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

2022
ANNUAL REPORT (H SHARE)

CONTENTS

CORPORATE PROFILE

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

As a leading transportation infrastructure enterprise in the PRC, the Group is the industry leader in each of its core businesses, namely infrastructure construction, infrastructure design and dredging. Leveraging on its extensive operating experience, expertise and know-how accumulated from projects undertaken across a wide range of areas over the years, the Company is capable of providing integrated solutions throughout each stage of infrastructure projects for its customers. The Company is the world's largest port, road and bridge design and construction company, and the world's largest dredging company; it is also the largest international contractor and highway investor in China; and the Company also owns the largest engineering fleet in the world. The Company currently has 32 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 seventeen 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 sixteen consecutive years. Meanwhile, CCCG ranked the 60th 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 2022, the engineering contractor base was solidified, the highway business maintained its leading position in the industry, and the results of "expanding contracting projects" were remarkable. We continued to optimize the investment structure, developed overseas business steadily, accelerated green and low-carbon transformation and made progress in the "three new" businesses. We focused on new industry sectors such as energy conservation and environmental protection, new energy, new information technology as well as new business forms and models to optimize top-level design, with clearer business development directions and management models, and a deepening integration of industry and finance. The value of new contracts in "big city" business exceeded RMB1,000 billion for the first time. Green and Low Carbon Development Research Centre and Carbon Asset Management Centre published and implemented carbon emission measurement standards and supporting quotas for highway and water transport projects to fill the gaps in the industry. We successfully issued the first highway REITs for central enterprises, creating a platform for listing CCCC's highway assets.

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 15 innovation platforms at national level, 113 innovation platforms at provincial level and 28 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, 126 Luban Awards, 362 National Quality Project Awards (including 43 golden awards), 105 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 33 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 133 national standards and 495 industry standards that have been promulgated, and had a total of 27,189 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 2022	2021	Change (%)
Revenue	717,473	682,785	5.1
Gross Profit	83,064	84,524	(1.7)
Operating Profit	33,716	34,542	(2.4)
Profit attributable to owners of the Company	20,065	18,349	9.4
Basic earnings per share (RMB)(Note)	1.14	1.04	9.8

RMB million	As at 31 December 2022	2021	Change (%)
Total assets	1,511,350	1,391,109	8.6
Total liabilities	1,085,174	999,714	8.5
Total equity	426,176	391,395	8.9
Capital and reserves attributable to owners of the Company	281,978	260,391	8.3

Value of New Contracts RMB million	For the year ended 31 December 2022 Number of Projects	2022 Value of Contracts	2021 Value of Contracts	Change (%)
Infrastructure Construction Business	3,196	1,367,070	1,125,368	21.5
— Port Construction	633	76,700	48,143	59.3
— Road and Bridge Construction	609	357,875	310,877	15.1
— Railway Construction	56	44,873	25,006	79.4
— Urban Construction	1,598	678,981	531,983	27.6
— Overseas Projects	300	208,641	209,359	(0.3)
Infrastructure Design Business	5,436	54,899	44,508	23.3
Dredging Business	777	106,654	87,301	22.2
Other Businesses	N/A	13,633	10,735	27.0
Total	N/A	1,542,256	1,267,912	21.6

Backlog RMB million	As at 31 December 2022 Number of Projects	2022 Value of Contracts	2021 Number of Projects	2021 Value of Contracts
Infrastructure Construction Business	5,950	3,028,916	5,615	2,780,828
Infrastructure Design Business	19,089	148,112	17,705	152,473
Dredging Business	2,390	204,832	2,320	185,941
Other Businesses	N/A	6,465	N/A	9,012
Total	N/A	3,388,325	N/A	3,128,254

Note:

In calculating the amount of basic earnings per share, the interest of perpetual securities with an aggregate amount of approximately RMB1,559 million shall be excluded from profits.

Baiju Temple Yangtze River Bridge is a steel truss cable-stayed bridge carrying both road and rail traffic with the longest span in the world. It is the controlling project of Chongqing's "Seven Crossings" across the Yangtze River, connecting Dadukou and Banan districts, with a total length of about 3.7 kilometres.

The opening of the bridge makes it an important connection between Longzhou Bay area in Banan District and the Yangtze River Cultural and Arts Bay District of Chongqing, effectively relieving congestion on Chongqing's Inner Ring Expressway and driving economic and social development along the route.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present to you the 2022 annual report of the Company for your review.

In 2022, the Company focused on the goal of high-quality development by stabilising growth, optimising structure and controlling risks persistently, thereby reaching new highs in business scale, steadily improving profitability, keeping financial leverage within a reasonable range, steadily improving the quality of development and building a solid foundation for development.

Revenue of the Group amounted to RMB717,473 million, representing a year-on-year growth of 5.1%. Net profit attributable to the Shareholders amounted to RMB20,065 million, representing a year-on-year growth of 9.4%, and earnings per share were RMB1.14. The value of new contracts of the Group amounted to RMB1,542,256 million, representing a year-on-year growth of 21.6%. As at 31 December 2022, the backlog of the Group amounted to RMB3,388,325 million with sufficient order backlog, which provided strong support and guarantee for sustainable and steady development of the Company.

Since the "14th Five-Year Plan", the Company has not wavered in its determination to develop with high quality, adhered to the overall development path of "123456", steadfastly made itself stronger, better and bigger, and persevered in building a world-class enterprise with "Three Orientations (三型)", which has systematically enhanced its foundation and culture advantages, achieved comprehensive optimisation of its industrial system, made breakthroughs in strategic control and management, realised landmark achievements in scientific and technological innovation, presented a fundamental reversal of investment dependence, and substantially improved its operational quality. 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 60th in 2022, and has ranked the first among Asian enterprises in ENR's Top International Contractors for the sixteenth consecutive year and rated Level A in business performance appraisal of state-owned enterprises (organised by the SASAC) for the seventeenth consecutive year.

In 2023, faced with new opportunities and challenges, the Company will continue to work hard and forge ahead. We will continue to enhance the power of scientific and technological innovation, value creativity, industrial chain control and institutional mechanism vitality, and vigorously promote the entrepreneurial spirit. We will focus on promoting the integration of the construction of the Party with production and operation, the integration of specific management with the standard system, the integration of performance assessment with remuneration and personnel selection, the integration of strategic planning with operational initiatives, the integration of comprehensive budget with actual implementation, the integration of organizational structure with target responsibilities, the integration of investment efficiency with project efficiency, and the integration of effective quality improvement with reasonable quantitative growth. We will accelerate the construction of "six modernisations (六化)", and insist on market-oriented mechanism, international level, professional capability, regional coordination, standardised management and information support, so as to steadily promote high-quality development to a new level.

CHAIRMAN'S STATEMENT

In 2023, the Company will take the initiative to serve the national strategy, make every effort to stabilise growth and seize opportunities for business expansion, thereby writing a new chapter of high-quality development in the new era and new journey. The Company determines in its business plan to achieve a year-on-year growth of no less than 9.8% in the value of new contracts and a year-on-year growth of no less than 7% in operating revenue as well as the "one increase, two stabilizations and three improvements" with high-quality development as the goal and the "profit and five rates (一利五率)" as the core. We will spare no effort to promote the Company's high-quality development and achieve further success. The key tasks are as follows:

Firstly, focusing on stable growth and building a solid foundation for high-quality development. We will further expand the scale of contracting projects, give full play to the advantages of integrated marketing, continuously increase the proportion of the contracting project market and steadily increase our market share. We will strengthen the optimisation of investment structure, uphold the concept of value investment, and continue to promote the control of the total size, the optimisation of incremental assets and the improvement of quality. To accelerate the upgrading of industrial development, we will combine the pilot work on transportation strength construction with the tasks of creating a source of original technology and building a modern industrial chain leader in traditional areas of strength, and find new industrial development in emerging business areas by taking advantage of technological progress, structural adjustment and product segmentation to enhance the competitiveness and added value of the industrial chain of the principal business.

Secondly, focusing on quality and efficiency improvement, and tapping into the potential of high-quality development. We will take multiple measures to accelerate the transformation of development of the Company from the model focusing on speed and scale to the model focusing on quality and efficiency. We will reduce leverage and debt through multiple channels, optimise the debt structure and explore innovative financing channels. We will vigorously promote cost reduction and expense cutting, firmly establish the concept of "tightening the belts", and draw up lists of key subsidiaries to carry out special supervision. We will pay attention to the profitability improvement of key enterprises and projects, and accelerate the clean-up of the "non-major and non-advantaged business (兩非)" and the "inefficient and ineffective assets (兩資)", in order to improve the overall profitability of the Company. We will optimise the structure of assets and debts, improve the quality and efficiency of asset operations and enhance the profitability of net assets.

Thirdly, focusing on reform and innovation to stimulate the momentum of high-quality development. We will attach great importance to the systemic, holistic and synergistic nature of reform, continue to improve the corporate governance mechanism, push forward the "four capabilities (四能)" reform with greater efforts, implement the innovation-driven strategy at the same time, and accelerate the achievement of a high level of technology independently.

Fourthly, focusing on overseas development and consolidating the advantages of high-quality development. We will accelerate the upgrading from "business internationalisation" to "company internationalisation", promote integrated management, optimise internal cooperation pattern, speed up localised development, adhere to overseas priority, ride on the momentum and gather strength to play a leading role in "the Belt and Road" initiative and enhance its internationalisation capability.

Fifthly, focusing on risk prevention and control, and guarding the bottom line of high-quality development. We will enhance the awareness of opportunities and risks, establish bottom-line thinking, further optimise the working mechanism, discover problems and strengthen weak areas. We will enhance the interconnection of the compliance management information system with the information systems of finance, investment and procurement, deal with the historical issues in production and operation, and strictly control the financial risks from the aspects of system and process.

Standing at a new historical point, we will fully implement Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and with a sense of mission and urgency, we will be vigorous and determined to accelerate the construction of a world-class enterprise with globally competitive technology, management and quality, and make greater contribution to the building of a modern socialist country in all respects through practical actions and excellent results. I would like to thank all Shareholders and friends for their support and help.

Wang Tongzhou
Chairman

Beijing, the PRC
30 March 2023

The Phnom Penh-Sihanoukville Expressway is the first highway in Cambodia and is a key project jointly built by China and Cambodia under “the Belt and Road” initiative. It runs through 5 provinces and cities in Cambodia, with a total length of 187.05 kilometres.

The opening of the project has shortened the journey from Phnom Penh to Sihanoukville from over 5 hours to less than 2 hours, facilitating the travel of local people and greatly reducing logistics costs, making it an “accelerating road” for Cambodia’s economic and social development.

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, water conservancy and hydropower, 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 Group mainly includes collecting project information, pre-qualification, bidding, executing projects, and delivering projects to customers after completion. The Group 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. In particular, the Group'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 Group 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 has begun to develop infrastructure and other investment projects since 2007 to obtain investment profits apart from reasonable design and construction. After years of development, in keeping with changes in the market environment, policy situation, and industry demand, the Company has always strictly controlled the key points in the investment process, and continuously promoted the deepening and implementation of the commitment to "value-oriented investments". For details, please refer to the section headed "Management's Discussion and Analysis".

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 32 principal wholly-owned or holding subsidiaries, and operates businesses in China's all provinces, cities, autonomous regions, Hong Kong and Macau 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 peers 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 (including 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 large gap still exists between the Company and the two domestic traditional railway infrastructure enterprises in terms of market shares in China. However, as to the overseas market, the Company has successfully entered 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 one of the first batch of engineering construction companies which obtained the "Railway Transportation Permit", and has become 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 business development 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 Group 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 Group 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 156 innovation platforms and the establishment of key scientific research projects and key engineering projects to create a "three-in-one" 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 Group insists on making breakthroughs in key and core technologies and has made a series of significant scientific and technological achievements in the fields of plateau permafrost, offshore deep-water port, deep-immersed submerged tube tunnel, long bridge construction, underwater tunnel, highway-railway bridge, deep-water submerged tube tunnel, installation and construction of wind power infrastructure. The Group has independently developed a number of strategic high-end equipment such as the heavy self-propelled cutter suction dredger "Tiankun" (天鯤號), the integrated ship with immersed tube floating and installation functions, and the ultra-deep and super-large vertical boring machine "Beijing Capital" (首創號). 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 Group has been accumulatively awarded with 40 National Science and Technology Advancement Awards, 5 National Technological Invention Awards, 126 Luban Awards, 362 National Quality Project Awards (including 43 golden awards), 105 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 33 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 133 national standards and 495 industry standards that have been promulgated.[1]

In the future, the Group will coordinate innovation resources and strengthen research and development management. Guided by the national strategic needs and industrial upgrading, the Group will conduct core technology research and stimulate new momentum of science and technology innovation. We will continue to improve the quantity, quality and effectiveness of national innovation platforms and focus on forging national strategic science and technology strength. Based on the target of "focusing on priorities, consolidating advantages, addressing inadequacies and shoring up points of weakness", 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 world's leading "Sci-tech" 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 55 extra-grade qualifications, including 16 extra-grade qualifications for general contracting of port and waterway engineering construction, 34 extra-grade qualifications for general contracting of highway project construction, 3 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 1,200 qualifications for major engineering contracting and nearly 300 qualifications for engineering consulting, survey and design.

