Share participation	–	30	1.3
42	Libo-Rongjiang Expressway in Guizhou Province	Share participation	–	30	3.0
43	Yulin-Zhanjiang Expressway in Guangxi Province	Share participation	–	30	1.5
44	Tongren-Huaihua Expressway in Guizhou Province (Tongren section)	Share participation	–	30	2.5
45	Weng'an-Machangping Railway Project in Guizhou	Share participation	–	30	0.6
46	Relocation Project of National Highway 107 Guandu Yellow River Bridge	Share participation	–	30	0.5
	Total	185,162	7,765		

Note: In 2016, the Company activated assets of four expressways including Chongqing Fengdu-Fuling, Fengdu-Shizhu, Tongliang-Hechuan and Foshan-Guangming through Beijing CCCC Merchant Bank Road & Bridge Fund Partnership LLP (北京中交招銀路橋基金合夥企業 (有限合夥)), and engaged in equity transaction in China Beijing Equity Exchange. In 2021, as agreed among the relevant parties, the Company acquired 85% equity interests in the four expressways through asset acquisition at a consideration of RMB2,827 million. Upon completion of the acquisition, the Company held 100% equity interests in the project companies of the four expressways.

The difference between the accumulated investment value of certain projects and that for the previous period was mainly due to the adjustment on the pricing of sub-contractors.

(III) BUSINESS PLAN AND PROSPECT

In 2021, according to statistics, the value of new contracts of the Group reached RMB1,267,912 million, indicating 108% of the annual target has been realized and meeting expectations. The revenue amounted to RMB682,599 million, indicating 99% of annual target has been realized and meeting expectations.

The Group plans to achieve a year-on-year growth rate of not less than 11.8% in the value of new contracts for the year of 2022, and the planned year-on-year growth rate of revenue is not less than 6.0%.

From a domestic perspective, China's economic is facing triple pressures of shrinking demand, supply shocks, and weakening expectations. However, the favorable long-term fundamentals of China's economy remain unchanged given its strong resilience. Since the fourth quarter of last year, a series of policies to stabilize the macro-economy have been successively launched. In particular, the investment in infrastructure construction will continue to grow as the meeting of the Communist Party of China Central Committee Political Bureau set the tone for "stabilizing growth", combined with the keynote of the Central Economic Working Conference and the Report of Work of the Government for moderately advancing infrastructure investment, reinforcing cross-period and counter-period regulation and intensifying the implementation of prudent monetary policy to provide stronger support for the real economy.

From an overseas perspective, the global epidemic is still developing. There is insufficient drive for recovery of global economy. The price of bulk commodities fluctuated in high level amid a complicated and changing external situation. However, the demand for infrastructure construction in overseas developing countries continued to grow with a huge demand for roads, railways, ports and airports.

In 2022, the Company will hold high the banner of "big transportation" of the main business with traditional advantages, emerge as a standard enterprise focusing on "big city", and become a leader of international development. It seeks to expand international influence by further expanding domestic and foreign markets and adjusting the business layout.

Firstly, the Company will strengthen and upgrade its big transportation business. The Company will firmly withhold its position as the main force and leader of national transportation infrastructure industry by focusing on construction and its principal business. The port and waterway business will be enhanced by virtue of the construction of high-capacity port hubs, high-level waterways and intelligent water transport. In terms of road business, the Company will emphasize on the reconstruction and expansion of the integrated transportation corridors, the comprehensive three-dimensional transportation network, the urban cluster liaison routes and highway projects, and offer operation, maintenance and repair from the major road networks to lower-grade national and provincial roads, border roads. In terms of the railway and rail transit business, thanks to opportunities presented by the improvement of the major high-speed rail networks, the connectivity of railways in the central and western regions, as well as the construction of rail transit in mega and extra cities and express rail transportation networks in metropolis, the Company will spare no efforts to explore new markets and enhance its presence in existing markets. In order to achieve full industry coverage and eradicate defects in our business, the Company will pay attention to strategic projects such as the New Western Land-Sea Corridor, main channels in Central and Western China, the expansion project of the eastern corridor with heavy traffic, speed up the implementation of major projects such as the new Dalian Airport, the Jiangsu-Zhanggao Cross-river Channel Project, the Shenzhen Bao'an International Airport Expressway, the Xining-Chaka Railway, the Guangzhou Intercity Railway and the Qingdao Subway, thus maintain its leading position in the industry and the unique CCCC mode in the long run.

Secondly, the Company will upgrade capability for the big city business. By entering the urban market with greater efforts, strengthening its contracting projects, expanding the incremental markets and building its brand, the Company is committed to increasing market participation and forging core technologies and core teams, so as to seek greater development. The Company will implement projects at different phases under the guidance of preliminary planning, stress city upgrading and integration of industry and city, focus on old community renovation, urban renewal, affordable house, public services, environmental improvement, urban-rural integration and other livelihood projects. By concentrating on new fields such as green construction, smart construction, and prefabricated construction under the dual-carbon target, accelerating the development of high-quality urban integrated development projects in core cities and central cities, the Company is committed to building the brands of "CCCC Municipal", "CCCC Construction" and "CCCC Pipeline" to promote its brands.

(III) BUSINESS PLAN AND PROSPECT (CONTINUED)

Thirdly, the Company will attach importance to cultivation of strengths in rivers, lakes and seas business. With the in-depth implementation of Beautiful China, Village Revitalization, Yangtze River Protection, Yellow River Basin Ecological Protection and High-Quality Development, and "3060" Double Carbon Action, the Company will actively explore the direction of the integration of port, industry and city, construction of port and waterway and environmental management, and construction of canal economic belts by assuring the fundamental market demand of water conservancy and ecological environment protection. The Company will pay close attention to the core business of CCCC, such as the main part of Ningbo Zhoushan Base, the northern area of Yangshan and the port, industry and city of Nantong Tongzhou Bay, and propel the construction of the second phase of the East Line of the national South-to-North Water Diversion Project, other important urban water resources allocation and conservancy projects such as Jinning Yellow River Diversion Project as well as the implementation of ecological treatment projects such as ecological mangrove road, reservoir dredging and lake treatment. The Company will seize the opportunity from offshore wind power construction to expand upstream and downstream of the industry chain, so as to further enhance the market space and development capability.

Fourthly, the Company will give priority to the development of overseas business. Following the latest development of the international political situation and the general trend of the international infrastructure construction market, the Company will seize the opportunities along with the "Belt and Road", Guangdong-Hong Kong-Macau Greater Bay Area, the construction of the Northern Metropolis of Hong Kong and the Regional Comprehensive Economic Partnership. The Company will continue to deepen overseas market presence, enhance global resource allocation capability, optimize overseas business structure, and strengthen overseas investment and acquisition business.

V. 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 2021, the Company's research and development cost was RMB22,821 million, accounting for 3.3% of the operating income, representing an increase of 0.1 percentage point from last year. During the year, under the guidance of scientific and technological innovation and digital development and the fundamental driving force of reform and innovation, the Company fully promoted the innovation of science and technology and the development of digitalization, completed the preparation of technology and digital development plan with high quality under the "Fourteenth Five-Year Plan", and explicitly defined the development goals, major directions and main tasks for the Company's technological innovation. The Company deepened reform of the scientific and technological system, intensified efforts on the assessment of innovation achievements, and enhanced the potential of scientific and technological innovation with the impetus from incentive mechanism, thus delivered positive research and development achievements:

Lin Ming (林鳴), the Company's chief scientist, was elected as an academician of Chinese Academy of Engineering and an expert in construction technology and engineering management in the bridge and tunnel. He successfully applied for six original technologies regarding long bridge and tunnel, expressway in high-cold permafrost regions and offshore islands. Two national engineering research centers were newly added to the national science and technology innovation bases. The independently developed OSIS calculation and analysis software for bridge and tunnel made a major breakthrough to overcome the technology bottleneck in the core engineering design software. The launch of independent researched and developed automated terminal TOS system achieved one-stop service covering terminal independent planning, automatic operation and intelligent management with full lifecycle. The official promulgation of three highway engineering industry BIM standards has filled the gap left in the industry. The largest-diameter 16.07m mud-water balance shield machine "The Canal" that was independently researched and developed, designed, manufactured has successfully launched, embarking on a new journey to support the development of China's shield equipment.

V. TECHNOLOGY INNOVATION (CONTINUED)

In 2021, the Company was awarded with 1 second-class prize of the National Science and Technology Advancement Award, 1 second-class prize of the National Technology Invention Award, 8 Luban Awards, 38 National Quality Project Awards (including 9 golden awards), 12 Zhan Tianyou Awards, 5 Chinese Outstanding Patent Awards and 290 provincial and ministerial technology awards. The Company has participated in the compilation of 12 national standards, 42 industry standards and 32 local standards that have been promulgated, engaged in the translation and compilation of 2 industry standards and promulgated 5 enterprise technological standards. The Company has been awarded with 6,838 patents, 497 software copyrights and 136 provincial and ministerial construction methods.

Over the years, the Company has been accumulatively awarded with 40 National Science and Technology Advancement Awards, 5 National Technological Invention Awards, 108 Luban Awards, 333 National Quality Project Awards (including 40 golden awards), 105 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 29 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 123 national standards and 448 industry standards that have been promulgated, and has a total of 20,566 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.

VI. FINANCIAL INNOVATION

In 2021, the Company insisted on optimizing capital, carried out diversified innovative businesses and continuously optimized asset structure to strongly support the development of the main business.

The first was to actively explore equity financing channels, coordinate subsidiaries at all levels to introduce external investors for capital contribution with a total scale of RMB12,300 million, enhance the Company's capital strength, reduce leverage and liabilities, and improve the governance structure of subject enterprise, thus enhance its risk resistance capability and confidence in investment.

The second was to vigorously grasp the capital cost window on the market, innovate various types of asset-backed securitization business models, and carry out different types of financial businesses, such as off-balance-sheet quasi-REITs and long-term accounts receivable ABS of PPP projects. The Company completed their first order in respective markets, and made good use of the existing infrastructure assets at lower costs.

The third was to actively expand diversified fund business and accelerate the layout of fund business. It established CCCC's first actively managed PE fund, and simultaneously promoted the establishment of various types of funds to facilitate the development of infrastructure industries and the transformation and upgrading of emerging industries.

[3] Statistic from the awards received by the Company and its subsidiaries.

The Fujian High Speed Railway Quanzhou Bay Cross-Sea Bridge is the first cross-sea high speed railway bridge in China. The bridge is 20.287 kilometers, with cross-sea length of 8.96 kilometers, main bridge length of 800 meters and main span of 400 meters, as a two-tower double-plane cable-stayed bridge with steel-concrete girders and semi-floating system.

As a cross-sea channel connecting Shishi City (石獅市) and Hui'an County (惠安縣) in Quanzhou City, Fujian Province, China, the project is located over Quanzhou Bay and is a component of Quanzhou Ring Expressway.

I. OVERVIEW

For the year 2021, revenue of the Group increased by 9.3% to RMB682,599 million, among which revenue from external customers attributed to the regions other than PRC amounted to RMB94,375 million, representing 13.8% of the total revenue. Infrastructure construction business, infrastructure design business, dredging business and other businesses accounted for 85.3%, 6.7%, 6.0% and 2.0% of the total revenue in 2021 (all before elimination of inter-segment transactions), respectively.

Gross profit in 2021 amounted to RMB84,503 million, representing an increase of 5.6% from RMB80,036 million in 2020. Gross profit from infrastructure construction business, infrastructure design business and other businesses increased by 4.3%, 18.1%, and 3.7%, while dredging business decreased by 1.5%, respectively from 2020. Gross profit margin for infrastructure construction business, infrastructure design business, dredging business and other businesses in 2021 were 11.3%, 17.8%, 13.6% and 7.2%, respectively, as compared with 11.7%, 18.0%, 15.4% and 8.9% in 2020.

Mainly as a result of the growth in gross profit, operating profit in 2021 amounted to RMB34,539 million, representing an increase of 0.4%, from RMB34,405 million in 2020. Operating profit from infrastructure construction business and dredging business decreased by 4.8% and 9.4%, respectively from 2020, while operating profit from infrastructure design business and other businesses increased by 24.0% and 24.5% from 2020.

For the year 2021, profit attributable to owners of the parent amounted to RMB18,348 million, representing an increase of 11.4%, compared with RMB16,475 million in 2020. For the year 2021, earnings per share of the Group were RMB1.04, compared with RMB0.92 in 2020.

The following is a comparison of financial results between the years ended 31 December 2021 and 2020.

II. CONSOLIDATED RESULTS OF OPERATIONS

Revenue

Revenue in 2021 increased by 9.3% to RMB682,599 million from RMB624,495 million in 2020. Revenue from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB608,407 million, RMB47,595 million, RMB42,973 million and RMB14,601 million (all before elimination of inter-segment transactions and unallocated cost), respectively representing a year-on-year increase of 8.5%, 19.0%, 11.9% and 28.0%. Revenue from external customers attributed to the regions other than PRC amounted to RMB94,375 million, representing 13.8% of total revenue.

Cost of Sales and Gross Profit

Cost of sales in 2021 amounted to RMB598,096 million, representing an increase of 9.9%, from RMB544,459 million in 2020. Cost of sales from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB539,722 million, RMB39,107 million, RMB37,148 million and RMB13,546 million (all before elimination of inter-segment transactions) respectively, representing an increase of 9.0%, 19.2%, 14.3% and 30.4% from 2020.

Cost of sales consisted mainly of subcontracting costs, cost of raw materials and consumables used and employee benefit expenses. For the year 2021, subcontracting costs, cost of raw materials and consumables used and employee benefit expenses increased by 13.4%, 15.4%, and 4.6%.

As a result of the increase in both revenue and cost of sales, gross profit in 2021 amounted to RMB84,503 million, representing an increase of 5.6% from RMB80,036 million in 2020. Gross profit from infrastructure construction business, infrastructure design business and other businesses increased by 4.3%, 18.1% and 3.7%, while dredging business decreased by 1.5% respectively, from the corresponding period of 2020. Gross profit margin decreased to 12.4% in 2021 from 12.8% in 2020. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business and other businesses were 11.3%, 17.8%, 13.6% and 7.2% respectively, as compared with 11.7%, 18.0%, 15.4% and 8.9% in the corresponding period of 2020.

Administrative Expenses

Administrative expenses in 2021 amounted to RMB42,835 million, representing an increase of 5.6% from RMB40,580 million in 2020. This growth was primarily attributable to the increase in research and development costs.

II. CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Operating Profit

Operating profit in 2021 amounted to RMB34,539 million, representing an increase of 0.4% from RMB34,405 million in 2020. The increase was mainly due to the increase in gross profit.

For the year 2021, operating profit from infrastructure construction business and dredging business decreased by 4.8% and 9.4% (all before elimination of inter-segment transactions and unallocated cost), respectively from 2020; operating profit from infrastructure design businesses and other businesses increased by 24.0% and 24.5% (before elimination of inter-segment transactions and unallocated cost) from 2020. Operating profit margin decreased to 5.1% in 2021 from 5.5% in 2020.

Finance Income

Finance income in 2021 amounted to RMB14,608 million, representing an increase of 41.8% from RMB10,305 million in 2020. Finance costs in 2021 amounted to RMB19,539 million, representing an increase of 14.0% from RMB17,140 million in 2020, mainly due to increased interest income from PPP projects.

Finance Costs, net

Net finance costs in 2021 amounted to RMB4,931 million, representing a decrease of 27.9% from RMB6,835 million in 2020. The decrease was mainly due to the increase of interest income.

Share of Loss of Joint Ventures

Share of loss of joint ventures in 2021 amounted to RMB614 million, as compared with a loss of RMB786 million in 2020.

Share of Profit of Associates

Share of profit of associates in 2021 amounted to RMB790 million, as compared with a profit of RMB173 million in 2020. The increase was mainly due to the increased profit from some projects.

Profit before Income Tax

Profit before income tax in 2021 amounted to RMB29,784 million, representing an increase of 10.5% from RMB26,957 million in 2020.

Income Tax Expense

Income tax expense in 2021 amounted to RMB5,926 million, representing a decrease of 19.1% from RMB7,328 million in 2020. Effective tax rate for the Group in 2021 decreased to 19.9% from 27.2% in 2020, mainly due to the decrease in losses on concession projects with deferred income tax assets unrecognized and the decrease in share of losses from joint ventures and associates.

Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests in 2021 amounted to RMB5,510 million compared to RMB3,154 million in 2020. The increase was mainly due to the increasing interest from perpetual securities.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent in 2021 amounted to RMB18,348 million, representing an increase of 11.4% from RMB16,475 million in 2020. The increase was mainly due to the increased profit for the year.

Profit margin with respect to profit attributable to owners of the parent increased to 2.7% in 2021 from 2.6% in 2020.

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 2021 and 2020.

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	
	2021 (RMB million)	2020 *(RMB million)*	**2021 (RMB million)**	2020 *(RMB million)*	**2021 (%)**	2020 *(%)*	**2021 (RMB million)**	2020 *(RMB million)*	**2021 (%)**	2020 *(%)*
Infrastructure Construction	**608,407**	560,987	**68,685**	65,823	**11.3**	11.7	**27,635**	29,030	**4.5**	5.2
% of total	**85.3**	86.2	**81.7**	82.3	**–**	–	**81.4**	83.8	**–**	–
Infrastructure Design	**47,595**	40,005	**8,488**	7,188	**17.8**	18.0	**4,258**	3,433	**8.9**	8.6
% of total	**6.7**	6.1	**10.1**	9.0	**–**	–	**12.5**	9.9	**–**	–
Dredging	**42,973**	38,414	**5,825**	5,913	**13.6**	15.4	**1,758**	1,940	**4.1**	5.1
% of total	**6.0**	5.9	**6.9**	7.4	**–**	–	**5.2**	5.6	**–**	–
Other businesses	**14,601**	11,407	**1,055**	1,017	**7.2**	8.9	**320**	257	**2.2**	2.3
% of total	**2.0**	1.8	**1.3**	1.3	**–**	–	**0.9**	0.7	**–**	–
Subtotal	**713,576**	650,813	**84,053**	79,941	**–**	–	**33,971**	34,660	**–**	–
Intersegment elimination and unallocated profit/(costs)	**30,977**	(26,318)	**450**	95	**11.8**	–	**60**	175	**4.8**	–
							508	(430)		
Total	**682,599**	624,495	**84,503**	80,036	**12.4**	12.8	**34,539**	34,405	**5.1**	5.5

[1] Total operating profit represents the total of segment profit less unallocated costs or add unallocated profit.

III. DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

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 2021 and 2020.

	Years ended 31 December	
	2021	2020
	(RMB million)	*(RMB million)*
Revenue	**608,407**	560,987
Cost of sales	**(539,722)**	(495,164)
Gross profit	**68,685**	65,823
Selling and marketing expenses	**(609)**	(458)
Administrative expenses	**(35,158)**	(32,536)
Impairment losses on financial and contract assets	**(5,633)**	(4,095)
Other income/(expense), net and Other gain/(loss), net	**350**	296
Segment result	**27,635**	29,030
Depreciation and amortization	**10,031**	10,277

Revenue. Revenue from the infrastructure construction business in 2021 was RMB608,407 million, representing an increase of 8.5% from RMB560,987 million in 2020. The increase was mainly due to the increase in revenue generated from domestic construction projects.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2021 was RMB539,722 million, representing an increase of 9.0% from RMB495,164 million in 2020. Cost of sales as a percentage of revenue slightly increased to 88.7% in 2021 from 88.3% in 2020.

Gross profit from the infrastructure construction business in 2021 increased by 4.3% to RMB68,685 million from RMB65,823 million in 2020. Gross profit margin decreased to 11.3% in 2021 from 11.7% in 2020, primarily due to increased proportion of revenue generated from housing construction projects with lower gross profit margin and the increase in cost of raw materials.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2021 were RMB609 million, as compared with RMB458 million in 2020.

Administrative expenses. Administrative expenses for the infrastructure construction business were RMB35,158 million in 2021, representing an increase of 8.1% from RMB32,536 million in 2020. The increase was mainly attributable to the increase in research and development cost. Administrative expenses as a percentage of revenue remained 5.8% in 2021.

Impairment losses on financial and contract assets. Impairment losses on financial and contract assets for the infrastructure construction business were RMB5,633 million in 2021, representing an increase of 37.6% from RMB4,095 million in 2020. The increase was primarily due to more impairment loss from some projects and the impact of macro economy.

Other income/(expense), net and Other gains/(losses), net. Other income/(expense), net and Other gains/(losses), net for the infrastructure construction business increased to RMB350 million in 2021 from RMB296 million in 2020. The increase was mainly attributable to the increase in proceeds from disposal of assets.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2021 was RMB27,635 million, representing a decrease of 4.8% from RMB29,030 million in 2020. Segment result margin decreased to 4.5% in 2021 from 5.2% in 2020.

III. DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

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 2021 and 2020.

	Years ended 31 December	
	2021	2020
	(RMB million)	*(RMB million)*
Revenue	**47,595**	40,005
Cost of sales	**(39,107)**	(32,817)
Gross profit	**8,488**	7,188
Selling and marketing expenses	**(409)**	(365)
Administrative expenses	**(3,436)**	(3,182)
Impairment losses on financial and contract assets	**(536)**	(270)
Other income/(expense), net and Other gain/(loss), net	**151**	62
Segment result	**4,258**	3,433
Depreciation and amortization	**487**	434

Revenue. Revenue from the infrastructure design business in 2021 was RMB47,595 million, representing an increase of 19.0% from RMB40,005 million in 2020, mainly due to the growing scale of comprehensive projects.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2021 was RMB39,107 million, representing an increase of 19.2% from RMB32,817 million in 2020. Cost of sales as a percentage of revenue slightly increased to 82.2% in 2021 from 82.0% in 2020.

Gross profit from the infrastructure design business in 2021 was RMB8,488 million, representing an increase of 18.1% as compared with RMB7,188 million in 2020. Gross profit margin decreased to 17.8% in 2021 from 18.0% in 2020, mainly attributable to the increased proportion of revenue generated from comprehensive contracts with lower gross profit margin.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2021 increased to RMB409 million from RMB365 million in 2020.

Administrative expenses. Administrative expenses for the infrastructure design business in 2021 were RMB3,436 million, representing an increase of 8.0% from RMB3,182 million in 2020. Administrative expenses as a percentage of revenue decreased to 7.2% in 2021 from 8.0% in 2020.

Impairment losses on financial and contract assets. Impairment losses on financial and contract assets for the infrastructure design business were RMB536 million in 2021, representing an increase of 98.5% from RMB270 million in 2020, mainly due to the decrease of account receivables turnover.

Other income/(expense), net and Other gain/(loss), net. Other income/(expense), net and Other gain/(loss), net for the infrastructure design business in 2021 was RMB151 million, as compared with RMB62 million in 2020, which mainly attributes to the foreign exchange losses.

Segment result. As a result of the above, segment result for the infrastructure design business in 2021 was RMB4,258 million, representing an increase of 24.0% from RMB3,433 million in 2020. Segment result margin increased to 8.9% in 2021 from 8.6% in 2020.

III. DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

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 2021 and 2020.

	Years ended 31 December	
	2021	2020
	(RMB million)	*(RMB million)*
Revenue	**42,973**	38,414
Cost of sales	**(37,148)**	(32,501)
Gross profit	**5,825**	5,913
Selling and marketing expenses	**(173)**	(131)
Administrative expenses	**(3,422)**	(3,386)
Impairment losses on financial and contract assets	**(705)**	(949)
Other income/(expense), net and Other gain/(loss), net	**233**	493
Segment result	**1,758**	1,940
Depreciation and amortization	**1,219**	1,260

Revenue. Revenue from the dredging business in 2021 was RMB42,973 million, representing an increase of 11.9% from RMB38,414 million in 2020. 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 2021 was RMB37,148 million, representing an increase of 14.3% as compared with RMB32,501 million in 2020. Cost of sales as a percentage of revenue for the dredging business in 2021 increased to 86.4% from 84.6% in 2020.

Gross profit from the dredging business in 2021 was RMB5,825 million, representing a decrease of 1.5% from RMB5,913 million in 2020. Gross profit margin for the dredging business decreased to 13.6% in 2021 from 15.4% in 2020, mainly attributable to the business transformation, the decrease in revenue generated from higher gross profit margin projects, and the increase in cost of raw materials.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2021 were RMB173 million, as compared with RMB131 million in 2020.

Administrative expenses. Administrative expenses for the dredging business in 2021 were RMB3,422 million, representing an increase of 1.1% from RMB3,386 million in 2020. Administrative expenses as a percentage of revenue decreased to 8.0% in 2021 from 8.8% in 2020.

Impairment losses on financial and contract assets. Impairment losses on financial and contract assets for the dredging business were RMB705 million in 2021, representing a decrease of 25.7% from RMB949 million in 2020, mainly due to the increase in turnover of account receivables.

Other income/(expense), net and Other gain/(loss), net. Other income/(expense), net and Other gain/(loss), net in 2021 decreased to RMB233 million from RMB493 million in 2020, which mainly attribute to the decrease of proceeds from disposal of investment properties in 2020.

Segment result. As a result of the above, segment result for the dredging business in 2021 was RMB1,758 million, representing a decrease of 9.4% from RMB1,940 million in 2020. Segment result margin was 4.1% in 2021 comparing with 5.1% in 2020.

III. DISCUSSION OF SEGMENT OPERATIONS (CONTINUED)

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 2021 and 2020.

	Years ended 31 December	
	2021	2020
	(RMB million)	*(RMB million)*
Revenue	**14,601**	11,407
Cost of sales	**(13,546)**	(10,390)
Gross profit	**1,055**	1,017

Revenue. Revenue from the other businesses in 2021 was RMB14,601 million, representing an increase of 28.0% from RMB11,407 million in 2020.

Cost of sales and gross profit. Cost of sales for the other businesses in 2021 was RMB13,546 million, representing an increase of 30.4% from RMB10,390 million in 2020. Cost of sales as a percentage of revenue increased to 92.8% in 2021 from 91.1% in 2020.

Gross profit from the other businesses in 2021 was RMB1,055 million, representing an increase of 3.7% from RMB1,017 million in 2020. Gross profit margin decreased to 7.2% in 2021 from 8.9% in 2020 and the decrease attributed to the diluted profit resulting from the growing scale of business.

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 2021, the Group had unutilized credit facilities in the amount of RMB1,371,408 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.

IV. LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

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 2021 and 2020.

	Years ended 31 December	
	2021	2020
	(RMB million)	*(RMB million)*
		Restated
Net cash used in operating activities[1]	**(12,643)**	(31,074)
Net cash used in investing activities[1]	**(52,816)**	(60,762)
Net cash generated from financing activities	**42,204**	93,687
Net (decrease)/increase in cash and cash equivalents	**(23,255)**	1,851
Cash and cash equivalents at beginning of year	**119,511**	118,908
Effect of foreign exchange rate changes, net	**(453)**	(1,248)
Cash and cash equivalents at end of year	**95,803**	119,511

[1] To provide reliable and more relevant information on cash flows in the financial statements, the Group has voluntarily changed the accounting policies of cash flows classification for service concession arrangements under the financial asset model. After the voluntary changes in accounting policy, both the cash outflows during construction phase and the cash inflows during the operating phase were classified as cash flows in operating activities. Comparative information were restated retrospectively.

Cash flow from operating activities

During the year 2021, net cash used in operating activities decreased to RMB12,643 million from RMB31,074 million in 2020. The decrease of 59.3% was primarily due to the increase in turnover of contract assets, trade and other receivables and inventories.

Cash flow from investing activities

Net cash used in investing activities in 2021 decreased to RMB52,816 million from RMB60,762 million in 2020. The decrease of 13.1% was primarily attributable to the disposals of financial assets, subsidiaries, and joint ventures and associates.

Cash flow from financing activities

Net cash generated from financing activities in 2021 was RMB42,204 million, representing a decrease of 55.0% from RMB93,687 million in 2020. The decrease was primarily attributable to the decrease in new capital requirement during the reporting period as a result of the optimized structure of infrastructure and other investment projects and the increase in account receivables turnover.

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 2021 and 2020.

	Years ended 31 December	
	2021 *(RMB million)*	2020 *(RMB million)*
Infrastructure Construction Business	**43,182**	45,514
– BOT projects	**33,171**	33,290
Infrastructure Design Business	**1,268**	649
Dredging Business	**981**	2,245
Other	**872**	408
Total	**46,303**	48,816

Capital expenditure in 2021 was RMB46,303 million, as compared with RMB48,816 million in 2020.

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 2021 and 2020.

	Years ended 31 December	
	2021 *(Number of days)*	2020 *(Number of days)*
Turnover of average trade and bills receivables[1]	**56**	60
Turnover of average trade and bills payables[2]	**188**	194

(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 2021 and 2020.

	Years ended 31 December	
	2021	2020
	(RMB million)	*(RMB million)*
Less than 6 months	**65,551**	73,279
6 months to 1 year	**11,087**	7,706
1 year to 2 years	**11,412**	12,599
2 years to 3 years	**6,052**	7,379
Over 3 years	**7,775**	5,938
Total	**101,877**	106,901

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 2021, the Group had a provision for impairment of RMB17,578 million, as compared with RMB16,129 million as at 31 December 2020.

The following table sets forth an ageing analysis of trade and bills payables as at 31 December 2021 and 2020.

	Years ended 31 December	
	2021	2020
	(RMB million)	*(RMB million)*
Within 1 year	**286,153**	263,688
1 year to 2 years	**17,116**	23,392
2 years to 3 years	**7,270**	6,067
Over 3 years	**6,717**	6,856
Total	**317,256**	300,003

The Group's credit terms with its suppliers for the year ended 31 December 2021 remained the same as that for the year ended 31 December 2020. 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.

IV. LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Working Capital (continued)

Retentions

The following table sets forth the carrying amount of the retentions as at 31 December 2021 and 2020.

	Years ended 31 December	
	2021	2020
	(RMB million)	*(RMB million)*
Current	**17,922**	16,369
Non-current	**38,242**	30,520
Total	**56,164**	46,889

Indebtedness

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2021 and 2020.

	Years ended 31 December	
	2021	2020
	(RMB million)	*(RMB million)*
Within 1 year	**76,292**	82,490
1 year to 2 years	**56,299**	50,026
2 years to 5 years	**89,614**	74,825
Over 5 years	**205,931**	198,037
Total borrowings	**428,136**	405,378

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Euro, Japanese Yen and Hong Kong dollar. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 31 December 2021 and 2020.

	Years ended 31 December	
	2021	2020
	(RMB million)	*(RMB million)*
Renminbi	**406,482**	385,713
U.S. dollar	**15,074**	12,851
Euro	**2,783**	2,186
Japanese Yen	**2,417**	3,378
Hong Kong dollar	**264**	414
Others	**1,116**	836
Total borrowings	**428,136**	405,378

IV. LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Indebtedness (continued)

Borrowings (continued)

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 2021 was 45.9%, as compared with 44.4% as at 31 December 2020.

Contingent Liabilities and Financial Guarantee Commitment

(i) Claims

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 the legal advice. No provision has been made for those pending lawsuits with a maximum compensation amount of RMB2,631 million (31 December 2020: RMB1,672 million) related mainly to disputes with customers and subcontractors, when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. Pending lawsuits of which the probability of loss is remote or the claim amount is insignificant to the Group were not included in the above.

(ii) Loan Guarantees

(a) The Group has acted as the guarantor for several borrowings of RMB3,940 million (31 December 2020: RMB3,310 million) made by certain joint ventures and associates of the Group. The above amount represents the maximum exposure to default risk under the loan guarantee.

(b) The Group provides guarantees to banks for the mortgage loans of the property buyers in certain real estate projects. As at 31 December 2021, the outstanding balance of guarantees provided by the Group was approximately RMB4,623 million (31 December 2020: RMB3,456 million).

(iii) Liquidity Support

(a) Beijing North Huade Neoplan Bus., Ltd., a subsidiary of the Company, provides liquidity support to Changchun Public Transportation (Group) Co., Ltd. for sale-leaseback rent payable to Huaxia Financial Leasing Co., Ltd. As at 31 December 2021, the outstanding balance of rent payable by Changchun Public Transportation (Group) Co., Ltd. to Huaxia Financial Leasing Co., Ltd. was RMB138 million (31 December 2020: RMB230 million).