In 2022, the Company obtained a total of 21 grade A and extra-grade qualifications, including 4 extra-grade qualifications for general contracting of highway project construction and 4 extra-grade qualification for general contracting of port and waterway project construction. The acquisition of these 8 extra-grade qualifications will continue to consolidate the Company's leading advantages in highway, port and waterway industries. At the same time, the Company reserved abundant professional qualifications in water conservancy and housing construction through merger and acquisition as well as other means, to create conditions for accelerating the entry into new business and new markets.

1 Statistics from the awards received by CCCC and its subsidiaries.

IV. BUSINESS OVERVIEW

In 2022, the complex global economic and political landscape and the continuous escalation of regional conflicts have significantly increased the unpredictability of the industry. However, with the coexisting of new opportunities and crises and the symbiosis of hope and challenges, the Company implemented the "three majors, two macros and two priorities" business strategy in depth and vigorously expanded the market, enabling the "big transportation" business continue to maintain the leading position in the industry, the market share of the "big city" business continue to increase, and its core advantages in the "rivers, lakes and seas" business continue to consolidate, and thereby gracing the "gold-lettered signboard" of CCCC in abroad. The main business of the Company has covered important strategic areas at home and abroad, and the core industrial clusters facing the world and focusing on construction are taking shape.

In 2022, the value of new contracts of the Group amounted to RMB1,542,256 million, representing a year-on-year increase of 21.64%, which was mainly due to the increased construction demand from roads and bridges, building construction, ecological and environmental protection, municipal engineering and other fields. We continuously improved the business structure, steadily expanded the scale of cash remittance and significantly enhanced the quality and efficiency of investment. As at 31 December 2022, the backlog of the Group amounted to RMB3,388,325 million.

The Company calmly responded to the changes and the uncertainty in development of different countries with firm strategic determination to properly grasp the opportunities and challenges in overseas markets. The value of new contracts of all businesses from overseas markets of the Group amounted to RMB216,782 million (equivalent to approximately USD33,592 million), accounting for approximately 14% of the Group's new contracts value. Wherein, 30 new projects were entered into with each contract value of over USD300 million and a total contract value of USD18,579 million, accounting for 55% of total value of all overseas new contracts of the Group. Statistics showed that as at 31 December 2022, the Group operated businesses in 139 countries and regions.

The value of contracts of all businesses from infrastructure and other investment projects amounted to RMB211,633 million, of which RMB209,418 million for domestic market and RMB2,215 million[2] for overseas market as recognized in proportion to the Company's shareholding, and the contract value of construction and installation contracts to be undertaken by the Group in the design and construction sector was estimated to RMB183,578 million. During the Reporting Period, the Company approved investments of RMB231,427 million in domestic infrastructure and other investment projects, accounting for 83% of the annual plan.

(I) BUSINESS REVIEW AND MARKET STRATEGIES

1. Domestic Market

In 2022, following general principle of pursuing progress while ensuring stability, the whole country continued to consolidate the achievements made in the economic development, and the Chinese economy enjoys strong resilience, tremendous potential and great vitality. Indicators were well achieved, the fundamentals of economic development have been positive in the long run and GDP recorded a year-on-year growth of 3.0%. Fixed asset investment in infrastructure recorded a year-on-year growth of 9.4%. Specifically, investment in water conservancy management increased by 13.6% year on year; investment in public facility management increased by 10.1% year on year; investment in road transportation business increased by 3.7% year on year and investment in railway transport business increased by 1.8% year on year.

In 2022, under the environment of market demand contraction, supply shock and weakening expectations, commodity prices fluctuated at high levels and the downward pressure on the economy increased. In order to support the recovery of the domestic economy, China continued to implement proactive fiscal policies and prudent monetary policies to stabilize the economy. With the strategic idea of moderately advanced infrastructure investment, the market expectations of the infrastructure industry has been rising since the beginning of the year. Due to the repeated uncertainties in the external environment in the first half of the year, there were hidden worries in the market about the actual adequacy of capital in the infrastructure industry. Following the second quarter, as China's package of measures on stabilising growth continued to develop, the State Council's executive meetings have announced a series of measures to support infrastructure investment to play a supporting role in economic growth, making the overall expectation of the infrastructure construction industry rise steadily.

2. Projects signed by John Holland were excluded.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

1. Domestic Market (continued)

In 2022, bearing in mind the country's most fundamental interests, the Company firmly implemented the national strategy of strengthening the country through transportation. Its major projects such as the Urumchi-Yuli Highway, the Sichuan-Tibet Railway and the Shenzhen-Zhongshan Bridge created a number of "world's best", 18 Winter Olympics projects made brilliant debuts, and major projects such as Xiong'an Science and Technology Innovation City (雄安科創城) created a vivid template. Focusing on the "3060" dual-carbon target and relying on digital and intelligent management, the Company continued to build China's No. 1 brand in offshore wind power, actively participated in major strategies such as the protection of the Yangtze River, the ecological protection and high-quality development of the Yellow River Basin, promoted major strategies such as the governance of major rivers, lakes and reservoirs, and actively followed up a number of major national strategic projects including the Pinglu Canal (平陸運河). 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 became the only central construction enterprise with two national engineering research centers upon selection of its Long Bridge Engineering Research Center (長大橋工程研究中心)and Dredging Technology and Equipment Research Center (疏浚技術裝備研究中心) into the National Science and Technology Innovation Base (國家科技創新基地), leading infrastructure construction to a new high end and making great strides on the road of strengthening the country with science and technology.

2. Overseas Market

In 2022, the world economy recovered slowly and was generally characterized by "high inflation, low growth, tight monetary policies and high debt". The Russian-Ukrainian conflict has led to a profound evolution of the geopolitical landscape, and certain economies still have potential sovereign debt problems. Based on scientific and technological reform and industrial reform, high-quality economic and social development giving rise to many new industries and new models, the development of the infrastructure industry is facing a new round of integration, the demand for inter-regional transportation interconnection has increased, and major projects and high-quality projects are further clustered to the leading enterprises. The 9th anniversary of "the Belt and Road" initiative is full of good news. China's non-financial direct investment in countries along "the Belt and Road" in 2022 was RMB141,050 million, up 7.7% year-on-year, and the new contracted construction value was RMB871,840 million, with a turnover of RMB571,310 million.

In 2022, the Company continued to consolidate the foundation of interconnection cooperation, taking account of the advantages of the traditional main business and the expansion of emerging markets, forming a sound situation of diversification and making concurrent progress. The flagship project of China-Malaysia cooperation, the East Coast railway project in Malaysia, has achieved the successful completion of "one bridge and two tunnels (一橋兩隧)", which has ushered in a new breakthrough in the construction of the project. A number of "big traffic" and "big city" projects such as Bakassi Port in Nigeria and Semarang Highway in Indonesia were successfully landed, and the ballast role of the advantageous main business continued to be vigorous. A number of environmental protection, sea wind and pipe network projects were successfully signed in Guangdong, Hong Kong, Macao, Vietnam and Pakistan, and new momentum was added to the development of emerging business.

The Company insists on the principle of "jointly negotiate, establish and share (共商共建共享)" and the goal of "building a shared future for mankind (構建人類命運共同體)", takes "heart-to-heart bridge(連心橋) ", "road to wealth (致富路)", "developed port (發展港)", "happy city (幸福城)" and "Chinese equipment (中國裝備)" as target, plans and implements the livelihood projects along "the Belt and Road" at a high level to benefit the governments of two countries and local society with new contracts of USD16,646 million signed in 2022, and firmly promotes the development of overseas business in the direction of "high quality, benefiting people's livelihood and sustainability (高質量、惠民生、可持續)".

(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, water conservancy and hydropower, 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 2022, the value of new infrastructure construction contracts entered into by the Group amounted to RMB1,367,070 million, representing a year-on-year increase of 21.48%. Wherein, the value of new contracts from overseas markets amounted to RMB208,641 million (equivalent to approximately USD32,331 million); the confirmed value of contracts from infrastructure and other investment projects amounted to RMB210,067 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB182,057 million. As at 31 December 2022, the backlog amounted to RMB3,028,916 million.

Categorised by project type and location, the value of new contracts in terms of urban construction, road and bridge construction, overseas projects, port construction and railway construction amounted to RMB678,981 million, RMB357,875 million, RMB208,641 million, RMB76,700 million and RMB44,873 million, representing 50%, 26%, 15%, 6% and 3% of the total value of new infrastructure construction contracts, respectively.

① Port Construction

As the largest port and waterway design construction enterprise in China, the Group has undertaken a majority of medium and large port terminals and certain inland waterways since the founding of the PRC. With compelling competitive edges, the Group encountered relatively limited substantive competitors.

In 2022, the value of new contracts of the Group for port construction projects in Mainland China amounted to RMB76,700 million, representing a year-on-year increase of 59.32%, and accounting for 6% of that of the infrastructure construction business.

Data published by the Ministry of Transport showed that fixed asset investment in coastal and inland water transport construction amounted to approximately RMB146,681 million from January to November 2022, representing a year-on-year increase of 10.1%. Investments focused on important unloading bases of crude energy materials, key coastal container ports, upgrading and reconstruction of automated terminals and construction of high-grade inland waterway network. The Group continued to participate in national strategic projects around the construction of key projects such as international hub seaports, north-south sea transportation channels and national high-grade waterway networks. The Group participated in the construction of the Pinglu Canal to open up a new channel with the shortest sea path for the southwest and northwest regions of China. We have successfully completed the construction of the fully automated terminal in Nansha Port Area of Guangzhou Port (Phase 4), the terminal project of Zhejiang Oriental Cable, and the main project of the terminal of Jiangsu Binhai LNG project, continuously improving the regional water transportation capacity and accelerating the digital transformation and upgrading of the port.

(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 2022, the value of new contracts of the Group for road and bridge construction projects in Mainland China reached RMB357,875 million, representing a year-on-year increase of 15.12%, and accounting for 26% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects amounted to RMB71,491 million.

Data published by the Ministry of Transport showed that fixed asset investment in road transport construction amounted to approximately RMB2,616,843 million from January to November 2022, representing a year-on-year increase of 9.1%. During the "14th 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 integrated and multi-dimensional transportation networks. China will alleviate the imbalance of road network development needs between regions, so as to enhance the quality of national expressway networks and develop a modern and integrated transportation system. From the perspective of market layout, Guangdong, Hong Kong and Macao, the Yangtze River Delta, Central China, Northeast China, Northwest China and Beijing-Tianjin-Hebei regions have a relatively broad market.

In 2022, the Company has entered a mature stage in the construction of highways and large bridges, and is the market leader in the same industry in China, with significant advantages in the whole industry chain of infrastructure. Following the construction of a country with strong transportation network and a national integrated and multi-dimensional transportation networks, the Company focused on the incremental markets of comprehensive transportation hubs, highway municipalization, smart transportation and "transportation + new energy", and has continuously won a number of high-quality highway contracting projects such as G1816 Wuhai-Maqin Cooperation-Saierlong Expressway, Chongqing Dianfengwu Expressway and Fuzhou Airport Second Expressway. The Company continued to lead the core technology of long bridges and long-diameter shields, created many "world's best (世界之最)" showpiece, and successfully won the tender for the world's largest span bridge – Zhanggao Cross-river Channel, the world's largest span double-layer steel truss girder suspension bridge – Shiziyang Cross-river Channel, the world's largest cross section highway underwater shield tunnel – Haitai Yangtze River Tunnel, the world's longest undersea highway tunnel – Qingdao Jiaozhou Bay Second Subsea Tunnel, with the world's leading technology level, constantly refreshing the world record in road and bridge construction.

③ Railway Construction

As one of the largest railway construction enterprises in China, the Group has developed into the main force of China's railway construction by virtue of its outstanding construction level and excellent management capability, but a large gap still exists between the Company and two domestic traditional railway infrastructure enterprises in terms of market shares in China. However, as to the overseas market, the Company has successfully entered 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 2022, the value of new contracts of the Group for railway construction projects in Mainland China reached RMB44,873 million, representing a year-on-year increase of 79.45%, and accounting for 3% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects amounted to RMB200 million.

In 2022, 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, high-speed railways along the Yangtze River and the International Land-Sea Trade Corridor, and projects that strength trunk line corridors and improve the coordination between stations and railway lines to fix weakness. The Company has formed a full industry chain layout of rail transportation business around investment and financing, survey and design, equipment manufacturing, operation and maintenance. The Company has mastered the research and development and manufacturing of tunnel boring machine and super-large diameter shield machine, construction of highway-railway bridge, intelligent laying of tracks and other characteristic technical advantages. Relying on the Company's industrial advantages in highways and airports, the Company innovated to build "rail+" integrated urban operation solutions. The Company followed the national strategy closely, promoted the construction of Sichuan-Tibet Railway with high quality, and successfully won the bidding for the construction projects of Xiong'an New Area-Xinzhou (Hebei section) high-speed railroad and Shanghai-Nantong (Taicang-Situan section) railroad, polishing the brand of "CCCC Railway".

(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 2022, the value of new contracts of the Group for urban construction projects in Mainland China reached RMB678,981 million, representing a year-on-year increase of 27.63%, and accounting for 50% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects was RMB136,161 million.

Categorised by project type, the value of new contracts for building construction, municipal engineering, comprehensive urban development, urban rail transit, environmental improvement, water conservancy and hydropower and other projects accounted for 33%, 20%, 18%, 8%, 5%, 2% and 14%, respectively, of the value of new contracts for urban construction projects.

We accelerated new urbanization process, and urban construction ushered in new challenges and opportunities. People's livelihood projects released new momentum for the development of the industry, and the market demand for the old community renovation, collective rental house, affordable house, hospitals and schools, public services continued to increase. Under the strategy of double carbon target, the way of housing construction transformed quickly, and digital construction, green construction and construction industrialization developed fast. According to the National Bureau of Statistics, the urbanization rate of the country's resident population grew to 65.22% by the end of 2022, and the gathering of urban population put forward higher requirements for public supporting facilities, and the market demand for urban renewal, comprehensive development of underground space, intelligent parking and pipe network renovation continued to be released.

In 2022, 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 signed a number of large urban complex projects such as Comprehensive Development Project of Yangliuhu Area of Chengdu IC Valley Industrial Park (成都芯谷楊柳湖片區), Foshan Shunde District Lunjiao Double Smart Industrial Park (佛山市順德區倫教雙智產業園), Jimo International Lugang Lingang Industrial Park (即墨國際陸港臨港產業園). The Company continued to mature the development model and expand the operation scale. Focusing on the needs of people's livelihood and taking up its corporate responsibility, the Group has signed resettlement housing projects in Xiong'an, Chengdu and Haikou, and promoted hospital renovation and expansion projects in Shanghai, Tianjin, Wuhan and Zhangjiakou, so as to deepen and expand in the field of livelihood housing construction. The Company developed in segments with high technology contents such as complex urban transportation, integrated pipe gallery and smart parking. The Company implemented a series of municipal projects including Chongqing West (International) Digital Economy Industrial Park, Wuhan Dual-lake Tunnel Project (southern lake section), Traffic & Rad Reconstruction in Yinzhou District, Ningbo to improve the level of urban modernization and work together to build livable, resilient and smart cities. The Company is committed to building a beautiful China and has participated in hydrological treatment, sewage treatment, water supply and irrigation, and mine rehabilitation projects in Fujian, Hunan and Sichuan provinces. Focusing on the dual-carbon target and building a professional platform of "CCCC Offshore Wind Power (中交海風)", the Company has obtained a number of national leading offshore construction and operation and maintenance technologies. In 2022, the contract value of wind power generation and construction business reached RMB17,245 million, initially showing the scale effect of emerging businesses.

(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, environmental protection, subways, buildings, etc., with remarkable competitive edges in the market.

In 2022, the value of new contracts of the Group for overseas projects in the infrastructure construction business amounted to RMB208,641 million (equivalent to approximately USD32,331 million), accounting for 15% of that of the infrastructure construction business.

Categorised by project type, the value of contracts for roads and bridges, urban construction, railways, ports, environmental protection and others accounted for 33%, 20%, 13%, 10%, 8% and 16% 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, Hong Kong, Macau and Taiwan, and other regions accounted for 28%, 22%, 15%, 9%, 6% and 20% of the value of new contracts for overseas projects, respectively.

Based on a global perspective and taking advantage of its main business, the Company actively cooperated with and served national strategies, precisely dovetailed with the deployment of "the Belt and Road" initiative, and made every effort to promote the interconnection of transportation infrastructure and improve people's livelihood along the routes, actively contributed Chinese wisdom and Chinese solutions. In 2022, Cambodia's first expressway, the Golden Port Expressway, was opened to traffic as scheduled, and the leaders of China and Cambodia jointly attended the opening ceremony of the project and the handover ceremony of the supporting livelihood projects; the "Guofu Tunnel (國父隧道)" in Bangladesh, the Kanapuri River Tunnel, was completed in two lines; the largest economic and trade cooperation project between China and Malaysia on "the Belt and Road", the Genting Tunnel (雲頂隧道) of the East Coast Railway of Malaysia, began to bore, and a nodal breakthrough was made in key control works; on the 30th anniversary of the establishment of diplomatic relations between China and Croatia, the Peljesac Bridge, known as the "Bridge of Solidarity (團結之橋)" in Croatia, was successfully handed over, all of which created a model of complementary and mutually beneficial cooperation between China and Europe; the signing of Maya Railway in Mexico, Integrated Port in Chancay, Peru and other landmark projects and the steady progress of Phase III of Laem Chabang Port in Thailand, Jazan City for Primary and Downstream Industries Port in Saudi Arabia, Tangier Tech City in Morocco and other key projects demonstrated the Company's strong integrated and comprehensive service capabilities.

In 2022, the Company steadily promoted the international development and the pilot of localization and separate operations. Cumulative new contracts in the Middle East exceeded USD3 billion in the past three years, and the newly established Saudi Arabia company helped to achieve further success in market development. The coordination of major projects was strongly promoted. We optimized the business structure with larger contracting projects and stronger investments, enhanced the operating structure continuously and controlled the investment risks effectively. We accelerated the digital transformation, broke through a number of key technologies of Beidou high-precision positioning and systematically built an overseas safety service platform. We coordinated the construction of overseas "smart site (智慧工地)" control platform, and the refinement and digital transformation of the projects under construction took a new step. 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 participants 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 "11th Five-Year Plan" period, and its operations mainly involve overseas railway projects and domestic rail transit projects.

In 2022, the value of new contracts of the Group in infrastructure design business reached RMB54,899 million, representing a year-on-year increase of 23.35%. Wherein, the value of new contracts from overseas markets amounted to RMB1,358 million (equivalent to approximately USD210 million). As at 31 December 2022, the backlog amounted to RMB148,112 million.

Categorised by project type, the value of new contracts for EPC general contracting, survey and design, project supervision, and other projects (including PPP projects) amounted to RMB27,139 million, RMB17,660 million, RMB1,039 million and RMB9,061 million, representing 49%, 32%, 2% and 17% of the value of new contracts for infrastructure design business, respectively. For the corresponding period of 2021, the value of new contracts of the above items accounted for 58%, 26%, 2% and 14% of the value of new contracts for infrastructure design business, respectively.

In 2022, the Company continued to strengthen the role of ballast stone of traditional infrastructure design business, it attached importance to the traction role of high-end planning and consulting in market development, so as to seize preemptive advantage over competitors and create markets with high-quality technical solutions. In terms of water transportation business, the Company focused on "dual carbon target" and successfully signed a number of LNG terminal upgrading and reconstruction projects in Guangxi Province, Guangdong Province and Anhui Province around the construction of new energy ports to promote the green transformation of energy structure. The Company focused on the upgrading and reconstruction of seaports and inland waterways, and signed key projects such as the survey and design of Jinniu Terminal in Jiangsu Province's Rudong Yangkou Port Economic Development Zone, the general contract for the preliminary work of the 200,000-ton waterway project in Guangzhou Port, the waterway improvement project in Shanghai's Youdun Port, and the design of the expansion and upgrading project of the Beijiang Waterway in Guangdong Province, and continued to consolidate its market share in its traditional main business. In terms of road and bridge business, the Company gave full play to its absolute leading edge in highway design, landing a number of highway projects with strong regional influence, such as the construction of the G216 line from Hongshanzui Port to Altay Highway, the Chongqing-Hunan High-speed Railway and the Qinglan National Expressway Changzhi-Yan'an Linking-up Road. In response to the national strategy of "rural revitalization", the Company signed a number of rural road construction contracts in Wenzhou, Jinan and Xiamen to expand its sinking market share. In terms of urban business, the Company continued to cultivate cities and operate at the city, and signed EPC survey and design contracts for the Huangpu Research Institute Construction Project in Guangdong University of Foreign Studies, the comprehensive development project of International Exhibition Industrial Park in Gaoping District of Nanchong City, and the Intelligent Logistics Industrial Park of CCCC Xiaoyangkou. In terms of emerging industry, the Company continued to build the "CCCC Sea Wind" brand and carry out offshore wind power survey, supervision and consulting in Yangjiang, Putian, Zhangzhou, Wenzhou and other parts of China. In terms of overseas business, the Company has been at the forefront of the "going out" strategy, winning a number of regionally influential survey, design and consulting projects in Indonesia, Philippines, Guinea and other countries and regions.

(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, 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 2022, the value of new contracts of the Group in dredging business reached RMB106,654 million, representing a year-on-year increase of 22.17%. Wherein, the value of new contracts from overseas markets amounted to RMB5,678 million (equivalent to approximately USD880 million), the confirmed contract value from infrastructure and other investment projects amounted to RMB1,566 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB1,522 million. As at 31 December 2022, the backlog amounted to RMB204,832 million.

In 2022, the Group continued to optimize its asset structure by investing in the construction and acquisition of major dredging vessels and equipment, eliminating some old and inefficient outdated vessels, optimizing the dispatching mechanism of equipment such as cutter suction dredgers to improve the construction utilization rate. Currently, the Group has the largest and most advanced fleet of dredging vessels in China and ranks in the forefront in the global market in terms of the total number of trailing suction hopper dredgers and cutter suction dredgers. As at 31 December 2022, 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 2022, the Company fully consolidated the market advantages of its main business and successfully completed the "number one project" of Guangzhou international shipping hub – the Widening Project of Deep Waterway in Guangzhou Port, further promoting the interconnection of Guangdong-Hong Kong-Macao Greater Bay Area. The Company signed traditional business key projects such as Meishan Port Seawall and Land Infrastructure Project, Construction of Guangzhou Port Nansha International General Terminal Dredging and Filling and Ground Improvement Project Area I, and Nantong Port Sanjiasha South Waterway Engineering Construction Project. To promote green development and build a beautiful China, the Company 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 Ecological Management Project in Datong City, the Water Environment Ecological Restoration Project in Jiushui, Jiaxing, and the Ecological and Environmental Transformation of the Three-Rivers and Six-Shores in Guiping.

(4) Other businesses

In 2022, the value of new contracts of the Group in other businesses amounted to RMB13,633 million, representing a year-on-year increase of 27.00%. As at 31 December 2022, the backlog amounted to RMB6,465 million.

BUSINESS OVERVIEW

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

4. Some Major Contracts Entered into during the Reporting Period *(Unit: RMB100 million)*

(1) Infrastructure Construction Business

Port Construction

No.	Contract Name	Contract Value
①	Infrastructure Key Projects in Zhoushan, Ningbo City	88.99
②	Underground Pipe Gallery Design and General Contracting Project for Long-distance Transportation of Bulk Materials of Caofeidian Area, Hebei Province	19.66
③	Waterway New Energy Shipbuilding Project in Jining City	19.40
④	General Terminal Design and General Contracting Project of Nanhai Operating Area of Huilai Coastal Port, Jieyanggang, Guangxi Province	14.35
⑤	No. 1 Berth in Chisha Operation Area of Qisha Port, Fangchenggang, Guangxi Province (Phase I)	12.20

Road and Bridge Construction

No.	Contract Name	Contract Value
①	PPP Project of Pingnan-Rongxian Section of Guangxi Province Quanzhou-Rongxian Highway	127.55
②	PPP Project of Pingnan-Cenxi Northern Section of Guangxi Province Quanzhou-Rongxian Highway	95.71
③	PPP Project of Gansu-Qinghai Boarder of G1816 Wuhai- Maqin Expressway Cooperation to Saierlong in Gansu Province	85.64
④	Renovation and Expansion Works of G85 Yinchuan-Kunming Expressway, Sichuan-Chongqing Boarder of Chongqing High- tech Zone to Rongchang Section of G93 Chengdu-Chongqing Ring Expressway and PPP Project of Dianjiang-Fengdu- Wulong Expressway in Chongqing	71.60
⑤	Second Expressway Project of Fuzhou Airport	67.04

Railway Construction

No.	Contract Name	Contract Value
①	General Construction Contracting Project of Shenzhen-Huizhou Intercity Dapeng Branch Line Project	134.86
②	Section CZSCZQ-13A of Pre-Station Project of Middle Section within Ya'an-Linzhi Section of the New Sichuan-Tibet Railway	49.31
③	Section CZSCZQ-13B of Pre-Station Project of Middle Section within Ya'an-Linzhi Section of the New Sichuan-Tibet Railway	40.51
④	Section XCTJ11 of Pre-Station Project of Gansu-Qinghai Section of the New Xining-Chengdu Railway	25.50
⑤	Pre-Station Project of Jiujiang-Nanchang Section of the New Beijing-Hong Kong High Speed Railway	25.21

Urban Construction

No.	Contract Name	Contract Value
①	Comprehensive Development Project of the North Area of Wenzhou Zhenan Sci-tech City, Zhejiang Province	202.95
②	Comprehensive Development Project of Yangliuhu Area of Chengdu IC Valley Industrial Park, Chengdu City, Sichuan Province	162.09
③	Phase II of Project of Harbin Rail Transit Line 3	150.02
④	Construction Project of Vocational Education Center in Liaocheng High-tech Zone, Shandong Province	125.00
⑤	General Construction Contracting Project of Phase I of Jinan Rail Transit Line 8	97.88