(b) The Group has entered into certain agreements with financial institutions to set up asset-backed securities (ABS) and asset-backed notes (ABN) arrangements. As at 31 December 2021, out of the ABS and ABN in issue with an aggregate amount of RMB27,662 million (31 December 2020: RMB14,969 million), RMB26,132 million (31 December 2020: RMB12,226 million) had been issued to preferential investors. 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 return to preferential investors at the due date is not sufficient.

IV. LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

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.

1. Macroeconomic volatility risk

The Group's main 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 urbanisation. The current external environment is complex and severe, and China's economic development is under triple pressure of economic contraction, supply shock and weakening expectations. If the pace and efforts of growth stabilisation is not as strong as expected, it may have a great impact on the Group's development.

To cope with the risks of macroeconomic fluctuations, the Group will further strengthen its research on macro policies and development trends of related industries, follow closely the national strategic deployment, focus on "big transportation" and "big city", firmly hold on to the market advantages of traditional businesses, promote the scale of emerging industries to grow year by year and strive to cultivate new growth levels.

2. Internationalisation risk

The Group conducts its business in over 130 overseas countries and regions. Subject to the complex and diverse political, economic, social and religious environments and legal systems of different countries and regions, as well as fluctuations in exchange rates, increasingly stringent environmental protection requirements and intensifying trade frictions among some countries, there may be fluctuations and volatility in the international trade order and economic situation in the future, resulting in performance risks for the Group's overseas compliance, investment and project contracting.

The Group carried out various risk management, prevention and control work continuously 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.

3. Investment risk

The Group began to develop infrastructure and other investment projects in 2007 to obtain investment profits apart from those from reasonable design and construction. However, such projects are generally characterised by large scale investments, long construction cycles, extensive areas of involvement, high complexity, stringent schedule and quality requirements, and are significantly affected by policies. The implementation and operation of the above-mentioned investment projects may expose the Group to certain risks and affect the expected benefits and the achievement of strategic objectives if the feasibility studies of the projects are incomplete, understanding of policies is inaccurate, financing is inadequate and process management is not standardised, under the influence of internal and external circumstances such as increased control in policies by the national and local governments, increasingly standardised regulation, tightened financial supervision, increasing debt pressure and intensified market competition.

In order to effectively prevent and control investment risks, the Group insists on "value-oriented investments" and strictly controls non-main business investments. It strictly implements the investment project justification and decision-making process, properly controls investment costs, strengthens risk control throughout the life cycle of investment projects and steadily promotes the construction of an investment execution information system to achieve real-time and dynamic project monitoring and pre-warning.

IV. LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Market Risks (continued)

4. Raw material risk

The operation of the Group's business depends on the timely procurement of raw materials that meet the Group's quality requirements at reasonable prices, such as steel, cement, fuel, sand and gravel and asphalt, etc. The market prices of such raw materials may fluctuate to a certain extent, or appropriate procurement planning arrangements may be made to ensure the normal conduct of business. When there is a shortage of supply of raw material or a significant price increase resulting in cost increases that cannot be fully compensated by customers, the Group may face the risk of reduced profit or even loss in respect of a single project.

In this regard, the Group has enhanced cost awareness, strengthened refined management, vigorously promoted the centralised procurement of major raw materials including steel, cement, asphalt, fuel oil, etc., and has continuously improved the bargaining power of the Company to minimise the risk of rising raw material prices.

5. 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. In 2021 and 2020, 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. 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.

As at 31 December 2021, the Group's borrowings of approximately RMB242,810 million (2020: RMB221,299 million) were at variable rates. As at 31 December 2021, 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 RMB2,428 million (2020: RMB2,213 million), mainly as a result of higher/lower interest expense on floating rate borrowings.

The Group continuously monitors the interest rate position, and makes decisions with reference to the latest market conditions, including entering into interest rate swap agreements from time to time to mitigate its exposure to interest rate risks in connection with the floating rate borrowings.

6. Exchange rate risk

The Group has focused on international markets in its past operations and future strategies. The relatively large scale of its overseas operations has resulted in a relatively large foreign exchange receipts and payments by the Company. The Company's operations mainly involve foreign currencies such as USD, the Euro and Hong Kong dollar. Fluctuations in the exchange rates between these currencies and Renminbi may result in higher costs or lower revenues, which in turn may have an impact on the Company's profitability.

As at 31 December 2021, the Group's aggregate net assets of RMB7,174 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 uses derivative financial instruments to hedge when necessary. As at 31 December 2021, 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 RMB13 million (2020: RMB420 million), mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents.

7. Production safety risk

The Group insists on safety first and regards production safety as the prerequisite and foundation of all its work. However, as a construction and production enterprise with many subsidiaries and projects, production safety risks exist in all aspects of the production and operation process. Safety incidents may occur as a result of unsafe human behaviour, unsafe physical conditions and unsafe environmental factors, resulting in injury to the health and safety of employees and exposing the Company to the risk of damage to its brand image, economic loss and external regulatory penalties.

IV. LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Market Risks (continued)

8. Risk of price fluctuation in the securities markets

The Group's investments in equity instruments are classified as financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income. As these financial assets are required to be stated at fair value, the Group is exposed to the risk of price fluctuation in the securities markets.

To cope with such risk, the Group sets limits to diversify its investment portfolio.

9. Force Majeure Risks

The infrastructure construction and dredging business principally engaged by the Group are mostly outdoor work. Natural disasters and public health emergency including rainstorm, flooding, earthquake, typhoon, tsunami, fire and 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.

10. Network risk and security

With the in-depth application of "Internet +" in informatisation, the topology of enterprise network has been becoming more and more complex, the number of information systems has surged, and the possibility of network interruption and system failure has also increased rapidly. At the same time, the Group has been actively exploring overseas markets, and its international influence has been increasing day by day. Therefore, the risk of network-attacks on the information system has been also increasing, which may have a serious impact on the Group's production and operation in the event of a risk event.

In order to effectively prevent network risks, the Group has continuously optimized and improved the network security system and professional team building, improved the information system, enhanced protection and emergency response capabilities, implemented network monitoring and carried out regular upgrades and protections in accordance with the requirements of the competent authorities.

The first standard tube section E2 completed the precise docking with the first submerged tube in the Dalian Bay Subsea Tunnel, realizing a new breakthrough of floating transportation and completing installation on the same day. The E2 tube section is 180 meters long, 33.4 meters wide, 9.7 meters high and weighs about 60,000 tons, which is equivalent to the displacement of a medium-sized aircraft carrier.

Once completed, the project will provide a new north-south expressway in Dalian, which will be of great significance in relieving traffic pressure, optimizing urban functions, promoting integration of both sides of Dalian Bay, and creating a coastal economic circle around the Bohai Sea and the Yellow Sea.

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 2021.

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 2021 and the consolidated financial position of the Group as at 31 December 2021 are set out in the audited consolidated 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 2022, the Board recommended a final dividend of RMB0.20371 (equivalent to approximately HKD0.25082, including tax), being 20% of the distributable profit available for the ordinary Shareholders out of the net profit realized in 2021 (including tax) per share (amounting to approximately RMB3,293 million in total) for the year ended 31 December 2021. The recommended final dividends are subject to Shareholders' approval at the annual general meeting to be held on 16 June 2022. 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, 13 June 2022 to Thursday 16 June 2022 (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, 10 June 2022. 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 on Wednesday, 29 June 2022. The register of members will be closed from Friday, 24 June 2022 to Wednesday, 29 June 2022 (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 RMB0.81218 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 AGM for 2021, 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 Notice of the State Administration of Taxation on the Collection and Management of Personal Income Tax After the Abolishment of Document Guo Shui Fa No. [1993]045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》), 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 revised in 2018, the Implementing Rules of the Law on Corporate Income Tax revised in 2019 (collectively, the "Corporate Income Tax Law") and other laws and regulations, 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 2021 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 2021 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 Thursday, 23 June 2022.

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 on Wednesday, 29 June 2022. 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.

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

On 20 July 2021, the Company publicly issued corporate bonds (bond short name: 21 CCCC Y1, 21 CCCC Y2) of RMB1.5 billion to qualified investors. All of the proceeds from the bond issuance, after deducting issuance expenses, were proposed to be used to supplement the liquidity of the Company. As of 31 December 2021, the proceeds from the bond issuance above were fully used as scheduled.

On 17 December 2021, the Company publicly issued renewable corporate bonds (bond short name: 21 CCCC Y3, 21 CCCC Y4) of RMB2.0 billion to qualified investors. All of the proceeds from the bond issuance, after deducting issuance expenses, were proposed to be used to supplement the liquidity of the Company. As of 31 December 2021, the proceeds from the bond issuance above were fully used as scheduled.

On 27 December 2021, the Company publicly issued renewable corporate bonds (bond short name: 21 CCCC Y5) of RMB500 million to qualified investors. All of the proceeds from the bond issuance, after deducting issuance expenses, were proposed to be used to supplement the liquidity of the Company. As of 31 December 2021, the proceeds from the bond issuance above were fully used as scheduled.

On 17 February 2022, the Company publicly issued renewable corporate bonds (bond short name: 22 CCCC Y1, 22 CCCC Y2) of RMB2.0 billion to qualified investors. All of the proceeds from the bond issuance, after deducting issuance expenses, were proposed to be used to supplement the liquidity of the Company.

SHARE CAPITAL

Please refer to Note 33 of the audited consolidated financial statements for movements in share capital of the Company for the year ended 31 December 2021. As at 31 December 2021, 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%

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 2021 (before tax) (Note 1) (RMB'000)
WANG Tongzhou (Note 2)	56	Executive Director and chairman of the Board	22 October 2020	820
WANG Haihuai (Note 3)	53	Executive Director and president	10 June 2021 and 7 April 2021	1,043
LIU Xiang (Note 4)	53	Executive Director	10 June 2021	414
SUN Ziyu (Note 5)	59	Executive Director	25 February 2022	–
MI Shuhua (Note 6)	59	Non-executive Director	25 February 2022	–
LIU Hui (Note 7)	61	Independent non-executive Director	25 February 2022	–
CHAN Wing Tak Kevin (Note 8)	55	Independent non-executive Director	25 February 2022	–
WU Guangqi (Note 9)	64	Independent non-executive Director	25 February 2022	–
ZHOU Xiaowen (Note 10)	60	Independent non-executive Director	25 February 2022	–
WANG Yongbin (Note 11)	56	Chairman of the Supervisory Committee (representative of the Shareholders)	18 November 2021 (22 November 2017)	1,002
LU Yaojun (Note 12)	51	Supervisor (representative of the Shareholders)	18 November 2021	284
YAO Yanmin	58	Supervisor (representative of the employees)	22 November 2017	997
WANG Jian	57	Vice president	22 November 2017	1,314
ZHOU Jingbo	58	Vice president	30 October 2019	1,953
LI Maohui	59	Vice president	30 October 2019	1,116
ZHU Hongbiao	51	Chief financial officer	30 October 2019	1,079
CHEN Zhong	50	Vice president	30 October 2019	1,841
YANG Zhichao (Note 13)	40	Vice president	26 August 2021	909
ZHOU Changjiang	56	Secretary of the Board and company secretary	22 November 2017 and 13 December 2017	1,004
LIU Maoxun (Note 14)	66	Non-executive Director	22 November 2017	80
HUANG Long (Note 15)	68	Independent non-executive Director	22 November 2017	80
ZHENG Changhong (Note 16)	66	Independent non-executive Director	22 November 2017	80
NGAI Wai Fung (Note 17)	59	Independent non-executive Director	22 November 2017	228
LI Sen (Note 18)	57	Chairman of the Supervisory Committee (representative of the Shareholders)	22 November 2017	101
ZHAO Xi'an (Note 19)	61	Chairman of the Supervisory Committee (representative of the Shareholders)	10 June 2021	779
WEN Gang (Note 20)	55	Vice president	22 November 2017	1,335
PEI Minshan (Note 21)	50	Vice president	30 October 2019	381

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 2021. 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 resigned as the president of the Company on 7 April 2021.

Note 3: Mr. Wang Haihuai was elected as the executive Director on 10 June 2021 and appointed as the president of the Company on 7 April 2021.

Note 4: Mr. Liu Xiang was elected as the executive Director on 10 June 2021.

Note 5: Mr. Sun Ziyu was elected as the executive Director on 25 February 2022.

Note 6: Mr. Mi Shuhua was elected as the non-executive Director on 25 February 2022.

Note 7: Mr. Liu Hui was elected as the independent non-executive Director on 25 February 2022.

Note 8: Mr. Chan Wing Tak Kevin was elected as the independent non-executive Director on 25 February 2022.

Note 9: Mr. Wu Guangqi was elected as the independent non-executive Director on 25 February 2022.

Note 10: Mr. Zhou Xiaowen was elected as the independent non-executive Director on 25 February 2022.

Note 11: Mr. Wang Yongbin was elected as the Shareholder representative Supervisor on 22 November 2017 and the chairman of the Supervisory Committee on 18 November 2021.

Note 12: Mr. Lu Yaojun was elected as the Shareholder representative Supervisor on 18 November 2021.

Note 13: Mr. Yang Zhichao was appointed as the vice president of the Company on 26 August 2021.

Note 14: Mr. Liu Maoxun resigned as the non-executive Director of the Company on 25 February 2022.

Note 15: Mr. Huang Long resigned as the independent non-executive Director of the Company on 25 February 2022.

Note 16: Mr. Zheng Changhong resigned as the independent non-executive Director of the Company on 25 February 2022.

Note 17: Mr. Ngai Wai Fung resigned as the independent non-executive Director of the Company on 25 February 2022.

Note 18: Mr. Li Sen ceased to serve as the Shareholder representative Supervisor and the chairman of the Supervisory Committee of the Company on 29 April 2021.

Note 19: Mr. Zhao Xi'an was elected as the Shareholder representative Supervisor and the chairman of the Supervisory Committee of the Company on 10 June 2021 and resigned as the Shareholder representative Supervisor and the chairman of the Supervisory Committee of the Company on 18 November 2021.

Note 20: Mr. Wen Gang resigned as the vice president of the Company on 29 March 2022.

Note 21: Mr. Pei Minshan resigned as the vice president of the Company on 26 August 2021.

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

Details of the emoluments (before taxes) of each senior management of the Company (excluding Directors who also hold executive positions) in 2021 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	568	53	714	1,335
WANG Jian	251	53	1,010	1,314
ZHOU Jingbo	489	53	1,411	1,953
LI Maohui	504	53	559	1,116
ZHU Hongbiao	484	53	542	1,079
CHEN Zhong	502	53	1,286	1,841
YANG Zhichao	169	18	722	909
ZHOU Changjiang	463	53	488	1,004
PEI Minshan	311	35	36	382

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 2021, 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

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 2021.

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 2021, 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 2021.

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

As at 31 December 2021, there were 12,649 H Shareholders and 161,809 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 2021 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	27.07	4,375,982,047		Unknown
3.	China Securities Finance Corporation Limited	State-owned legal person	2.99	483,846,064		Unknown
4.	Central Huijin Asset Management Ltd.	State-owned legal person	0.59	95,990,100		Unknown
5.	Bank of Communications Co., Ltd. – GF China Securities Infrastructure Project Index ETF	Unknown	0.21	34,336,268		Unknown
6.	Hong Kong Securities Clearing Company Limited	Foreign legal person	0.18	29,750,178		Unknown
7.	New China Life Insurance Co., Ltd – Dividend –Individual dividend-018L-FH002 Shanghai	Unknown	0.15	24,765,769		Unknown
8.	Industrial and Commercial Bank of China Co., Ltd. – HFT Reform Driven Flexible Configuration Hybrid Index ETF	Unknown	0.10	15,960,061		Unknown
9.	China Life AMP – China Construction Bank – Life Insurance – China Life Insurance (Group) Company Entrusting China Life AMP Hybrid Portfolio	Unknown	0.08	13,332,478		Unknown
10.	China Merchants Bank Co., Ltd. – Bosera CSI Central SOE Innovation-driven ETF Securities Investment Fund	Unknown	0.08	13,180,126		Unknown

Notes:

1. As of 31 December 2021, CCCG increased its shareholding in the Company by 83,951,000 H Shares in aggregate through Shanghai-Hong Kong Stock Connect during the Reporting Period, representing approximately 0.52% of the total share capital of the Company. The Shares held by CCCG amounted to 9,458,567,604 Shares when aggregating with the A Shares held by CCCG (including 9,374,616,604 A Shares and 83,951,000 H Shares), representing approximately 58.51% of the total share capital of the Company.

2. As of 28 January 2022, CCCG increased its shareholding in the Company by 115,179,000 H Shares in aggregate, representing approximately 0.71% of the total share capital of the Company. The Shares held by CCCG amounted to 9,489,795,604 Shares when aggregating with the A Shares held by CCCG (including 9,374,616,604 A Shares and 115,179,000 H Shares), representing approximately 58.70% of the total share capital of the Company. (28 January 2022 was the last trading day immediately prior to the blackout period for the Company's annual results).

REPORT OF THE BOARD OF DIRECTORS

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

As at 31 December 2021, 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 2021, 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 2021, 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 been in strict compliance with the Environmental Protection Law of the People's Republic of China and local environmental protection laws and regulations. The Company continued to strengthen energy conservation and environmental protection management, improve the utilization efficiency of energy and resource, promote energy conservation and emission reduction, actively respond to climate change, boost low carbon development and advocate green office. It is determined to be a major participant, contributor and leader in green development.

CCCC optimized its mechanism for eco-environmental protection constantly, improved top-level design in a coordinated way, promoted the system of "the Party and the government and double responsibilities for one post (黨政同責、一崗雙責)" for eco-environmental protection, tightened up the implementation of principal responsibilities for eco-environmental protection, combined issue rectification and system establishment with the forming of a long-term mechanism, and held the bottom line of environmental protection compliance, thus laying a solid foundation for the management of eco-environmental protection. In 2021, the energy conservation and environmental protection work of the Company maintained stable in general without emergency environmental incidents above common level.

For details of the Group's environmental policies and performance, please refer to the "2021 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 "2021 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 2021, 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 2021. 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

CCCC established an awareness of "optimise the total cost for supply chain", concentrated on the five-in-one idea for supply chain strategic of "innovation, coordination, efficiency, green, and wisdom", and implemented nine major tasks including "online rate, concentration, payment guarantee, overseas supply chain, supply, compliance, system and evaluation system, informatisation support and green supply chain" to build a high-quality supply chain management system. In 2021, the Company comprehensively prepared and formulated the "14th Five-Year Plan" development plan for the supply chain and established four special plans including the Integration Plan between Supply Chain Management Department and Material Company (《供應鏈管理部與物資公司整合方案》) and Supply Chain Management Improvement Plan (《供應鏈管理提升方案》), investigated and determined the Company's "1+15" institutional framework including Supply Chain Management Measures (《供應鏈管理辦法》). The construction and management of the supply chain were carried out under the principles of "centralised management, hierarchical and classified implementation, overall planning and intensive management, coordination with efficiency and comprehensive launch", with efforts put to strengthen the construction of the supply chain information system.

PERMITTED INDEMNITY PROVISION

As at 31 December 2021, all directors of the Company were covered under the liability insurance purchased by the Company for its directors.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2021.

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 2021.

Consolidated Income Statement

	2021 *RMB million*	2020 *RMB million*	2019 *RMB million*	2018 *RMB million*	2017 *RMB million*
Revenue	**682,599**	624,495	553,114	489,022	461,054
Gross profit	**84,503**	80,036	69,297	64,520	60,531
Profit before tax	**29,784**	26,957	27,349	25,937	23,752
Profit for the year	**23,858**	19,629	21,525	20,339	18,601
Attributable to:					
– Owners of the parent	**18,348**	16,475	19,999	19,694	17,985
– Non-controlling interests	**5,510**	3,154	1,526	645	616
Earnings per share for profit attributable to the equity holders of the parent *(expressed in RMB)*					
Basic					
– For profit for the year	**1.04**	0.92	1.16	1.16	1.23
– For profit from continuing operations	**1.04**	0.92	1.16	1.16	1.04
Diluted					
– For profit for the year	**1.04**	0.92	1.16	1.16	1.23
– For profit from continuing operations	**1.04**	0.92	1.16	1.16	1.04
Dividends	**3,293**	2,924	3,765	3,733	3,913

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

Consolidated Balance Sheet

	2021 *RMB million*	2020 *RMB million*	2019 *RMB million*	2018 *RMB million*	2017 *RMB million*
Total assets	**1,390,837**	1,304,169	1,123,414	963,124	852,676
Total liabilities	**999,483**	946,365	827,004	723,314	646,551
Equity attributable to owners of the Company	**260,350**	245,071	229,916	197,036	181,127
Non-controlling interests	**131,004**	112,733	66,494	42,774	24,998

Note: The financial figures for the year 2019 to 2021 were extracted from the consolidated financial statements of 2020 and 2021. 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 29 of the audited consolidated 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 2021:

1. The first tranche of 2021 ultra-short-term financing bonds was issued on 27 January 2021 with the maturity date on 28 May 2021. The issuance scale is RMB2.0 billion and the interests rate is 2.50%.

2. The second tranche of 2021 ultra-short-term financing bonds was issued on 8 July 2021 with the maturity date on 7 December 2021. The issuance scale is RMB2.0 billion and the interests rate is 2.40%.

3. The third tranche of 2021 ultra-short-term financing bonds was issued on 5 August 2021 with the maturity date on 30 November 2021. The issuance scale is RMB2.0 billion and the interests rate is 2.15%.

4. The fourth tranche of 2021 ultra-short-term financing bonds was issued on 14 October 2021 with the maturity date on 21 December 2021. The issuance scale is RMB2.0 billion and the interests rate is 2.22%.

5. The fifth tranche of 2021 ultra-short-term financing bonds was issued on 21 October 2021 with the maturity date on 24 December 2021. The issuance scale is RMB2.0 billion and the interests rate is 2.23%.

6. The sixth tranche of 2021 ultra-short-term financing bonds was issued on 27 October 2021 with the maturity date on 27 December 2021. The issuance scale is RMB2.0 billion and the interests rate is 2.40%.

7. The first tranche of 2021 mid-term notes was issued on 22 April 2021 with the maturity date on 26 April 2024. The issuance scale is RMB1.0 billion and the interests rate is 3.40%.

8. The second tranche of 2021 mid-term notes was issued on 20 August 2021 with the maturity date on 24 August 2024. The issuance scale is RMB1.5 billion and the interests rate is 2.97%.

FIXED ASSETS

Please refer to Note 14 of the audited consolidated financial statements for movements in the property, plant and equipment of the Group for the year ended 31 December 2021.

CAPITALISED INTEREST

Please refer to Note 8 of the audited consolidated financial statements for details of the capitalised interest expense of the Group for the year ended 31 December 2021.

REPORT OF THE BOARD OF DIRECTORS

RESERVES

Please refer to Notes 49 and 35 of the audited consolidated financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2021.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2021 amounted to approximately RMB27,677 million.

DONATIONS

For the year ended 31 December 2021, the Group made charitable and other donations in a total amount of approximately RMB85 million.

SUBSIDIARIES

Please refer to Note 1 of the audited consolidated financial statements for details of the Company's principal subsidiaries as at 31 December 2021.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Please refer to Notes 14, 15, 16(a), 17, 18, 19, 20, 21 and 39 of the audited consolidated financial statements for details of significant investments and acquisitions incurred during the year ended 31 December 2021.

MATERIAL DISPOSAL OF EQUITY INTERESTS

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

On 6 December 2021, 7 December 2021 and 9 December 2021, the Target Subsidiaries (including CCCC First Harbour Engineering Co., Ltd., CCCC Second Harbour, CCCC Second Highway and Road & Bridge, subject to specific investment agreement and capital contribution agreement), the original shareholders of the Target Subsidiaries and the Investors (including ICBC Financial Asset Investment Co., Ltd., BoCom Financial Asset Investment Co., Ltd., CCB Financial Asset Investment Company Limited and China Life Asset Management Company Limited, subject to specific investment agreement and capital contribution agreement) entered into the investment agreements and capital contribution agreements, pursuant to which, the Investors agreed to make capital contribution to the Target Subsidiaries pursuant to the terms and conditions of each of the investment agreements and capital contribution agreements, and an aggregate amount of RMB7,500 million was introduced. Upon completion of the capital contribution, the Target Subsidiaries will continue to be the subsidiaries of the Company and the Company will continue to hold the actual control over the Target Subsidiaries.

For details of the aforesaid transaction, please refer to the announcement of the Company dated 9 December 2021.

CHANGE IN EQUITY

Please refer to Notes 33, 34 and 35 of the audited consolidated financial statements for detail of changes in equity.

RETIREMENT BENEFITS

Please refer to Note 31 of the audited consolidated 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 2021, the sales of the Group to the five largest customers amounted to RMB17,372 million, representing 2.54% of the Group's revenue; the aggregate purchase from the five largest suppliers by the Group amounted to RMB46,474 million, representing 17% of the Group's aggregate purchase for the year.

CONNECTED TRANSACTIONS

The Company has entered into the following connected transactions in the year 2021.

1. On 1 February 2021, CFHEC and CCCC Ocean Investment Holding Company Limited* (中交海洋投資控股有限公司, "CCCC Ocean Investment") (both being subsidiaries of the Company) Beijing OriginWater Technology Co., Ltd. (北京碧水源科技股份有限公司, "OriginWater") (a subsidiary of CCCG) entered into a shareholders' agreement for the joint investment in the Sewage Treatment Facility and Supporting Pipeline PPP Project in Wenchang City. Pursuant to the shareholders' agreement, the registered capital of the project company is RMB120.0 million, of which RMB73.2 million, RMB36.0 million and RMB10.8 million will be contributed by CFHEC, CCCC Ocean Investment and OriginWater, respectively, accounting for 61%, 30% and 9% of the total registered capital of the project company, respectively.

2. On 30 March 2021, CCCC Investment (being the subsidiary of the Company), CCCG Xiong'an Investment Co., Ltd.* (中交雄安投資有限公司, "CCCG Xiong'an Investment") and CCCG Real Estate (both being the subsidiaries of CCCG) entered into a cooperative agreement for the formation of the project company and joint development of the project land parcel. Pursuant to the cooperative agreement, the registered capital of the project company is RMB3,800 million, of which RMB760 million, RMB1,520 million and RMB1,520 million will be contributed by CCCC Investment, CCCG Xiong'an Investment and CCCG Real Estate, respectively, accounting for 20%, 40% and 40% of the total registered capital of the project company, respectively.

3. On 29 April 2021, CFHEC, CCCC Second Highway Consultants Co., Ltd.* (中交第二公路勘察設計研究院有限公司, "CCCC Second Highway Consultants") (both being subsidiaries of the Company), China Urban and Rural Holding Group Co., Ltd.* (中國城鄉控股集團有限公司, "China Urban and Rural") (a subsidiary of CCCG) and Shehong Xincheng Investment Development Co., Ltd.* (射洪市欣誠投資開發有限責任公司, "Xincheng Investment") (an independent third party) entered into a shareholders' agreement for the joint investment in the PPP project of phase I comprehensive construction of human settlement environment in Shehong Economic Development Zone of Sichuan Province. Pursuant to the shareholders' agreement, the registered capital of the project company is RMB100.0 million, of which RMB30.0 million, RMB1.0 million, RMB54.0 million and RMB15.0 million will be contributed by CFHEC, CCCC Second Highway Consultants, China Urban and Rural and Xincheng Investment, respectively, accounting for 30%, 1%, 54% and 15% of the total registered capital of the project company, respectively. Upon formation of the project company, the parties will make further capital contributions to the project company in proportion to their respective shareholdings in the project company in accordance with the actual situation (the subsequent capital contributions will be included in capital reserves). The total capital contribution to be made by the subsidiaries of the Company, namely CFHEC and CCCC Second Highway Consultants, will be approximately RMB151.69 million.

4. On 29 April 2021, CCCC Investment, CCCC First Harbour Engineering, CCCC Fourth Highway Engineering, CCCC Highway Consultants (all being subsidiaries of the Company), Southwest Municipal Engineering Design and Research Institute of China* (中國市政工程西南設計研究總院有限公司, "SMEDRIC") (a subsidiary of CCCG) and Tianjin Haihe Construction Development and Investment Company Limited* (天津市海河建設發展投資有限公司, "Haihe Company") (an independent third party) entered into a shareholders' agreement for the joint investment in the PPP project for comprehensive development of the core area of Haihe Liulin themed "City of Design" in Tianjin. Pursuant to the shareholders' agreement, the registered capital of the project company is RMB500.0 million, of which RMB225.0 million, RMB45.0 million, RMB45.0 million, RMB5.0 million, RMB5.0 million and RMB175.0 million will be contributed by CCCC Investment, CCCC First Harbour Engineering, CCCC Fourth Highway Engineering, CCCC Highway Consultants, SMEDRIC and Haihe Company, respectively, accounting for 45%, 9%, 9%, 1%, 1% and 35% of the total registered capital of the project company, respectively. 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 Investment, CCCC First Harbour Engineering, CCCC Fourth Highway Engineering and CCCC Highway Consultants, will not exceed RMB1,565.44 million.

CONNECTED TRANSACTIONS (CONTINUED)

5. On 17 May 2021, CCCC Tianjin Dredging Co., Ltd.* (中交天津航道局有限公司, "CCCC Tianjin Dredging") (a subsidiary of the Company), China Urban and Rural, China Northeast Municipal Engineering Design & Research Institute Co., Ltd.* (中國市政工程東北設計研究總院有限公司, "Northeast Institute"), OriginWater (all being subsidiaries of CCCG) and Honghu Hongrui Investment Development Co., Ltd.* (洪湖市弘瑞投資開發有限公司, "Hongrui Investment") (an independent third party) entered into a shareholders' agreement for the joint investment in the PPP project of comprehensive water treatment for the center area of Shidun river in Honghu City. Pursuant to the shareholders' agreement, the registered capital of the project company is approximately RMB319.85 million, of which approximately RMB118.34 million, RMB163.12 million, RMB3.20 million, RMB3.20 million and RMB31.98 million will be contributed by CCCC Tianjin Dredging, China Urban and Rural, Northeast Institute, OriginWater and Hongrui Investment, respectively, accounting for 37%, 51%, 1%, 1% and 10% of the total registered capital of the project company, respectively.

6. On 24 May 2021, CCCC Fourth Highway Engineering (being a subsidiary of the Company) and CCCG Real Estate (being a subsidiary of CCCG) entered into a cooperative agreement for the formation of the project company and joint development of the project land parcel. Pursuant to the cooperative agreement, the registered capital of the project company is RMB1,100 million, of which RMB330 million and RMB770 million will be contributed by CCCC Fourth Highway Engineering and CCCG Real Estate, respectively, accounting for 30% and 70% of the total registered capital of the project company, respectively.

7. On 28 June 2021, CCCC Third Highway Engineering Co., Ltd.* (中交第三公路工程局有限公司, "CCCC Third Highway Engineering") (a subsidiary of the Company), Huatong Real Estate Co., Ltd.* (華通置業有限公司, "Huatong Real Estate") (a subsidiary of CCCG) and Tianjin Zhonghong Zhongcheng Management Consulting Partnership (LP)* (天津中紅眾城管理諮詢合夥企業(有限合夥), "Zhonghong Zhongcheng") (an independent third party) entered into a cooperative agreement for the formation of the project company and joint development of the project land parcel. Pursuant to the cooperative agreement, the registered capital of the Project Company is RMB3,600.00 million, of which RMB1,080.00 million, RMB2,518.20 million and RMB1.80 million will be contributed by CCCC Third Highway Engineering, Huatong Real Estate and Zhonghong Zhongcheng, respectively, accounting for 30.00%, 69.95% and 0.05% of the total registered capital of the project company, respectively.