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

4. Some Major Contracts Entered into during the Reporting Period *(Unit: RMB100 million) (continued)*

(1) Infrastructure Construction Business (continued)

Overseas Projects

No.	Contract Name	Contract Value
①	Pozega-Duga, Irila Section Project of the E763 Expressway in Serbia	116.16
②	Phase I of Bakassi Port Project in Nigeria	64.39
③	Section 1 of the Maya Railway Project in Mexico	56.20
④	Tunnel Project of Eastern in West Line of Sydney Metro	51.20
⑤	Reclamation Project in Manila Bay, Philippines	44.10

(2) Infrastructure Design Business

No.	Contract Name	Contract Value
①	EPC Survey and Design General Contracting Project of Huangpu Research Institute Construction Project in Guangdong University of Foreign Studies	17.05
②	Project of Nanning Second Ring (Southern Section and Wulong Road Extension Section) Expressway	11.97
③	Highway Construction Project of G216 Hongshanzui Port-Altay in Xinjiang	9.09
④	Education, Science and Research Base for New Energy Industry and Other Projects in Yibin, Sichuan Province	8.45
⑤	Construction Project of Shimenao Berth, Xiuyu Port, Meizhou Bay of Fujian Dongrong Warehouse Co., Ltd.	8.34

(3) Dredging Business

No.	Contract Name	Contract Value
①	Comprehensive Ecological Management Project in Datong City, Shanxi Province	59.13
②	Seawall and Land Formation Project of Meishan Port in Ningbo City	38.58
③	Design and General Contracting Project of Section (Phase III) of Land Reclamation Works for Ethylene Project (Lot II) in Huizhou, Guangdong Province	17.06
④	Design and General Contracting Project of Water Environment Ecological Restoration Project (Phase I) in Jiushui, Jiaxing City, Zhejiang Province	13.80
⑤	Design and General Contracting and Operation Project of Quality and Efficiency Improvement of Central City Wastewater Treatment in Yunxiao County, Fujian Province	13.32

(II) MAJOR PRODUCTION AND OPERATIONAL DATA

1. Values of Contracts Newly Entered into during the Reporting Period *(RMB100 million)*

Business segment	October – December 2022		Accumulated in 2022		Accumulated in the corresponding period of 2021	Year-on-year change
	Number	*Value*	*Number*	*Value*	*Value*	*(%)*
Infrastructure construction business	766	4,637.30	3,196	13,670.70	11,253.68	21.48
Port construction	70	257.12	633	767.00	481.43	59.32
Road and bridge construction	166	1,175.55	609	3,578.75	3,108.77	15.12
Railway construction	10	93.09	56	448.73	250.06	79.45
Urban construction	414	2,438.02	1,598	6,789.81	5,319.83	27.63
Overseas projects	106	673.52	300	2,086.41	2,093.59	(0.34)
Infrastructure design business	1,190	146.18	5,436	548.99	445.08	23.35
Dredging business	185	280.45	777	1,066.54	873.01	22.17
Other businesses	N/A	37.02	N/A	136.33	107.35	27.00
Total	**N/A**	**5,100.95**	**N/A**	**15,422.56**	**12,679.12**	**21.64**

Values of infrastructure construction contracts newly entered into outside the PRC during the Reporting Period *(RMB100 million)*

Region of projects	Number of projects	Total value
Africa	99	590.09
Southeast Asia	76	434.42
Oceania	23	319.51
Eastern Europe and Southeastern Europe	6	182.05
Hong Kong, Macau, Taiwan and other regions	96	560.34
Total	300	2,086.41

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 *(RMB100 million)*

Total number of projects			N/A
Total project value			1,981.83
		Number	**Value**
Categorised by region	Domestic	N/A	1,810.74
	Overseas	N/A	171.08
Categorised by business type	Infrastructure construction business	580	1,612.26
	Infrastructure design business	1,233	103.07
	Dredging business	157	224.56
	Other businesses	N/A	41.94

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 *(RMB100 million)*

Total number of projects			N/A
Total project value			43,215.82
		Number	**Value**
Categorised by region	Domestic	N/A	34,381.07
	Overseas	N/A	8,834.76
Categorised by business type	Infrastructure construction business	6,006	38,398.28
	Infrastructure design business	32,789	2,571.97
	Dredging business	1,850	2,041.93
	Other businesses	N/A	203.64

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

4. Outstanding Projects during the Reporting Period *(RMB100 million)*

	Contracted but not yet commenced	Under construction and not yet completed
Total number of projects	N/A	N/A
Total project value	10,988.51	22,894.75

		Number	Value	Number	Value
Categorised by region	Domestic	N/A	7,991.96	N/A	18,617.17
	Overseas	N/A	2,996.55	N/A	4,277.58
Categorised by business type	Infrastructure construction business	1,659	9,719.22	4,291	20,569.94
	Infrastructure design business	565	274.58	18,524	1,206.54
	Dredging business	1,396	940.23	994	1,108.09
	Other businesses	N/A	54.48	N/A	10.18

5. Infrastructure and Other Investment Projects (the Statistics are on the Basis of Consolidated Items)

In 2022, China adheres to the policy tone of "make moderate infrastructure investment ahead of schedule", special local government bonds were issued as usual primarily for infrastructure construction purpose, the expansion of public REITs for infrastructure is in an orderly manner, and policy-oriented developmental financial instruments are accelerating, injecting growth momentum into the infrastructure investment sector. Technological progress in the field of new energy and new infrastructure to stimulate investment potential, the implementation of the new urbanization program and rural revitalization strategy has given rise to a new "blue ocean" of infrastructure investment, infrastructure investment as the national economy "ballast" status continues to be solidified.

The Company returned to the origin of value investment with the first goal of "becoming stronger and better". On the premise of a full identification of investment risks, it will give priority to regions with good business environment where debt level was low, focus on principal businesses and on specialties, and reasonably coordinate the investment project cycle to form sustainable investment capability. The Company has landed a series of high-quality road and bridge projects, such as the Fengqiu-Xiuwu Section of Changyuan-Xiuwu Expressway in Henan Province, Zhengzhou-Huixian Expressway in Henan Province, Anyang-Xinxiang and Hebi-Xinxiang Section of Expressway in Henan Province, and the advantages of the main business in the field of "big transportation" have been consolidated. The Company participated in major projects with regional influence, such as the Comprehensive Development Project of Pan Central Vitality Zone in Jinan, the Comprehensive Development Project of Junshan New City in Wuhan Economic Development Zone, and the Urban Renewal Project in the Area of Qiezixi Port, Dadukou District, Chongqing, etc. The investment model in the field of "big city" continues to mature and the quality and efficiency of investment continues to improve. In key regions such as Guangdong-Hong Kong-Macao, Yangtze River Delta and West Side of the Strait, the Company has participated in a number of eco-environmental transformation projects, practicing the concept of sustainable development in the field of "rivers, lakes and seas".

In 2022, 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 diffusion 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 (the Statistics are on the Basis of Consolidated Items) (continued)

(1) New Contracts of Infrastructure and Other Investment Projects

In 2022, 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 RMB211,633 million. The value of construction and installation contracts to be undertaken was estimated to be RMB183,578 million, among which, the confirmed values of contracts from BOT projects, government paid projects and urban comprehensive development projects were RMB21,399 million, RMB78,893 million and RMB111,341 million respectively, accounting for 10%, 37% and 53% of that of infrastructure and other investment projects respectively.

(2) Government Paid Projects and Urban Comprehensive Development Projects

The accumulative completed investment in government paid projects by the Group amounted to RMB314,227 million with cumulatively RMB54,839 million recovered.

The accumulative completed investment in urban comprehensive development projects by the Group amounted to RMB150,414 million with recovered/sales amount of RMB137,559 million received by the Group accumulatively.

(3) Concession Projects

As at 31 December 2022, according to statistics of the consolidated items contracted and financed by the Group (the latest statistics shall prevail if there was any change), the accumulative completed investment in concession projects amounted to RMB216,640 million. 33 concession projects together with 29 share-participation projects had been put into operation, and the operating revenue and net loss for the year was RMB7,069 million and RMB1,950 million, respectively. The audited uncompleted investment amounted to RMB84,425 million.

① Infrastructure and Other Investment Projects Newly Entered into *(RMB100 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 of the North Area of Wenzhou Zhenan Sci-tech City	Comprehensive urban development	225.42	202.95	157.42	Yes	Yes	9	5
2	Comprehensive Development EOD Project of Yangliuhu Area of Chengdu IC Valley Industrial Park	Comprehensive urban development	208.90	162.09	140.91	Yes	Yes	8	17
3	PPP Project of Liuzhou-Pingnan-Cenxi Highway (North Pingnan-Cenxi Section)	PPP	133.00	133.00	95.00	Yes	No	4	30
4	PPP Project of Quanzhou-Rongxian Highway (Pingnan-Rongxian Section) in Guangxi	PPP	126.17	127.55	85.20	Yes	Yes	4	30
5	Project of Big Data science and technology innovation city in Guiyang	Comprehensive urban development	117.48	86.25	95.00	Yes	Yes	5	4

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (the Statistics are on the Basis of Consolidated Items) (continued)

(3) Concession Projects (continued)

① Infrastructure and Other Investment Projects Newly Entered into *(RMB100 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	PPP Project of Gansu-Qinghai Boarder of G1816 Wuhai-Maqin Expressway Cooperation to Saierlong in Gansu Province	PPP	169.59	85.81	115.66	Yes	Yes	4	40
7	Urban Renewal Project of Port Area in Qiezixi, Dadukou District, Chongqing Municipality	Comprehensive urban development	81.63	81.63	31.65	Yes	Yes	5	5
8	PPP Project of G85 Yinchuan-Kunming Expressway, Improvement and Expansion Project of Gaoxin District-Rongchang District (Sichuan-Chongqing Border) Section in Chongqing of G93 Chengdu-Chongqing Regional Ring Expressway and Dianjiang-Fengdu-Wulong Expressway in Chongqing Municipality	PPP	511.41	74.16	53.13	Yes	No	5	30
9	Urban Renewal and Comprehensive Improvement Project of Renmin Avenue (Yunyan Section), Guiyang City	Comprehensive urban development	65.34	64.69	23.78	Yes	Yes	6	1
10	Comprehensive Development Project of Pan-Central Activities Zone in Central District, Jinan City	Comprehensive urban development	71.67	64.50	42.58	Yes	Yes	6	1
11	Comprehensive Development Project for Longhu Area in Longgang City, Zhejiang Province	Comprehensive urban development	57.98	52.18	43.75	No	Yes	5	5
12	Settlement Housing Project of College District in Jiangdong New District, Haikou	Comprehensive urban development	52.21	49.60	30.50	No	Yes	3	2
13	Urban Renewal Project of Shuangzhi Industrial Park in Lunjiao Street, Shunde District, Foshan City	Comprehensive urban development	52.57	47.50	–	Yes	Yes	6	2

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (the Statistics are on the Basis of Consolidated Items) (continued)

(3) Concession Projects (continued)

① Infrastructure and Other Investment Projects Newly Entered into *(RMB100 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)*
14	Comprehensive Development Project of the International Exhibition Industrial Park in Gaoping District, Nanchong City	Comprehensive urban development	48.51	46.84	39.30	Yes	Yes	5	5
15	Phase I of New Urbanization Construction PPP Project of Yingchengzi Area in Ganjingzi District, Dalian City	PPP	63.65	41.37	38.36	Yes	Yes	8	10
16	Supporting Project of (International) Digital Economy Industrial Park(West District) in the West of Chongqing	Comprehensive urban development	42.23	39.65	28.62	Yes	Yes	6	2
17	Comprehensive Construction and Development Project of the East Area of Ruyi Lake in the China-SCO Local Economic and Trade Cooperation Demonstration Area	Comprehensive urban development	46.82	39.04	40.14	Yes	Yes	6	4
18	Project of Fengqiu-Xiuwu Section of Changyuan- Xiuwu Highway in Henan	BOT	115.40	36.85	43.13	No	No	3	5
19	Road Renovation and Improvement Project of Yinzhou District and Development Project for Wangjianong Area in Ningbo City	Comprehensive urban development	33.41	31.30	21.46	No	Yes	3	5
20	Zhang Jinggao Yangtze River Bridge Main Construction and Equity Investment Project (Phase I) in Jiangsu	BOT	311.66	31.17	–	Yes	No	6	25
21	Concession Project of Long-distance Centralized Heat Supply Project (Phase I) of Huaguang Power Plant-Lvliang City in Liulin	BOT	38.28	30.62	31.86	Yes	Yes	2	25
22	Urban Renewal Project of Gongda Area in Baiyun District, Guiyang City	Comprehensive urban development	33.85	30.47	16.60	Yes	Yes	5	2
	Others		2,685.64	557.11	661.73				
	Total		5,292.82	2,116.33	1,835.78				

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (the Statistics are on the Basis of Consolidated Items) (continued)

(3) Concession Projects (continued)