8. On 6 July 2021, CCCC Fourth Harbour, CCCC Second Harbour, Road & Bridge, CCCC Southwest Investment and Development Co., Ltd.* (中交西南投資發展有限公司, "CCCC Southwest"), CCCC-FHDI Engineering Co., Ltd.* (中交第四航務工程勘察設計院有限公司, "CCCC FHDI") (all being subsidiaries of CCCG), SMEDRIC and CCCG Real Estate (all being subsidiaries of the Company) entered into a cooperative development agreement 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 RMB1,100 million, of which RMB275 million, RMB165 million, RMB99 million, RMB66 million, RMB55 million, RMB55 million and RMB385 million will be contributed by CCCC Fourth Harbour, CCCC Second Harbour, Road & Bridge, CCCC Southwest, CCCC-FHDI, SMEDRIC and CCCG Real Estate, respectively, accounting for 25%, 15%, 9%, 6%, 5%, 5% and 35% of the total registered capital of the project company, respectively.

9. On 9 July 2021, CCCC Third Harbour Engineering Co., Ltd.* (中交第三航務工程局有限公司, "CCCC Third Harbour") (a subsidiary of the Company), Greentown Real Estate Construction Management Group Co., Ltd. * (綠城房地產建設管理集團有限公司, "Green Real Estate Construction") (a subsidiary of CCCG) and Hangzhou Fuyang Development Zone Construction Investment Group Co., Ltd. * (杭州富陽開發區建設投資集團有限公司, "Fuyang Development Zone Group") (an independent third party) entered into a shareholders' agreement for the joint investment in the Yinhu resettlement housing construction project in Fuyang District. Pursuant to the shareholders' agreement, the registered capital of the project company is RMB50,000,000, of which approximately RMB44,995,000, RMB5,000 and RMB5,000,000 will be contributed by CCCC Third Harbour, Greentown Real Estate Construction and Fuyang Development Zone Group, respectively, accounting for 89.99%, 0.01% and 10.00% of the total registered capital of the project company, respectively. 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 subsequent capital contributions will be included in the capital reserves). The aggregate capital contribution amount by CCCC Third Harbour will be approximately RMB695,622,700.

10. On 15 July 2021, CCCC Fourth Highway Engineering (a subsidiary of the Company), SMEDRIC (a subsidiary of CCCG), Haitian Water Group Co., Ltd.* (海天水務集團股份公司, "Haitian Water") and Yibin Qingyuan Waterworks Group Co., Ltd.* (宜賓市清源水務集團有限公司, "Qingyuan Waterworks") (all being independent third parties) entered into a shareholders' agreement for the joint investment in the PPP project related to the unified construction, management and operation of urban and rural sewage facilities in Yibin City. Pursuant to the shareholders' agreement, the registered capital of the project company is RMB50.00 million, of which RMB42.50 million, RMB0.50 million, RMB4.50 million and RMB2.50 million will be contributed by CCCC Fourth Highway Engineering, SMEDRIC, Haitian Water and Qingyuan Waterworks, respectively, accounting for 85%, 1%, 9% and 5% of the total registered capital of the project company, respectively. 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 subsequent capital contributions will be included in the capital reserves). The aggregate capital contribution amount by CCCC Fourth Highway Engineering will be approximately RMB331,048,300.

CONNECTED TRANSACTIONS (CONTINUED)

11. On 20 July 2021, CCCC Urban Investment Co., Ltd.* (中交城市投資控股有限公司, "CCCC Urban Investment") (a subsidiary of the Company), China National Real Estate Development Group Corporation Limited (中國房地產開發集團有限公司, "China Real Estate Group") (a subsidiary of CCCG) and Guiyang Yunyan Urban Renewal Development Co., Ltd.* (貴陽雲岩城市更新發展有限公司, "Yunyan Urban Renuewal") (an independent third party) entered into a master agreement which sets out the parties' intent in relation to the joint development of the project land parcels. On 23 July 2021, the parties entered into a supplemental agreement which sets out the specific terms in relation to the formation of the project company and joint development of the project land parcels, pursuant to which, the registered capital of the project company is RMB2,450.00 million, of which RMB1,212.75 million, RMB1,212.75 million and RMB24.50 million will be contributed by CCCC Urban Investment, China Real Estate Group and Yunyan Urban Renewal, respectively, accounting for 49.50%, 49.50% and 1.00% of the total registered capital of the project company, respectively.

12. On 29 December 2021,CFHCC (a subsidiary of the Company), China Urban and Rural, OriginWater, Northeast Institute, Shenzhen Beilinyuan Landscape and Construction Planning Design Institute Co., Ltd.* (深圳市北林苑景觀及建築規劃設計院有限公司, "Beilinyuan") (all being subsidiaries of CCCG) and Jianli Yusha Water Treatment Co., Ltd.* (監利市玉沙水處理有限公司, "Yusha Company") (an independent third party) entered into a shareholders' agreement for the joint investment in the phase I PPP project of Jianli City Yangtze River protection and comprehensive treatment of the ecological environment. Pursuant to the shareholders' agreement, the registered capital of the project company is RMB100.00 million, of which RMB45.00 million, RMB39.00 million, RMB10.00 million, RMB4.00 million, RMB1.00 million and RMB1.00 million will be contributed by China Urban and Rural, CCCC First Harbour Engineering, Yusha Company, OriginWater, Northeast Institute and Beilinyuan, respectively, accounting for 45%, 39%, 10%, 4%, 1% and 1% of the total registered capital of the project company, respectively. Upon formation of the project company, the parties will make further capital contributions to the project company based on the actual situation in proportion to their respective shareholdings in the project company (subsequent capital contributions will be included in the capital reserve). The total amount of capital contributions made by CCCC First Harbour Engineering is approximately RMB125.7121 million.

    As at the date of that announcement, each of OriginWater, CCCG Real Estate, China Urban and Rural, SMEDRIC, Northeast Institute, Huatong Real Estate, Greentown Real Estate Construction, China Real Estate Group and Beilinyuan is a subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 58% interests in the issued ordinary shares of the Company. OriginWater, CCCG Real Estate, China Urban and Rural, SMEDRIC, Northeast Institute, Huatong Real Estate, Greentown Real Estate Construction, China Real Estate Group and Beilinyuan are thus connected persons of the Company under the Hong Kong Listing Rules. As such, the formation of the project company under each of the abovementioned agreements 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 each of the abovementioned agreements exceeds 0.1% but is less than 5%, 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 transactions, please refer to the announcements of the Company dated 1 February 2021, 5 February 2021, 30 March 2021, 29 April 2021, 17 May 2021, 24 May 2021, 28 June 2021, 6 July 2021, 9 July 2021, 15 July 2021, 23 July 2021 and 29 December 2021.

13. On 5 February 2021, in order to provide Harbin Young City with the funds needed to develop and advance the Harbin Metro Project, CCCC Northeast Investment Co., Ltd.* (中交東北投資有限公司, "CCCC Northeast") (a subsidiary of the Company), Harbin Greentown Real Estate Co., Ltd.* (哈爾濱綠城置業有限公司, "Harbin Greentown Real Estate") (a subsidiary of CCCG), Harbin Metro Real Estate Development Co., Ltd.* (哈爾濱市地鐵置業開發有限公司, "Harbin Metro RED") (an independent third party) and Harbin Young City Real Estate Co., Ltd.* (哈爾濱楊柳郡置業有限公司, "Harbin Young City") entered into a supplemental agreement to the corporation agreement for the formation of Harbin Young City dated 24 September 2019. Pursuant to the supplemental agreement, CCCC Northeast, Harbin Greentown Real Estate and Harbin Metro RED will provide Harbin Young City with loans of not more than RMB256.23 million, RMB1,316.18 million and RMB1,127.41 million, respectively.

    On 5 February 2021, Harbin Young City is a subsidiary of Harbin Greentown Real Estate, while Harbin Greentown Real Estate is a subsidiary of CCCG, the controlling Shareholder of the Company. Harbin Young City is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the formation of Harbin Young City and the provision of financial assistance constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

    As the highest applicable percentage ratio in respect of the formation of Harbin Young City is less than 0.1%, in accordance with Chapter 14A of the Hong Kong Listing Rules, the formation of Harbin Young City is exempted from the reporting, announcement and independent Shareholders' approval requirements under the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the provision of financial assistance (as aggregated with the formation of Harbin Young City) exceeds 0.1% but is less than 5%, the supplemental 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 February 2021.

CONNECTED TRANSACTIONS (CONTINUED)

14. On 2 July 2021, in accordance with the investment contracts, Tianjin CCCC Greentown Urban Construction and Development Company Limited* (天津中交綠城城市建設發展有限公司, "Tianjin CCCC Greentown") issued a notice of redemption to each of the subscribers to redeem all the perpetual capital securities subscribed by CFHCC City Investment Development (Tianjin) Co., Ltd.* (中交一航局城市投資發展(天津)有限公司, "CFHCC City Investment"), CCCC Beijing-Tianjin-Hebei Investment and development Co., Ltd.* (中交京津冀投資發展有限公司, "CCCC Beijing-Tianjin-Hebei Investment") and Greentown Real Estate at the consideration of RMB670,486,362.00, RMB343,839,160.00 and RMB704,870,278.00, respectively.

    On 2 July 2021, Tianjin CCCC Greentown 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. Tianjin CCCC Greentown is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the redemptions constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

    As the highest applicable percentage ratio in respect of the redemptions (on an aggregate basis) exceeds 0.1% but is less than 5%, the redemptions 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 2 July 2021.

15. On 23 July 2021, CCCC Investment and CCCC Intelligence Transportation entered into the shareholders' agreement for the joint investment in the construction project of CCCC intelligence transportation big data industrial cluster in Tianjin. Pursuant to the shareholders' agreement, the registered capital of the joint venture is RMB205.00 million, of which RMB186.55 million and RMB18.45 million will be contributed by CCCC Investment and CCCC Intelligence Transportation, respectively, accounting for 91% and 9% of the total registered capital of the joint venture, respectively.

16. On 18 November 2021, Tianjin Intelligence Investment, a subsidiary of the Company, entered into the equity and debt transfer agreement with CCCC Intelligence Transportation, pursuant to which, Tianjin Intelligence Investment has conditionally agreed to sell and CCCC Intelligence Transportation has conditionally agreed to acquire the subject equity and the subject debt at a total cash consideration of RMB315,265,600.

    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. CCCG (the controlling Shareholder of the Company holding approximately 58% 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, each of the formation of the joint venture under the shareholders' agreement and the proposed disposal under the equity and debt 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 each of the formation of the joint venture under the shareholders' agreement and the proposed disposal under the equity and debt transfer agreement exceeds 0.1% but is less than 5%, the transaction contemplated under each of the abovementioned agreements 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 transactions, please refer to the announcements of the Company dated 23 July 2021 and 18 November 2021.

17. On 12 November 2021, the Company entered into the equity transfer agreement with ZPMC, pursuant to which, the Company agreed to acquire and ZPMC agreed to sell 16.52% equity interest in CCCC Tianhe.

18. On 9 December 2021, CCCC Capital Holdings Limited (中交資本控股有限公司, "CCCC Capital"), ZPMC, Chuwa Bussan Company Limited (中和物產株式會社, "Chuwa Bussan"), CCCC International Holding Limited (中交國際(香港)控股有限公司, "CCCI") and CCCC Leasing entered into the capital increase agreement. Pursuant to the capital increase agreement, CCCC Capital, ZPMC, Chuwa Bussan and CCCI agreed to make a capital increase of RMB315,000,000, RMB210,000,000, RMB105,000,000 and RMB70,000,000 to CCCC Leasing by way of capitalization of undistributed profits, respectively.

19. On 22 December 2021, CCCC Capital entered into the equity transfer agreement with ZPMC, pursuant to which, CCCC Capital agreed conditionally to acquire and ZPMC agreed conditionally to sell 21% equity interest in CCCC Leasing at a consideration of RMB1,526.28 million.

    ZPMC is a subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 58% 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, each of the transaction contemplated under the abovementioned agreements 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 and proposed acquisitions exceeds 0.1% but is less than 5%, the aforementioned agreements and the transactions contemplated thereunder are subject to the announcement requirement but are exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

    For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 12 November 2021, 9 December 2021 and 22 December 2021.

CONNECTED TRANSACTIONS (CONTINUED)

The Company is listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Matters involving connected transactions will comply with the relevant provisions of the listing rules of both places and the requirements of the Administrative Measures of Related-Party (Connected) Transactions of the Company.

To promote the coordinated development of CCCG as a whole and based on market demands, the Company, as a major subsidiary of CCCG, also conducts business cooperation with other subsidiaries of CCCG in a coordinated and complementary way to achieve win-win results when necessary, which results in connected transactions. The Company has been in place strict internal control mechanisms before, during and after a connected transaction to safeguard the interests of minority shareholders. The connected transactions of the Company are generally divided into two types, namely continuing connected transactions (daily connected transactions) and one-off connected transactions, subject to the review and decision-making procedures.

In 2021, in response to the challenges encountered in managing connected transactions in the course of the Company's reform and development, the Company focused on the following tasks:

1. **The Company amended and formulated management systems for connected transactions to further optimise the compliance management system.** Firstly, the Company amended the Administrative Measures of Related-Party (Connected) Transactions of CCCC, which, in accordance with the regulatory rules and taking into account the actual situation of the Company, focused on the review procedures of connected transactions, suspension/exemption of disclosure provisions, management bodies and division of responsibilities, execution of connected transactions, accountability, etc., so as to regulate the conduct of connected transactions of the Company, ensure the reasonable occurrence of necessary connected transactions, protect the legitimate rights and interests of the Company and the Shareholders, especially minority Shareholders and creditors, and ensure the fairness of the decision-making conduct of connected transactions of the Company. Secondly, the Company formulated the Rules for Evaluation and Punishment of Management of Related-Party (Connected) Transactions as the implementation rules of the Administrative Measures of Related-Party (Connected) Transactions of CCCC, which comprehensively improves the quality and effectiveness of connected transaction management from the four dimensions of institutional mechanism construction, risk and compliance management, system operation and application, and talent system construction of connected transactions, thereby effectively reducing the risk of non-compliance of connected transactions. Thirdly, the Company prepared the Guidance Manual for Preventing Risks of Related-Party (Connected) Transactions, which specify the risk points of managing connected transactions to improve the standardized management of connected transactions of units at all levels.

2. **The Company compiled the Special Work Plan for the Management of Related-Party (Connected) Transactions.** In addition to the 2020 plan, the Company focused on breakthrough in five dimensions: undertaking responsibilities, strengthening training, intelligent management, focused supervision and accountability. It established a closed management mechanism of "monthly planning, quarterly communication and annual assessment", in order to put the management into practice and achieve "horizontal to the edge, vertical to the bottom and responsibility to the person", thereby creating a 2.0 version of a three-dimensional full life-cycle connected transaction management system to further improve the governance level of listed companies and reduce the occurrence of compliance risks.

3. **The Company organised training on compliance management of connected transactions and operation of business systems to cultivate professional talents.** At the levels of listed companies and connected persons of major shareholders, trainings were provided to persons in charge, department heads, specific staff and relevant business departments at all levels to convey the Group's work requirements, disseminate new regulatory requirements for listing, interpret rules and regulations, clarify management risk points, strengthen compliance awareness, deepen management functions, refine work processes and raise awareness of connected transaction compliance among all staff.

4. **The Company built and launched a connected transaction management system.** According to its own connected transaction business categories, the Company set up a daily connected transaction system to let all units of the Company report the occurrence of connected transactions on a monthly basis. Connected persons will be identified, reported and verified through the system, and a monthly data monitoring and upper limit alert mechanism was established to analyse the monthly data in a timely manner, so as to realise the standardised and refined management of connected transactions. This will provide a basis for the Company to understand the occurrence of connected transactions in a timely manner and to provide a basis for consideration and decision-making at board meetings and general meetings.

5. **The Company completed the setting of caps for daily connected transactions for 2022–2024.** According to actual requirements of its operations and in line with the business development plan for the "Fourteenth Five-Year Plan" period, the Company estimated the proposed amount of connected transactions for the coming three years and made three-year framework caps plan reasonably after systematically reviewing the contracted and winning projects on hand, together with information such as estimated contract values of projects followed up during market expansion, and fully assessing the necessity and fairness of the potential connected transactions. The plan was considered and passed at the 2021 first extraordinary general meeting after full communication with minority shareholders to get their support and has been implemented and adjusted dynamically since 2022.

CONNECTED TRANSACTIONS (CONTINUED)

6. **The Company promoted the equity adjustment of connected subsidiaries.** To reduce the occurrence of connected transactions from the source, alleviate the non-compliance risk of connected transactions, and improve the management linkage under the A shares and H shares listing rules, the Company systematically streamlined the "connected subsidiaries" to which the Hong Kong Listing Rules were applicable by ways of classified study and created schedules to strengthen, establish and supplement linkage though equity adjustment and introduction of industrial strategic investors, so as to promote industrial cultivation work while reducing connected subsidiaries. In 2021, the Company completed the equity adjustment of two connected subsidiaries, namely CCCC Leasing and CCCC Tianhe. Since 2022, CCCC Leasing and CCCC Tianhe have ceased to be connected subsidiaries of the Company.

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 2021 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 balance of credit services and actual 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 reassessment 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 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 31 March 2020, the Company and CCCG entered into a supplemental agreement to the mutual project contracting framework agreement, pursuant to which, (i) 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; (ii) 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 30 March 2021, the Company and CCCG entered into a supplemental agreement to the mutual project contracting framework agreement to revise the existing annual caps for project contracting services fees to be received by the Group from CCCG Group and the labour and subcontracting services fees to be received by CCCG Group from the Group thereunder for the year ended 31 December 2021 from RMB4,000 million to RMB19,200 million and from RMB150 million to RMB4,500 million, respectively.

On 30 March 2021, 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 ratios of the revised annual cap under the mutual project contracting framework agreement (for labour and subcontracting services) exceed 0.1% but are less than 5%, the transactions contemplated under the mutual project contracting framework agreement and the revised annual cap are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio of the revised annual cap for the project contracting services under the mutual project contracting framework agreement (in relation to provision of project contracting services) 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 and the revised annual cap under the mutual project contracting framework agreement on 10 June 2021.

On 30 August 2021, the Company and CCCG entered into a supplemental agreement to the mutual project contracting framework agreement to further revise the existing annual cap of fees for the labour and subcontracting services provided by CCCG Group to the Group thereunder for the year ended 31 December 2021 from RMB4,500 million to RMB6,500 million.

On 30 August 2021, 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 supplemental agreement to the mutual project contracting framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the revised annual cap for labour and subcontracting services under the supplemental agreement to the mutual project contracting framework agreement exceeds 5%, the supplemental agreement to the mutual project contracting framework agreement and the revised annual cap for labour and subcontracting services received thereunder are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Company convened the extraordinary general meeting and obtained independent Shareholders' approval for the abovementioned agreement and the revised annual cap for labour and subcontracting services received thereunder on 18 November 2021.

On 15 October 2021, in order to 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 2022 to 31 December 2024, pursuant to which the Group agreed to provide project contracting services to CCCG Group, which may include (i) provision of construction, design, consultation and management services for the construction 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 the labour and subcontracting services to the Group, which may include (i) provision of professional services for construction projects that may be undertaken by the Group; (ii) design, construction, operation, management and dismantlement of temporary supporting facilities; and (iii) provision of consultation, management and technical services.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

On 15 October 2021, CCCG is the controlling Shareholder of the Company holding approximately 58.07% 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 proposed annual caps for the project contracting services and the labour and subcontracting services contemplated under the mutual project contracting framework agreement exceeds 5%, the project contracting services and the labour and subcontracting services and the proposed annual caps thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Company convened the extraordinary general meeting and obtained independent Shareholders' approval for the abovementioned agreement and the proposed annual cap thereof on 18 November 2021.

For details of the aforesaid continuing connected transactions, please refer to the announcements of the Company dated 29 August 2018, 31 March 2020, 30 March 2021, 30 August 2021 and 15 October 2021 and the circulars of the Company dated 28 September 2018, 18 May 2021 and 25 October 2021.

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 2021 are set out as follows:

	Annual cap for 2021 *(RMB million)*	**Actual amount for 2021 *(RMB million)***
Project contracting service fees receivable by the Group from CCCG Group	**19,200**	**11,695**
Labour and subcontracting service fees payable by the Group to CCCG Group	**6,500**	**2,407**

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

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 30 March 2021, CCCC Finance and CCCG entered into the supplemental agreement to the financial services agreement to (i) adjust the principal services provided by CCCC Finance to CCCG Group under the financial services agreement from deposit services and loan services to deposit services, credit services and other financial services, and (ii) revise the daily maximum balance (including the interests accrued thereon) of credit services provided by CCCC Finance in the financial year ended 31 December 2021 from RMB1,565 million to RMB3,965 million, and set the annual cap for the fees to be charged for other financial services to RMB1 million.

On 30 March 2021, CCCG is the controlling Shareholder of the Company holding approximately 57.99% 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 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 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)

The provision of other financial services by CCCC Finance to CCCG Group is to be made on normal commercial terms or more favourable terms which are in the Group's interests, and the highest applicable percentage ratio of the annual cap of the fees receivable by CCCC Finance is lower than 0.1%. Therefore, pursuant to Rule 14A.76 of the Hong Kong Listing Rules, the provision of other financial services by CCCC Finance to CCCG Group under the financial services agreement is exempt from the announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratios of the revised annual cap under the financial services agreement (in relation to provision of credit services) exceed 0.1% but are less than 5%, the transactions contemplated under the financial services 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 15 October 2021, in order to renew the transactions 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 2022 to 31 December 2024, pursuant to which CCCC Finance agreed to provide deposit services, loan services, guarantee letter services, and other credit services to CCCG Group.

On 15 October 2021, CCCG is the controlling Shareholder of the Company holding approximately 58.07% 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.

The provision of deposit services by CCCC Finance to CCCG Group 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 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 is exempt from the announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company expects that the highest applicable percentage ratio of the total service fees receivable by CCCC Finance from CCCG Group for the provision of other financial services will fall within the de minimis threshold as stipulated under Chapter 14A of the Hong Kong Listing Rules. Therefore, the provision of other financial services is fully exempt from the reporting, annual review, 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 credit services under the financial services agreement exceeds 5%, the credit services and the proposed annual caps thereof are subject to 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 above-mentioned credit services under the Financial Services Agreement exceeds 25%, such transactions contemplated thereunder constitute major transactions of the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Company convened the extraordinary general meeting and obtained independent Shareholders' approval for the abovementioned agreement and the proposed annual cap thereof on 18 November 2021.

For details of the aforesaid continuing connected transactions, please refer to the announcements of the Company dated 29 August 2018, 30 March 2021 and 15 October 2021 and the circulars of the Company dated 28 September 2018 and 25 October 2021.

The annual cap for the continuing connected transactions described above as compared with the actual maximum daily balance (including the interests accrued thereon) of credit services provided by CCCC Finance to CCCG Group and fees to be charged by CCCC Finance to CCCG Group for provision of other financial services for the year ended 31 December 2021 are set out as follows:

	Annual cap for 2021 *(RMB million)*	**Actual amount for 2021 *(RMB million)***
Maximum daily balance (including the interests accrued thereon) of credit services provided by CCCC Finance to CCCG Group	**3,965**	**3,958**
Fees to be charged by CCCC Finance to CCCG Group for provision of other financial services	**1**	**–**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

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.

On 15 October 2021, 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 2022 to 31 December 2024, pursuant to which CCCC Leasing shall provide finance lease services to CCCG Group in respect of the leased assets through direct leasing or sale and leaseback arrangements and commercial factoring services in respect of receivables through factoring or reverse factoring arrangement.

On 15 October 2021, CCCG is the controlling Shareholder of the Company holding approximately 58.07% 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 finance lease services and the commercial factoring services contemplated under the finance lease and commercial factoring agreement exceeds 5%, the finance lease services and the commercial factoring services and the proposed annual caps thereof are subject to 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 finance lease services and the commercial factoring services contemplated under the finance lease and commercial factoring agreement exceeds 5% but is less than 25%, such 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. The Company convened the extraordinary general meeting and obtained independent Shareholders' approval for the abovementioned agreement and the proposed annual caps thereof on 18 November 2021.

For details of the aforesaid continuing connected transactions, please refer to the announcement of the Company dated 29 August 2018 and 15 October 2021 and the circulars of the Company dated 28 September 2018 and 25 October 2021.

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 2021 are set out as follows:

	Annual cap for 2021 *(RMB million)*	**Actual amount for 2021 *(RMB million)***
Aggregate amount for finance lease services provided by CCCC Leasing to CCCG Group	**6,000**	**1,442**
Aggregate amount of the commercial factoring services provided by CCCC Leasing to CCCG Group	**6,000**	**3,290**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

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 30 March 2021, 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 2021 from RMB400 million to RMB1,200 million.

On 30 March 2021, 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 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 30 August 2021, the Company and CCCG entered into a supplemental agreement to the mutual product sales and purchase agreement to further revise the existing annual cap of fees to be received by the Group in respect of sales of material products to CCCG Group contemplated thereunder for the year ending 31 December 2021 from RMB1,200 million to RMB2,000 million.

On 30 August 2021, 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 supplemental agreement to 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 sales of material products under the supplemental agreement to the mutual product sales and purchase agreement exceeds 0.1% but is less than 5%, the supplemental agreement to the mutual product sales and purchase agreement and the revised annual cap for sales of material products contemplated thereunder 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 9 September 2021, 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 2022 to 31 December 2024, the Group agreed to sell and CCCG Group agreed to purchase material products, including material and equipment, components, etc., and CCCG Group agreed to sell and the Group agreed to purchase engineering products, including engineering ships (e.g. leveling ship, crane ship, etc.), engineering machines (e.g. shield machines), steel structure products, etc.

On 9 September 2021, 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 mutual product sales and purchase agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

As the highest applicable percentage ratio of the proposed annual cap for the transactions contemplated under the mutual product sales and purchase agreement exceeds 0.1% but is lower than 5%, the transactions contemplated under the mutual product sales and purchase 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.

Although the above-mentioned agreement and the transactions contemplated thereunder are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules, such transactions are subject to the approval by the independent 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 proposed annual caps thereof on 18 November 2021.

For details of the aforesaid continuing connected transactions, please refer to the announcements of the Company dated 29 August 2018, 31 March 2020, 30 August 2021 and 9 September 2021 and the circulars of the Company dated 28 September 2018 and 25 October 2021.

The annual caps for the continuing connected transactions described above as compared with the actual aggregate amount for the fees receivable by the Group from CCCG Group and payable by the Group to CCCG Group for the year ended 31 December 2021 are set out as follows:

	Annual cap for 2021 *(RMB million)*	**Actual amount for 2021 *(RMB million)***
Aggregate amount for the fees payable by the Group to CCCG Group	**4,000**	**1,479**
Aggregate amount for the fees receivable by the Group from CCCG Group	**2,000**	**1,227**

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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

On 15 October 2021, in order to renew the transactions under the original finance lease and commercial factoring framework agreement, the Company and CCCC Leasing entered into the finance lease and commercial factoring agreement for a term of three years from 1 January 2022 to 31 December 2024, pursuant to which CCCC Leasing shall provide finance lease services to the Group in respect of the leased assets through direct leasing or sale and leaseback arrangements commercial factoring services in respect of receivables through factoring or reverse factoring arrangement, and consultation services.

On 15 October 2021, CCCG is the controlling Shareholder of the Company holding approximately 58.07% 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 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 consultation services contemplated under the finance lease and commercial factoring framework agreement exceeds 0.1% but is lower than 5%, the consultation services and the proposed annual caps thereof 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.

As the highest applicable percentage ratio of the proposed annual caps for the finance lease services and the commercial factoring services contemplated under the finance lease and commercial factoring framework agreement exceeds 5%, the finance lease services and the commercial factoring services and the proposed annual caps thereof are subject to 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 finance lease services and the commercial factoring services contemplated under the finance lease and commercial factoring framework agreement exceeds 5% but is less than 25%, such 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. The Company convened the extraordinary general meeting and obtained independent Shareholders' approval for the abovementioned agreement and the proposed annual caps thereof on 18 November 2021.

For details of the aforesaid continuing connected transactions, please refer to the announcements of the Company dated 29 August 2018 and 15 October 2021 and the circulars of the Company dated 19 October 2018 and 18 November 2021.

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 2021 are set out as follows:

	Annual cap for 2021 *(RMB million)*	**Actual amount for 2021 *(RMB million)***
Aggregate amount for finance lease services provided by CCCC Leasing to the Group	**26,000**	**3,470**
Aggregate amount of the commercial factoring services provided by CCCC Leasing to the Group	**26,000**	**6,606**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

On 30 December 2020, the Company and CCCG entered into the leasing framework agreement, pursuant to which, CCCG Group agreed to lease the Leased Assets to the Group from 1 January 2021 to 31 December 2021 for the Group's operation and office use.

On 30 December 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 leasing framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

On 9 September 2021, in order to renew the transactions under the original leasing framework agreement, the Company and CCCG entered into the leasing framework agreement for a term of three years from 1 January 2022 to 31 December 2024, pursuant to which, CCCG Group agreed to lease the leased assets to the Group for the Group's production and operation use. The leased assets mainly include certain buildings, plants and auxiliary equipment and facilities for production and operation owned by CCCG.

On 9 September 2021, 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 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 leasing framework agreement exceeds 0.1% but is lower than 5%, the transactions contemplated under the leasing framework agreement and the proposed annual cap are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the above-mentioned agreement and the transactions contemplated thereunder are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules, such transactions are subject to the approval by the independent 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 proposed annual cap thereof on 18 November 2021.

For details of the aforesaid continuing connected transactions, please refer to the announcements of the Company dated 30 December 2020 and 9 September 2021 and the circular of the Company dated 25 October 2021.

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 2021 are set out as follows:

	Annual cap for 2021 *(RMB million)*	**Actual amount for 2021 *(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	**320**	**306**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

On 30 March 2021, the Company and CCCC Tianhe entered into the product purchase framework agreement, pursuant to which CCCC Tianhe Group agreed to sell and the Group agreed to purchase engineering products during the period from 30 March 2021 to 31 December 2021.

CCCC Tianhe is a subsidiary of the Company. On 30 March 2021, 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.

For details of the aforesaid continuing connected transactions, please refer to the announcement of the Company dated 30 March 2021.

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 2021 are set out as follows:

	Annual cap for 2021 *(RMB million)*	Actual amount for 2021 *(RMB million)*
Purchase of engineering products by the Group from CCCC Tianhe and its subsidiaries	**500**	**172**

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

On 30 March 2021, the Company and CCCC Tianhe entered into the product leasing framework agreement, pursuant to which CCCC Tianhe Group agreed to lease engineering products to the Group during the period from 30 March 2021 to 31 December 2021.

CCCC Tianhe is a subsidiary of the Company. On 30 March 2021, 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 30 March 2021.

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 2021 are set out as follows:

	Annual cap for 2021 *(RMB million)*	Actual amount for 2021 *(RMB million)*
Leasing of engineering products by CCCC Tianhe and its subsidiaries to the Group	**1,000**	**398**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

9. Project Contracting Framework Agreement Entered into between the Company and CCCC Intelligence Transportation

On 29 October 2020, the Company and CCCC Intelligence Transportation entered into the Project Contracting Framework Agreement, pursuant to which the Group agreed to provide project contracting services to CCCC Intelligence Transportation Group during the year ending 31 December 2021, pursuant to which the Group agreed to provide, among others, project construction and management services to CCCC Intelligence Transportation Group, which may include (i) provision of construction, design, consultation and management services for construction, transportation and other projects that may be undertaken by CCCC Intelligence Transportation Group; and (ii) design, construction, operation, management and dismantlement of temporary supporting facilities.

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 Project Contracting 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 Project Contracting Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated thereunder and the proposed 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 announcement of the Company dated 29 October 2020.

The annual cap for the continuing connected transactions described above as compared with the project contracting service fees receivable by the Group from CCCC Intelligence Transportation for the year ended 31 December 2021 are set out as follows:

	Annual cap for 2021 *(RMB million)*	**Actual amount for 2021 *(RMB million)***
Project contracting service fees receivable by the Group from CCCC Intelligence Transportation	**200**	**–**

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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

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 2021 are set out as follows:

	Annual cap for 2021 *(RMB million)*	**Actual amount for 2021 *(RMB million)***
Maximum daily loan balance (including the interests accrued thereon) provided by CCCC Finance to CCCC Intelligence Transportation and its subsidiaries	**460**	**–**

Explanation on the Continuing Connected Transactions of CCCC Finance

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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

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.

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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

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. 2021 Deposit and Loan Business of CCCC Finance

In 2021, the balance of deposits from connected persons to CCCC Finance amounted to approximately RMB10,976 million, accounting for 93% of the total deposit of CCCC Finance, and paid interest of RMB130 million to connected persons. The maximum daily average loan balance to connected persons and corresponding interests amounted to RMB3,958 million.

Explanation on the Continuing Connected Transactions of CCCC Leasing

CCCC Leasing was established in Shanghai Free-Trade Zone in May 2014 with registered capital of RMB5 billion. The shareholding structure of CCCC Leasing as at 31 December 2021 is as follows: 91% in total held by CCCC and its subsidiaries (66% by CCCC Capital, 15% by Chuwa Bussan Company Limited, 10% by CCCC International Holding Limited), and 9% 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.

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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

3. Finance Leases of CCCC Leasing in 2021

For the year 2021, CCCC Leasing entered into finance lease transactions with the connected persons with the total amount of RMB1,442 million, accounting for 5.8% of the total amount of the finance leases of CCCC Leasing for that year.

For the year 2021, CCCC Leasing entered into commercial factoring transactions with the connected persons with the total amount of RMB3,290 million, accounting for 14.2% of the total amount of the commercial factoring 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.

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 43 of the audited consolidated 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 2021, the Group had 136,772 employees that had signed labor contracts with the Group. The breakdown of employees as at 31 December 2021 was as follows:

1. Categorized by Major

Major	Number of Employees	Percentage
Engineering	71,246	52.09%
Comprehensive management	21,886	16.00%
Production and operation	30,453	22.27%
Party building and discipline inspection and enterprise culture	3,518	2.57%
Technician	9,669	7.07%
Total	136,772	100.0%

2. Categorized by Degree Held

	Number of Employees	Percentage
Doctor	561	0.41%
Master	14,277	10.44%
Bachelor	91,187	66.67%
Junior college degree	19,337	14.14%
High school degree (associate degree) and other	11,410	8.34%
Total	136,772	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 27 of the audited consolidated financial statement for details of the payroll and social security payable by the Company during the year ended 31 December 2021. Please refer to Note 9 of the audited consolidated financial statement for information about the emoluments of the Directors and chief executives. Please refer to Note 31 of the audited consolidated 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 2021, as far as the Directors are aware, except as disclosed in Note 38 of the audited consolidated 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 2020 annual general meeting of the Company held on 10 June 2021 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 2020 annual general meeting and ending at the 2021 annual general meeting of the Company. Ernst & Young has audited the accompanying consolidated 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.

The China-Laos Railway is a key project for the " Belt and Road" initiative, starting from Kunming, Yunnan Province, China, in the north to Vientiane, the capital of Laos, in the south, with a total length of 1,035 kilometers, consisting of the Kunming-Yuxi section (昆玉段), the Yuxi-Mohan section (玉磨段) and the Mohan- Vientiane section (磨萬段).

As an important component of the Trans-Asian Railway Central Line, it is also the first international railroad project that is mainly invested and operated by China, with domestic technical standards, equipment and direct connection to the Chinese railroad network.

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 promoting the reform, refining management, strengthening the supervision, improving quality and efficiency and preventing risks. The Supervisory Committee conducted supervisions on the lawful operations, the duty performance of the Directors and the senior management, the decision making of significant events, financial affairs, guarantee affairs, the internal control and related-party transactions through various forms such as consideration of proposals, sitting in such important meetings as the Board meetings, and conducting on-site inspections.

I. WORK OF THE SUPERVISORY COMMITTEE

(i) Focus of Supervision

During the Reporting Period, the Supervisory Committee focused on the theme of "promoting reform, refining management and improving quality and efficiency" with the goal of promoting the high-quality development of the Company, and debriefed on special inspections of CFHEC, CCCC Urban Investment and CCCC Ocean Investment, 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. The Supervisory Committee also inspected the construction sites of Chongqing-Wusheng and Changshou-Hechuan Expressway projects constructed by CCCC First Highway, the CCCC Huitong Hengqin Plaza (中交匯通橫琴廣場) and Nansha Project (南沙項目) constructed by CCCC Urban Investment, and the Sanya Hanxing Company (三亞瀚星公司) and CCCC Hainan Building (中交海南總部大樓) constructed by CCCC Ocean Investment. Besides, the Supervisory Committee considered the report on the investment, construction and sales of the above-mentioned projects.

In the supervision and inspection, the Supervisory Committee identified the following major issues existed in the development and reform of enterprises: firstly, partial works of the three-year action plan for state-owned enterprise reform should be propelled through tackling certain key difficulties; secondly, the accomplishment of certain key indicators faces greater pressure despite the an overall smooth operation; thirdly, the implementation of special actions and measures taken to tighten the belts, improve quality and efficiency, and benchmark against world-class enterprises is not strong enough.

In response to the said issues and risks, the Supervisory Committee prepared the CCCC 2021 Special Inspection Report on "Promoting Reform, Refining Management and Improving Quality and Efficiency" and submitted the same to the Company's management attaching advice on taking targeted measures: the first is to give full play to the leading role of "Double Hundreds" and "Science Reform" enterprises in the three-year action plan for state-owned enterprise reform for demonstrative purposes; the second is to achieve practical results for the three-year action plan for state-owned enterprise reform according to enterprise conditions by placing on priorities of reform; the third is to strengthen the management and control of the headquarters, and take special actions to promote the implementation of the construction of first-class enterprises with "Three Orientations (三型)"; the fourth is to explore new profit growth engines by cultivating emerging industries.

The management of the Company attached great importance to the issues identified by the Supervisory Committee and their attached recommendation, actively urged the relevant units to implement the improvement measures, clarified the responsibilities and rectification measures to the extent that 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 14 meetings and considered 61 resolutions. It considered 21 resolutions on routine supervision matters, including regular reports, financial reports and annual operation objectives of the Company; considered 34 resolutions on related-party transactions, which ensured that the plans and relevant annual caps for related-party transactions were determined in a scientific and reasonable manner and the pricing of related-party transactions was fair under transparent procedures; considered 5 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 1 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 and Hong Kong Stock Exchange.

During the Reporting Period, the Supervisory Committee attended 2 general meetings and 17 board meetings to supervise the significant decisions of the Company, and attended 25 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, the world economy remains in a complicated and grim state, and its recovery is unstable and uneven. There will be many uncertainties regarding the development of the pandemic and the situations abroad, and the foundation for China's economic recovery is still not solid. Given the severe internal and external situation and major difficulties along the journey of reform, the Supervisory Committee of China Communications Construction Company Limited ("CCCC" or the "Company") adhered to Xi Jinping's thought on socialism with Chinese characteristics for a new era, earnestly fulfilled the powers and obligations conferred by the Company Law and the Articles of Association, conscientiously implemented all policies and plans for state-owned enterprises made by the Party Central Committee, the State Council and SASAC, insisted on promoting reform, refining management, improving quality and efficiency, striving to promote high-quality development of enterprises. The Company's operation maintained a steady and healthy development, achieving all budget targets and the goals set by the SASAC, thus assured a good start for the "14th Five-Year Plan". CCCC has been rated as a Grade A enterprise in the Operating Results Assessment of State-owned Enterprises conducted by the SASAC for sixteen consecutive years, ranked the first among Chinese enterprises in ENR's Top International Contractors for 15 consecutive years and maintained the first among Asian enterprises. CCCC leaped to the 61st place in the Global 500, hitting a new record high.

In the meantime, the Supervisory Committee held the view that the Company should further strengthen the effectiveness of reform, improve management capabilities, strengthen risk prevention and control, and promote the continuous high-quality development of enterprises. Firstly, the Company should concentrate on the three-year action goals and tasks for state-owned enterprise reform, strengthen the implementation of reform to ensure the successful completion of reform. Secondly, the Company should adhere to the general idea of making progress while maintaining stability, actively serve the national strategy, implement new development concepts, integrate into the domestic and overseas cyclic economy, seize new opportunities while expand new space for development, and better support the domestic economy. Thirdly, the Company should uphold the theme of high-quality development, emphasis on stable growth, structure optimization and risks control, open event under the theme of "High-quality Development Implementation Year", aiming to build a globally competitive world-class enterprise with technology, management and quality. Fourthly, the Company should aggressively strengthen standardized and informationalized management and enhance overall budgets to improve management standards. Fifthly, the Company should continuously improve quality and efficiency, and ensure stable operation and good development with the idea of "tightening the belts". Sixthly, the Company should preserve full independence with respect to high-technology, speed up the construction of CCCC's original technology and digital intelligence, consistently innovate systems and mechanisms, so as to gain impetus from scientific and technological innovation. Seventhly, the Company should coordinate development and security by firmly standing by the bottom line for business operations, and promptly solve existing risks and effectively prevent new risks.

(ii) Independent Opinions on Specific Matters

Firstly, promote the operation of the Company in 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.

Secondly, be prepared in supervising the Company's 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 2021 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.

Thirdly, supervise the usage of proceeds raised by the Company in compliance with laws and regulations. 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.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE (CONTINUED)

(ii) Independent Opinions on Specific Matters (continued)

Fourthly, supervise the fairness and justness of the Company's related-party transactions. During the Reporting Period, all related-party transactions conducted 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 while strictly managed and monitored the implementation. There was no act that was detrimental to the interests of the Company and the shareholders. The Company developed the Special Working Plan for Related-Party (Connected) Transaction Management, focus on key works such as responsibility identification, compliance training, digital intelligence management, key enterprises supervision and accountability, with an aim to realize close-loop management mechanism of "monthly planning, quarterly communication, and annual assessment", and to ensure the related-party transactions are under approval.

Fifthly, supervise the authenticity and compliance of the Company's control assessment system. 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 2021 gave a comprehensive, objective and true view of the actual conditions of the Company's internal control.

Sixthly, supervise and inspect the disclosure of the Company's inside information. 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 2022, the Supervisory Committee will play well its supervisory role to promote the operation of the Company in compliance with laws and regulations, and to firmly prevent risks associated with the Company's development. The Supervisory Committee will develop new supervision approaches and methods to protect the legitimate rights and interests of the Company and the shareholders, so as to support the Company to move towards high quality development and build a globally competitive world-class enterprise with technology, management and quality.

The Intelligent Container Terminal Project in Section C of Beijiang Port Area of Tianjin Port is located on the west side of Beigangchi in Tianjin Port and is the first "intelligent zero carbon" terminal in the world. The project has built three 200,000-ton berths with a shoreline length of 1,100 meters, with the capacity of docking two 200,000-ton container vessels at the same time or two 100,000-ton and one 70,000-ton container vessels at the same time.

This project is a shining pearl in the construction of Tianjin Port Hub, and upon completion, it will be the container terminal with the highest degree of intelligence, the lowest construction cost and the best operational efficiency in China, which will definitely promote the Tianjin Port to a new stage in the process of building a world-class port.

CORPORATE GOVERNANCE REPORT

OVERVIEW

As a both H share and A share company, the Company operates in strict compliance with the requirements of the applicable laws, administrative regulations and regulatory documents, including the Company Law, the Securities Law and relevant rules of the Hong Kong Stock Exchange in relation to corporate information disclosure, the management and services of investor relations. In addition, the Company amended the Articles of Association and the related internal governance rules in 2011, 2012, 2015, 2017, 2020 and 2021 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 2021.

Pursuant to Code Provision C.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. A deviation from Code Provision C.2.1 occurred during the period from 1 January 2021 to 7 April 2021 as the roles of the chairman of the Board and the president of the Company were concurrently performed by Mr. Wang Tongzhou temporarily due to the resignation of Mr. Liu Qitao as the chairman of the Board and the resignation of Mr. Song Hailiang as the president of the Company. Notwithstanding, the Board believes that the balance of power and authority during abovementioned period was adequately ensured by the operation of the Board, which comprises experienced talents with a sufficient number thereof being independent non-executive Directors. As a commitment to retain high level of corporate governance and continuous efforts to comply with the Hong Kong Listing Rules, on 7 April 2021, Mr. Wang Tongzhou resigned as the president of the Company and Mr. Wang Haihuai was appointed as the president of the Company. Since then, the roles of chairman of the Board and the chief executive of the Company have been separate in compliance with Code Provision C.2.1.

THE BOARD OF DIRECTORS

1. Composition of the Board of Directors

As at 31 December 2021, the Board consisted of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Members of the Board were as follows:

Chairman of the Board: Wang Tongzhou

Executive Directors: Wang Tongzhou, Wang Haihuai, Liu Xiang

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 2021 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 2021, the Company held two shareholders' general meetings. The table below sets out the details of shareholders' general meeting attendance of each Director in 2021:

Director	Number of Meetings Attended
Wang Tongzhou	1
Wang Haihuai(Note 1)	0
Liu Xiang(Note 2)	1
Liu Maoxun	2
Huang Long	1
Zheng Changhong	2
Ngai Wai Fung	2

Note 1: Mr. Wang Haihuai was elected as the executive Director on 10 June 2021.

Note 2: Mr. Liu Xiang was elected as the executive Director on 10 June 2021.

3. Board Meetings

In 2021, the Company held 17 Board meetings to discuss the fundamental system, the internal control system, the establishment of branches and subsidiaries, 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 2021:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Wang Tongzhou	17	15	2	100%
Wang Haihuai(Note 1)	12	12	0	100%
Liu Xiang(Note 2)	12	12	0	100%
Liu Maoxun	17	17	0	100%
Huang Long	17	17	0	100%
Zheng Changhong	17	17	0	100%
Ngai Wai Fung	17	17	0	100%

Note 1: Mr. Wang Haihuai was elected as the executive Director on 10 June 2021.

Note 2: Mr. Liu Xiang was elected as the executive Director on 10 June 2021.

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 2021, 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 2021.

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 2021, each of Mr. Wang Tongzhou, Mr. Wang Haihuai, Mr. Liu Maoxun and Mr. Zheng Changhong has attended the training course on listed companies controlled by central enterprises organized by China Association for Public Companies, the Cadre Education and Training Center of SASAC, the Shanghai Stock Exchange and the Shenzhen Stock Exchange once. Mr. Liu Xiang has attended the training course for directors and supervisors of listed issuers incorporated in Beijing organized by the Listed Companies Association of Beijing once. Mr. Huang Long has attended the online video training on special representative action system organized by CCCC once. Mr. Ngai Wai Fung has attended 31 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 HUST-Golden Bee CSR Research Institute etc., for approximately 94 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 2021, 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 2021, the Strategy and Investment Committee consisted of four members, namely Mr. Wang Tongzhou, Mr. Wang Haihuai, Mr. Liu Xiang and Mr. Liu Maoxun, and is chaired by Mr. Wang Tongzhou.

The Strategy and Investment Committee held one meeting in 2021 to review and discuss the "Fourteenth Five-Year" Strategic Plan of the Company. The table below sets out the details of the Strategy and Investment Committee meeting attendance of each Director in 2021:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Wang Tongzhou	1	1	0	100%
Wang Haihuai *(Note 1)*	1	1	0	100%
Liu Xiang *(Note 2)*	1	1	0	100%
Liu Maoxun	1	1	0	100%

Note 1: Mr. Wang Haihuai became a member of the Strategy and Investment Committee with effect from 10 June 2021.

Note 2: Mr. Liu Xiang became a member of the Strategy and Investment Committee with effect from 10 June 2021.

(b) Audit and Internal Control Committee

The Audit and Internal Control Committee of the Company has reviewed the annual results of the Company. 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 2021, the Audit and Internal Control Committee consisted of four members, namely Mr. Liu Maoxun, Mr. Huang Long, Mr. Zheng Changhong and Dr. Ngai Wai Fung, and is chaired by Dr. Ngai Wai Fung. Three out of the four members of the Audit and Internal Control Committee were independent non-executive Directors.

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 12 meetings in 2021 to discuss, among other things, the audited annual financial statements of 2020, the internal control report of the Company of 2020, the internal audit summary of 2020 and the plan of 2021, the report of duty performance of the Audit and Internal Control Committee in 2020, the quarterly financial reports of 2021 and the interim financial report of 2021, the re-appointment of the international and domestic auditors for 2021 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 2021:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Maoxun	12	12	0	100%
Huang Long	12	12	0	100%
Zheng Changhong	12	12	0	100%
Ngai Wai Fung	12	12	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 2021, the Remuneration and Appraisal Committee consisted of three members, namely Mr. Huang Long, Mr. Zheng Changhong and Dr. 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 one meeting in 2021 to review and discuss the recommendation on the assessment of operational performance and remuneration of senior management of the Company for the year 2020. The table below sets out the details of Remuneration and Appraisal Committee meeting attendance of each Director in 2021:

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

THE BOARD OF DIRECTORS (CONTINUED)

7. Committees under the Board (continued)

(d) Nomination Committee

The main duties of the Nomination Committee include, among other things, to study the recruiting standard and procedure in respect of nomination of Directors and president 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 2021, the Nomination Committee consisted of five members, namely Mr. Wang Tongzhou, Mr. Wang Haihuai, Mr. Huang Long, Mr. Zheng Changhong and Dr. Ngai Wai Fung, and is chaired by Mr. Wang Tongzhou.

The Nomination Committee held three meetings in 2021 to discuss the appointment of the executive directors, president and vice president of the Company. The table below sets out the details of Nomination Committee meeting attendance of each Director in 2021:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Wang Tongzhou	3	3	0	100%
Wang Haihuai[Note 1]	1	1	0	100%
Huang Long	3	3	0	100%
Zheng Changhong	3	3	0	100%
Ngai Wai Fung	3	3	0	100%

Note 1: Mr. Wang Haihuai became a member of the Nomination Committee with effect from 10 June 2021.

For the year ended 31 December 2021, 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 2021, the Supervisory Committee of the Company consisted of three members, Mr. Lu Yaojun, Mr. Wang Yongbin and Mr. Yao Yanmin (as the representative of employees). The term of office for supervisors is three years which is renewable upon re-election.

The Supervisory Committee held 14 meetings in 2021 to consider and approve 61 proposals. In particular, 21 proposals on routine supervision matters such as periodic reports, financial reports and annual production and operating goals were considered, 34 proposals on related party transactions were considered to ensure the scientific and reasonable setting of plans and amount caps for related party transactions and the fair pricing and transparent procedures of each related party transaction, 5 proposals on guarantees were considered which ensured that the guarantees were in line with the development of the Company and were not in prejudice of the interests of the Shareholders and the Company and one proposal on system revision was considered. The table below sets out the details of Supervisory Committee meeting attendance of each Supervisor in 2021:

Supervisor	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Li Sen *(Note 1)*	4	4	0	100%
Zhao Xi'an *(Note 2)*	7	7	0	100%
Wang Yongbin *(chairman)* *(Note 3)*	14	14	0	100%
Lu Yaojun *(Note 4)*	3	3	0	100%
Yao Yanmin	14	14	0	100%

Note 1: Mr. Li Sen ceased to serve as the shareholder representative supervisor and the chairman of the Supervisory Committee with effect from 29 April 2021.

Note 2: Mr. Zhao Xi'an was elected as the shareholder representative supervisor and the chairman of the Supervisory Committee with effect from 10 June 2021, and ceased to serve as the shareholder representative supervisor and the chairman of the Supervisory Committee with effect from 18 November 2021.

Note 3: Mr. Wang Yongbin was elected as the chairman of the Supervisory Committee with effect from 18 November 2021.

Note 4: Mr. Lu Yaojun was elected as the shareholder representative supervisor with effect from 18 November 2021.

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 2021 are as follows:

	RMB'000
Audit services	27,850
Other non-audit services	1,360

The resolution on appointment of auditors will be submitted at the third meeting of the fifth 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 2021 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 2021, 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 2021 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 2021, 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 requirements under the Working Rules of Basic Organizations of the State-owned Enterprises of the Communist Party of China (Trial) and in view of 9,024,000 H Shares being repurchased and cancelled and all 145,000,000 preference shares being redeemed and cancelled by the Company, 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 2020 annual general meeting of the Company held on 10 June 2021.

For details, please refer to the circular of the Company dated 18 May 2021, the announcements of the Company dated 29 April 2021 and 10 June 2021, and the amended Articles of Association dated 10 June 2021.

INVESTOR RELATIONS

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

The Xiaoyi River Estuary Wetland Water Purification Project in Xiong'an New Area is the first wetland ecological project in Xiong'an New Area, situated in Anxin County (安新縣), Xiong'an New Area, with a designed water purification capacity of 200,000 cubic meters per day and a permanent site area of 1.98 square kilometers, the construction includes water diversion and distribution project, water purification project, Internet of Things and supporting facilities.

The completion of the Xiaoyi River Estuary Wetland Water Purification Project will effectively reduce pollutants in the Xiaoyi River and improve water quality, which will have important ecological meanings in improving the ecological environment and enhancing the ecological landscape quality in Baiyangdian (白洋澱) region.

BOARD OF DIRECTORS

The Board consisted of nine Directors, including four executive Director, one non-executive Director and four independent non-executive Directors. Profiles of the Directors are as follows:

Mr. Wang Tongzhou, born in 1965, Chinese nationality, is the executive Director, the chairman of the Board and the secretary of the Party Committee of the Company. He also serves as the chairman 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., the executive director and the chairman of the board of China Nonferrous Mining Corporation Limited; the general manager of CCCG and the president of the Company. Mr. Wang possesses a doctoral degree in economics. Mr. Wang is a professorate 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 chairman of the Board of the Company since October 2020.

Mr. Wang Haihuai, born in 1968, Chinese nationality, is the executive Director, president, deputy secretary of the Party Committee of the Company and also serves as a director, the general manager and a deputy secretary of the Party Committee of CCCG. Mr. Wang joined the Company in 1991 and has extensive operational and management experience. He held positions as a member of the Party Committee and the deputy director, deputy secretary of the Party Committee and the director of The Second Harbour Engineering Bureau of Ministry of Transport (交通部第二航務工程局), the chairman, the general manager, deputy secretary of the Party Committee of CCCC Second Harbour, the general manager of the port and waterway dredging division of the Company, the vice president of the Company, the deputy general manager of CCCG. Mr. Wang graduated from Chongqing Jiaotong University with a major in harbour and channel engineering, and obtained a master's degree in the business administration from Wuhan University and is a professorate senior engineer and senior economist. Mr. Wang has been serving as the president of the Company since April 2021, and as the executive Director of the Company since June 2021.

Mr. Liu Xiang, born in 1968, Chinese nationality, is the executive Director, deputy secretary of the Party Committee of the Company and also serves as the deputy secretary of the Party Committee and an employee director of CCCG. Mr. Liu has extensive experience in corporate administration. He held positions as the inspector at the deputy director level of the Party mass work department, the deputy director of the Party mass work department and the secretary of the Youth League Committee of China Aerospace Science and Industry Corporation Limited (中國航天科工集團有限公司), the chairman of the supervisory committee of Guizhou Aerospace Industry Co., Ltd. (貴州航天工業有限責任公司) and the director of the discipline inspection and supervision department, the deputy head of the Party disciplinary inspection group and the director of the human resource department of China Aerospace Science and Industry Corporation Limited (中國航天科工集團有限公司). Mr. Liu successively graduated from Anhui Institute of Education majoring in Chinese, and obtained a master's degree in literature and arts from Renmin University of China and a master's degree in business administration from Beihang University. Mr. Liu is a senior political engineer at the research institute level. Mr. Liu has been serving as the executive Director of the Company since June 2021.

Mr. Sun Ziyu, born in 1962, Chinese nationality, is the deputy general manager and a member of the standing committee of the Party Committee of CCCG. Mr. Sun joined the Company in 1983 and has extensive operational and management experience. He has been serving as the vice president of First Harbour Consultants Co., Ltd. of Ministry of Transport, the chief engineer of China Harbour Engineering Company (Group), the chief engineer of CCCG, the general manager and chairman of the board of CHEC, and the general manager of the overseas department and the vice president of the Company. Mr. Sun graduated from Zhejiang University (formerly known as Hangzhou University) with a major in marine geology and geomorphology and subsequently obtained a master's degree from Delft University of Technology NL and a master's degree in business administration for executives from Peking University. He is a professorate senior engineer, a British royal chartered civil engineer and a British royal chartered constructor and enjoys special government allowance of the State Council. Mr. Sun has been serving as the executive Director of the Company since February 2022.

Mr. Mi Shuhua, born in 1962, Chinese nationality, is the specialized external director of state-owned enterprises, the external director of CCCG, the external director of China Three Gorges Corporation, the external director of China Minmetals Corporation. Mr. Mi has extensive experience in corporate production and operation administration. He held positions as a member of the Party Committee and the deputy general manager of National Electric Power Corporation (Northeast Branch) (國家電力公司東北公司), a member of the Party Committee and the deputy general manager of State Grid Corporation (Northeast Branch) (國家電網公司東北公司), the secretary of the Party Committee and the general manager of China Guodian Corporation (Northeast Branch) (中國國電集團公司東北公司), the deputy secretary of the Party Committee and the general manager of National Electric Power Co., Ltd. (國電電力股份有限公司), the deputy general manager and a member of the Party Committee of China Guodian Corporation (中國國電集團公司), the deputy general manager and a member of the Party Committee of China Energy Investment Corporation (國家能源投資集團有限責任公司). Mr. Mi graduated from Northeast Electric Power University (東北電力學院) with a bachelor's degree in engineering, and he is a professorate senior engineer. Mr. Mi has been serving as the non-executive Director of the Company since February 2022.

BOARD OF DIRECTORS (CONTINUED)

Mr. Liu Hui, born in 1960, Chinese nationality, is an external director of China Academy of Building Research. Mr. Liu has extensive experience in construction, project construction and scientific research management. He held positions as the assistant to general manager, the director and the chief engineer of China Railway No. 2 Engineering Group Co., Ltd. (中鐵二局集團有限公司), the deputy general manager, a member of the standing committee of the Party Committee and the chief engineer of China Railway Engineering Corporation, a member of the standing committee of the Party Committee of China Railway Group Limited and the vice president, a member of the standing committee of the Party Committee and the chief engineer of China Railway Group Limited. Mr. Liu graduated from Southwest Jiaotong University in railway engineering, and obtained a master's degree in architecture and civil engineering, and he is a professorate senior engineer and a professional who enjoys special government allowance of the State Council. Mr. Liu has been serving as an independent non-executive Director of the Company since February 2022.

Mr. Chan Wing Tak Kevin, born in 1966, Chinese nationality and a resident of Hong Kong Special Administrative Region, is the chief executive officer of Concentric Education Foundation (Hong Kong) and the vice president of Chinese Banking Association of Hong Kong and he also serves as an independent non-executive director of Royale Home Holdings Limited. Mr. Chan has extensive experience in finance, securities and financing. He held positions as the head of research division of Nomura International (Hong Kong) Limited in China and Hong Kong and the director of banking department thereof in Asia region, the head of China and Hong Kong Financial Department of CLSA, a senior advisor of KPMG China and a member of the Listing Committee of the Hong Kong Stock Exchange, a member of Election Committee (Finance) of The Government of the Hong Kong Special Administrative Region. Mr. Chan graduated from London School of Economics and Political Science with a master's degree in economics and has qualification of Fellow Certified Practising Accountant in Australia. Mr. Chan has been serving as an independent non-executive Director of the Company since February 2022.

Mr. Wu Guangqi, born in 1957, Chinese nationality, is an external director of China National Salt Industry Group Co., Ltd. Mr. Wu has extensive experience in corporate administration. He held positions as the director of general office of China National Offshore Oil Corporation (CNOOC), the secretary of the Party Committee, the secretary of the Committee for Discipline Inspection and chairman of the Labor Union of CNOOC Research Center, the secretary of the Party Committee and the director of the ideology affairs department of the direct department of CNOOC, the assistant of general manager, a member of the Party group, the head of Party disciplinary inspection group, the deputy general manager, a member of the Party group, the deputy secretary of the Party group and the deputy general manager of CNOOC, and also served as the executive director and the compliance officer of CNOOC Limited for a long time. Mr. Wu also served as an independent director of China Yangtze Power Co., Ltd. Mr. Wu graduated from Ocean University of China with a major in marine geology, and obtained a master's degree in management from China University of Petroleum and a doctoral degree in public administration from Huazhong University of Science and Technology, and he is a professor-level senior economist, Certified Senior Enterprise Risk Manager (CSERM) and Certified Internal Auditor (CIA). Mr. Wu has been serving as an independent non-executive Director of the Company since February 2022.

Mr. Zhou Xiaowen, born in 1961, Chinese nationality, is an external director of China Logistics Group Co., Ltd. (中國物流集團有限公司). Mr. Zhou has extensive experience in transportation, construction, project construction and planning. He held positions as the deputy director of the Development and Planning Department (發展計劃司), the executive deputy dean of the Economy Planning Institute (經濟規劃研究院), and the executive deputy director of the Engineering Design Appraisal Center (工程設計鑒定中心) of Ministry of Railway, the dean of the Economy Planning Institute and the director of the Engineering Design Appraisal Center of Ministry of Railway; the head and the deputy secretary of the Party Committee of China Railway Economic and Planning Research Institute (中國鐵路經濟規劃研究院), the director of the Engineering Design Appraisal Center of China Railway Corporation (中國鐵路總公司工程設計鑒定中心), the vice chairman, the general manager and the deputy secretary of the Party Committee of China Railway Economic and Planning Research Institute, the director of the Engineering Design Appraisal Center of CSRG, the chief expert in survey and design of CSRG, an office specialist and the commissioner (special external director) of the Office of Sichuan-Tibet Railway Engineering Construction Headquarters (Leading Group). Mr. Zhou graduated from Lanzhou Railway Institute (蘭州鐵道學院) with a major in railway engineering. He has also obtained a master's degree in engineering, and is a professorate senior engineer and a national master in engineering survey and design (全國工程勘察設計大師). Mr. Zhou has been serving as an independent non-executive Director of the Company since February 2022.

As at the date of this report, the profiles of resigned directors are as follows:

Mr. Liu Maoxun, born in 1955, Chinese nationality, was a non-executive Director of the Company during the reporting period. 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 served as a non-executive Director of the Company from April 2014 to February 2022.

BOARD OF DIRECTORS (CONTINUED)

Mr. Huang Long, born in 1953, Chinese nationality, was an independent non-executive Director of the Company during the reporting period. 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 served as an independent non-executive Director of the Company from April 2014 to February 2022.

Mr. Zheng Changhong, born in 1955, Chinese nationality, was an independent non-executive Director of the Company during the reporting period. 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 served as an independent non-executive Director of the Company from November 2017 to February 2022.

Dr. Ngai Wai Fung, born in 1962, Chinese nationality and a resident of Hong Kong Special Administrative Region, was an independent non-executive Director of the Company during the reporting period. 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, 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, SITC International Holdings Company Limited and BBMG Corporation. 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 served as an independent non-executive Director of the Company from November 2017 to February 2022.

SUPERVISORY COMMITTEE

Mr. Wang Yongbin, born in 1965, Chinese nationality, is the chairman of the Supervisory Committee, the general manager of the auditing department and the director of the Office of Dispatched Supervisors of the Company. He also serves as the chief auditor, the general manager of the auditing department and the director of the Office of Dispatched Supervisors of CCCG. Mr. Wang joined the Company in 2001 and has extensive management experience. He held positions as the chairman of the Supervisory Committee of Zhenhua Logistics Group Co., Ltd., a Supervisor of China Northeast Municipal Engineering Design & Research Institute Co., Ltd. (中國市政工程東北設計研究總院有限公司) and CCCC Shanghai Equipment Engineering Co., Ltd. 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 a professorate senior auditor. Mr. Wang has been serving as a Supervisor of the Company since September 2006, and as the chairman of the Supervisory Committee of the Company since November 2021.

Mr. Lu Yaojun, born in 1970, Chinese nationality, is a Supervisor and the general manager of the investment management department of the Company. He also serves as the general manager of the investment management department of CCCG and the director of CCCC Capital Holdings Limited (中交資本控股有限公司). Mr. Lu joined the Company in 1993 and has extensive management experience. He has served as the deputy chief engineer and director of the investment management department of CCCC Second Highway Consultants Co., Ltd. (中交第二公路勘察設計研究院有限公司), and the deputy general manager of the investment division of the Company. Mr. Lu graduated from Tongji University with a major in traffic engineering and is a professorate senior engineer. Mr. Lu has been serving as a Supervisor of the Company since November 2021.