② Concession Projects under Development[3] *(RMB100 million)*

No.	Project Name	Contract Value according to Shareholding Ratio	Investment Amount in the Period	Accumulated Investment Value
1	Highways including Taihangshan Highway in Hebei Province	145.70	–	Share participation
2	PPP Project of Quanzhou-Rongxian Highway (Pingnan- Rongxian Section) in Guangxi Province	127.55	0.36	0.36
3	Chengde (Lijiaying)-Pinggu (Hebei and Beijing Conjunction) Section Project of the Capital Region Ring Expressway (G95)	114.53	27.40	41.54
4	Highways including Urumchi-Yuli Highway in Xinjiang	106.16	–	Share participation
5	Project of Guiyang-Jinsha-Gulin (between Guizhou and Sichuan) Highway in Guizhou Province	99.99	–	Share participation
6	Project of Chongqing-Hunan Parallel Line (City Center to Youyang Section) and Wulong- Daozhen (Chongqing Section) Highway in Chongqing	96.87	–	Share participation
7	Project of Dejiang-Yuqing Highway in Guizhou Province	93.88	7.75	66.83
8	Project of Quanzhou-Rongxian Highway (Pingle-Zhaoping Section) in Guangxi Province	91.92	3.94	4.24
9	Project of Chongqing-Wuhan Highway Expansion in Chongqing	90.80	24.19	44.06
10	PPP Project of Gansu G1816 Wuhai-Maqin Cooperation-Saierlong Expressway (between Gansu and Qinghai)	85.81	0.02	0.02
11	Jianglu North Line Expressway in Chongqing	84.98	26.11	52.95
12	Phase I of Project of Urumchi Rail Transit Line 4	82.87	–	Share participation
13	PPP Project of Health Production Area in Jinxian Medical Park in Nanchang, Jiangxi	65.58	0.37	0.37
14	Tong'an Expressway in Chongqing	60.47	20.91	37.72
15	Project of Phase I of Expressway from Lingtai to Huating of Line S28 in Gansu Province	40.50	–	Share participation
16	Project of Mengxi Industrial Park-Sanbei Yangchang Railway in Ordos, Inner Mongolia	33.83	–	Share participation
17	Project of Naomao Lake-Jiangjun Temple Railway in Xinjiang	33.13	–	Share participation
18	Concession Project of Long-distance Centralized Heat Supply Project (Phase I) of Huaguang Power Plant- Lvliang City in Liulin, Lvliang, Shanxi	30.62	7.76	7.76
	Others	324.69	27.45	53.05
	Total	1,809.88	146.26	308.90

[3] 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 (the Statistics are on the Basis of Consolidated Items) (continued)

(3) Concession Projects (continued)

③ Concession Projects in Operation Period *(RMB100 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	273.42	10.83	30	5.0
2	Daozhen-Weng'an Expressway in Guizhou Province	265.88	6.59	30	7.0
3	Jiangkou-Weng'an Expressway in Guizhou Province	142.57	7.82	30	7.0
4	Phnom Penh-Port of Sihanoukville Expressway in Cambodia	116.47	0.31	50	0.2
5	Guiyang-Qianxi Expressway in Guizhou Province	91.93	3.81	30	6.0
6	Yanhe-Dejiang Expressway in Guizhou Province	75.27	1.14	30	7.0
7	Guiyang-Duyun Expressway in Guizhou Province	74.17	4.52	30	11.8
8	Yulin-Jiaxian Expressway in Shaanxi Province	61.34	2.74	30	9.0
9	Yongchuan-Jiangjin Expressway in Chongqing	60.19	0.73	30	8.0
10	Fengdu-Fuling Expressway in Chongqing	59.74	2.59	30	9.0
11	Fengdu-Shizhu Expressway in Chongqing	55.85	1.38	30	9.0
12	Tongzhou-Daxing Section Project of the Capital Region Ring Expressway	54.91	3.03	25	4.5
13	Foshan-Guangming Expressway in Guangdong Province	51.31	5.35	25	13.5
14	South-North Highway in Jamaica	50.51	2.97	50	7.0
15	Quanzhou Section of Quanzhou-Xiamen-Zhangzhou City Alliance Expressway in Fujian Province	50.08	0.71	24	2.0
16	Zhuankou Yangtze River Bridge Project in Wuhan, Hubei Province	48.60	2.23	30	5.0
17	BOT Project of Expressway in Nairobi, Kenya	39.90	0.94	27	1.0
18	Xianning-Tongshan Expressway in Hubei Province	31.26	1.00	30	9.0
	Others	254.10	12.00	–	–
	Total	1,857.50	70.69		

The difference between the accumulated investment value of certain projects and that for the previous period was mainly due to the adjustment to intangible assets after receiving government grants.

(III) BUSINESS PLAN AND PROSPECT

In 2022, according to statistics, the value of new contracts of the Group reached RMB1,542,256 million, indicating 109% of the annual target has been realized and meeting expectations. The revenue amounted to RMB717,473 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 9.8% in the value of new contracts for the year of 2023, and the planned year-on-year growth rate of revenue is not less than 7.0%.

From a domestic perspective, China's economic has shifted from the stage of high-speed growth to high-quality development, despite that triple pressures of shrinking demand, supply shocks, and weakening expectations still exist, given its strong resilience, China's economy maintains the favorable long-term fundamentals. Since last year, a series of policies to stabilise the macro-economy have been successively launched. The Central Economic Working Conference for 2023 and the Report of Work of the Government emphasized that the government shall motivate and effectively promote the investment of the whole society by its own investments and policies, accelerate the implementation of major projects in the "14th Five-Year Plan", strengthen the construction of transportation, energy, water conservancy and other infrastructures and enhance the infrastructure connectivity among the regions. Local government special bonds of RMB3.8 trillion are proposed to be arranged, and the investment on the construction of infrastructures remains as the key element of economic strategy of "stabilising growth". As the economy and life tended to be normal in all respects at the end of last year, the national traffic flow continued to rise steadily, which represents a driving force for the development of transportation infrastructure.

From an overseas perspective, 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 market potential for roads, railways, ports and airports. The year 2023 marks the tenth anniversary of the "Belt and Road" initiative, which will effectively promote international cooperation and continue to develop towards a broader range, wider field and deeper degree.

In 2023, the Company will continue to take advantage of the traditional main business of "big transportation", become a standard enterprise focusing on "big city", and keep as 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 consolidate the basic situation of its big transportation business. The Company shall keep up with the goal of construction of a strong transportation country and the comprehensive three-dimensional transportation networks, accurately set its development direction, put efforts in the incremental markets such as integrated transportation hubs, urbanization reconstruction of roads, intelligence transportation, "transportation + new energy" and others, consolidate its strength in road business and at the same time, seek appropriate opportunities to expand the market of railways, tracks and airports, and thereby, consolidating the leading position of its big transportation business. The Company will, with reference to the road construction plans launched by the city and provincial governments, increase its efforts to develop high-end and high-quality projects such as national expressway networks, urban connecting lines, ultra-long-span bridges, super-large-diameter shield, the expansion works of highways and integrated transportation hubs; besides, it will also pay attention to the upgrading, operation, maintenance and repair of lower-grade national and provincial roads, border roads and other roads, so as to achieve full industry coverage, eradicate defects in our business, and maintain its leading position in the industry and the unique CCCC mode in the long run. In terms of the railway projects, the Company will enhance its comprehensive capabilities of investment, construction and operation, implement different strategies based on different cities and projects, and make an overall arrangement on the promotion of plans for major cities and major projects.

Secondly, the Company will continue to expand the market share, improve the quality and efficiency for the big city business. Through grasping the opportunities arising from the promotion of China's modernization process and fully integrating the major national and regional development strategies, the Company will effectively promote the steady development of its city business, continually innovate to maintain its leading advantage in the urban integrated services industry and constantly increase its scale of municipal business. The Company will get deeply involved in the major national livelihood projects, urban benchmark demonstration projects and luxury brand projects, pay highly attention to the urban expressway reconstruction projects, optimisation of pain points (e.g. congestion sites and dead-end roads) among the road networks, new infrastructure and new urban construction. By 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. By concentrating on new fields such as green construction, smart construction, and prefabricated construction under the carbon peaking and carbon neutrality target, accelerating the development of high-quality urban integrated development projects in core cities and central cities, in order to build the brands of "CCCC Construction" and "CCCC Pipeline" and promote its brands.

(III) BUSINESS PLAN AND PROSPECT (CONTINUED)

Thirdly, the Company will make more efforts to rivers, lakes and seas business. The Company will firmly and deeply seize the opportunities in respect of the construction of a country with strong transportation, Marine Power and Beautiful China, 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. The Company will pay close attention to the domestic large-scale coastal projects and keep its advantages of traditional port and waterway dredging business. Besides, the Company will seize the opportunity from coastal cities construction to deeply participate in the local maritime economy and promote the further development of the Company's offshore business, and it will seize the opportunity from offshore wind power construction to expand upstream and downstream of the industry chain, so as to further expand the market and enhance the 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" and the Regional Comprehensive Economic Partnership. The Company will continue to deepen overseas market layout, enhance global resource allocation capability, optimise 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 world's leading "Sci-tech" enterprise.

In 2022, the Company's R&D cost was RMB23,631 million, accounting for 3.3% of the revenue, relatively flat as compared with that of last year. During the year, guided by the scientific and technological innovation and digital development as well as 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 great research and development achievements:

Zhang Xigang (張喜剛), academician of the Chinese Academy of Engineering and the Company's chief scientist, won the Bridge Award of the Mao Yisheng Science and Technology Award and participated in the layout of the national key laboratory system in the engineering. The Company completed the detailed design and implementation path planning of industrial digitalization, and built the BIM centre and sub-center collaborative work system. For the first time, DNSS network and 63 base stations were established in the field of global communication construction, 39 Beidou model projects were built worldwide, "Communication Construction Cloud" was constructed, thereby opening public use paths for overseas DNSS temporal-spatial information by the Company. The smooth running 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", being independently researched and developed, designed, manufactured, has been successfully launched, which embarks on a new journey to support the development of China's shield equipment.

In 2022, 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.

V. TECHNOLOGY INNOVATION (CONTINUED)

Over the years, the Company has been accumulatively awarded with 40 National Science and Technology Advancement Awards, 5 National Technological Invention Awards, 126 Luban Awards, 362 National Quality Project Awards (including 43 golden awards), 105 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 33 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 133 national standards and 495 industry standards that have been promulgated, and has a total of 27,189 authorized patents.[4]

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 and adhere to the principle 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 striding towards a world's leading "Sci-tech" enterprise in an all-out effort.

VI. FINANCIAL INNOVATION

In the fourth quarter of 2022, the securities regulatory authorities in the PRC proposed to explore and establish a valuation system with Chinese characteristics to facilitate the better resource allocation of the market, as a result of which, the reconstruction of valuation and value contribution of state-owned enterprises were widely concerned by the market. During the past year, the Company insisted on optimising capital, enhanced the industry and finance integration and optimised its asset structure to promote high-quality development.

The first was to innovate various types of asset-backed securitization business models, the Company had successfully issued CAMC-CCCC REIT, with a total scale of RMB9,399 million, which built a listing platform for the assets under the type of highway bridges and formed a revolving development mode covering the full lifecycle. It is significant for the Company to revitalize existing assets and optimize its asset structure. The Company also, when appropriate, carried out different types of financial businesses, such as off-balance-sheet quasi-REITs and long-term account receivables ABS of PPP projects. The Company completed several initial projects in respective markets, and made good use of the existing infrastructure assets at lower costs.

The second was to launch the assets reorganization of its design business. The Company intended to achieve the spin-off and listing of assets under its design business through business reorganization with great quality, which is an important initiative to align with the national requirements of "build a group of flagship leading listed companies with strong core competitiveness and great market influence" and "cultivate a group of professional leading listed companies with significant professional advantage and outstanding quality and brand".

The third was to properly propel the issuance plan of preferred shares with a proposed proceeds of RMB30 billion. Accelerating the realization of the Company's strategic plans by introducing long-term capitals is conducive to establishing and improving the diversified financing channels, in order to satisfy the capital needs for the Company's business development, optimize its asset structure and enhance its overall risk resistance capability.

The fourth was to promote the implementation of the equity incentive plan in a coordinated way, effectively induce key employees' motivation, build a common interest among shareholders, the Company and employees, establish and improve a sustained and stable incentive and restraint mechanism, so as to support the Company to realize its strategies and long-term and stable development.

The fifth 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. The Company actively explored equity financing channels, coordinated subsidiaries at all levels to carry out the market-oriented debt conversion with a total scale of RMB9,000 million, in order to greatly enhance the Company's capital strength, reduce leverage and liabilities, and improve the governance structure of subject enterprise, and therefor enhancing its risk resistance capability and confidence in investment.

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

The Yuliangzhou Tunnel on Xiangjiang Avenue is a two-way six-lane urban expressway connecting the Dongjin New District and Fancheng District of Xiangyang City. It is the first inland-river immersed tube tunnel in Central China and also the largest one on the whole in China.

The opening of the tunnel is of great significance to Xiangyang City's construction of "one centre & four districts" spatial layout, the creation of a provincial sub-central city and the promotion of regional economic and social development.

I. OVERVIEW

During the reporting period, under the guidance of high-quality development goals, the business scale grew steadily. The operating revenue reached a new high, and shareholder returns steadily increased. The quality and efficiency of operations have improved, and positive cash flow from operations was recorded. The net profit and operating cash ratio further improved, and the asset-to-liability ratio remained stable. The Group has put the high-quality development philosophy into practice and made progress.

For the year 2022, revenue of the Group increased by 5.1% to RMB717,473 million, among which revenue from external customers attributed to the regions other than PRC amounted to RMB98,364 million, representing 13.7% of the total revenue. Infrastructure construction business, infrastructure design business, dredging business and other businesses accounted for 84.4%, 6.4%, 6.8% and 2.4% of the total revenue in 2022 (all before elimination of inter-segment transactions), respectively.

Gross profit in 2022 amounted to RMB83,064 million, representing a decrease of 1.7% from RMB84,524 million in 2021. Gross profit from dredging construction business and other business increased by 18.5% and 21.2%, while that from infrastructure construction business and infrastructure design business decreased by 2.1% and 9.7%, respectively. Gross profit margin for infrastructure construction business, infrastructure design business, dredging business and other businesses in 2022 was 10.6%, 15.9%, 13.5% and 7.0%, respectively, as compared with 11.3%, 17.8%, 13.6% and 7.2% in 2021.

For the year 2022, profit attributable to owners of the parent amounted to RMB20,065 million, representing an increase of 9.4%, compared with RMB18,349 million in 2021. For the year 2022, earnings per share of the Group were RMB1.14, compared with RMB1.04 in 2021.

The asset-to-liability ratio in 2022 decreased to 71.8%, compared with 71.9% in 2021. The leverage condition has steadily improved for years, due to efficient management strategies and optimal financial structure.

In 2022, the net cash flows presented an inflow, amounting to RMB6,623 million, while the performance of cash flows presented as outflow in 2021. The overall improvement of cash flows specifically presented the net inflows from operating activities and financing activities reached RMB442 million and RMB52,860 million in 2022. This improvement attributed to the Group's strategical operation reformation, through shifting to contracting projects and improving profitability of investment projects.

The following is a comparison of financial results between the years ended 31 December 2022 and 2021.

II. CONSOLIDATED RESULTS OF OPERATIONS

Revenue

Revenue in 2022 increased by 5.1% to RMB717,473 million from RMB682,785 million in 2021. Revenue from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB634,246 million, RMB48,210 million, RMB51,017 million and RMB18,209 million (all before elimination of inter-segment transactions and unallocated cost), respectively representing a year-on-year increase of 4.2%, 1.3%, 18.7% and 24.7%. Revenue from external customers attributed to the regions other than PRC amounted to RMB98,364 million, representing 13.7% of total revenue.

II. CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Cost of Sales and Gross Profit

Cost of sales in 2022 amounted to RMB634,409 million, representing an increase of 6.0%, from RMB598,261 million in 2021. Cost of sales from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB567,009 million, RMB40,547 million, RMB44,113 million and RMB16,930 million (all before elimination of inter-segment transactions) respectively, representing an increase of 5.0%, 3.7%, 18.7% and 25.0% from 2021.

Cost of sales consisted mainly of subcontracting costs, cost of raw materials and consumables used and employee benefit expenses. For the year 2022, subcontracting costs, cost of raw materials and consumables used and employee benefit expenses increased by 7.1%, 4.3%, and 5.1%.

As a result of the increase in both revenue and cost of sales, gross profit in 2022 amounted to RMB83,064 million, representing a decrease of 1.7% from RMB84,524 million in 2021. Gross profit from dredging business and other business increased by 18.5% and 21.2%, and gross profits from infrastructure construction business and infrastructure design business decreased by 2.1% and 9.7% respectively, from the corresponding period of 2021. Gross profit margin from infrastructure construction business decreased to 10.6% in 2022 from 11.3% in 2021, Gross profit margin from infrastructure design business decreased to 15.9% in 2022 from 17.8% in 2021. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business and other businesses were 10.6%, 15.9%, 13.5% and 7.0% respectively, as compared with 11.3%, 17.8%, 13.6% and 7.2% in the corresponding period of 2021.

Administrative Expenses

Administrative expenses in 2022 amounted to RMB43,880 million, representing an increase of 2.4% from RMB42,861 million in 2021. This growth was primarily attributable to the increase in employment costs.

Operating Profit

Operating profit in 2022 amounted to RMB33,716 million, representing a decrease of 2.4% from RMB34,542 million in 2021. The foreign exchange gains and the disposal of assets made contribution to increasing the operating profits, but the adverse effect from employment expenses and account receivables contracted the increase.

For the year 2022, operating profit from infrastructure construction business and dredging business increased by 2.0% and 37.4% (all before elimination of inter-segment transactions and unallocated cost), respectively from 2021; operating profit from infrastructure design businesses and other businesses decreased by 18.0% and 25.0% (before elimination of inter-segment transactions and unallocated cost) from 2021. Operating profit margin decreased to 4.7% in 2022 from 5.1% in 2021.

Finance Income

Finance income in 2022 amounted to RMB21,309 million, representing an increase of 45.9% from RMB14,609 million in 2021, mainly due to increased interest income from PPP projects.

II. CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Finance Costs, Net

Net finance costs in 2022 amounted to RMB21,916 million, representing an increase of 12.2% from RMB19,540 million in 2021, mainly due to the increase on interest expenses for bank and other borrowings.

Share of Loss of Joint Ventures

Share of loss of joint ventures in 2022 amounted to RMB666 million, as compared with a loss of RMB614 million in 2021.

Share of Profit of Associates

Share of profit of associates in 2022 amounted to RMB343 million, as compared with a profit of RMB790 million in 2021. The decrease was mainly due to the decreased profit from some projects.

Profit before Income Tax

Profit before income tax in 2022 amounted to RMB32,786 million, representing an increase of 10.1% from RMB29,787 million in 2021.

Income Tax Expense

Income tax expense in 2022 amounted to RMB7,080 million, representing an increase of 19.4% from RMB5,928 million in 2021. Effective tax rate for the Group in 2022 increase to 21.6% from 19.9% in 2021, mainly due to a decrease on utilisation of prior years’ tax losses and an increase in impairment provision that had not accrued deferred tax.

Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests in 2022 amounted to RMB5,641 million compared to RMB5,510 million in 2021.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent in 2022 amounted to RMB20,065 million, representing an increase of 9.4% from RMB18,349 million in 2021, mainly due to the increased profit for the year.

Profit margin with respect to profit attributable to owners of the parent increased to 2.8% in 2022 from 2.7% in 2021.

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 2022 and 2021.

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	
	2022 ***(RMB million)***	2021 *(RMB million)*	**2022** ***(RMB million)***	2021 *(RMB million)*	**2022** ***(%)***	2021 *(%)*	**2022** ***(RMB million)***	2021 *(RMB million)*	**2022** ***(%)***	2021 *(%)*
Infrastructure Construction	**634,246**	608,593	**67,237**	68,706	**10.6**	11.3	**28,183**	27,638	**4.4**	4.5
% of total	**84.4**	85.3	**81.0**	81.7	**-**	–	**82.1**	81.4		
Infrastructure Design	**48,210**	47,595	**7,663**	8,488	**15.9**	17.8	**3,490**	4,258	**7.2**	8.9
% of total	**6.4**	6.7	**9.2**	10.1	**-**	–	**10.2**	12.5		
Dredging	**51,017**	42,973	**6,904**	5,825	**13.5**	13.6	**2,415**	1,758	**4.7**	4.1
% of total	**6.8**	6.0	**8.3**	6.9	**-**	–	**7.0**	5.2		
Other businesses	**18,209**	14,601	**1,279**	1,055	**7.0**	7.2	**240**	320	**1.3**	2.2
% of total	**2.4**	2.0	**1.5**	1.3	**-**	–	**0.7**	0.9	**-**	
Subtotal	**751,682**	713,762	**83,083**	84,074	**11.1**	11.8	**34,328**	33,974	**-**	–
Intersegment elimination and unallocated profit/(costs)	**(34,209)**	(30,977)	**(19)**	450	**-**	–	**27**	60	**4.6**	4.8
							(639)	508		
Total	**717,473**	682,785	**83,064**	84,524	**11.6**	12.4	**33,716**	34,542	**4.7**	5.1

[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 2022 and 2021.

	Years ended 31 December	
	2022 **(RMB million)**	2021 *(RMB million)*
Revenue	**634,246**	608,593
Cost of sales	**(567,009)**	(539,887)
Gross profit	**67,237**	68,706
Selling and marketing expenses	**(1,042)**	(609)
Administrative expenses	**(34,772)**	(35,185)
Impairment losses on financial and contract assets	**(7,669)**	(5,635)
Other income/(expense), net and Other gain/(loss), net	**4,429**	361
Segment result	**28,183**	27,638
Depreciation and amortisation	**10,943**	10,034

Revenue. Revenue from the infrastructure construction business in 2022 was RMB634,246 million, representing an increase of 4.2% from RMB608,593 million in 2021. The increase was mainly due to the increase in revenue generated from expanding scale of construction projects.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2022 was RMB567,009 million, representing an increase of 5.0% from RMB539,887 million in 2021. Cost of sales as a percentage of revenue slightly increased to 89.4% in 2022 from 88.7% in 2021

Gross profit from the infrastructure construction business in 2022 decreased by 2.1% to RMB67,237 million from RMB68,706 million in 2021. Gross profit margin decreased to 10.6% in 2022 from 11.3% in 2021, due to the increase in cost of subcontraction and the reduction in the proportion of revenue from infrastructure investment projects.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2022 were RMB1,042 million, as compared with RMB609 million in 2021.

Administrative expenses. Administrative expenses for the infrastructure construction business were RMB34,772 million in 2022, representing a decrease of 1.2% from RMB35,185 million in 2021. The decrease was mainly attributable to the improvement of management efficiency. Administrative expenses as a percentage of revenue remained 5.5% in 2022.

Impairment losses on financial and contract assets. Impairment losses on financial and contract assets for the infrastructure construction business were RMB7,669 million in 2022, representing an increase of 36.1% from RMB5,635 million in 2021. 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 RMB4,429 million in 2022 from RMB361 million in 2021. The increase was mainly attributable to the gains on foreign exchange and the increase in proceeds from disposal of assets and subsidiaries.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2022 was RMB28,183 million, representing an increase of 2.0% from RMB27,638 million in 2021. Segment result margin slightly decreased to 4.4% in 2022 from 4.5% in 2021.

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 2022 and 2021.

	Years ended 31 December	
	2022	2021
	(RMB million)	*(RMB million)*
Revenue	**48,210**	47,595
Cost of sales	**(40,547)**	(39,107)
Gross profit	**7,663**	8,488
Selling and marketing expenses	**(423)**	(409)
Administrative expenses	**(3,363)**	(3,436)
Impairment losses on financial and contract assets	**(961)**	(536)
Other income/(expense), net and Other gain/(loss), net	**574**	151
Segment result	**3,490**	4,258
Depreciation and amortization	**628**	487

Revenue. Revenue from the infrastructure design business in 2022 was RMB48,210 million, representing an increase of 1.3% from RMB47,595 million in 2021.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2022 was RMB40,547 million, representing an increase of 3.7% from RMB39,107 million in 2021. Cost of sales as a percentage of revenue increased to 84.1% in 2022 from 82.2% in 2021.

Gross profit from the infrastructure design business in 2022 was RMB7,663 million, representing a decrease of 9.7% as compared with RMB8,488 million in 2021. Gross profit margin decreased to 15.9% in 2022 from 17.8% in 2021, mainly attributable to expanding scale of comprehensive projects with less profitability.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2022 increased to RMB423 million from RMB409 million in 2021.

Administrative expenses. Administrative expenses for the infrastructure design business in 2022 were RMB3,363 million, representing a decrease of 2.1% from RMB3,436 million in 2021. Administrative expenses as a percentage of revenue decreased to 7.0% in 2022 from 7.2% in 2021.

Impairment losses on financial and contract assets. Impairment losses on financial and contract assets for the infrastructure design business were RMB961 million in 2022, representing an increase of 79.3% from RMB536 million in 2021, mainly due to the decrease of account receivables turnover on some projects.

Other income/(expense), net and other gain/(loss), net. Other income/(expense), net and Other gain/(loss), net for the infrastructure design business in 2022 was RMB574 million, as compared with RMB151 million in 2021, which mainly attributes to the gains on foreign exchange and disposal of subsidiaries.

Segment result. As a result of the above, segment result for the infrastructure design business in 2022 was RMB3,490 million, representing a decrease of 18.0% from RMB4,258 million in 2021. Segment result margin decreased to 7.2% in 2022 from 8.9% in 2021.

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 2022 and 2021.

	Years ended 31 December	
	2022 **(RMB million)**	2021 (RMB million)
Revenue	**51,017**	42,973
Cost of sales	**(44,113)**	(37,148)
Gross profit	**6,904**	5,825
Selling and marketing expenses	**(251)**	(173)
Administrative expenses	**(3,763)**	(3,422)
Impairment losses on financial and contract assets	**(688)**	(705)
Other income/(expense), net and Other gain/(loss), net	**213**	233
Segment result	**2,415**	1,758
Depreciation and amortization	**1,288**	1,219

Revenue. Revenue from the dredging business in 2022 was RMB51,017 million, representing an increase of 18.7% from RMB42,973 million in 2021. The increase was mainly due to the expanding scale of business.