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.

Mr. Zhao Xi'an, born in 1961, Chinese nationality, was a member of the Party Committee and chief economist of the Company during the reporting period, and also serves as a member of the Party Committee and the general manager of the new industry development division of CCCG, and the chairman of CCCG Xiong'an Investment Co., Ltd. (中交雄安投資有限公司). Mr. Zhao joined the Company in 1983 and has extensive management experience. He served as the deputy secretary of the Party Committee, the vice chairman and the general manager of CCCC Second Highway Consultants Co., Ltd. (中交第二公路勘察設計研究院有限公司), and the assistant to the president and the general manager of the investment division of the Company. Mr. Zhao graduated from Tongji University majoring in road engineering and subsequently obtained a master's degree in engineering from Wuhan University of Technology, and is a professorate senior engineer. Mr. Zhao has been served as a Supervisor and the chairman of the Supervisory Committee of the Company from June 2021 to November 2021.

Mr. Li Sen, born in 1964, Chinese nationality, was a Supervisor and the chairman of the Supervisory Committee of the Company during the reporting period. 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 served as a Supervisor and the chairman of the Supervisory Committee of the Company from November 2017 to April 2021.

SENIOR MANAGEMENT

The Company's senior management consisted of seven members with the profile as follow (for the profile of Mr. Wang Haihuai, a senior management member who concurrently serves as a Director, please refer to the above):

Mr. Wang Jian, born in 1964, with Chinese nationality, 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 Standing Committee 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 with a postgraduate diploma, majoring in bridge and structure engineering. He also holds a doctoral 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, is currently the vice president and a member of the Party Committee of the Company, and the chairman 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 CFHCC, the deputy general manager of CFHCC, the chairman, the general manager and the deputy secretary of the Party Committee of CCCC Tianjin Dredging Co., Ltd., 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, is currently the vice president and a member of the Party Committee of the Company, and the chairman 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 chairman and the 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. Chen Zhong, born in 1971, with Chinese nationality, is currently the vice president and a member of the Party Committee of the Company, and the general manager of supply chain management department of the Company, and also the executive director of China Communications Materials & Equipment Co., Ltd. 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, the executive general manager and 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 doctoral 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.

SENIOR MANAGEMENT (CONTINUED)

Mr. Yang Zhichao, born in 1981, with Chinese nationality, is currently the vice president, a member of the Party Committee and a director of the office (the Party Committee Office) of the Company. Mr. Yang joined the Company in 2003 and has extensive operational and management experience. He has successively served as the secretary of the Party Committee and a deputy general manager of the Third Engineering Co., Ltd. of CCCC Third Highway Engineering Co., Ltd.* (中交三公局第三工程有限公司); the chairman of the board of directors and the secretary of the Party Committee of the First Engineering Co., Ltd. of CCCC Third Highway Engineering Co., Ltd.* (中交三公局第一工程有限公司); the secretary of the Youth League Committee, a deputy general manager (deputy director) of the human resource department II (the Party Committee organisation department), a deputy director (deputy general manager) of the Party Committee work department (the enterprise culture department) and a deputy director of the Party Committee work department (the Party Committee united front work department); the deputy secretary of the Party Committee, a director and the general manager of China Urban and Rural Holding Group Co., Ltd.* (中國城鄉控股集團有限公司); and the chairman of the board of directors of Southwest Municipal Engineering Design and Research Institute of China* (中國市政工程西南設計研究總院有限公司). Mr. Yang obtained a bachelor's degree in engineering with a major in civil engineering from Changsha University of Science & Technology and subsequently obtained a master's degree in engineering with a major in transportation engineering from Changsha University of Science & Technology. He is a senior engineer and a senior political engineer. Mr. Yang has been serving as the vice president of the Company since August 2021.

Mr. Zhu Hongbiao, born in 1970, with Chinese nationality, 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 assistant to general manager and the deputy general manager of capital management department, the deputy general manager of finance and accounting department of CRBC. Mr. Zhu also served as the deputy general manager and general manager of fund department of CCCG and the general manager of finance fund department of the Company. Mr. Zhu graduated from Chang'an University (formerly known as Xi'an Highway College) with a bachelor's degree in accounting and later obtained a master's degree in accounting from Peking University. He is a professorate senior accountant. Mr. Zhu has been serving as the chief financial officer of the Company since October 2019.

Mr. Zhou Changjiang, born in 1965, with Chinese nationality, is the Board secretary and the company secretary of the Company, and also the chairman of CCCC Capital Holdings Limited (中交資本控股有限公司). 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), the deputy general manager of the enterprise development department and the director of the board office 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.

Mr. Pei Minshan, born in 1971, with Chinese nationality, was the vice president and a member of the Party Committee of the Company during the reporting period, 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 served as the vice president of the Company from October 2019 to August 2021.

Mr. Wen Gang, born in 1966, with Chinese nationality, was a vice president and a member of the Party Committee of the Company during the reporting period. He also serves as the deputy general manager and a member of the Standing Committee 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 CFHEC, 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 and later obtained 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 served as the vice president of the Company from December 2016 to March 2022.

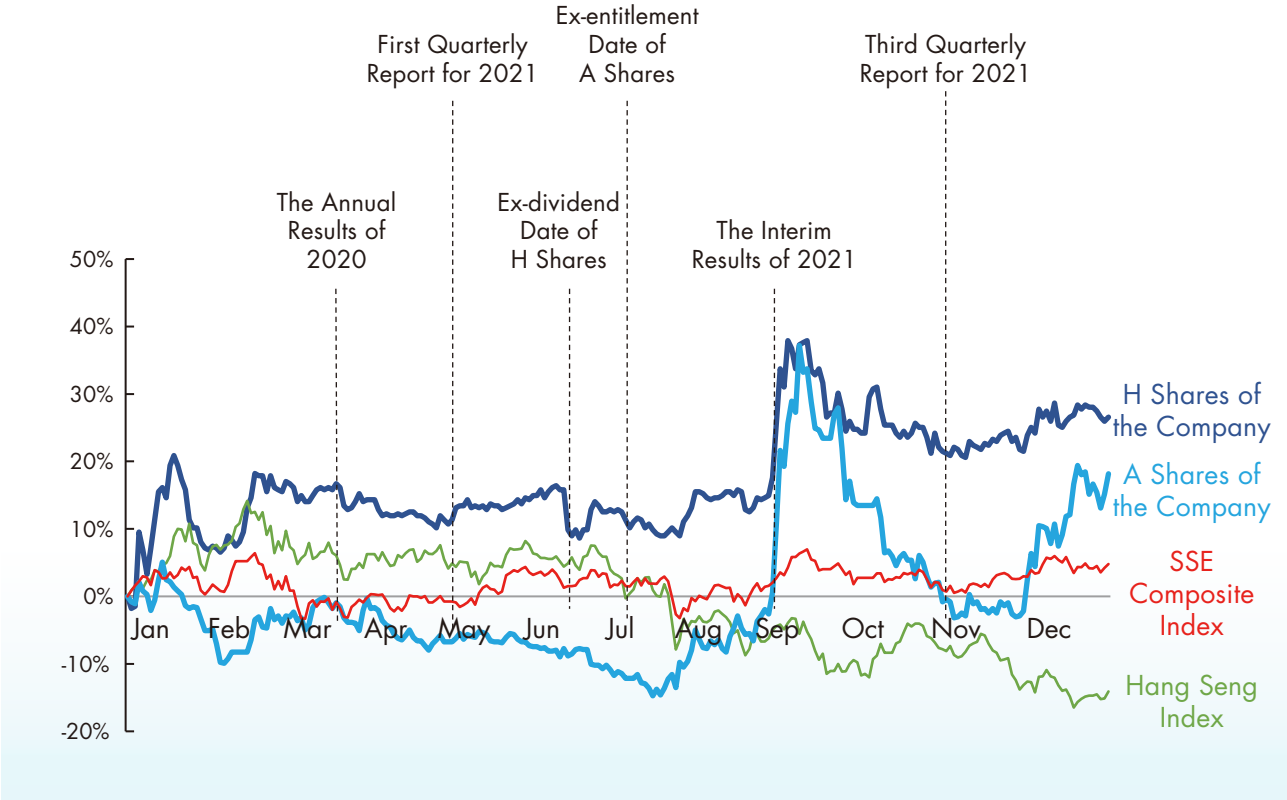
Located at the northern end of Honghu Park in Luohu District, Shenzhen Honghu Water Purification Plant covers an area of 32,400 square meters and is the first 5G underground water purification plant in China, as well as a key livelihood project to improve water quality in Shenzhen.

Upon completion, the maximum daily sewage treatment capacity of the plant will reach 50,000 cubic meters. The surface of the water plant will be restored as a wetland park, with great significance to Shenzhen's urban upgrading and water environment management.

INVESTOR RELATIONS

(I) CAPITAL MARKET REVIEW

In 2021, the Company's share price fluctuated and rose amid market volatilities due to expected improvement in industry valuations and steady improvement in the operating performance of the Company, and outperformed the market. The closing price of the Company's A Shares on 31 December 2021 was RMB8.58, representing an increase of 18.2% as compared to the closing price of RMB7.26 on 31 December 2020. The closing price of the Company's H Shares on 31 December 2021 was HKD4.24, representing an increase of 26.6% as compared to the closing price of HKD3.35 on 31 December 2020.



(II) KEEPING THE ORIGINAL ASPIRATION AND MISSION IN MIND, GUIDING FOR VALUE INVESTMENT, AND CARRYING OUT POSITIVE INTERACTION WITH CAPITAL MARKET IN A PROACTIVE MANNER

In 2021, adhering to an active, open and transparent attitude, the Company explored new approaches and forms of communication with investors, focused on value creation, and built a comprehensive investor relations service system in a multi-channel, multi-approach and multi-platform manner.

1. Holding High-quality Results Presentations by Using Visual Means

Overcoming the impact of the pandemic, the Company held its annual and interim results presentations via live broadcast + telephone dial-in + online roadshow, and also held one-to-one meetings and group meetings with some investors, in order to answer the questions concerned by investors, to strengthen in-depth communication, and to ensure the interests of investors.

Prior to the meeting, the Company published the notice of the meeting through multiple channels such as the website of the Shanghai Stock Exchange, the media designated by the CSRC, the official website of the Company and WeChat platform, and informed the specific information of the presentations, thus enabling investors to grasp the agenda of the results presentations of the Company in advance. Afterwards, the Company openly solicited concerns of investors through the hotline, email, online platform and other channels, and collaborated with various departments to prepare the materials for the results presentations in a comprehensive and detailed manner, to improve the pertinence and effectiveness of the meeting communication, and to enhance the "sense of fulfillment" and "sense of satisfaction" of investors for participation in the meeting.

(II) KEEPING THE ORIGINAL ASPIRATION AND MISSION IN MIND, GUIDING FOR VALUE INVESTMENT, AND CARRYING OUT POSITIVE INTERACTION WITH CAPITAL MARKET IN A PROACTIVE MANNER (CONTINUE)

1. Holding High-quality Results Presentations by Using Visual Means (continue)

During the meeting, the chairman and president of the Company attended in person. With the support of multimedia materials such as PPT, charts, illustrations and short videos, they introduced the Company's current operating performance in detail, profoundly explained the strategic goals and business strategies, and analyzed potential risks and market opportunities face to face, which significantly enhanced the "sense of experience" of investors participating in the meeting, transformed the cold report data into rich and vivid language graphics, showed the growth story behind it, and conveyed the accumulated value of the Company.

After the meeting, in order to allow more investors to fully understand the content of the results presentations of the Company, the Company organised the meeting into Chinese and English bilingual transcripts and uploaded it to the column of investor relations on the official website of the Company to meet the needs of analysts and investors with different backgrounds, interpreted the basic requirements for truthfulness, accuracy, completeness, timeliness and fairness of information disclosure, and eliminated the problem of information asymmetry.

2. Carrying Out Targeted Reverse Roadshow Based on Operating Highlights

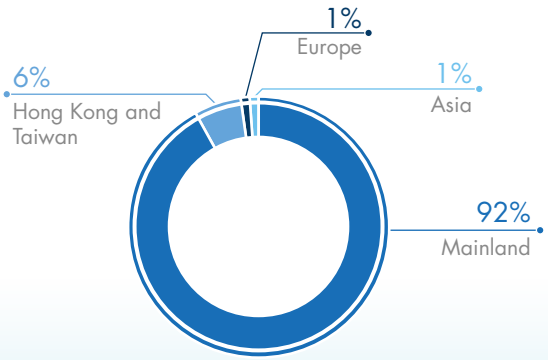
In September, the Company held a reverse roadshow for investors with dual themes of technological innovation + CCCC Urban in Fenghua, Ningbo, and 20 well-known domestic and foreign institutional analysts and fund managers attended the event. In the form of special discussions and on-site visits, on the one hand, the current situation and future planning of the Company's technological innovation were systematically sorted out, and the major achievements and R&D strength in key areas were comprehensively displayed; on the other hand, it vividly presented that the Company took the comprehensive urban development as the main line of development and took the integrated development of industry and city as the driver of value creation to build and optimise the active exploration and preliminary results of urban comprehensive development and operation industry chain, enabling investors to have a deeper understanding and recognition of the Company's ability for regional overall value planning, high-quality coordination and development, diverse resource linkage, empowering urban development and sustainable urban operation. During the event, the Company actively interacted with investors to clear their doubts and confusions, which allowed the attendees to have a deeper and clearer understanding of the Company's urban business development and technology research and development and increased their confidence in the sustainable development of the Company.

(II) KEEPING THE ORIGINAL ASPIRATION AND MISSION IN MIND, GUIDING FOR VALUE INVESTMENT, AND CARRYING OUT POSITIVE INTERACTION WITH CAPITAL MARKET IN A PROACTIVE MANNER (CONTINUE)

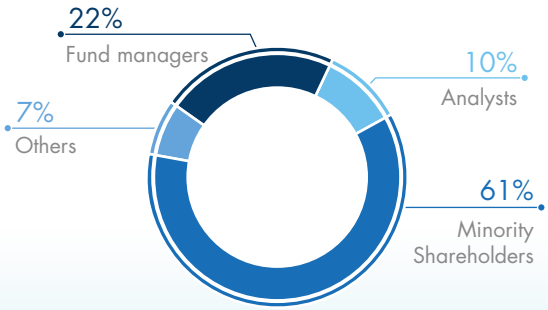
3. Build a Two-way Smooth Communication Platform for the Capital Market

Through daily institutional summits, analysts and investors surveys, investors collective reception days, investor hotlines, SSE e-Interaction, IR mailbox, etc., we have been proactively communicating with domestic and foreign investors in an all-round, multi-angle and multi-level manner. positive interaction. A total of 16 institutional summits were attended throughout the year, and dozens of analysts and investors surveys were conducted (including investor collective reception days), with more than 180 investors attended the meeting; more than 340 questions on the SSE e-Interaction were answered in a timely manner, and nearly one hundred calls from investors were answered on a daily basis.

Geographical Analysis for Investors



Type Analysis for Investors



The Company regularly updates the column of investor relations on the official website of the Company, including ordinary announcements, financial highlights, institutional summit arrangements, minutes of results presentation, statistics of investor reception, etc., to facilitate the information inquiry and access of various investors. The Company fully utilised the WeChat platform and other network media, actively and accurately transmit the results information of the Company, and expanded the audience group of investor relations management.

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 Summary of Non-deal Roadshows to pass the questions raised by investors to the management in a timely and comprehensive manner. Through careful, detailed and diverse work and services, an effective and interactive bridge of communication was built between the investors from the capital market and the Company.

Investors' issues throughout the year focused on: the achievement of the annual goals of the Company, the improvement of important financial indicators, the "14th Five-Year" plan and strategic layout, how to balance the benefits and risks of investment business, the recovery of overseas business, pilot progress and follow-up plans of REITs, the room for further improvement of the dividend ratio, the progress and impact of the reform of state-owned enterprises, the strategy and layout of new industries, the progress of the increase in shareholdings of major shareholders, etc.

(II) KEEPING THE ORIGINAL ASPIRATION AND MISSION IN MIND, GUIDING FOR VALUE INVESTMENT, AND CARRYING OUT POSITIVE INTERACTION WITH CAPITAL MARKET IN A PROACTIVE MANNER (CONTINUE)

3. Build a Two-way Smooth Communication Platform for the Capital Market (continue)

List of the Company's major investor relations activities in 2021

Month	Activity	Organiser
January	21th Greater China Conference	UBS Securities
March	2020 Annual Results Announcement	CCCC
April	• Online Results Presentation • Meeting of Analysts and Investors • Non-deal Roadshow 2021 Spring Online Strategy Conference 2021 First Quarterly Report	 Industrial Securities CCCC
May	Hong Kong Stock Corporate Day IDEAS Summit Cycle & Bulk Commodities Corporate Day	Huatai Securities Wonderful Sky Financial ICBC International
June	2021 Capital Markets Forum Asia Pacific Opportunities Summit 2021	Citic Securities ICA
July	Asian Industrial and Infrastructure Company Day	UBS Securities
August	2021 Interim Results Announcement	CCCC
September	• Online Results Presentation • Meeting of Analysts and Investors • Non-deal Roadshow 2021 Strategy Conference Reception Day for Investors of Listed Companies under the Jurisdiction of Beijing Online Exchange Conference of Listed Companies 2021 Third Quarterly Strategy Conference	 Changjiang Securities CCCC Northeast Securities TF Securities
October	2021 Third Quarterly Report	CCCC
November	2022 Strategy Conference 2022 Investment Summit 2022 Strategy Conference	Citibank Huatai Securities Industrial Securities
December	2022 Investment Summit 2022 Capital Market Summit	Guotai Junan Guosheng Securities

(III) CONSOLIDATE THE BRIDGE OF INFORMATION COMMUNICATION WITH INVESTORS WITH SOLID INFORMATION DISCLOSURE

The Company regards information disclosure as one of the top priorities of listed companies at all times, practically fulfills its information disclosure obligations in accordance with the Listing Rules, strictly complies with the information disclosure principles of "truth, accuracy, completeness, timeliness and fairness", in order to achieve high-quality 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 institutional 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) ACTIVELY CREATE A GOOD ECOLOGY TO PROTECT THE LEGAL INTERESTS OF INVESTORS

In 2021, in accordance with the main revisions of the new Securities Law, as well as the latest regulatory requirements issued by domestic and abroad securities regulatory agencies, and in combination with the Company's overall arrangements for the "Year of System Construction", the Company systematically and comprehensively sorted out the investor relations system, revised and added 9 rules and regulations, standardised the system expression and straightened out the work process, to ensure the continuous and healthy operation of securities information disclosure and related-party transactions with a sound and standardised system, and to protect the legal interests of the Company's shareholders.

The Company paid high attention to legal education, and organised and implemented special publicity and education activities for the special representative litigation system for securities disputes. The activities included compiling text learning materials, inviting perennial legal counsel to record videos and broadcasting them through OA to specific people, and including special representative litigation into the scope of management of investor relations of the Company and publication of learning documents such as brochures on the website of the Company and SSE e-Interactive. The publicity and training of special activities for the special representatives' legal system improved the awareness of directors, supervisors and senior management of the Company for protection of investor, improved the standard of internal governance and code of conduct of the Company, and further promoted high-quality development of the Company.

(V) 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 listed on the "Top 50 Listed Companies of New Fortune (2021新財富最佳上市公司50強)", included in the "Excellent Practice Cases for 2020 Annual Report Results Presentation of Listed Companies (上市公司2020年報業績説明會優秀實踐案例)" selected by China Association for Public Companies and Top 100 Hong Kong Stocks (港股100強), won the "Best Secretary to the Board of Directors on the Main Board (主板最佳董秘獎)" in the election of "Tianma Award for Chinese Listed Companies' Investor Relations (中國上市公司投資者關係天馬獎)" organised by Securities Times, won three major awards (including the "Best Investor Relations Award (最佳投資者關係獎)", the "Best Enterprise Leader Award (最佳企業領袖獎)" and the "Best Secretary to the Board of Director Award (最佳董事會秘書獎)") in the fifth "China Financial Market Award (中國融資大獎)", and monopolised four awards of the "Best Leader Award (最佳領袖獎)", the "Best Digital Investor Relations Award (最佳數字化投資者關係獎)", the "Best Information Disclosure Award (最佳信披獎)" and the "Best Communication with the Capital Market Award (最佳資本市場溝通獎)" in the "5th China IR Annual Awards (第五屆中國卓越IR評選)". In addition, as evaluated by Shanghai Stock Exchange, the Company was considered as A class (highest level of honor) in terms of information disclosure for the eighth consecutive year. 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 2022. 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 Fen River Watershed Ecological Management Project includes a 13.5 kilometers long section from the end of Phase III of Taiyuan Fen River Park to the site of Fen River Second Dam. The construction mainly covers the improvement and protection of riverbank slopes in the ecological transformation of riverbank protection, interception and leakage prevention works of riverbanks, widening and shaping of the main river channel and protection works of the riverbank walls, as well as earthworks and protection works in the construction of the floodplain wetlands, etc.

As the second largest tributary of the Yellow River, the Fen River watershed ecology is important to the national strategy of ecological protection and quality development of the Yellow River watershed. Upon completion, the project will effectively improve the aquatic ecological environment of the Fen River watershed, enhance the flood control capacity of the river, and gradually restore the natural beauty along the river.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of China Communications Construction Company Limited

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Communications Construction Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 121 to 244, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
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 and 24 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 of 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 2021. We also evaluated the reasonableness of the discount rates.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 Wong Man Kit.

Ernst & Young
Certified Public Accountants

Hong Kong
30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB million	2020 RMB million
Revenue	4, 5	**682,599**	624,495
Cost of sales		**(598,096)**	(544,459)
Gross profit		**84,503**	80,036
Other income	5	**5,428**	5,124
Other gains/(losses), net	5	**(1,438)**	(1,129)
Selling and marketing expenses		**(1,450)**	(1,180)
Administrative expenses		**(42,835)**	(40,580)
Impairment losses on financial and contract assets, net		**(6,944)**	(5,449)
Other expenses		**(2,725)**	(2,417)
Operating profit		**34,539**	34,405
Finance income	7	**14,608**	10,305
Finance costs, net	8	**(19,539)**	(17,140)
Share of profits and losses of:			
– Joint ventures		**(614)**	(786)
– Associates		**790**	173
Profit before tax	6	**29,784**	26,957
Income tax expense	11	**(5,926)**	(7,328)
Profit for the year		**23,858**	19,629
Attributable to:			
– Owners of the parent		**18,348**	16,475
– Non-controlling interests		**5,510**	3,154
		23,858	19,629
Earnings per share attributable to ordinary equity holders of the parent	13		
Basic		**RMB1.04**	RMB0.92
Diluted		**RMB1.04**	RMB0.92

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 *RMB million*	2020 *RMB million*
Profit for the year	**23,858**	19,629
Other comprehensive income/(losses)		
Other comprehensive income/(losses) that will not be reclassified to profit or loss in subsequent periods, net of tax:		
Actuarial (losses)/gains on retirement benefit obligations	**(22)**	41
Changes in fair value of equity investments designated at fair value through other comprehensive income	**68**	3,624
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**46**	3,665
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax:		
Cash flow hedges	**1**	7
Share of other comprehensive loss of joint ventures and associates	**(39)**	(43)
Exchange differences on translation of foreign operations	**(1,521)**	(3,070)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(1,559)**	(3,106)
Other comprehensive (loss)/income for the year, net of tax	**(1,513)**	559
Total comprehensive income for the year	**22,345**	20,188
Attributable to:		
– Owners of the parent	**16,874**	17,227
– Non-controlling interests	**5,471**	2,961
	22,345	20,188

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB million	2020 RMB million
Non-current assets			
Property, plant and equipment	14	**61,218**	61,040
Investment properties	15	**6,697**	4,523
Right-of-use assets	16(a)	**17,319**	15,788
Intangible assets	17	**229,094**	229,482
Investments in joint ventures	18	**44,569**	33,534
Investments in associates	19	**40,757**	34,068
Financial assets at fair value through profit or loss	20	**14,249**	10,513
Debt investments at amortised cost		**530**	124
Equity investments designated at fair value through other comprehensive income	21	**30,095**	30,736
Contract assets, trade and other receivables	24	**371,774**	293,218
Deferred tax assets	30	**7,190**	6,646
Total non-current assets		**823,492**	719,672
Current assets			
Inventories	23	**73,064**	72,877
Contract assets, trade and other receivables	24	**387,760**	382,802
Financial assets at fair value through profit or loss	20	**1,319**	124
Debt instruments at amortised cost		**20**	–
Derivative financial instruments	25	**606**	640
Restricted bank deposits and time deposits with an initial term of over three months	26	**8,773**	8,543
Cash and cash equivalents	26	**95,803**	119,511
Total current assets		**567,345**	584,497
Current liabilities			
Trade and other payables	27	**435,778**	404,230
Contract liabilities	28	**80,027**	88,558
Derivative financial instruments	25	**1**	11
Tax payable		**6,949**	7,303
Interest-bearing bank and other borrowings	29	**76,292**	82,490
Retirement benefit obligations	31	**109**	116
Total current liabilities		**599,156**	582,708
Net current (liabilities)/assets		**(31,811)**	1,789
Total assets less current liabilities		**791,681**	721,461

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB million	2020 RMB million
Total assets less current liabilities		**791,681**	721,461
Non-current liabilities			
Trade and other payables	27	**34,982**	27,917
Interest-bearing bank and other borrowings	29	**351,844**	322,888
Deferred income		**1,592**	1,078
Deferred tax liabilities	30	**7,438**	7,721
Retirement benefit obligations	31	**785**	844
Provisions	32	**3,686**	3,209
Total non-current liabilities		**400,327**	363,657
Net assets		**391,354**	357,804
Equity			
Equity attributable to owners of the parent			
Share capital	33	**16,166**	16,166
Share premium	33	**19,625**	19,625
Financial instruments classified as equity	34	**33,959**	33,938
Reserves	35	**190,600**	175,342
		260,350	245,071
Non-controlling interests		**131,004**	112,733
Total equity		**391,354**	357,804

Wang Tongzhou
Director

Wang Haihuai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	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 2020		16,166	19,625	33,938	37,661*	137,681*	245,071	112,733	357,804
Profit for the year		-	-	-	-	18,348	18,348	5,510	23,858
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		-	-	-	68	-	68	-	68
Cash flow hedges, net of tax		-	-	-	1	-	1	-	1
Share of other comprehensive loss of joint ventures and associates		-	-	-	(39)	-	(39)	-	(39)
Actuarial loss on retirement benefit obligations, net of tax		-	-	-	(22)	-	(22)	-	(22)
Exchange differences on translation of foreign operations		-	-	-	(1,482)	-	(1,482)	(39)	(1,521)
Total comprehensive income for the year		-	-	-	(1,474)	18,348	16,874	5,471	22,345
Final 2020 dividend declared		-	-	-	-	(2,924)	(2,924)	-	(2,924)
Interest on perpetual securities (i)		-	-	-	-	(1,699)	(1,699)	(3,390)	(5,089)
Dividends to non-controlling shareholders			-	-	-	-	-	(1,640)	(1,640)
Shares repurchased		-	-	-	-	-	-	(1,316)	(1,316)
Capital contribution from non-controlling shareholders		-	-	-	3,216	-	3,216	15,487	18,703
Acquisition of subsidiaries	*39*	-	-	-	-	-	-	50	50
Disposal of subsidiaries	*40*	-	-	-	-	-	-	(1,506)	(1,506)
Issuance of perpetual securities		-	-	4,999	-	-	4,999	22,890	27,889
Redemption of perpetual securities		-	-	(4,978)	(20)	-	(4,998)	(16,018)	(21,016)
Transaction with non-controlling interests		-	-	-	(207)	-	(207)	(1,757)	(1,964)
Transfer to statutory surplus reserve	*35(a)*	-	-	-	643	(643)	-	-	-
Transfer from general reserve	*35(b)*	-	-	-	(72)	72	-	-	-
Transfer to safety production reserve	*35(c)*	-	-	-	355	(355)	-	-	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	*21*	-	-	-	(5)	5	-	-	-
Others		-	-	-	18	-	18	-	18
At 31 December 2021		16,166	19,625	33,959	40,115*	150,485*	260,350	131,004	391,354

* As at 31 December 2021, these reserve accounts comprise the consolidated reserves of RMB190,600 million (2020: RMB175,342 million) in the consolidated statement of financial position.

(i) For the year ended 31 December 2021, the Company accrued interest on perpetual securities totalling RMB1,737 million (2020:RMB759 million), of which RMB38 million (2020:RMB38 million) was distributed to CCCC Finance Company Limited ("CCCC Finance"), a subsidiary of the Company.