Cost of sales and gross profit. Cost of sales for the dredging business in 2022 was RMB44,113 million, representing an increase of 18.7% as compared with RMB37,148 million in 2021. Cost of sales as a percentage of revenue for the dredging business in 2022 increased to 86.5% from 86.4% in 2021.

Gross profit from the dredging business in 2022 was RMB6,904 million, representing an increase of 18.5% from RMB5,825 million in 2021. Gross profit margin for the dredging business slightly decreased to 13.5% in 2022 from 13.6% in 2021, mainly attributable to the increase in revenue generated from lower gross profit margin projects and the increase in cost of fuel.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2022 were RMB251 million, as compared with RMB173 million in 2021.

Administrative expenses. Administrative expenses for the dredging business in 2022 were RMB3,763 million, representing an increase of 10.0% from RMB3,422 million in 2021. Administrative expenses as a percentage of revenue decreased to 7.4% in 2022 from 8.0% in 2021.

Impairment losses on financial and contract assets. Impairment losses on financial and contract assets for the dredging business were RMB688 million in 2022, representing a decrease of 2.4% from RMB705 million in 2021.

Other income/(expense), net and other gain/(loss), net. Other income/(expense), net and Other gain/(loss), net in 2022 decreased to RMB213 million from RMB233 million in 2021. The gains on foreign exchange made contribution, while counteracted by the decrease of proceeds from disposal of investment projects.

Segment result. As a result of the above, segment result for the dredging business in 2022 was RMB2,415 million, representing an increase of 37.4% from RMB1,758 million in 2021. Segment result margin was 4.7% in 2022 comparing with 4.1% in 2021.

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 2022 and 2021.

	Years ended 31 December	
	2022 **(RMB million)**	2021 *(RMB million)*
Revenue	**18,209**	14,601
Cost of sales	**(16,930)**	(13,546)
Gross profit	**1,279**	1,055

Revenue. Revenue from the other businesses in 2022 was RMB18,209 million, representing an increase of 24.7% from RMB14,601 million in 2021, due to efforts on the centralized procurement that increased intra-trade within the Group.

Cost of sales and gross profit. Cost of sales for the other businesses in 2022 was RMB16,930 million, representing an increase of 25.0% from RMB13,546 million in 2021. Cost of sales as a percentage of revenue increased to 93.0% in 2022 from 92.8% in 2021.

Gross profit from the other businesses in 2022 was RMB1,279 million, representing an increase of 21.2% from RMB1,055 million in 2021. Gross profit margin slightly decreased to 7.0% in 2022 from 7.2% in 2021, 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 2022, the Group had unutilized credit facilities in the amount of RMB1,495,364 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 2022 and 2021.

	Years ended 31 December	
	2022 **(RMB million)**	2021 (RMB million) Restated
Net cash flows from/(used in) operating activities	**442**	(12,626)
Net cash flows used in investing activities	**(46,679)**	(52,816)
Net cash flows generated from financing activities	**52,860**	42,204
Net increase/(decrease) in cash and cash equivalents	**6,623**	(23,238)
Cash and cash equivalents at beginning of year	**95,880**	119,572
Effect of foreign exchange rate changes, net	**699**	(454)
Cash and cash equivalents at end of year	**103,202**	95,880

Cash flow from operating activities

During the year 2022, net cash generated from operating activities presented as an inflow at RMB442 million, while it reflected as an outflow at RMB12,626 million in 2021. The improvement was primarily due to the increasing scale of contracting projects and efficiency of management improvement.

Cash flow from investing activities

Net cash used in investing activities in 2022 decreased to RMB46,679 million from RMB52,816 million in 2021. The decrease of 11.6% was primarily attributable to the combined effects of the disposals of equity in certain subsidiaries, decreasing capital expenditure on infrastructure investment projects, and the disposals of associates and joint ventures.

Cash flow from financing activities

Net cash generated from financing activities in 2022 was RMB52,860 million, representing an increase of 25.2% from RMB42,204 million in 2021. The increase was primarily attributable to requirement to expand business scale and improvement of the financial structure.

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 2022 and 2021.

	Years ended 31 December	
	2022	2021
	(RMB million)	*(RMB million)*
Infrastructure Construction Business	**35,409**	43,183
– BOT projects	**24,580**	33,171
Infrastructure Design Business	**812**	1,268
Dredging Business	**1,703**	981
Others	**780**	872
Total	**38,704**	46,304

Capital expenditure in 2022 was RMB38,704 million, as compared with RMB46,304 million in 2021.

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 2022 and 2021.

	Years ended 31 December	
	2022	2021
	(Number of days)	*(Number of days)*
Turnover of average trade and bills receivables[1]	**54**	56
Turnover of average trade and bills payables[2]	**192**	188

(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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

IV. LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Working Capital (continued)

The following table sets forth an ageing analysis of trade and bills receivables, net of provision, as at 31 December 2022 and 2021.

	Years ended 31 December	
	2022 **(RMB million)**	2021 (RMB million)
Within 6 months	**61,641**	65,644
6 months to 1 year	**9,867**	11,087
1 year to 2 years	**22,007**	11,412
2 years to 3 years	**5,870**	6,052
Over 3 years	**9,099**	7,775
Total	**108,484**	101,970

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 2022, the Group had a provision for impairment of RMB22,070 million, as compared with RMB17,579 million as at 31 December 2021.

The following table sets forth an ageing analysis of trade and bills payables as at 31 December 2022 and 2021.

	As at 31 December	
	2022 **(RMB million)**	2021 (RMB million)
Within 1 year	**319,071**	286,242
1 year to 2 years	**18,631**	17,116
2 years to 3 years	**5,906**	7,270
Over 3 years	**7,337**	6,717
Total	**350,945**	317,345

The Group's credit terms with its suppliers for the year ended 31 December 2022 remained the same as that for the year ended 31 December 2021. Payments to suppliers and subcontractors may be delayed as a result of delays in settlement from the Group's customers. Nevertheless, there have been no material disputes arising from the non-timely payment of outstanding balances under the Group's supplier contracts or contracts with subcontractors.

Retentions

The following table sets forth the carrying amount of the retentions as at 31 December 2022 and 2021.

	As at 31 December	
	2022 **(RMB million)**	2021 (RMB million)
Current	**11,118**	11,925
Non-current	**35,699**	30,231
Total	**46,817**	42,156

IV. LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Indebtedness

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2022 and 2021.

	As at 31 December	
	2022	2021
	(RMB million)	*(RMB million)*
Within 1 year	**93,678**	76,292
1 year to 2 years	**50,008**	56,299
2 years to 5 years	**94,402**	89,614
Over 5 years	**227,927**	205,931
Total borrowings	**466,015**	428,136

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 2022 and 2021.

	As at 31 December	
	2022	2021
	(RMB million)	*(RMB million)*
Renminbi	**434,738**	406,482
U.S. dollar	**26,176**	15,074
Euro	**3,038**	2,783
Japanese Yen	**41**	2,417
Hong Kong dollar	**241**	264
Others	**1,781**	1,116
Total borrowings	**466,015**	428,136

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 2022 was 46.0%, as compared with 45.9% as at 31 December 2021.

IV. LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

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 RMB2,554 million (31 December 2021: RMB2,631 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 RMB3,378 million (31 December 2021: RMB3,940 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 2022, the outstanding balance of guarantees provided by the Group was approximately RMB3,815 million (31 December 2021: RMB4,623 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 2022, the outstanding balance of rent payable by Changchun Public Transportation (Group) Co., Ltd. to Huaxia Financial Leasing Co., Ltd. was RMB97 million (31 December 2021: RMB138 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 2022, out of the ABS and ABN in issue with an aggregate amount of RMB59,390 million (31 December 2021: RMB27,662 million), RMB54,284 million (31 December 2021: RMB26,132 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 counteracted 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. During 2022 and 2021, 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 2022, the Group's borrowings of approximately RMB281,850 million (2021: RMB242,810 million) were at variable rates. As at 31 December 2022, 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 RMB2,819 million (2021: RMB2,428 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 2022, the Group's aggregate net liabilities of RMB2,985 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 2022, 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 RMB563 million (2021: RMB13 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SIGNIFICANT SUBSEQUENT EVENTS

Proposed Assets Reorganisation and Proposed Spin-off

On 11 May 2022, the Company entered into the agreement on assets swap and acquisition of assets by issuance of shares (the "Agreement", as further amended by the supplemental agreements entered into on 28 December 2022 and 28 February 2023, collectively the "Agreements") with China Urban and Rural Holding Group Co., Ltd.* (中國城鄉控股集團有限公司) ("China Urban-Rural") and Qilianshan Cement Group Co., Ltd.* (甘肅祁連山水泥集團股份有限公司) ("Qilianshan"). Pursuant to the Agreements, the parties agreed that (the "Proposed Assets Reorganisation"): (i) the Company shall dispose of its 100% equity interest in three wholly-owned subsidiaries to Qilianshan, namely CCCC Highway Consultants Co., Ltd.* (中交公路規劃設計院有限公司), CCCC First Highway Consultants Co., Ltd.* (中交第一公路勘察設計研究院有限公司) and CCCC Second Highway Consultants Co., Ltd.* (中交第二公路勘察設計研究院有限公司) at a consideration of approximately RMB7,200.30 million, RMB6,183.27 million and RMB6,779.85 million, respectively; (ii) China Urban-Rural shall dispose of its 100% equity interest in three wholly-owned subsidiaries to Qilianshan, namely 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), 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 Urban Energy Research and Design Institute Co. Ltd.* (中交城市能源研究設計院有限公司) at a consideration of approximately RMB2,278.52 million, RMB941.06 million and RMB120.14 million, respectively; (iii) in consideration of the acquisition of the abovementioned six companies, Qilianshan shall transfer its 100% equity interest in Gansu Qilianshan Cement Group Ltd.* (甘肅祁連山水泥集團有限公司) ("Qilianshan Ltd") to the Company and China Urban-Rural at a consideration of approximately RMB10,430.43 million, and issue a total of 1,285,418,199 new A shares to settle the shortfall against the value of the six companies at an issue price of RMB10.17 per consideration share; and (iv) the Company and China Urban-Rural further agreed on the allocation of the equity interests of Qilianshan Ltd and the consideration shares as follows: (a) Qilianshan Ltd will be owned as to approximately 85% and 15% by the Company and China Urban-Rural, respectively; and (b) the Company and China Urban-Rural will hold 1,110,869,947 consideration shares and 174,548,252 consideration shares respectively, representing approximately 53.88% and 8.47% equity interest in Qilianshan as enlarged by the issuance of the consideration shares. Upon completion of the Proposed Assets Reorganisation, the financial results of the six companies and Qilianshan Ltd will be consolidated into the consolidated financial statements of the Company.

China Urban-Rural is a wholly-owned subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 59.63% interests in the issued ordinary Shares of the Company. China Urban-Rural is thus a connected person of the Company under the Hong Kong Listing Rules. As China Urban-Rural is a party to the Agreements, the Proposed Assets Reorganisation constitutes a connected transaction of the Company. As the highest applicable percentage ratios of the acquisition and the disposal are both higher than 5% but less than 25%, the Proposed Assets Reorganisation constitutes a discloseable transaction and a connected transaction of the Company and is subject to the reporting, announcement and the independent Shareholders' approval requirements under the Hong Kong Listing Rules. The Proposed Assets Reorganisation has been approved by the independent Shareholders at the extraordinary general meeting held by the Company on 10 March 2023.

The Proposed Assets Reorganisation by the Company pursuant to the Agreements constitutes a spin-off (the "Proposed Spin-off") under the applicable provisions of the Practice Note 15 of the Hong Kong Listing Rules. In accordance with the requirements under paragraph 3(f) of Practice Note 15 of the Hong Kong Listing Rules, the Board is required to have due regard to the interests of its existing Shareholders by providing them with an assured entitlement to shares of Qilianshan. After due and careful consideration of the Proposed Spin-off and having taken into account the advice from the PRC legal counsel on the legal impediments in fulfilling such requirement, the Company considers that it is not feasible for the Company to comply with paragraph 3(f) of Practice Note 15 of the Hong Kong Listing Rules in connection with the Proposed Spin-off.

The Company has submitted an application for the Proposed Spin-off and a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under Paragraph 3(f) of Practice Note 15 to the Hong Kong Stock Exchange. As at the date of this report, the approval on the Proposed Spin-off and the waiver from assured entitlement have not been granted. In addition, the Proposed Assets Reorganisation is still subject to the approvals from relevant competent authorities, including the approval from the Shanghai Stock Exchange, the clearance from the Anti-Monopoly Bureau of the State Administration for Market Regulation, and the decision on the registration made by the CSRC.

For more details, please refer to the announcements of the Company dated 11 May 2022, 28 December 2022, 28 February 2023, 9 March 2023 and 10 March 2023 and the circular of the Company dated 21 February 2023.

The fully automated terminal at Nansha Port Area Phase IV of Guangzhou Port is the world's first fully automated river-sea-railway multi-modal terminal and the first newly built automated terminal in the Guangdong-Hong Kong-Macao Greater Bay Area.