Continued/…

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

		Attributable to owners of the parent							
	Notes	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		–	–	–	–	(721)	(721)	(1,780)	(2,501)
Dividends on preference shares		–	–	–	–	(718)	(718)	–	(718)
Dividends to non-controlling shareholders		–	–	–	–	–	–	(1,155)	(1,155)
Shares repurchased		(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	*39*	–	–	–	–	–	–	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	*35(a)*	–	–	–	1,694	(1,694)	–	–	–
Transfer from general reserve	*35(b)*	–	–	–	(248)	248	–	–	–
Transfer to safety production reserve	*35(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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB million	2020 RMB million Restated
Cash flows from operating activities			
Profit before tax		**29,784**	26,957
Adjustments for:			
– Depreciation of property, plant and equipment, investment properties and right-of-use assets	6	**9,444**	10,130
– Amortisation of intangible assets	6	**2,697**	2,212
– Gains on disposal of items of property, plant and equipment, intangible assets and other long-term assets	5	**(771)**	(427)
– Gains on disposal of joint ventures and associates	5	**(136)**	(62)
– Fair value gains on financial assets at fair value through profit or loss	5	**(173)**	(347)
– Fair value (gains)/losses on derivative financial instruments	5	**(6)**	132
– Gains on disposal of financial assets at fair value through profit or loss	5	**(48)**	(81)
– Gains on disposal of subsidiaries	5	**(26)**	(147)
– Dividend income from financial assets at fair value through profit or loss	5	**(196)**	(125)
– Dividend income from equity investments designated at fair value through other comprehensive income	5	**(847)**	(778)
– Dividend income on derivative financial instruments	5	**(193)**	(206)
– Other income from investing activities		**177**	19
– Share of profits and losses of joint ventures and associates, net	18,19	**(176)**	613
– Write-down of inventories	6	**196**	198
– Provision for impairment of financial and contract assets, net	6	**6,944**	5,449
– Provision for impairment of property, plant and equipment	14	**–**	3
– Interest income	7	**(14,608)**	(10,305)
– Interest expenses	8	**18,429**	15,961
– Net foreign exchange gains on borrowings	8	**(113)**	(75)
		50,378	49,121
Increase in inventories		**(2,674)**	(15,719)
Increase in contract assets, trade and other receivables		**(97,876)**	(123,945)
Increase in restricted bank deposits		**(56)**	(967)
Increase in trade and other payables		**38,342**	52,204
(Decrease)/increase in contract liabilities		**(8,614)**	5,468
Decrease in retirement benefit obligations		**(59)**	(159)
Increase in provisions		**477**	1,784
Increase/(decrease) in deferred income		**514**	(33)
Cash used in operations		**(19,568)**	(32,246)
Interest income from operating activities		**13,674**	8,232
Income tax paid		**(6,749)**	(7,060)
Net cash flows used in operating activities		**(12,643)**	(31,074)

Continued/…

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB million	2020 RMB million Restated
Net cash flows used in operating activities		(12,643)	(31,074)
Cash flows from investing activities			
Purchases of items of property, plant and equipment		(8,018)	(10,485)
Purchases of investment properties		(19)	(175)
Additions to right-of-use assets		(1,388)	(2,220)
Purchases of intangible assets and contract assets related to Public-Private-Partnership ("PPP") projects		(27,536)	(29,156)
Proceeds from disposal of items of property, plant and equipment		1,136	1,383
Proceeds from disposal of right-of-use assets		119	58
Proceeds from disposal of investment properties		5	–
Proceeds from disposal of intangible assets		76	4,907
Business combination	39	212	(329)
Asset acquisition		(2,422)	–
Investments in associates		(7,128)	(8,508)
Investments in joint ventures		(9,227)	(7,776)
Disposal of subsidiaries		3,409	221
Disposal of joint ventures and associates		1,406	46
Withdrawal from joint ventures and associates		–	660
Purchases of equity investments designated at fair value through other comprehensive income		(399)	(1,063)
Purchases of financial assets at fair value through profit or loss		(16,374)	(7,359)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		1,098	70
Proceeds from disposal of financial assets at fair value through profit or loss		9,537	4,093
Proceeds from disposal of other debt instruments		33	–
Loans to joint ventures, associates and third parties		(13,848)	(14,244)
Repayment of loans from joint ventures, associates and third parties		12,888	4,586
Interest received		307	953
Changes in time deposits with an initial term of over three months		(173)	(946)
Cash consideration received of concession assets		1,539	2,862
Dividends received		1,951	1,660
Net cash flows used in investing activities		(52,816)	(60,762)
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		18,703	5,148
Withdrawal of capital contribution to non-controlling interests		(1,316)	(1,140)
Dividends paid to non-controlling shareholders		(1,615)	(1,079)
Dividends paid to equity holders of the parent		(2,924)	(3,765)
Proceeds from issue of perpetual securities		27,889	69,851
Interest paid for perpetual securities		(4,618)	(3,079)
Redemption of perpetual securities		(20,016)	(26,046)
Proceeds from bank and other borrowings		289,732	278,519
Repayments of bank and other borrowings		(240,172)	(206,807)
Interest paid for bank and other borrowings		(20,070)	(17,834)
Loans from joint ventures, associates and fellow subsidiaries		–	2,868
Repayments of loans from joint ventures, associates and fellow subsidiaries borrowings		–	(1,325)
Transaction with non-controlling interests		(1,964)	90
H shares repurchased		–	(40)
Lease payments		(1,425)	(1,674)
Net cash flows generated from financing activities		42,204	93,687
Net (decrease)/increase in cash and cash equivalents		(23,255)	1,851
Cash and cash equivalents at beginning of year	26	119,511	118,908
Effect of foreign exchange rate changes, net		(453)	(1,248)
Cash and cash equivalents at end of year	26	95,803	119,511

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		Principal activities
				Direct	Indirect	
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 ("CRBC")	PRC and other regions	Limited liability company	RMB6,000	96.37%	3.63%	Infrastructure construction
CCCC First Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB6,983	86.06%	–	Infrastructure construction
CCCC Second Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB4,970	76.66%	–	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	RMB3,942	74.76%	–	Infrastructure construction
Road & Bridge International Co., Ltd.	PRC	Limited liability company	RMB3,802	74.28%	–	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	RMB2,094	74.02%	–	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.	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. ("Chuwa Bussan")	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	RMB7,000	95%	–	Financial services
CCCC International Holding Limited ("CCCI")	Hong Kong	Limited liability company	HK$2,372	50.98%	49.02%	Investment holding
CCCC Capital Holdings Limited ("CCCC Capital")	PRC	Limited liability company	RMB8,064	100%	–	Fund management and financial leasing
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	RMB4,100	90.49%	–	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	77.63%	22.36%	Machinery and equipment manufacturing

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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 certain financial assets and liabilities (including derivative financial instruments) 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 2021. 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.

Going concern

The Group had net current liabilities of RMB31,811 million as at 31 December 2021. Having considered the Group's cash flow projections for the year ending 31 December 2022, including the Group's cash positions, cash flows from operating, investing and financing activities, and the unutilised bank facilities as at the date of this report, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due for the coming 12 months. Accordingly, these financial statements had been prepared on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised IFRSs are described below:

(a) 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 risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 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 2021. Since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amount of reduction in the lease payments arising from the rent concessions was not material. The amendment did not have a significant impact on the Group's consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of voluntary changes in accounting policy are described below:

(c) Voluntary changes in accounting policy. Starting from 1 January 2021, the Group made the below changes in accounting policy voluntarily. The changed accounting policy is a widely recognised and prevalent practice under IFRSs and is also consistent with the Group's changed accounting policy under Chinese Accounting Standards for Business Enterprises for the current period. Management is of the view that the changes in accounting policy provide consistent, reliable and more relevant information about the effects of PPP transactions on the entity's cash flows to the users of financial statements of both domestic and oversea capital markets.

Under the Group's accounting policy for the years ended on or before 31 December 2020, for PPP projects applying intangible asset model and PPP projects applying financial asset model, when having significant financing components, cash outflows during the construction phase were classified as investing cash flows. Cash flows under PPP projects other than the above were all classified as operating cash flows.

Starting from 1 January 2021 after the Group changed its accounting policy, only for PPP projects applying intangible asset model, cash outflows during the construction phase were classified as investing cash flows. Cash flows under PPP projects other than the above were all classified as operating cash flows.

The table below shows the adjustments recognized for each individual line item arising from the above accounting policy changes for the year ended 31 December 2021 and 2020.

For the year ended 31 December 2021	**Under previous accounting policy** *RMB million*	**Effect of changes in accounting policy** *RMB million*	**As presented** *RMB million*
Consolidated statement of cash flows (extract)			
Increase in contract assets, trade and other receivables	**(59,720)**	**(38,156)**	**(97,876)**
Interest income from operating activities	**6,764**	**6,910**	**13,674**
Net cash flows generated from/(used in) operating activities	**18,603**	**(31,246)**	**(12,643)**
Purchases of other long-term assets	**(36,444)**	**36,444**	**–**
Loans to joint ventures, associates and third parties	**(10,450)**	**(3,398)**	**(13,848)**
Repayment of loans from joint ventures, associates and third parties	**14,688**	**(1,800)**	**12,888**
Net cash flows used in investing activities	**(84,062)**	**31,246**	**(52,816)**

For the year ended 31 December 2020	As originally presented *RMB million*	Effect of changes in accounting policy *RMB million*	Restated *RMB million*
Consolidated statement of cash flows (extract)			
Increase in contract assets, trade and other receivables	(74,382)	(49,563)	(123,945)
Interest income from operating activities	3,594	4,638	8,232
Net cash flows generated from/(used in) operating activities	13,851	(44,925)	(31,074)
Purchases of other long-term assets	(50,149)	50,149	–
Loans to joint ventures, associates and third parties	(10,037)	(4,207)	(14,244)
Repayment of loans from joint ventures, associates and third parties	5,603	(1,017)	4,586
Net cash flows used in investing activities	(105,687)	44,925	(60,762)

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* [1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
IFRS 17	*Insurance Contracts*[2]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information* [2]
Amendments to IFRS 17	*Insurance Contracts* [2, 4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies* [2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use* [1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract* [1]
Amendments to IAS 8	*Definition of Accounting Estimates* [2]
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 [1]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] No mandatory effective date yet determined but available for adoption

[4] 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 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 resulting from a downstream transaction 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 *Classification of Liabilities as Current or Non-current* 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.

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

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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 licence) 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 the estimated useful life 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 recognition exemption for leases of low-value assets to leases of value 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement (continued)

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) Warranties

As required by law or agreed in the contract terms, the Group provides assurance-type warranties that promise the customers that the assets created in the construction services are as specified in the construction contracts. The Group recognises such assurance-type warranties as provisions. For the warranties that include services to customers in addition to assurance that the assets created are as specified in the contracts, the Group identifies such service-type warranties as separate performance obligations and allocates the transaction prices between the construction services and service-type warranties using the proportion of their stand-alone selling prices. The Group recognises the revenue of service-type warranties when customers obtain control of the services. 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 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 exchange rates that approximate to those prevailing at dates of the transactions.

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Determination of control over structured entities

The Group invested in several structured entities which were mainly engaged in infrastructure investment activities. Based on the assessment following the basis of consolidation and accounting policies set out in notes 2.1 and 2.4 respectively, the Group has consolidated certain structured entities that it has control. For the investments that the Group has joint control on, they are accounted for as joint ventures in accordance with IAS 28 *Investments in Associates and Joint Ventures*. Equities held indirectly through venture capital organisations, or mutual funds, unit trusts and similar entities including investment-linked insurance funds are accounted for as financial assets at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*. Judgement is involved when performing the assessment. Should those joint ventures and financial assets through profit or loss be consolidated, net assets, revenue and profit of the Group could be affected.

Management applies its judgement to determine whether the control indicators set out in note 2.1 indicate that the Group controls a structured entity.

The Group acts as manager to a number of structured entities and also carries interests in these entities. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interest 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 34 and 36.

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

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 and 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 at the same time 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, and 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 2021, the Group recognised an accumulated impairment of RMB299 million (2020: 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 45 to the financial statements.

Impairment of goodwill

The Group tests the goodwill for impairment at least annually. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

Based on management's best estimates, as at 31 December 2021, the Group recognised an accumulated impairment of RMB50 million (2020: RMB50 million) to profit or loss for goodwill. Details of the impairment test for goodwill are disclosed in note 17.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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 24 to the financial statements.

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. On the tax rates applied for CRBC and CHEC for the year ended 31 December 2021, as the certifications of New Hi-tech Enterprises of these two subsidiaries expired and management was in the process of renewing these certificates up to 31 December 2021, management applies judgement in evaluating whether or not continue to apply the preferential tax rate of New Hi-Tech Enterprises to these two subsidiaries in accordance with internal and external assessments and the application status. 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 30.

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 currencies 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 31.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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 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 ("Construction")

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

(c) dredging ("Dredging")

(d) others

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

Sales between operating segments are carried out on terms with reference to the selling prices used for sales made to third parties. The revenue from external parties reported to the President Office is measured in a manner consistent with that in the consolidated statement of profit or loss.

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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 2021 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2021					
	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Eliminations *RMB million*	Total *RMB million*
Total gross segment revenue	608,407	47,595	42,973	14,601	(30,977)	682,599
Intersegment sales	(8,374)	(10,653)	(678)	(11,272)	30,977	–
Revenue *(note 5)*	600,033	36,942	42,295	3,329	–	682,599
Segment results	27,635	4,258	1,758	320	60	34,031
Unallocated income						508
Operating profit						34,539
Finance income						14,608
Finance costs, net						(19,539)
Share of profits and losses of joint ventures and associates						176
Profit before tax						29,784
Income tax expense						(5,926)
Profit for the year						23,858
Other segment information						
Depreciation	7,470	421	1,174	379	–	9,444
Amortisation	2,561	66	45	25	–	2,697
Write-down of inventories	196	–	–	–	–	196
Impairment losses on financial and contract assets, net	5,184	539	698	523	–	6,944
Capital expenditure	43,182	1,268	981	872	–	46,303

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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 on financial and contract assets, net	4,083	277	949	140	–	5,449
Capital expenditure	45,514	649	2,245	408	–	48,816

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 2021 are as follows:

	As at 31 December 2021					
	Construction *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Eliminations** *RMB million*	**Total** *RMB million*
Segment assets	**1,070,159**	**54,490**	**110,002**	**91,416**	**(80,120)**	**1,245,947**
Investments in joint ventures						**44,569**
Investments in associates						**40,757**
Other unallocated assets						**59,564**
Total assets						**1,390,837**
Segment liabilities	**461,946**	**28,710**	**47,571**	**9,304**	**(45,719)**	**501,812**
Unallocated liabilities						**497,671**
Total liabilities						**999,483**

The segment assets and liabilities as 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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2021 RMB million	2020 RMB million
Mainland China	**588,224**	525,963
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**94,375**	98,532
	682,599	624,495

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

(b) Non-current assets

	2021 RMB million	2020 RMB million
Mainland China	**290,240**	287,694
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**36,144**	32,384
	326,384	320,078

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 amounted to 10% or more of the Group's revenue during 2021 and 2020.

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET

An analysis of revenue is as follows:

	2021 RMB million	2020 RMB million
Revenue from contracts with customers		
Construction	608,407	560,987
Design	47,595	40,005
Dredging	42,973	38,414
Others	14,601	11,407
Intersegment eliminations	(30,977)	(26,318)
	682,599	624,495

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Total RMB million
Type of goods or services					
Infrastructure construction services	564,541	23,015	1,854	34	589,444
Infrastructure design services	623	13,833	551	–	15,007
Dredging and filling services	–	–	37,782	–	37,782
Others	34,869	94	2,108	3,295	40,366
Total revenue from contracts with customers	600,033	36,942	42,295	3,329	682,599
Geographical markets					
Mainland China	509,571	35,897	39,898	2,858	588,224
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	90,462	1,045	2,397	471	94,375
Total revenue from contracts with customers	600,033	36,942	42,295	3,329	682,599
Timing of revenue recognition					
Services transferred over time	565,775	36,848	40,188	18	642,829
Services transferred at a point in time	4,438	–	–	–	4,438
Merchandise transferred at a point in time	29,820	94	2,107	3,311	35,332
Total revenue from contracts with customers	600,033	36,942	42,295	3,329	682,599

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 2020

Segments	Construction	Design	Dredging	Others	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Type of goods or services					
Infrastructure construction services	521,835	18,781	2,718	77	543,411
Infrastructure design services	1,320	11,859	734	10	13,923
Dredging and filling services	–	–	32,275	–	32,275
Others	29,555	486	2,453	2,392	34,886
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

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 2021

Segments	**Construction** *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Revenue from contracts with customers					
External customers	**600,033**	**36,942**	**42,295**	**3,329**	**682,599**
Intersegment sales	**8,374**	**10,653**	**678**	**11,272**	**30,977**
Intersegment adjustments and eliminations	**(8,374)**	**(10,653)**	**(678)**	**(11,272)**	**(30,977)**
Total revenue from contracts with customers	**600,033**	**36,942**	**42,295**	**3,329**	**682,599**

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

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.

	2021 *RMB million*	2020 *RMB million*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction	**37,564**	36,413
Design	**2,185**	1,151
Dredging	**917**	1,908
Others	**481**	223
	41,147	39,695

(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 period stipulated in the contracts.

Others

Others 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 services and others that are to be satisfied within 1 to 5 years.

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET (CONTINUED)

Other income

	2021 RMB million	2020 RMB million
Rental income	854	660
Revenue from consulting services	364	522
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	717	728
– Unlisted equity instruments	130	50
Government grants	623	738
Dividend income from financial assets at fair value through profit or loss	196	125
Income from sale of scraps	358	147
Dividend income on derivative financial instruments	193	206
Income on debt investments at amortised cost	1	11
Others	1,992	1,937
	5,428	5,124

Other gains/(losses), net

	2021 RMB million	2020 RMB million
Gains on disposal of items of property, plant and equipment	94	231
Gains on disposal of items of intangible assets and other long-term assets	677	196
Gains on disposal of subsidiaries	26	147
Gains on disposal of joint ventures and associates	136	62
Fair value gains/(losses), net:		
– Financial assets at fair value through profit or loss	173	347
– Derivative financial instruments – transactions not qualifying as hedges	6	(132)
Foreign exchange difference, net	(1,213)	(1,420)
Gains on disposal of financial assets at fair value through profit or loss	48	81
Losses on derecognition of financial assets at amortised cost	(1,241)	(641)
Losses on derecognition of contract assets	(144)	–
	(1,438)	(1,129)

6. PROFIT BEFORE TAX

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

	Notes	2021 RMB million	2020 RMB million
Raw materials and consumables used*		**210,386**	182,249
Cost of goods sold		**19,066**	16,431
Subcontracting costs		**265,877**	234,534
Employee benefit expenses*:			
– Salaries, wages and bonuses		**31,500**	31,109
– Pension costs – defined contribution plans		**4,711**	3,194
– defined benefit plans		**36**	35
– Housing benefits		**2,423**	2,268
– Welfare, medical and other expenses		**18,457**	18,024
		57,127	54,630
Equipment and plant usage costs		**16,373**	14,434
Business tax and other taxes		**1,599**	1,568
Fuel		**3,887**	3,157
Utilities		**1,748**	1,753
Maintenance costs		**1,779**	1,422
Research and development costs (including raw materials and consumables used, employee benefit expenses, depreciation and amortisation)		**22,587**	20,094
Depreciation of property, plant and equipment, investment properties and right-of-use assets*	*14, 15, 16(a)*	**9,444**	10,130
Amortisation of intangible assets*	*17*	**2,697**	2,212
Auditors' remuneration		**28**	26
Write-down of inventories to net realisable value		**196**	198
Impairment losses on financial and contract assets, net	*24*	**6,944**	5,449

* Those amounts of the raw materials and consumables used, employee benefit expenses, depreciation and amortisation related to research and development activities are also summarised in the item of "Research and development costs".

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE INCOME

	2021 RMB million	2020 RMB million
Interest income from:		
– Bank deposits	854	702
– Deposits in the PBOC and interbank placement	278	344
– Contract assets and receivables from PPP contracts	6,910	4,638
– Loan receivables	3,182	1,887
– Others	3,384	2,734
	14,608	10,305

8. FINANCE COSTS, NET

An analysis of finance costs is as follows:

	2021 RMB million	2020 RMB million
Interests on:		
– Bank borrowings	18,309	15,899
– Other borrowings	244	200
– Corporate bonds	1,003	979
– Debentures	301	364
– Non-public debt instruments	423	379
– Lease liabilities	182	145
– Others	–	96
	20,462	18,062
Less: Interest capitalised	(2,033)	(2,101)
Net interest expense	18,429	15,961
Foreign exchange difference on borrowings, net	(113)	(75)
Others	1,223	1,254
	19,539	17,140

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 4.76% (2020: 4.54%) per annum was used, representing the comprehensive cost rate of the borrowings used to finance the qualifying assets.

8. FINANCE COSTS, NET (CONTINUED)

Interest capitalised during the year was as follows:

	2021 RMB million	2020 RMB million
Inventories	444	548
Concession assets	1,493	1,507
Construction in progress	96	46
	2,033	2,101

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:

	2021 RMB'000	2020 RMB'000
Fees	388	220
Other emoluments:		
Salaries, allowances and benefits in kind	2,412	1,984
Performance related bonuses	2,636	1,991
Pension scheme contributions	256	108
	5,304	4,083
	5,692	4,303

(a) Independent non-executive directors

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

	2021 RMB'000	2020 RMB'000
Mr. Huang Long	80	60
Mr. Zheng Changhong	80	60
Mr. Ngai Wai Fung	228	100
	388	220

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2021				
Executive directors				
Mr. Wang Tongzhou *(Chief executive)*	**275**	**492**	**53**	**820**
Mr. Wang Haihuai (i)	**166**	**630**	**31**	**827**
Mr. Liu Xiang (ii)	**151**	**232**	**31**	**414**
	592	**1,354**	**115**	**2,061**
Non-executive director				
Mr. Liu Maoxun	**80**	**–**	**–**	**80**
	80	**–**	**–**	**80**
Supervisors				
Mr. Li Sen (iii)	**–**	**101**	**–**	**101**
Mr. Wang Yongbin (iv)	**676**	**274**	**52**	**1,002**
Mr. Yao Yanmin	**668**	**276**	**53**	**997**
Mr. Lu Yaojun (v)	**104**	**171**	**9**	**284**
Mr. Zhao Xi'an (vi)	**292**	**460**	**27**	**779**
	1,740	**1,282**	**141**	**3,163**
	2,412	**2,636**	**256**	**5,304**
2020				
Mr. Wang Tongzhou *(Chief executive)*	87	74	17	178
Mr. Liu Qitao	218	367	11	596
Mr. Song Hailiang	174	477	22	673
	479	918	50	1,447
Non-executive directors				
Mr. Qi Xiaofei	–	–	–	–
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

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

(i) Mr. Wang Haihuai was elected as an executive director on 10 June 2021.
(ii) Mr. Liu Xiang was elected as an executive director on 10 June 2021.
(iii) Mr. Li Sen ceased to serve as a supervisor on 29 April 2021.
(iv) Mr. Wang Yongbin was elected as the chairman of the supervisory committee on 25 February 2022.
(v) Mr. Lu Yaojun was elected as a supervisor on 18 November 2021.
(vi) Mr. Zhao Xi'an was elected as the chairman of the supervisory committee on 10 June 2021 and resigned on 18 November 2021.

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:

	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,046**	4,601
Performance related bonuses	**8,022**	5,364
Pension scheme contributions	**672**	911
	10,740	10,876

The remuneration of the above five highest paid employees fell within the following bands.

	Number of employees	
	2021	2020
HK$2,000,000 to HK$2,500,000 (equivalent to approximately RMB1,635,200 to RMB2,044,000)	**3**	–
HK$2,500,000 to HK$3,000,000 (equivalent to approximately RMB2,044,000 to RMB2,452,800)	**1**	5
HK$3,000,000 to HK$3,500,000 (equivalent to approximately RMB2,452,800 to RMB2,861,600)	**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% (2020: 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% (2020: 15%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which was provided at the rate of 16.5% (2020: 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.

	2021	2020
	RMB million	*RMB million*
Current		
– PRC enterprise income tax	**5,243**	7,319
– Others	**1,151**	1,115
	6,394	8,434
Deferred	**(468)**	(1,106)
Total tax charge for the year	**5,926**	7,328

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:

	2021		2020	
	RMB million	***%***	*RMB million*	*%*
Profit before tax	**29,784**		26,957	
Tax at PRC statutory tax rate of 25%	**7,446**	**25.0**	6,739	25.0
Land appreciation tax in the PRC	**509**	**1.7**	920	3.4
Profits and losses attributable to joint ventures and associates	**(44)**	**(0.1)**	153	0.6
Income not subject to tax	**(252)**	**(0.8)**	(301)	(1.1)
Additional tax concession on research and development costs	**(857)**	**(2.9)**	(890)	(3.3)
Expenses not deductible for tax	**194**	**0.7**	94	0.4
Temporary differences utilised from previous periods	**(3)**	**(0.1)**	(20)	(0.1)
Temporary differences not recognised	**606**	**2.0**	600	2.2
Tax losses utilised from previous periods	**(574)**	**(1.9)**	(220)	(0.8)
Tax losses not recognised	**719**	**2.4**	1,888	7.0
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(1,820)**	**(6.1)**	(1,850)	(6.9)
Adjustments in respect of current income tax of previous years	**24**	**0.1**	242	0.9
Others	**(22)**	**(0.1)**	(27)	(0.1)
Tax charge at the Group's effective rate	**5,926**	**19.9**	7,328	27.2

The share of tax attributable to joint ventures and associates amounting to approximately RMB200 million (2020: RMB162 million) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

12. DIVIDENDS

	2021 *RMB million*	2020 *RMB million*
Proposed final dividend of RMB0.20371 per ordinary share (2020: RMB0.18088)	**3,293**	2,924

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 (exclusive of the interest on perpetual securities), and the weighted average number of ordinary shares of 16,165,711,425 (2020: 16,169,656,343) in issue during the year.

The calculation of basic earnings per share is based on:

	2021	2020
Profit attributable to ordinary equity holders of the parent *(RMB million)*	**18,348**	16,475
Less: Interest on perpetual securities *(RMB million)* (i)	**1,528**	868
Dividend relating to preference shares *(RMB million)*	**–**	718
	16,820	14,889
Weighted average number of ordinary shares in issue *(million)* (ii)	**16,166**	16,170
Basic earnings per share	**RMB1.04**	RMB0.92

(i) The perpetual securities issued by the Company were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB1,528 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 2021.

(ii) The weighted average number of shares takes into account the weighted average effect of changes in treasury shares for the year ended 31 December 2020.

The Company had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021.

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 2021						
At 31 December 2020, net of accumulated depreciation and impairment	13,134	14,303	18,437	3,314	11,852	61,040
Additions	422	1,410	1,265	2,893	3,674	9,664
Disposals	(53)	(184)	(46)	75	–	(208)
Asset acquisition	1	–	1	1	–	3
Business combination	3	–	1	2	276	282
Disposal of subsidiaries	–	–	(9)	(36)	–	(45)
Transfer	1,723	1,137	100	32	(2,992)	–
Transfer from right-of-use assets	–	–	73	–	–	73
Transfer from investment properties	77	–	–	–	–	77
Transfer from inventories	155	18	–	–	525	698
Transfer to right-of-use assets	–	–	–	–	(64)	(64)
Transfer to investment properties	(377)	–	–	–	(1,872)	(2,249)
Depreciation provided during the year	(635)	(2,835)	(1,828)	(2,549)	–	(7,847)
Exchange realignment and others	(55)	(103)	(31)	8	(25)	(206)
At 31 December 2021, net of accumulated depreciation and impairment	14,395	13,746	17,963	3,740	11,374	61,218
At 31 December 2021						
Cost	19,475	35,190	42,307	16,537	11,660	125,169
Accumulated depreciation and impairment	(5,080)	(21,444)	(24,344)	(12,797)	(286)	(63,951)
Net carrying amount	14,395	13,746	17,963	3,740	11,374	61,218

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 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

As at 31 December 2021, the Group was in the process of applying for the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB2,464 million (2020: RMB3,141 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 2021, none of (2020: RMB5 million) the Group's property, plant and equipment was pledged to secure general banking facilities granted to the Group (notes 29(d) and 41(b)).

15. INVESTMENT PROPERTIES

	2021 RMB million	2020 RMB million
Carrying amount at 1 January	**4,523**	3,973
Additions	**19**	175
Transfer from property, plant and equipment	**2,249**	570
Transfer from inventories	**288**	137
Business combination	**–**	72
Transfer to property, plant and equipment	**(77)**	(59)
Transfer to inventories	**(43)**	–
Disposals	**(5)**	(155)
Depreciation provided during the year	**(256)**	(188)
Exchange realignment	**(1)**	(2)
Carrying amount at 31 December	**6,697**	4,523
Fair value at 31 December (a)	**12,451**	11,903

(a) As at 31 December 2021, the Group's investment properties were fair valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified valuer.

The fair value of the investment properties located in Mainland China as at 31 December 2021 was determined using income approach, market comparison approach or the residual method.

Investment properties located in Mainland China were mainly valued using 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, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The fair value of these properties was RMB10,202million (2020: RMB9,470 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 under construction located in Mainland China using the residual method, assuming that it is newly completed per the development proposal in terms 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 figure is 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 (2020: 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 using market 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 RMB860 million (2020: RMB999 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 using market comparison approach with reference to comparable market transactions. The fair value of these properties was RMB886 million (2020: RMB931 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 of these investment properties falls into the category of fair value measurements using significant unobservable inputs (level 3) including future rental cash inflows, the 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 2021 using significant unobservable inputs (Level 3):

Valuation techniques	Significant unobservable inputs	Range 2021	2020
Income approach and residual method (2020: Income approach and residual method)	Discount rate	**1.0%–12.0%**	1.0%–12.0%
	Average monthly rental (per square meter)	**RMB3–RMB986 per square meter**	RMB2–RMB390 per square meter

There were no transfers between Level 1 and Level 2 and into or out of Level 3 during the year (2020: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 2021, the Group was in the process of applying for the ownership certificates for certain properties with an aggregate carrying amount of approximately RMB910 million (2020: RMB832 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

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 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:

	Leasehold land *RMB million*	Buildings *RMB million*	Vessels *RMB million*	Machinery *RMB million*	Vehicles *RMB million*	Other equipment *RMB million*	Total *RMB million*
31 December 2021							
At 31 December 2020, net of accumulated depreciation	12,861	1,832	665	104	256	70	15,788
Additions	1,386	1,492	7	120	27	12	3,044
Transfer from property, plant and equipment	64	–	–	–	–	–	64
Transferred from inventories	378	–	–	–	–	–	378
Depreciation charge	(219)	(958)	(56)	(48)	(49)	(11)	(1,341)
Transfer to property, plant and equipment	–	–	(73)	–	–	–	(73)
Disposal, retirement, or others	(157)	(340)	(34)	(2)	(1)	(7)	(541)
At 31 December 2021	14,313	2,026	509	174	233	64	17,319

16. LEASES (CONTINUED)

The Group as a lessee (continued)

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

	Leasehold land *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

As at 31 December 2021, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB6,342 million (2020: RMB6,435 million) were pledged to secure general banking facilities granted to the Group (notes 29(d) and 41(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:

	2021 Lease liabilities *RMB million*	2020 Lease liabilities *RMB million*
Carrying amount at 1 January	**2,545**	2,499
New leases	**1,331**	1,575
Interest expense	**182**	145
Payments	**(1,425)**	(1,674)
Carrying amount at 31 December	**2,633**	2,545
Analysed into:		
Current portion	**902**	1,036
Non-current portion	**1,731**	1,509

The maturity analysis of lease liabilities is disclosed in note 46(c) to the consolidated 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:

	2021 RMB million	2020 RMB million
Interest on lease liabilities	**182**	145
Depreciation charge of right-of-use assets	**1,341**	1,594
Expense relating to short-term leases (included in cost of sales)	**1,905**	1,520
Expense relating to leases of low-value assets (included in administrative expenses)	**8**	2
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	**7**	96
Total amount recognised in profit or loss	**3,443**	3,357

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 37(c) and 46(c), respectively, to the consolidated 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 RMB854 million (2020: RMB660 million).

At 31 December 2021, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB million	2020 RMB million
Within 1 year	**613**	776
1 year to 2 years	**352**	370
2 years to 3 years	**257**	256
3 years to 4 years	**193**	159
4 years to 5 years	**77**	89
Over 5 years	**230**	76
	1,722	1,726

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 2021						
Cost at 1 January 2021, net of accumulated amortisation and impairment	**222,163**	**5,517**	**1,218**	**426**	**158**	**229,482**
Additions	**33,185**	**–**	**1**	**166**	**224**	**33,576**
Business combination *(note 39(a))*	**–**	**15**	**–**	**–**	**8**	**23**
Asset acquisition *(note 39(b))*	**19,283**	**–**	**–**	**–**	**–**	**19,283**
Disposal of subsidiaries	**(50,121)**	**(7)**	**–**	**–**	**–**	**(50,128)**
Disposal	**–**	**–**	**(59)**	**(14)**	**(2)**	**(75)**
Amortisation provided during the year	**(2,448)**	**–**	**(22)**	**(179)**	**(48)**	**(2,697)**
Impairment written off during the year	**35**	**–**	**–**	**–**	**–**	**35**
Exchange realignment	**–**	**(405)**	**–**	**–**	**–**	**(405)**
Others	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2021	**222,097**	**5,120**	**1,138**	**399**	**340**	**229,094**
At 31 December 2021						
Cost	**231,417**	**5,170**	**1,406**	**1,357**	**664**	**240,014**
Accumulated amortisation and impairment	**(9,320)**	**(50)**	**(268)**	**(958)**	**(324)**	**(10,920)**
Net carrying amount	**222,097**	**5,120**	**1,138**	**399**	**340**	**229,094**
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

17. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2021, 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 RMB175,979 million (2020: RMB171,716 million). The net carrying amount of concession assets where the related projects were under construction was RMB46,118 million (2020: RMB50,447 million).

As at 31 December 2021, the Group recognised an accumulated impairment of RMB299 million (2020: RMB334 million), based on the impairment tests for concession assets in the infrastructure construction segment.

As at 31 December 2021, certain bank and other borrowings were secured by concession assets and trade receivables from PPP projects with a total carrying amount of approximately RMB302,288 million (2020: RMB254,432 million) (notes 29(d) and 41(b)).

Impairment testing of goodwill

Goodwill is allocated to the Group's cash-generating units identified within respective operating segments. Goodwill of the Group mainly relates to the followings:

(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 CGU") 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 CGU") in August 2010.

The following is a summary of goodwill allocation:

	2021 *RMB million*	2020 *RMB million*
John Holland CGU (i)	**4,523**	4,928
Concremat CGU (i)	**252**	252
F&G CGU (i)	**245**	245
Other CGUs	**100**	92
	5,120	5,517

(i) For goodwill in connection with John Holland CGU, Concremat CGU and F&G 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. Summary of the key assumptions is set out below:

	2021			2020		
	John Holland	**Concremat**	**F&G**	John Holland	Concremat	F&G
Terminal growth rate [1]	**1.5%**	**2%**	**2%**	1.5%	2.5%	2%
Before tax discount rate [2]	**14.3%**	**20.3%**	**14.6%**	14.9%	14.8%	11.5%

[1] The terminal growth rate is the average annual revenue growth rate over the five-year forecast period. It is based on past performance and management's expectations of market development.

[2] The discount rate used is before tax and reflects specific risks relating to the CGU.

As at 31 December 2021, the Group recognised an accumulated impairment of RMB50 million (2020: RMB50 million) for the goodwill allocated to F&G CGU, while no impairment was recognised for the goodwill allocated to John Holland CGU and Concremat CGU based on the assessment as at 31 December 2021 and 2020.

18. INVESTMENTS IN JOINT VENTURES

	2021 RMB million	2020 RMB million
At 1 January	33,534	24,715
Additions	9,227	7,771
Disposals	(1,183)	(213)
Share of losses, net	(614)	(786)
Dividend distribution	(46)	(254)
Fair value of residual interests in joint ventures arising from disposal of subsidiaries	4,168	1,866
Conversion into subsidiaries resulting from increase in equity interests in joint ventures	(263)	(175)
Conversion into a joint venture from an associate	–	795
Share of other comprehensive income of joint ventures	(84)	(1)
Others	(170)	(184)
At 31 December	44,569	33,534

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:

	2021 RMB million	2020 RMB million
Share of the joint ventures' losses for the year	(614)	(786)
Share of the joint ventures' other comprehensive loss	(84)	(1)
Share of the joint ventures' total comprehensive loss	(698)	(787)
Aggregate carrying amount of the Group's investments in the joint ventures	44,569	33,534

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 43(b) and 43(c) to the financial statements.

As at 31 December 2021, approximately 8.97% of the aggregate carrying amount of the Group's investments in the joint ventures was directly held by the Company.

19. INVESTMENTS IN ASSOCIATES

	2021 *RMB million*	2020 *RMB million*
At 1 January	**34,068**	26,683
Additions	**7,633**	9,122
Disposals	**(936)**	(431)
Share of profits, net	**790**	173
Dividend distribution	**(799)**	(259)
Fair value of residual interests in associates arising from disposal of subsidiaries	**16**	29
Conversion into subsidiaries resulting from increase in equity interests in associates	**(52)**	(287)
Conversion into a joint venture from an associate	**–**	(795)
Share of other comprehensive loss of associates	**45**	(42)
Others	**(8)**	(125)
At 31 December	**40,757**	34,068

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	PRC	16.24%	Manufacture of heavy-duty equipment

Although the Group holds less than 20% equity interest in ZPMC, ZPMC has been accounted for as an associate since the Group is the second largest shareholder of ZPMC, only next to the Company's parent CCCG and has the right to nominate directors to the board of directors of ZPMC and therefore has significant influence over ZPMC. ZPMC is directly held by the Company.

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.

As at 31 December 2021, approximately 23.15% of the aggregate carrying amount of the Group's investments in the associates was directly held by the Company.

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2021 *RMB million*	2020 *RMB million*
Non-current assets	**37,951**	38,518
Current assets	**40,381**	40,802
Total assets	**78,332**	79,320
Current liabilities	**(32,628)**	(42,575)
Non-current liabilities	**(28,054)**	(19,670)
Total liabilities	**(60,682)**	(62,245)
Non-controlling interests	**(2,660)**	(2,504)
Perpetual securities	**(500)**	(500)
Equity attributable to ordinary equity holders of the parent	**14,490**	14,071
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	**2,387**	2,302
Goodwill on acquisition (less cumulative impairment)	**1,911**	1,911
Carrying amount of the investment	**4,298**	4,213
Revenue	**25,978**	22,655
Profit attributable to owners of the parent	**440**	422
Other comprehensive loss attributable to owners of the parent	**(6)**	(86)
Total comprehensive income for the year attributable to owners of the parent	**434**	336
Dividend received	**–**	43

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2021 *RMB million*	2020 *RMB million*
Share of the associates' profit for the year	**704**	105
Share of the associates' other comprehensive income/(loss)	**46**	(28)
Share of the associates' total comprehensive income	**750**	77
Aggregate carrying amount of the Group's investments in the associates	**36,459**	29,855

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 43 (b) and 43(c) to the financial statements.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 *RMB million*	2020 *RMB million*
Listed equity investments *(note a)*	**1,169**	124
Unlisted investments *(note b)*		
– Investments in structured entities *(note 22)*	**11,070**	8,387
– Unlisted equity investments	**1,812**	1,195
– Forward equity contracts	**1,337**	869
– Investments in assets-backed securities *(note 22)*	**30**	62
– Wealth management products	**150**	–
	15,568	10,637
Less: Non-current portion		
Unlisted investments	**14,249**	10,513
Current portion	**1,319**	124

(a) The listed equity investments at 31 December 2021 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.

In 2021, two subsidiaries of the Company subscribed 614,285,717 non-public issued A shares of Liaoning Port Co., Ltd. The fair value of the shares was RMB1,063 million as at 31 December 2021.

(b) The unlisted investments at 31 December 2021 mainly include investments in structured entities as disclosed in note 22.

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i)

Equity instruments at fair value through other comprehensive income comprise the following individual instruments:

	2021 *RMB million*	2020 *RMB million*
Listed equity instruments		
– China Merchants Bank Co., Ltd.	**20,593**	18,581
– China Merchants Securities Co., Ltd.	**4,851**	6,415
– Zhengzhou Yutong Bus Co., Ltd.	**451**	692
– China Everbright Bank Co., Ltd.	**248**	298
– China Development Bank Financial Leasing Co., Ltd.	**149**	149
– CECEP Environmental Protection Equipment Co., Ltd.	**148**	144
– Bank of Communications Co., Ltd.	**140**	136
– Others	**369**	414
	26,949	26,829
Unlisted equity instruments		
– Lunan High Speed Railway Co., Ltd.	**1,405**	1,434
– Hubei Jiaotou Shiwu Expressway Co., Ltd.	**349**	332
– Beijing CEDC Ltd.	**316**	316
– Shandong Expressway Jiqing Midline Highway Co., Ltd.	**240**	150
– Hunan Bainan Expressway Construction Development Co., Ltd.	**173**	–
– Shanghai Kerry Oils & Grains Industries Co., Ltd.	**113**	121
– Tianjin CCCC Greentown Urban Construction Development Co., Ltd.	**–**	1,043
– Others	**550**	511
	3,146	3,907
	30,095	30,736

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.

(ii) Disposal of equity investments

During the year ended 31 December 2021, the Group has sold certain equity investments, as these investments no longer suited the Group's investment strategy. The equity investments sold had a fair value of RMB1,098 million (2020: RMB70 million) at the time of sales and the Group realized a gain of RMB5 million (2020: RMB9 million), which had already been included in other comprehensive income and transferred to retained earnings directly upon disposal.

(iii) Dividends

During the year ended 31 December 2021, the Group recognized dividends in a total amount of RMB848 million (2020: RMB778million), including RMB84 million (2020: Nil) relating to equity investments derecognised during the reporting period and RMB764 million (2020: RMB778 million) relating to equity investments held at the end of the reporting period, 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 2021, 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:

	2021		2020	
	Carrying amount	**Maximum exposure to loss**	Carrying amount	Maximum exposure to loss
	RMB million	***RMB million***	*RMB million*	*RMB million*
Investments in structured entities	**11,070**	**11,070**	8,387	8,387
Investments in asset-backed securities	**30**	**30**	62	62
Interests in associates and joint ventures	**6**	**6**	10	10
	11,106	**11,106**	8,459	8,459

In 2021, the Group received management fees, commission and performance fees amounting to RMB43 million (2020: RMB58 million) from unconsolidated structured entities sponsored by the Group.

As disclosed in notes 24(e) and 38(iii)(b), the Group has entered into certain agreements with certain financial institution so as to establish ABS and ABN. As at 31 December 2021, the Group has invested ABS and ABN with an aggregated amount of RMB30 million (2020: 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 2021, except for those disclosed above, there were no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities (2020: Nil).

23. INVENTORIES

	2021 *RMB million*	2020 *RMB million*
Raw materials	**18,847**	19,778
Work in progress	**1,183**	1,753
Properties under development *(note a)*	**43,915**	43,783
Completed properties held for sale *(note b)*	**7,050**	6,553
Finished goods	**1,490**	728
Others	**579**	282
	73,064	72,877

At 31 December 2021, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amount of RMB6,995 million (2020: RMB6,543 million) were pledged to secure the Group's bank loans (notes 29(d) and 41(b)).

(a) Properties under development comprise:

	2021 *RMB million*	2020 *RMB million*
Land use rights	**28,062**	29,627
Construction cost	**12,984**	12,268
Finance costs capitalised	**2,869**	1,888
	43,915	43,783

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 RMB3,881 million (2020: RMB3,661 million). The remaining amount is expected to be recovered within one year.

24. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES

	2021 *RMB million*	2020 *RMB million*
Trade and bills receivables *(note a)*	**119,455**	123,030
Impairment	**(17,578)**	(16,129)
	101,877	106,901
Contract assets and long-term receivables *(note b)*	**557,667**	478,991
Impairment	**(8,862)**	(5,800)
	548,805	473,191
Other receivables:		
Prepayments	**25,637**	21,262
Deposits *(note c)*	**30,108**	23,559
Others	**56,996**	54,085
	112,741	98,906
Impairment	**(3,889)**	(2,978)
	108,852	95,928
	759,534	676,020
Portion classified as non-current		
Contract assets and long-term receivables	**358,879**	282,634
Other receivables:		
Prepayments	**4,051**	2,759
Deposits	**1,389**	1,375
Others	**7,455**	6,450
	371,774	293,218
Current portion	**387,760**	382,802

24. CONTRACT ASSETS, 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:

	2021	2020
	RMB million	*RMB million*
Within 6 months	**65,551**	73,279
6 months to 1 year	**11,087**	7,706
1 year to 2 years	**11,412**	12,599
2 years to 3 years	**6,052**	7,379
Over 3 years	**7,775**	5,938
	101,877	106,901

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

	2021	2020
	RMB million	*RMB million*
At beginning of year	**16,129**	13,904
Impairment losses, net	**2,818**	3,149
Acquisition of subsidiaries	**–**	6
Disposal of subsidiaries	**(1)**	–
Amount written off*	**(972)**	(791)
Others	**(396)**	(139)
At end of year	**17,578**	16,129

* During the year ended 31 December 2021, an accumulated impairment of RMB923 million (2020: RMB767 million) was written off because the relevant trade and bill receivables amounting to RMB46,665 million (2020: RMB32,221 million) were derecognised due to the arrangement of non-recourse factoring agreements, ABS, ABN, and endorsement.

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. CONTRACT ASSETS, 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 2021

	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	**1.08%**	**13.50%**	**25.44%**	**40.28%**	**56.53%**	**81.97%**	**10.97%**
Gross carrying amount *(RMB million)*	**76,969**	**13,018**	**7,354**	**5,037**	**2,954**	**4,782**	**110,114**
Expected credit losses *(RMB million)*	**(829)**	**(1,757)**	**(1,871)**	**(2,029)**	**(1,670)**	**(3,920)**	**(12,076)**

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)

In addition to the above provision matrix, the Group has made individual loss allowance for certain customers while the credit risk increased significantly. As at 31 December 2021, the accumulated individual loss allowance was RMB5,502 million (2020: RMB4,975 million) with a carrying amount before loss allowance of RMB9,341 million (2020: RMB8,794 million).

24. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) 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 2021 and 2020 was mainly resulted from the increase in the ongoing provision of construction and dredging services at the end of each of the years. Long-term receivables mainly represented amounts due from certain construction works with payment periods over one year.

	31 December 2021 *RMB million*	31 December 2020 *RMB million*	1 January 2020 *RMB million*
Contract assets and long-term receivables arising from:			
Infrastructure construction	**456,860**	407,869	307,828
Infrastructure design	**17,030**	32,437	12,719
Dredging	**44,175**	11,802	30,975
Others	**39,602**	26,883	14,161
	557,667	478,991	365,683
Impairment	**(8,862)**	(5,800)	(4,158)
	548,805	473,191	361,525
Portion classified as non-current	**358,879**	282,634	202,489
Current portion	**189,926**	190,557	159,036

During the year ended 31 December 2021, RMB3,114 million (2020: RMB1,777 million) was recognised as an allowance for expected credit losses on contract assets and long-term receivables.

As at 31 December 2021, the expected timing of recovery or settlement for contract assets was subject to the specific contract terms and the progress of the performance obligations.

The movements in the loss allowance for impairment of contract assets and long-term receivables are as follows:

	2021 *RMB million*	2020 *RMB million*
At beginning of year	**5,800**	4,158
Impairment losses, net	**3,114**	1,777
Acquisition of subsidiaries	**–**	4
Disposal of subsidiaries	**(12)**	(8)
Amount written off	**(54)**	(43)
Others	**14**	(88)
At end of year	**8,862**	5,800

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.

24. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) (continued)

Set out below is the information about the credit risk exposure on the Group's contract assets and long-term receivables using a provision matrix:

	2021	2020
Expected credit loss rate	**1.04%**	1.14%
Gross carrying amount *(RMB million)*	**552,911**	477,824
Expected credit losses *(RMB million)*	**5,771**	5,446

(c) Deposits mainly represented tender and performance bonds due from customers.

(d) The Group has entered into certain recourse and non-recourse factoring agreements with certain banks for financing purpose. As at 31 December 2021, trade receivables and long-term receivables under recourse factoring agreements amounted to RMB1,108 million (2020: RMB747 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 2021, trade receivables of RMB27,746 million (2020: RMB17,644 million) had been transferred to the banks in accordance with 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 the relevant receivables have been derecognised.

(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 2021, the relevant outstanding trade receivables and long-term receivables under the ABS and ABN amounted to RMB18,414 million (2020: RMB12,607 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 2021, outstanding bills receivable of RMB1,169 million (2020: RMB649 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 2021, outstanding bills receivable of RMB506 million (2020: RMB1,970 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 2021, certain of the Group's outstanding trade and other receivables with a net carrying amount of approximately RMB29,814 million (2020: RMB13,342 million) were pledged to secure general banking facilities granted to the Group (notes 29(d) and 41(b)).

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 Assets RMB million	2021 Liabilities RMB million	2020 Assets RMB million	2020 Liabilities RMB million
Forward currency contracts				
– Cash flow hedges	**15**	**1**	25	11
Total return swap *(note a)*	**–**	**–**	104	–
Interest rate swap	**15**	**–**	–	–
Forward equity contracts	**85**	**–**	206	–
Foreign exchange option *(note b)*	**491**	**–**	305	–
	606	**1**	640	11

(a) In 2018, CCCI entered into several agreements with banks, and paid USD125 million to secure the subscriptions of USD500 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 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 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 RMB491 million (2020: RMB305 million) as at 31 December 2021.

26. CASH AND BANK BALANCES

	2021 RMB million	2020 RMB million
Restricted bank deposits *(note a)*	**5,331**	5,275
Time deposits with an initial term of over three months *(note b)*	**3,442**	3,268
	8,773	8,543
Cash and cash equivalents	**95,803**	119,511
	104,576	128,054

(a) As at 31 December 2021, 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.

26. CASH AND BANK BALANCES (CONTINUED)

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB70,097 million (2020: RMB84,867 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 2021, less than 3% (2020: 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.

27. TRADE AND OTHER PAYABLES

	2021 ***RMB million***	2020 *RMB million*
Trade and bills payables *(note a)*	**317,256**	300,003
Deposits from suppliers	**41,916**	33,752
Retentions	**42,163**	34,754
Deposits in CCCC Finance *(note b)*	**11,758**	6,178
Other taxes	**28,457**	28,329
Payroll and social security	**2,135**	2,115
Accrued expenses and others	**27,075**	27,016
	470,760	432,147
Portion classified as non-current		
Retentions	**33,294**	23,894
Other taxes	**391**	173
Others	**1,297**	3,850
	34,982	27,917
Current portion	**435,778**	404,230

27. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2021 *RMB million*	2020 *RMB million*
Within 1 year	**286,153**	263,688
1 year to 2 years	**17,116**	23,392
2 years to 3 years	**7,270**	6,067
Over 3 years	**6,717**	6,856
	317,256	300,003

(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% (2020: 0.8%).

28. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2021 *RMB million*	2020 *RMB million*
Contract liabilities arising from:		
Infrastructure construction	**70,606**	78,385
Infrastructure design	**5,137**	6,050
Dredging	**3,238**	3,132
Others	**1,046**	991
	80,027	88,558

Contract liabilities mainly include short-term advances received to render construction, design and dredging services. The decrease in contract liabilities in 2021 was the result of the decrease in short-term advances received from customers in relation to the provision of services.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2021 RMB million	2020 RMB million
Non-current			
Long-term bank borrowings			
– secured	(d)	**246,818**	215,492
– guaranteed	(e)	**13,135**	19,295
– unsecured or unguaranteed		**56,743**	53,836
		316,696	288,623
Long-term other borrowings			
– secured	(d)	**1,174**	4,625
– guaranteed	(e)	**1,420**	825
– unsecured or unguaranteed		**1,089**	1,319
		3,683	6,769
Corporate bonds		**20,255**	17,959
Non-public debt instruments		**9,479**	8,028
Lease liabilities	16(b)	**1,731**	1,509
Total non-current borrowings		**351,844**	322,888
Current			
Current portion of long-term bank borrowings			
– secured	(d)	**14,544**	9,543
– guaranteed	(e)	**4,533**	6,167
– unsecured or unguaranteed		**9,251**	7,518
		28,328	23,228
Short-term bank borrowings			
– secured	(d)	**8,205**	6,388
– guaranteed	(e)	**2,524**	3,424
– unsecured or unguaranteed		**23,771**	35,694
		34,500	45,506
Current portion of long-term other borrowings			
– secured	(d)	**452**	173
– guaranteed	(e)	**140**	134
– unsecured or unguaranteed		**15**	11
		607	318
Short-term other borrowings			
– secured	(d)	**–**	273
– unsecured or unguaranteed		**40**	166
		40	439
Corporate bonds		**3,657**	6,047
Debentures		**1,526**	1,720
Non-public debt instruments		**6,732**	4,196
Lease liabilities	16(b)	**902**	1,036
Total current borrowings		**76,292**	82,490
Total borrowings		**428,136**	405,378

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

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

	2021 *RMB million*	2020 *RMB million*
Bank borrowings		
– Within one year	**62,828**	68,734
– In the second year	**43,702**	31,870
– In the third to fifth years, inclusive	**74,673**	66,136
– Beyond five years	**198,321**	190,617
	379,524	357,357
Others, excluding lease liabilities		
– Within one year or on demand	**12,562**	12,720
– In the second year	**12,017**	17,523
– In the third to fifth years, inclusive	**14,311**	8,000
– Beyond five years	**7,089**	7,233
	45,979	45,476
	425,503	402,833

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

	2021 *RMB million*	2020 *RMB million*
Renminbi	**406,482**	385,713
United States dollar	**15,074**	12,851
Euro	**2,783**	2,186
Japanese yen	**2,417**	3,378
Hong Kong dollar	**264**	414
Others	**1,116**	836
	428,136	405,378

(c) Borrowings of the Group, excluding corporate bonds, debentures, non-public debt instruments, and lease liabilities, bore interest at effective rates ranging from 0.30% to 7.66% (2020: 0.21% to 8.34%) per annum at the end of the reporting period, and an overseas bank borrowing bore interest at a rate of 11.65%.

(d) As at 31 December 2021 and 2020, the borrowings in note 29(d) above were secured by the Group's property, plant and equipment (note14), right-of-use assets (note 16(a)), intangible assets (note 17), inventories (note 23) and trade and other receivables (note 24).

(e) Guaranteed borrowings were guaranteed by certain subsidiaries of the Company and certain third parties.

30. 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

	2021			
	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 2021	5,374	1,641	3,493	10,508
Charged to profit or loss during the year *(note 11)*	–	306	913	1,219
Charged/(Credited) to other comprehensive income	13	–	(1)	12
Disposal of subsidiaries	–	–	(21)	(21)
Transfer to tax payable upon the disposal of equity investments designated at fair value through other comprehensive income	(482)	–	–	(482)
Exchange differences	1	–	(56)	(55)
At 31 December 2021	4,906	1,947	4,328	11,181

Deferred tax assets

	2021				
	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 2021	3,596	2,365	337	3,135	9,433
Credited/(Charged) to profit or loss during the year *(note 11)*	708	573	(21)	427	1,687
Credited to other comprehensive income	5	19	–	15	39
Acquisition of a subsidiary	16	–	–	–	16
Disposal of subsidiaries	–	(16)	–	–	(16)
Exchange differences	(32)	(60)	(1)	(133)	(226)
At 31 December 2021	4,293	2,881	315	3,444	10,933

30. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	2020			
	Fair value adjustments of equity investments at fair value through other comprehensive income	Undistributed profits in subsidiaries	Others	Total
	RMB million	*RMB million*	*RMB million*	*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	Tax losses	Discount on long-term receivables	Others	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*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

30. 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:

	2021		2020	
	Deferred tax assets *RMB million*	**Deferred tax liabilities** *RMB million*	Deferred tax assets *RMB million*	Deferred tax liabilities *RMB million*
The gross balance	**10,933**	**11,181**	9,433	10,508
Offsetting	**(3,743)**	**(3,743)**	(2,787)	(2,787)
	7,190	**7,438**	6,646	7,721

Deferred tax assets of RMB6,752 million (2020: RMB6,353 million) have not been recognised in respect of these losses amounting to RMB27,006 million (2020: RMB25,743 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.

The above tax losses of RMB220 million are available indefinitely and RMB26,786 million are available within 1 to 5 years for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 December 2021, the Group did not recognise deferred tax assets of RMB1,983 million (2020: RMB1,167 million) in respect of deductible temporary differences amounting to RMB7,931 million (2020: RMB5,520 million) as the directors believe it is not probable that such deductible temporary differences would be recognised.

31. RETIREMENT BENEFIT OBLIGATIONS

The Group provided supplementary pension subsidies and medical benefits to its 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:

	2021 *RMB million*	2020 *RMB million*
Present value of defined benefit obligations	**894**	960
Portion classified as current portion	**109**	116
Non-current portion	**785**	844

31. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2021 *RMB million*	2020 *RMB million*
At 1 January	**960**	1,119
Past service cost	**7**	3
Interest cost	**29**	32
	996	1,154
Remeasurements		
– Gains from changes in financial assumptions	**28**	(16)
– Experience gains	**(1)**	(36)
	1,023	1,102
Payments	**(129)**	(142)
At 31 December	**894**	960

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:

	2021	2020
Discount rate	**2.75%**	3.25%
Medical cost growth rate	**4.00%–8.00%**	4.00%–8.00%

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Impact on defined benefit obligations	
	2021 *RMB million*	2020 *RMB million*
Discount rate:		
– 0.25% increase	**(14)**	(15)
– 0.25% decrease	**14**	16
Medical cost growth rate:		
– 1.00% increase	**10**	10
– 1.00% decrease	**(9)**	(9)

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.

31. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2021 *RMB million*	2020 *RMB million*
Within 1 year	**109**	116
1 year to 2 years	**101**	109
2 years to 5 years	**259**	282
Over 5 years	**613**	701
	1,082	1,208

The average duration of the defined benefit plan obligation at the end of the reporting period was 6 years (2020: 6 years).

32. PROVISIONS

	Pending lawsuits *RMB million*	**Provision for foreseeable losses on contract assets** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
At 1 January 2021	**33**	**2,139**	**1,037**	**3,209**
Additional provisions	**77**	**938**	**460**	**1,475**
Utilised/reversed during the year	**(14)**	**(915)**	**(69)**	**(998)**
At 31 December 2021	**96**	**2,162**	**1,428**	**3,686**
Non-current portion	**96**	**2,162**	**1,428**	**3,686**

	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

33. SHARE CAPITAL AND PREMIUM

	2021 *RMB million*	2020 *RMB million*
Issued and fully paid:		
11,747,235,425 (2020: 11,747,235,425) A shares of RMB1.00 each	**11,747**	11,747
4,418,476,000 (2020: 4,418,476,000) H shares of RMB1.00 each	**4,419**	4,419
	16,166	16,166

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 with a total cash consideration of RMB40 million, of which RMB9 million and RMB31 million had been debited to paid-up share capital and share premium, respectively. All the repurchased shares have been cancelled as at 31 December 2020.

From September 2021 to December 2021, CCCG, the parent company, increased its shareholding of H shares in the Company by 83,951,000 H shares. Prior to the increase of shareholding, CCCG held 9,374,616,604 shares of the Company (all being directly holding of A shares, without holding of H shares), representing approximately 57.99% of the total issued shares of the Company. Subsequent to the increase of shareholding, CCCG holds 9,458,567,604 shares of the Company (including 9,374,616,604 A shares and 83,951,000 H shares), representing approximately 58.51% of the total issued shares of the Company.

As at 31 December 2021, the Company's share capital was RMB16,165,711,425 (2020: RMB16,165,711,425), 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.

34. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY

	2021 *RMB million*	2020 *RMB million*
Perpetual securities	**33,959**	33,938

As approved by National Association of Financial Market Institutional Investors ("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. 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 after 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.

As approved by China Securities Regulatory Commission ("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, 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 rate of this tranche of bonds was 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 bonds due to changes or amendments to laws, regulations or judicial interpretations of relevant laws and regulations. The Company has the right to redeem the bonds if the Company can no longer account the bonds as equity in its consolidated financial statements due to changes in the accounting standards of the enterprise or other laws and regulations. Except for the above two cases, the Company has no rights or obligations to redeem the bonds.

The 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.

34. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY (CONTINUED)

As approved by CSRC, three tranches of renewable corporate bonds were issued by the Company in 2021, with nominal values of RMB1,500 million, RMB2,000 million and RMB500 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 first tranche of bonds were 3.30%, 3.88%, 3.18%, 3.53% and 3.14% per annum respectively, which will be reset once in every three/five years since the issuance date. The Company has the right to redeem the bonds if it has the unavoidable liability to pay additional taxes for the survival of bonds due to changes or amendments to laws, regulations or judicial interpretations of relevant laws and regulations. The Company has the right to redeem the bonds if the Company can no longer account the bonds as equity in its consolidated financial statements due to changes in the accounting standards of the enterprise or other laws and regulations. Except for the above two cases, the Company has no rights or obligations to redeem the bonds.

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

35. 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 2020	10,682	7,639	709	(41)	17,782	9	2,613	(1,732)	137,681	175,342
Profit for the year	-	-	-	-	-	-	-	-	18,348	18,348
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	68	-	-	-	-	68
Cash flow hedges, net of tax	-	-	-	-	-	1	-	-	-	1
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	(39)	-	-	-	-	(39)
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	(22)	-	-	-	-	-	(22)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(1,482)	-	(1,482)
Redemption of perpetual securities	(20)	-	-	-	-	-	-	-	-	(20)
Final 2020 dividend declared	-	-	-	-	-	-	-	-	(2,924)	(2,924)
Capital contribution from non-controlling interests	3,216	-	-	-	-	-	-	-	-	3,216
Transaction with non-controlling interests	(207)	-	-	-	-	-	-	-	-	(207)
Interest on perpetual securities	-	-	-	-	-	-	-	-	(1,699)	(1,699)
Dividends on preference shares	-	-	-	-	-	-	-	-	-	-
Transfer to statutory surplus reserve (a)	-	643	-	-	-	-	-	-	(643)	-
Transfer from general reserve (b)	-	-	(72)	-	-	-	-	-	72	-
Transfer to safety production reserve (c)	-	-	-	-	-	-	355	-	(355)	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(5)	-	-	-	5	-
Others	18	-	-	-	-	-	-	-	-	18
At 31 December 2021	13,689	8,282	637	(63)	17,806	10	2,968	(3,214)	150,485	190,600

35. 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 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

35. 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 2021, the board of directors proposed an appropriation of 10% (2020: 10%) of the Company's profit after tax, as determined under PRC GAAP, of RMB643 million (2020: RMB1,694 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 2021 amounted to RMB637 million (2020: RMB709 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.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Percentage of equity interests held by non-controlling interests:

	2021 *(%)*	2020 *(%)*
CCCC (Beijing) One-term Equity Investment Fund LLP	**40.00**	40.00
CCCC Financial Leasing Co., Ltd. *(note a)*	**9.00**	30.00
CCCC First Highway Engineering Group Co., Ltd.	**12.75**	12.75
CCCC Second Highway Engineering Co., Ltd.	**25.24**	18.06
CCCC Third Highway Engineering Co., Ltd.	**30.00**	30.00
CCCC Forth Highway Engineering Co., Ltd.	**25.98**	20.08
CCCC First Harbour Engineering Co., Ltd.	**13.94**	9.91
CCCC Second Harbour Engineering Co., Ltd.	**23.34**	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.	**25.72**	17.25
CCCC Urban Investment Holding Co., Ltd.	**9.51**	–

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

	2021 ***RMB million***	2020 *RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**247**	(7)
CCCC Financial Leasing Co., Ltd. *(note a)*	**51**	118
CCCC First Highway Engineering Group Co., Ltd.	**145**	145
CCCC Second Highway Engineering Co., Ltd.	**122**	116
CCCC Third Highway Engineering Co., Ltd.	**58**	58
CCCC Forth Highway Engineering Co., Ltd.	**122**	116
CCCC First Harbour Engineering Co., Ltd.	**116**	116
CCCC Second Harbour Engineering Co., Ltd.	**122**	116
CCCC Third Harbour Engineering Co., Ltd.	**87**	87
CCCC Forth Harbour Engineering Co., Ltd.	**174**	174
Road & Bridge International Co., Ltd.	**119**	116
CCCC Urban Investment Holding Co., Ltd.	**2**	–

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

Dividends paid to non-controlling interests:

	2021 *RMB million*	2020 *RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**234**	–
CCCC Financial Leasing Co., Ltd. *(note a)*	**7**	20
CCCC First Highway Engineering Group Co., Ltd.	**145**	117
CCCC Second Highway Engineering Co., Ltd.	**116**	90
CCCC Third Highway Engineering Co., Ltd.	**58**	42
CCCC Forth Highway Engineering Co., Ltd.	**116**	107
CCCC First Harbour Engineering Co., Ltd.	**116**	79
CCCC Second Harbour Engineering Co., Ltd.	**116**	106
CCCC Third Harbour Engineering Co., Ltd.	**87**	57
CCCC Forth Harbour Engineering Co., Ltd.	**174**	143
Road & Bridge International Co., Ltd.	**116**	106
CCCC Urban Investment Holding Co., Ltd.	**–**	–

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

	2021 *RMB million*	2020 *RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**3,769**	5,023
CCCC Financial Leasing Co., Ltd. *(note a)*	**605**	1,897
CCCC First Highway Engineering Group Co., Ltd.	**1,600**	1,600
CCCC Second Highway Engineering Co., Ltd. *(note b)*	**2,642**	1,443
CCCC Third Highway Engineering Co., Ltd.	**924**	924
CCCC Forth Highway Engineering Co., Ltd. *(note b)*	**2,348**	1,192
CCCC First Harbour Engineering Co., Ltd. *(note b)*	**1,800**	1,135
CCCC Second Harbour Engineering Co., Ltd. *(note b)*	**3,763**	1,545
CCCC Third Harbour Engineering Co., Ltd.	**1,092**	1,092
CCCC Forth Harbour Engineering Co., Ltd.	**2,123**	2,123
Road & Bridge International Co., Ltd. *(note b)*	**2,966**	1,415
CCCC Urban Investment Holding Co., Ltd. *(note b)*	**1,280**	–

As of 31 December 2021, perpetual securities of RMB79,927 million (2020: RMB73,103 million) issued by subsidiaries of the Company were classified as non-controlling interests in the consolidated financial statements.

(a) In December 2021, CCCC Capital, a subsidiary of the Company, purchased a 21% equity interest in CCCC Financial Leasing Co., Ltd. ("CCCC Leasing") from ZPMC at a consideration of RMB1,523 million. After the completion of the transaction, ZPMC's interest in CCCC Leasing is no longer material.

(b) In 2021, the Company and its certain subsidiaries entered into agreements with third-party investors, according to which, third party investors have made capital contributions of RMB12,300 million in total to the subsidiaries. As of 31 December 2021, the investors have completed cash contributions totaling RMB12,300 million. Upon completion of the capital contribution, the Company continues to have control over these subsidiaries.

36. 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:

2021	CCCC (Beijing) One-term Equity Investment Fund LLP *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*	CCCC First Harbour Engineering Co., Ltd. *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*	CCCC Urban Investment Holding Co.,Ltd. *RMB million*
Revenue	-	123,280	60,239	25,745	43,383	51,991	84,112	44,065	42,086	49,837	10,941
Profit for the year	233	1,788	1,567	158	1,442	1,008	1,500	324	2,589	1,887	2,278
Total comprehensive income	233	1,764	1,481	161	1,442	912	1,507	297	2,380	1,791	2,278
Current assets	-	64,972	35,891	20,900	32,687	42,861	77,473	35,009	23,266	24,683	21,023
Non-current assets	9,423	103,989	38,636	18,256	33,808	40,499	50,199	33,009	43,601	46,587	25,286
Current liabilities	36	87,327	43,741	29,581	36,378	53,596	80,482	42,757	30,901	35,487	20,135
Non-current liabilities	-	49,701	13,616	3,936	13,402	10,718	20,631	10,458	12,126	17,533	10,059
Net cash flows (used in)/generated from operating activities	(14)	2,211	2,950	(793)	(4,920)	1,963	61	6,358	4,915	2,361	3,627
Net cash flows (used in)/generated from investing activities	3,414	(21,019)	(4,003)	(2,865)	(4,630)	(1,770)	(5,021)	(1,613)	(1,938)	(10,491)	(3,668)
Net cash flows (used in)/generated from financing activities	(3,400)	11,014	1,490	2,122	3,528	(433)	7,749	(4,066)	(2,404)	6,131	84
Exchange gains/(losses) on cash and cash equivalents	-	(4)	(4)	(30)	(2)	(2)	53	(23)	5	(1)	-
Net increase/(decrease) in cash and cash equivalents	-	(7,798)	433	(1,566)	(6,024)	(242)	2,842	656	578	(2,000)	43

36. 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)

2020	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*	CCCC First Harbour Engineering Co., Ltd. *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	–	–	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. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group has below significant non-cash transactions:

	2021 ***RMB million***	2020 *RMB million*
Increase of right-of-use assets in the current year	**1,274**	1,509
Bank acceptance bills received for sale of goods and services and endorsed to engineering contractors or equipment suppliers	**140**	139

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

(b) Changes in liabilities arising from financing activities

2021	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 2020	364,883	2,545	24,006	1,720	12,224	803	406,181
Changes from financing cash flows	31,178	(1,425)	(2,097)	(495)	3,564	(9,157)	21,568
New leases	–	1,274	–	–	–	–	1,274
Foreign exchange movement	(113)	–	–	–	–	–	(113)
Declared dividends	–	–	–	–	–	9,653	9,653
Interest expense	18,553	182	1,003	301	423	–	20,462
Increase arising from acquisition of subsidiaries	13,008	–	–	–	–	–	13,008
Decrease arising from disposal of subsidiaries	(40,155)	–	–	–	–	–	(40,155)
Addition of unrenewed perpetual securities	–	–	1,000	–	–	–	1,000
Others	(3,500)	57	–	–	–	(4)	(3,447)
At 31 December 2021	383,854	2,633	23,912	1,526	16,211	1,295	429,431

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

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

(c) Total cash outflow for leases

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

	2021 *RMB million*	2020 *RMB million*
Within operating activities	**1,682**	1,265
Within investing activities	**1,388**	2,220
Within financing activities	**1,425**	1,674
	4,495	5,159

38. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEE COMMITMENT

(i) Claims

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 the legal advice. No provision has been made for those pending lawsuits with a maximum compensation amount of RMB2,631 million (31 December 2020: RMB1,672 million) related mainly to disputes with customers and subcontractors, as the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. Pending lawsuits of which the probability of loss is remote or the claim amount is insignificant to the Group were not included in the above.

(ii) Loan guarantees

(a) The Group has acted as the guarantor for several borrowings of RMB3,940million (31 December 2020: RMB3,310million) made by certain joint ventures and associates of the Group. The above amount represents the maximum exposure to default risk under the loan guarantee.

(b) The Group provides guarantees to banks for the mortgage loans of the property buyers in certain real estate projects. As at 31 December 2021, the outstanding balance of guarantees provided by the Group was approximately RMB4,623 million (31 December 2020: RMB3,456 million).

(iii) Liquidity support

(a) Beijing North Huade Neoplan Bus Co., Ltd., a subsidiary of the Company, provides liquidity support to Changchun Public Transportation (Group) Co., Ltd. for sale-leaseback rent payable to Huaxia Financial Leasing Co., Ltd. As at 31 December 2021, the outstanding balance of rent payable by Changchun Public Transportation (Group) Co., Ltd. to Huaxia Financial Leasing Co., Ltd. was RMB138 million (31 December 2020: RMB230 million).

(b) The Group has entered into certain agreements with financial institutions to set up asset-backed securities (ABS) and asset-backed notes (ABN) arrangements. As at 31 December 2021, out of the ABS and ABN in issue with an aggregate amount of RMB27,662 million (31 December 2020: RMB14,969 million), RMB26,132 million (31 December 2020: RMB12,226 million) had been issued to preferential investors. 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 return to preferential investors at the due date is not sufficient.

39. BUSINESS COMBINATION

(a) Acquisition of subsidiaries not under common control

During the year ended 31 December 2021, the Group obtained control over several companies from certain independent third parties, at a total consideration of RMB235 million.

Information of major transactions was as follows:

Name	Type of transaction	Consideration *RMB million*	Percentage of equity attributable to the Group	Acquisition date
Jiangyang Construction Group Co., Ltd. (Now renamed as CCCC First Highway Engineering Construction Group Co., Ltd.)	Equity transfer	44	51%	31 May 2021
Tianjin Chengjian University Architectural Design and Research Institute Co., Ltd.	Equity transfer	22	65%	31 January 2021
Caofeidian Port Construction Concrete Co., Ltd.	Equity transfer	76	100%	31 December 2021

39. BUSINESS COMBINATION (CONTINUED)

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

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

	Acquisition date fair value
	RMB million
Non-current assets	
Property, plant and equipment	282
Intangible assets	8
Deferred tax assets	16
	306
Current assets	
Inventories	6
Contract assets, trade and other receivables	2,368
Cash and cash equivalents	388
	2,762
Current liabilities	
Trade and other payables	(2,638)
Interest-bearing bank and other borrowings	(99)
	(2,737)
Non-current liabilities	
Interest-bearing bank and other borrowings	(62)
	(62)
Net assets	269
Non-controlling interests	(50)
Goodwill on acquisition	15
Consideration	234
Less: Fair value of initial equity investments at acquisition date	58
Satisfied by cash	176

39. 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:

	2021 *RMB million*
Total consideration	234
Cash paid for acquisition of subsidiaries	176
Cash and bank balances of subsidiaries acquired	388
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(212)

Since the acquisition, the acquirees contributed RMB1,449 million to the Group's revenue and caused a loss of RMB61 million to the consolidated profit for the year ended 31 December 2021.

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 RMB684,593 million and RMB23,942 million, respectively.

(b) Asset acquisition

During the year ended 31 December 2021, the Group acquired the majority shareholdings previously held by third parties in Foshan Guangming Expressway Co., Ltd. ("Foshan Guangming"), Chongqing Fengshi Expressway Development Co., Ltd. ("Chongqing Fengshi"), Chongqing Fengfu Expressway Development Co., Ltd. (Chongqing Fengfu), and Chongqing Sihang Tonghe Expressway Investment Co., Ltd. ("Chongqing Tonghe") at a total cash consideration of RMB2,827million and obtained control over these companies. On an acquisition-by-acquisition basis, the Group determined that these acquisitions to be asset acquisitions instead of business acquisitions since substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset of these acquired companies.

The financial information of the relevant assets at the time of acquisition is listed as follows:

	2021 *RMB million*
Intangible assets	19,283
Other assets	1,031
Total current liabilities	(15,264)
Fair value of identifiable net assets on acquisition date	5,050
Consideration	5,050
Satisfied by cash	2,827
The original book value of the equity held	2,223

39. BUSINESS COMBINATION (CONTINUED)

(b) Asset acquisition (continued)

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

	2021 *RMB million*
Total consideration	**5,050**
Cash paid for asset acquisition	**2,827**
Cash and bank balances of assets acquired	**405**
Net outflow of cash and cash equivalents in respect of asset acquisition	**2,422**

40. DISPOSAL OF SUBSIDIARIES

(i) Information of subsidiaries disposed of:

(a) Chongqing Changhe Expressway Co., Ltd. ("Chongqing Changhe Expressway") is held by CCCC First Highway Engineering Group Co., Ltd. ("CCCC First Highway") and Chongqing Expressway Group Co., Ltd. with respect to 51% and 49% equity interests, respectively. In view of the extensive experience of CCCC First Highway in infrastructure construction, the two shareholders agreed that Chongqing Changhe Expressway should be controlled by CCCC First Highway during the construction period and jointly controlled by the two shareholders during the operation period. Right before the start of operation period of Chongqing Changhe Expressway in the second half of 2021, the two shareholders revised the operation arrangements and the article of association of Chongqing Changhe Expressway, together with the re-election of board of directors, to grant joint control of Chongqing Changhe Expressway to the two shareholders. Accordingly, CCCC First Highway no longer has control over Chongqing Changhe Expressway.

(b) In 2021, the Group disposed of the majority equity interests in Chongqing Jiuyong Expressway Construction Co., Ltd. ("Chongqing Jiuyong Expressway"), Guizhou CCCC Jiangyu Expressway Development Co., Ltd. ("Guizhou Jiangyu Expressway"), Guangxi CCCC Guilong Expressway Development Co., Ltd("Guangxi Guilong Expressway"), and Guangdong CCCC Yuzhan Expressway Development Co., Ltd. ("Guangdong Yuzhan Expressway") to third-parties for a total cash consideration of RMB5,578million. Upon the completion of equity transfer, the Group, with less than 50% equity interests, no longer has the control over Chongqing Jiuyong Expressway, Guizhou Jiangyu Expressway, Guangxi Guilong Expressway or Guangdong Yuzhan Expressway.

(c) In 2021, CCCC Ocean Investment Holding Co., Ltd. ("CCCC Ocean Investment") disposed of 40% equity interests in Chengdu CCCC Phoenix Lake Real Estate Co., Ltd. ("Phoenix Lake Real Estate"), a previous subsidiary with 80% equity interest, to a third party for a cash consideration of RMB27 million. Upon the completion of equity transfer, CCCC Ocean Investment no longer has control over Phoenix Lake Real Estate.

(d) In 2021, CCCC Second Harbour Engineering Co., Ltd. ("CCCC Second Harbour ") transferred 131 million unit, representing a 80% equity interest, in CCCC Wuhan Fairy Mountain Road Construction Private Equity Investment Fund ("Fairy Mountain Fund"), to a third party for a total cash consideration of RMB131 million. Upon the completion of equity transfer, CCCC Second Harbour no longer had the control over Fair Mountain Fund, and Wuhan Fairy Mountain Road Construction and Development Co, Ltd., a subsidiary of Fair Mountain Fund.

40. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(ii) The financial information of subsidiaries disposed of by the Group, at the date of disposal is as follows:

	2021 Total *RMB million*	2020 Total *RMB million*
Non-current assets	**52,819**	25,086
Current assets	**4,977**	7,265
Current liabilities	**(5,069)**	(13,225)
Non-current liabilities	**(41,124)**	(13,705)
	11,603	5,421
Non-controlling interests	**1,506**	–
	10,097	5,421
Goodwill on acquisition	**7**	–
	10,104	5,421
Gains on disposal of subsidiaries	**26**	147
Total considerations	**10,130**	5,568
Represented by:		
Fair values of residual interests in joint ventures	**4,168**	1,866
Fair values of residual interests in associates	**16**	29
Financial assets at fair value through profit or loss	**74**	–
Cash consideration	**5,872**	3,673
	10,130	5,568

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

	2021 *RMB million*	2020 *RMB million*
Cash received from disposal of subsidiaries in the current year	**866**	401
Cash received from disposal of subsidiaries in the prior year	**3,272**	–
Cash and bank balances of subsidiaries disposed of	**(729)**	(180)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**3,409**	221

41. PLEDGE OF ASSETS

(a) At 31 December 2021, the restricted deposits were RMB5,331 million (2020: RMB5,275 million).

(b) Details of the Group's assets secured for interest-bearing bank and other borrowings are as follows:

	2021 *RMB million*	2020 *RMB million*
Property, plant and equipment *(note 14)*	**–**	5
Right-of-use assets *(note 16(a))*	**6,342**	6,435
Concession assets and trade receivables from PPP projects *(note 17)*	**302,288**	254,432
Inventories *(note 23)*	**6,995**	6,543
Contract assets and trade and other receivables (excluding PPP projects) *(note 24)*	**29,814**	13,342
	345,439	280,757

42. COMMITMENTS

(i) Capital expenditure commitments

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

	2021 *RMB million*	2020 *RMB million*
Intangible assets – concession assets	**90,119**	92,611
Property, plant and equipment	**1,889**	2,385
	92,008	94,996

The Group has lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these not commenced lease contracts are RMB10 million (2020: RMB1 million).

(ii) Other commitment

In accordance with the Framework Agreement to the Financial Services Agreement dated 30 March 2021 between CCCC Finance and CCCG, the daily maximum balance of credit services provided by CCCC Finance to CCCG for the year ended 31 December 2021 should not exceed RMB3,965 million.

43. 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:

	2021 RMB million	2020 RMB million
Transactions with CCCG		
– Revenue from the provision of construction services	2,945	4,715
– Rental income	–	3
– Rental fee	305	181
– Interest expenses on deposits placed in CCCC Finance	30	26
– Interest expenses on loans	8	3
– Other borrowings from CCCG	1,100	105
Transactions with fellow subsidiaries		
– Revenue from the provision of construction and construction related services	8,750	7,715
– Revenue from sale of goods	1,227	1,058
– Rental income	7	6
– Interest expenses on deposits placed in CCCC Finance	100	83
– Loans from fellow subsidiaries	4,209	9,815
– Interest expenses on loans	1	6
– Purchases of materials	1,479	1,737
– Subcontracting and service charges	2,407	3,494
– Rental fee	1	23
– Loans to fellow subsidiaries by CCCC Finance	4,555	3,300
– Interest income from loans provided by CCCC Finance	40	27
– Factoring to fellow subsidiaries	3,158	2,776
– Interest income from factoring	132	93
– Finance lease loans to fellow subsidiaries	1,346	1,283
– Interest income from finance lease loans	96	127
Transactions with fellow subsidiaries' joint ventures and associates		
– Revenue from the provision of construction and construction related services	215	205
– Revenue from sale of goods	10	4
– Subcontracting and service charges	3	–
Transactions with joint ventures and associates		
– Revenue from the provision of construction and construction related services	75,102	55,386
– Revenue from sale of goods	1,264	1,541
– Purchases of materials	576	2,181
– Subcontracting and service charges	167	483
– Rental income	2	–
– Interest expense on deposits placed in CCCC Finance	4	5
– Loans from joint ventures and associates	9,555	11,917
– Interest expenses on loans	15	16
– Loans to a joint venture by CCCC Finance	–	138
– Loans to joint ventures and associates	11,109	9,134
– Interest income from other loans	895	570
– Factoring to joint ventures and associates	241	90
– Interest income from factoring	15	25
– Finance lease loans to joint ventures and associates	130	452
– Interest income from finance lease loans	140	170

These transactions were carried out by reference to the prices and terms that would be available to third parties in the ordinary course of business.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

Balances with related parties other than government-related entities:

	2021 *RMB million*	2020 *RMB million*
Trade and bills receivables due from		
– CCCG	**278**	1,099
– Fellow subsidiaries	**2,626**	2,656
– Joint ventures and associates	**6,764**	7,209
– Fellow subsidiaries' joint ventures	**33**	20
	9,701	10,984
Long-term trade receivables due from		
– CCCG	**1,664**	1,024
– Fellow subsidiaries	**4,586**	3,064
– Joint ventures and associates	**20,885**	23,269
– Fellow subsidiaries' joint ventures	**209**	130
	27,344	27,487
Prepayments to		
– CCCG	**33**	–
– Fellow subsidiaries	**1,443**	1,668
– Joint ventures and associates	**46**	651
– Fellow subsidiaries' joint ventures	**6**	–
	1,528	2,319
Other receivables due from*		
– CCCG	**97**	153
– Fellow subsidiaries	**2,998**	4,231
– Joint ventures and associates	**8,658**	5,859
– Fellow subsidiaries' joint ventures	**163**	–
	11,916	10,243
Contract assets		
– CCCG	**105**	5
– Fellow subsidiaries	**2,711**	746
– Joint ventures and associates	**1,991**	2,426
– Fellow subsidiaries' joint ventures	**–**	66
	4,807	3,243
	55,296	54,276

* Except for those loans to related parties included in other receivables which are interest-bearing, outstanding balances with related parties are unsecured, interest-free and repayable in cash.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2021 RMB million	2020 RMB million
Trade and bills payables due to		
– Fellow subsidiaries	**3,695**	3,908
– Joint ventures and associates	**1,290**	1,715
– Fellow subsidiaries' joint ventures	**12**	14
	4,997	5,637
Long-term trade payables due to		
– Fellow subsidiaries	**2,852**	2,975
– Joint ventures and associates	**280**	460
– Fellow subsidiaries' joint ventures	**17**	–
	3,149	3,435
Contract liabilities		
– CCCG	**–**	46
– Fellow subsidiaries	**545**	506
– Joint ventures and associates	**8,379**	11,590
– Fellow subsidiaries' joint ventures	**115**	26
	9,039	12,168
Other payables*		
– CCCG	**968**	1,227
– Fellow subsidiaries	**10,778**	6,033
– Joint ventures and associates	**4,350**	4,327
– Fellow subsidiaries' joint ventures	**384**	3
	16,480	11,590
Other borrowings		
– CCCG	**1,160**	105
Lease liabilities		
– Joint ventures and associates	**8**	15
– Fellow subsidiaries	**–**	1
	8	16
	34,833	32,951

* Including deposits from related parties

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees with related parties:

	2021 *RMB million*	2020 *RMB million*
Outstanding loan guarantees provided to		
– Joint ventures	**2,184**	1,545
– Associates	**1,756**	1,765
– Fellow subsidiaries	**–**	60
	3,940	3,370
Outstanding guarantees provided by CCCG	**11,151**	12,148

(d) Commitments with related parties:

	2021 *RMB million*	2020 *RMB million*
Provision of construction services		
– CCCG	**5,154**	4,403
– Fellow subsidiaries	**15,717**	10,839
– Joint ventures and associates	**138,434**	143,547
– Fellow subsidiaries' joint ventures	**343**	468
	159,648	159,257
Purchase of services and goods		
– Fellow subsidiaries	**1,107**	2,172
– Joint ventures and associates	**589**	146
	1,696	2,318

(e) Key management compensation:

	2021 *RMB'000*	2020 *RMB'000*
Short term employee benefits	**16,142**	14,598
Post-employment benefits	**698**	382
	16,840	14,980

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Other transactions with related parties

(i) During the year ended 31 December 2021, the subscribed capital contribution of the Group's equity investments together with the fellow subsidiaries totalled RMB4,855 million.

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

a) In 2021, Road & Bridge International Co., Ltd., a subsidiary of the Company, purchased a 60% equity interest in CCCC Road & Bridge Construction (Beijing) Materials Co., Ltd. from CCCC Construction Bank (Xiamen) Equity Investment Fund Management Co., Ltd., an associate of the Company, at a consideration of RMB15 million. Upon completion of the transaction, Road & Bridge International Co., Ltd. holds 100% of the equity interest in CCCC Road & Bridge Construction (Beijing) Materials Co., Ltd. and obtained control over CCCC Road & Bridge Construction (Beijing) Materials Co., Ltd.

b) In 2021, the Company purchased a 16.52% equity interest in CCCC Tianhe, a subsidiary of the Company from ZPMC, a fellow subsidiary of the Company, at a consideration of RMB344 million. Upon completion of the transaction, the Group holds 100% of the equity interest in CCCC Tianhe.

c) In 2021, CCCC Capital purchased a 21% equity interest in CCCC Leasing from ZMPC at a consideration of RMB1,526 million. Upon completion of the transactions, the Group holds 91% of the equity of CCCC Leasing.

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 USD500 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 USD125 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 year, the fair value losses and investment gains on the total return swap are RMB105 million and RMB193 million, respectively (2020: fair value gains of RMB115 million and investment gains of RMB206 million).

As of 31 December 2021, CCCC Finance, a subsidiary of the Company, provided migrant workers' wage guarantees, advance payment guarantees and performance guarantees to related parties in the amount of RMB1,375 million.

In accordance with the financial services framework agreement between CCCC Finance and CCCG, CCCC Finance provides credit services to CCCG and its subsidiaries, including but not limited to loans, subscription bonds, various guarantees, and the maximum daily balance of credit service provided by CCCC Finance to CCCG is RMB3,965 million, of which the principal amount is RMB3,833 million, and the interest is RMB132 million.

In 2021, Tianjin CCCC Greentown Urban Construction and Development Company Limited, a fellow subsidiary of the Company, redeemed all of its perpetual securities subscribed by the Group at the consideration of RMB1,014 million.

In 2021, CCCG, the parent company, increased the capital investment in CCCC Finance, a subsidiary of the Company, at the consideration of RMB175 million.

44. 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:

2021

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	–	–	15,568	–	15,568
Equity investments designated at fair value through other comprehensive income	–	30,095	–	–	30,095
Derivative financial instruments	–	–	606	–	606
Debt investments at amortised cost	–	–	–	530	530
Trade and other receivables excluding prepayments and other non-financial assets	1,163	–	–	377,479	378,642
Cash and bank balances	–	–	–	104,576	104,576
	1,163	30,095	16,174	482,585	530,017

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)	–	425,503	425,503
Derivative financial instruments	1	–	1
Trade and other payables excluding statutory and other non-financial liabilities	–	439,844	439,844
	1	865,347	865,348

44. 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

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss		
	Debt investments	Equity investments	Held for trading	Financial assets at amortised cost	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*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

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB million	*RMB million*	*RMB million*
Borrowings (excluding lease liabilities)	–	402,833	402,833
Derivative financial instruments	11	–	11
Trade and other payables excluding statutory and other non-financial liabilities	–	401,587	401,587
	11	804,420	804,431

45. 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	
	2021	2020	**2021**	2020
	RMB million	*RMB million*	***RMB million***	*RMB million*
Financial liabilities				
Non-current				
Bank borrowings	**316,696**	288,623	**317,703**	288,448
Corporate bonds	**20,255**	17,959	**20,259**	17,958
Non-public debt instruments	**9,479**	8,028	**9,479**	8,028
Other borrowings (other than lease liabilities)	**3,683**	6,769	**3,683**	6,739
	350,113	321,379	**351,124**	321,173

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 and non-public debt instruments 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 and non-public debt instruments as at 31 December 2021 were assessed to be insignificant.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include future cash 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 2021, 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.

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

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments have been estimated by the most appropriate valuation techniques based on assumptions that are not supported by observable market prices or rates, including: (i) market approach by using initial cost of the investment itself or a multiple of earnings, or of revenue depending on the stage of development of an enterprise; and (ii) income approach by using the discounted cash flows or earnings of underlying business based on reasonable assumptions and estimations of expected future cash flows (or expected future earnings), the terminal value, and the appropriate risk-adjusted rate that captures the risk inherent in the projections.

The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by financial institutions in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets and liabilities measured at fair value:

As at 31 December 2021

	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	–	1,163	–	1,163
Equity investments designated at fair value through other comprehensive income	26,949	–	3,146	30,095
Financial assets at fair value through profit or loss	1,319	–	14,249	15,568
Derivative financial instruments				
– Forward currency contracts	–	15	–	15
– Interest rate swap	–	15	–	15
– Total return swap	–	–	–	–
– Forward equity contracts	–	–	85	85
– Foreign exchange option	–	–	491	491
	28,268	1,193	17,971	47,432
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	1	–	1

45. 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 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*
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

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 (2020: Nil).

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

	2021	2020
	RMB million	*RMB million*
At 1 January	**15,035**	10,775
Total gains recognised in the consolidated statement of profit or loss included in other gains	**21**	66
Total gains/(losses) recognised in other comprehensive income	**(77)**	136
Purchases	**7,760**	4,309
Disposals	**(4,768)**	(251)
At 31 December	**17,971**	15,035

45. 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 2021

	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	**–**	**317,703**	**–**	**317,703**
Corporate bonds	**4,000**	**16,259**	**–**	**20,259**
Non-public debt instruments	**–**	**9,479**	**–**	**9,479**
Other borrowings (other than lease liabilities)	**–**	**3,683**	**–**	**3,683**
	4,000	**347,124**	**–**	**351,124**

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

46. 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 2021, the Group's aggregate net assets of RMB7,174 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 2021, 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 RMB13 million (2020: RMB420 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:

	2021	2020
Increase/decrease in quoted price in open markets	**10%**	10%

	2021 *RMB million*	2020 *RMB million*
Impact on profit before tax for the year	**117**	12
Impact on equity (excluding retained profits)	**2,695**	2,683

46. 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 2021 and 2020, 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 2021 and 2020.

As at 31 December 2021, the Group's borrowings of approximately RMB242,810 million (2020: RMB221,299 million) were at variable rates. As at 31 December 2021, 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 RMB2,428 million (2020: RMB2,213 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 2021

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 2021

	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, trade and other receivables*	244,066	31,724	973	428,710	705,473
Debt investments at amortised cost	–	–	550	–	550
Restricted bank deposits and time deposits with an initial term of over three months					
– Not yet past due	8,773	–	–	–	8,773
Cash and cash equivalents					
– Not yet past due	95,803	–	–	–	95,803
Guarantees given to banks in connection with facilities granted to associates and joint ventures					
– Facilities drawn					
– Not yet past due	3,940	–	–	–	3,940
	352,582	31,724	1,523	428,710	814,539

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2021 (continued)

As at 31 December 2020

	12-month ECLs		Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Contract assets, trade and other receivables*	339,609	27,375	162	259,683	626,829
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	3,310	–	–	–	3,310
	470,973	27,375	286	259,683	758,317

* For contract assets, trade and other receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 to the financial statements.

As at 31 December 2021, the financial assets classified to stage 3 for lifetime ECLs are debt investments at amortised cost, other receivables and long-term receivables with a gross carrying amount of approximately RMB4,959 million (2020: RMB1,163 million). Further quantitative data in respect of the Group's exposure to credit risk arising from other receivables and long-term receivables are disclosed in note 24 to the consolidated financial statements.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 29.

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.

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.

2021

	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)	**95,408**	**72,667**	**130,485**	**282,110**	**580,670**
Lease liabilities	**1,028**	**680**	**739**	**613**	**3,060**
Trade and other payables (excluding statutory and non-financial liabilities)	**405,527**	**25,982**	**7,263**	**1,355**	**440,127**
Net-settled derivative financial instruments	**1**	**–**	**–**	**–**	**1**
	501,964	**99,329**	**138,487**	**284,078**	**1,023,858**

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

The Group's contractual amounts relating to loan guarantees and liquidity support are disclosed in note 38 of the consolidated financial statements.

Derivative financial instruments comprise forward currency contracts used by the Group to hedge the exposure to foreign currency risk.

46. 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 2021 *RMB million*	31 December 2020 *RMB million*
Total borrowings *(note 29)*	**428,136**	405,378
Less: Cash and cash equivalents *(note 26)*	**95,803**	119,511
Net debt	**332,333**	285,867
Equity	**391,354**	357,804
Total capital	**723,687**	643,671
Gearing ratio	**45.9%**	44.4%

The Group's gearing ratio increased from 44.4% to 45.9% on 31 December 2021 when compared with the ratio as at 31 December 2020.

47. EVENT AFTER THE REPORTING PERIOD

On 30 March 2022, the board of directors of the Company resolved that a final dividend of RMB0.20371 per share, totalling approximately RMB3,293 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.

48. COMPARATIVE AMOUNTS

As stated in note 2.2(c) to the consolidated financial statements, the comparative statements of cash flows have been restated to reflect the prior year adjustments relating to the voluntary changes in accounting policy during the current year.

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:

	2021 *RMB million*	2020 *RMB million*
Non-current assets		
Property, plant and equipment	**1,667**	1,616
Right-of-use assets	**8**	11
Intangible assets	**283**	145
Investments in subsidiaries	**139,384**	130,769
Investments in joint ventures	**3,997**	3,192
Investments in associates	**9,434**	8,849
Financial assets at fair value through profit or loss	**566**	576
Equity investments designated at fair value through other comprehensive income	**17,368**	19,871
Contract assets, trade and other receivables	**4,758**	4,741
Loans to subsidiaries	**455**	455
Amounts due from subsidiaries	**832**	645
Total non-current assets	**178,752**	170,870
Current assets		
Inventories	**442**	446
Contract assets, trade and other receivables	**25,593**	27,087
Loans to subsidiaries	**31,820**	37,359
Amounts due from subsidiaries	**31,934**	33,926
Restricted bank deposits	**1**	149
Cash and cash equivalents	**23,521**	40,562
Total current assets	**113,311**	139,529
Current liabilities		
Trade and other payables	**4,310**	6,661
Contract liabilities	**5,694**	4,633
Amounts due to subsidiaries	**78,506**	104,127
Tax payables	**228**	11
Interest-bearing bank and other borrowings	**25,593**	18,988
Retirement benefit obligations	**18**	5
Total current liabilities	**114,349**	134,425
Net current (liabilities)/assets	**(1,038)**	5,104
Total assets less current liabilities	**177,714**	175,974

Continued/…

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2021 RMB million	2020 RMB million
Total assets less current liabilities	**177,714**	175,974
Non-current liabilities		
Trade and other payables	**170**	35
Deferred income	**5**	–
Amounts due to subsidiaries	**4,756**	3,248
Interest-bearing bank and other borrowings	**29,813**	29,788
Deferred tax liabilities	**3,742**	4,238
Retirement benefit obligations	**32**	36
Provisions	**4**	4
Total non-current liabilities	**38,522**	37,349
Net assets	**139,192**	138,625
Equity		
Share capital	**16,166**	16,166
Share premium	**19,625**	19,625
Financial instruments classified as equity	**33,959**	34,938
Reserves *(note)*	**69,442**	67,896
Total equity	**139,192**	138,625

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 2020	**21,125**	**7,643**	**64**	**13,828**	**(18)**	**25,254**	**67,896**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**6,427**	**6,427**
Changes in fair value of equity instruments designated at fair value through other comprehensive income, net of tax	**-**	**-**	**-**	**(136)**	**-**	**-**	**(136)**
Share of other comprehensive loss of joint ventures and associates	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Actuarial loss on retirement benefit obligations, net of tax	**-**	**-**	**(1)**	**-**	**-**	**-**	**(1)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**(59)**	**-**	**(59)**
Redemption of perpetual securities	**(22)**	**-**	**-**	**-**	**-**	**-**	**(22)**
Final 2020 dividend declared	**-**	**-**	**-**	**-**	**-**	**(2,924)**	**(2,924)**
Interest on perpetual securities	**-**	**-**	**-**	**-**	**-**	**(1,738)**	**(1,738)**
Transfer to statutory surplus reserve	**-**	**643**	**-**	**-**	**-**	**(643)**	**-**
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	**-**	**145**	**-**	**(1,446)**	**-**	**1,301**	**-**
At 31 December 2021	**21,103**	**8,431**	**63**	**12,245**	**(77)**	**27,677**	**69,442**

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 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

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

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 2021 to be held in 2022
"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 Engineering"	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 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 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 58.70% 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
"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, the A shares of which are listed on the Shanghai Stock Exchange under stock code 600320 and the B shares of which are listed on the Shanghai Stock Exchange under stock code 900947, and a non wholly-owned subsidiary of CCCG
"%"	percent

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: CHEN Jing and WANG Jing

International Auditors:
Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Signing auditor: WONG Man Kit

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
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