The project is currently the world's largest horizontal layout fully automated terminal, with the capacity to operate four container vessels and 16 barges simultaneously and a design capacity of 4.9 million TEUs per annum.

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 2022.

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 2022 and the consolidated financial position of the Group as at 31 December 2022 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 2023, the Board recommended a final dividend of RMB0.21707 (equivalent to approximately HKD0.24735, including tax), being 20% of the distributable profit available for the ordinary Shareholders out of the net profit realized in 2022 (including tax) per share (amounting to approximately RMB3,509 million in total) for the year ended 31 December 2022. The recommended final dividends are subject to Shareholders' approval at the annual general meeting to be held on 16 June 2023. 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 Tuesday, 13 June 2023 to Friday, 16 June 2023 (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 Monday, 12 June 2023. 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 Tuesday, 27 June 2023. The register of members will be closed from Thursday, 22 June 2023 to Tuesday, 27 June 2023 (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 RMB0.87758 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 2022, 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 of the People's Republic of China 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 2022 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 2022 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 H 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 Wednesday, 21 June 2023.

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 Tuesday, 27 June 2023. 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 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, the proceeds from the bond issuance above were fully used as scheduled.

On 19 May 2022, the Company publicly issued renewable corporate bonds (bond short name: 22 CCCC Y3) 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, the proceeds from the bond issuance above were fully used as scheduled.

On 17 June 2022, the Company publicly issued renewable corporate bonds (bond short name: 22 CCCC Y5) of RMB3.0 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, the proceeds from the bond issuance above were fully used as scheduled.

On 3 August 2022, the Company publicly issued renewable corporate bonds (bond short name: 22 CCCC Y8) 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, the proceeds from the bond issuance above were fully used as scheduled.

On 21 September 2022, the Company publicly issued renewable corporate bonds (bond short name: 22 CCCC Y9, 22 CCCC Y10) 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, the proceeds from the bond issuance above were fully used as scheduled.

On 20 October 2022, the Company publicly issued renewable corporate bonds (bond short name: 22 CCCC YK01, 22 CCCC YK02) 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, the proceeds from the bond issuance above were fully used as scheduled.

On 28 November 2022, the Company publicly issued renewable corporate bonds (bond short name: 22 CCCC Y11, 22 CCCC Y12) of RMB3.0 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, the proceeds from the bond issuance above were fully used as scheduled.

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 2022. As at 31 December 2022, 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. (Note 1)

Name	Age	Position in the Company	Date of appointment	Emoluments for the year ended 31 December 2022 (before tax) (Note 2) *(RMB'000)*
WANG Tongzhou	57	Executive Director and chairman of the Board	25 February 2022	1,354
WANG Haihuai	54	Executive Director and president	25 February 2022	1,710
LIU Xiang	54	Executive Director	25 February 2022	1,125
SUN Ziyu	60	Executive Director	25 February 2022	523
MI Shuhua	60	Non-executive Director	25 February 2022	–
LIU Hui	62	Independent non-executive Director	25 February 2022	50
CHAN Wing Tak Kevin	56	Independent non-executive Director	25 February 2022	83
WU Guangqi	65	Independent non-executive Director	25 February 2022	50
ZHOU Xiaowen	61	Independent non-executive Director	25 February 2022	50
WANG Yongbin	57	Chairman of the Supervisory Committee (representative of the Shareholders)	25 February 2022	1,066
LU Yaojun	52	Supervisor (representative of the Shareholders)	25 February 2022	964
YAO Yanmin	59	Supervisor (representative of the employees)	10 April 2021	978
WANG Jian	58	Vice president	25 February 2022	1,566
ZHOU Jingbo	59	Vice president	25 February 2022	1,517
LI Maohui	60	Vice president	25 February 2022	1,842
ZHU Hongbiao	52	Chief financial officer	25 February 2022	1,197
YANG Zhichao	41	Vice president	25 February 2022	844
ZHOU Changjiang	57	Secretary of the Board and company secretary	25 February 2022	1,121
LIU Maoxun (Note 3)	67	Non-executive Director	22 November 2017	50
HUANG Long (Note 4)	69	Independent non-executive Director	22 November 2017	30
ZHENG Changhong (Note 4)	67	Independent non-executive Director	22 November 2017	30
NGAI Wai Fung (Note 4)	60	Independent non-executive Director	22 November 2017	54
CHEN Zhong (Note 5)	51	Vice president	25 February 2022	1,023
WEN Gang (Note 6)	56	Vice president	25 February 2022	1,110

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

Note 1: On 25 February 2022, the election and re-election of the members of the fifth session of the Board and the shareholder representative Supervisors of the fifth session of the Supervisory Committee were considered and approved by the Shareholders at the 2022 first extraordinary general meeting of the Company. The election of chairman and vice chairman of the Board, and the appointment of the president, the vice presidents, the chief financial officer and the Board secretary were considered and approved by the Board. The term of office of the fifth session of the Board, the fifth session of the Supervisor Committee and the aforementioned senior management is three years commencing from 25 February 2022.

Note 2: 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 2022. 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 3: Mr. Liu Maoxun resigned as the non-executive Director of the Company on 25 February 2022.

Note 4: Mr. Huang Long, Mr. Zheng Changhong and Dr. Ngai Wai Fung retired as the independent non-executive Director of the Company on 25 February 2022.

Note 5: Mr. Chen Zhong resigned as the vice president on 26 September 2022.

Note 6: Mr. Wen Gang resigned as the vice president of the Company on 29 March 2022.

Details of the emoluments (before taxes) of each senior management of the Company (excluding Directors who also hold executive positions) in 2022 are set out below:

Name	**Basic salaries, housing allowances and other allowances** *RMB'000*	**Contributions to pension plans** *RMB'000*	**Discretionary bonuses** *RMB'000*	**Total** *RMB'000*
WEN Gang	63	14	1,033	1,110
WANG Jian	254	58	1,254	1,566
ZHOU Jingbo	429	58	1,030	1,517
LI Maohui	423	58	1,361	1,842
ZHU Hongbiao	423	58	716	1,197
CHEN Zhong *(Note)*	319	42	662	1,023
YANG Zhichao	419	58	367	844
ZHOU Changjiang	413	58	650	1,121

Note: Mr. Chen Zhong resigned as the vice president on 26 September 2022.

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 2022, 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
	265,416,000 (Long position)	H Shares	6.01	1.64	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 2022.

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 2022, 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 2022.

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

As at 31 December 2022, there were 12,367 H Shareholders and 177,715 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 2022 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	4,376,333,363		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	0.24	38,350,468		Unknown
6.	Hong Kong Securities Clearing Company Limited	Foreign legal person	0.12	19,027,043		Unknown
7.	Industrial and Commercial Bank of China Co., Ltd. –Huatai Bairui CSI 300 Trading Index Securities Investment Open-ended Fund	Unknown	0.08	12,679,205		Unknown
8.	Basic Pension Insurance Fund Portfolio 804	Unknown	0.07	12,115,410		Unknown
9.	China Guangfa Bank Co., Ltd. – Guotai Juxin Value Advantage Flexible Allocation of Hybrid Securities Investment Fund	Unknown	0.07	12,000,000		Unknown
10.	National Social Security Fund Portfolio 403	Unknown	0.07	11,647,900		Unknown

Note: As of 31 December 2022, CCCG increased its shareholding in the Company by 265,416,000 H Shares in aggregate through Shanghai-Hong Kong Stock Connect, representing approximately 1.64% of the H Shares of the Company. The Shares of the Company held by CCCG amounted to 9,640,032,604 (including 9,374,616,604 A Shares and 265,416,000 H Shares), representing approximately 59.63% of the total share capital of the Company.

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

As at 31 December 2022, 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 2022, 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 2022, 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.

With a strong commitment to the concept of green development, CCCC places emphasis on the innovation and application of new green and low-carbon technologies and models, highlights the development of green industries, green equipment and carbon asset management, promotes the green transformation of traditional industries, vigorously develops emerging industries, pursues energy saving, pollution control, consumption reduction and carbon reduction in the whole process of production and operation management, and empowers the brand value with the construction of a high-performance ecological civilization, endeavouring to become a world class leader in green and low-carbon development in the whole life cycle of transportation infrastructure. In 2022, 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 "2022 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 "2022 Environmental, Social and Governance Report of CCCC" 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 2022, 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 2022. 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

CCCC always insists on putting people first, attracts talents with an open, equal and inclusive attitude, respects and protects the legitimate rights and interests of employees. It builds a platform for employees to realize their dreams, shares the fruits of development with them and works together for a happy future. By adhering to the approach of putting people first, and in strict compliance with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and other relevant legal requirements, CCCC has established various labour protection systems to fully protect the rights of its employees in terms of equal employment, reasonable remuneration, rest and leave as well as democratic communication. CCCC focuses on talents in the three important areas of a strong transportation country, rivers, lakes and seas as well as international operation so as to achieve the full utilization of human resources and talents. CCCC is actively building a harmonious enterprise, constructing a warm "staff home" and creating a comfortable working environment for employees. It cares for special groups such as employees in difficulty and retired employees, provides help at the first instance in times of crisis and carries out various forms of staff activities to balance the work and life of employees, striving to enhance employees' satisfaction and sense of belonging.

Customers

CCCC is committed to providing prime-quality services to its customers, establishing a sound customer service system, facilitating customer communication channels, tapping into customer needs thoroughly and enhancing customer satisfaction. Adhering to the customer-centric principle, the Group provides a comprehensive package of "CCCC solutions" to solve the pain points and difficult problems of its customers, and enhances the customer experience to win their trust. The Group respects the privacy of its customers and requires its staff to keep customer information strictly in accordance with the relevant provisions of the Market Operation Management Measures (《市場經營管理辦法》) and Measures on the Management of Liaison of Government Affairs and Large Customers (《政府事務與大客戶商務對接管理辦法》), and conducts relevant training to strengthen the legal concept of its staff and enhance their awareness of confidentiality, with a view to fully safeguarding the security, confidentiality and integrity of customer information and data. The Group has established a strong communication mechanism with its customers, which allows the Group to treat customer feedback seriously and handle related complaints in a timely manner, thereby continuously improving customer satisfaction and loyalty.

Suppliers

CCCC insists on the principle of "optimise the total cost for supply chain", concentrates on the five-in-one idea for supply chain strategic of "innovation, coordination, safety, green, and wisdom", and implements 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 comprehensively build a new-era supply chain management and development system. The Group has established an all-category, globalised and integrated supplier network, which managed suppliers in hierarchy and classification according to different procurement subjects. The Company has upheld responsible and green procurement, built an open and transparent procurement platform, and improved business ethics and capability building of procurement personnel to build a supply chain management system with legal compliance and risk controllability. The Company has cultivated preferred suppliers, jointly signed the anti-corruption initiative with suppliers, implemented hierarchical examination and approval, recommendation, assessment and evaluation system in supplier review and management, and achieved "full lifecycle" management.

PERMITTED INDEMNITY PROVISION

As at 31 December 2022, 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 2022.

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 2022.

Consolidated Income Statement

	2022 **RMB million**	2021 RMB million (Restated)	2020 RMB million	2019 RMB million	2018 RMB million
Revenue	**717,473**	682,785	624,495	553,114	489,022
Gross profit	**83,064**	84,524	80,036	69,297	64,520
Profit before tax	**32,786**	29,787	26,957	27,349	25,937
Profit for the year	**25,706**	23,859	19,629	21,525	20,339
Attributable to:					
– Owners of the parent	**20,065**	18,349	16,475	19,999	19,694
– Non-controlling interests	**5,641**	5,510	3,154	1,526	645
Earnings per share for profit attributable to the equity holders of the parent *(expressed in RMB)*					
Basic					
– For profit for the year	**1.14**	1.04	0.92	1.16	1.16
– For profit from continuing operations	**1.14**	1.04	0.92	1.16	1.16
Diluted					
– For profit for the year	**1.14**	1.04	0.92	1.16	1.16
– For profit from continuing operations	**1.14**	1.04	0.92	1.16	1.16
Dividends	**3,509**	3,293	2,924	3,765	3,733

Note: As affected by the business combination of CCCC Chenzhou Road Construction Machinery Co., Ltd.* (中交郴州築路機械有限公司) under common control in 2022, the comparative statements of profit or loss of the Group for 2021 have been restated.

Consolidated Balance Sheet

	2022 **RMB million**	2021 RMB million (Restated)	2020 RMB million	2019 RMB million	2018 RMB million
Total assets	**1,511,350**	1,391,109	1,304,169	1,123,414	963,124
Total liabilities	**1,085,174**	999,714	946,365	827,004	723,314
Equity attributable to owners of the Company	**281,978**	260,391	245,071	229,916	197,036
Non-controlling interests	**144,198**	131,004	112,733	66,494	42,774

Note: As affected by the business combination of CCCC Chenzhou Road Construction Machinery Co., Ltd.* (中交郴州築路機械有限公司) under common control in 2022, the financial figures of the Group for 2021have 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 2022:

1. The first tranche of 2022 ultra-short-term financing bonds was issued on 6 January 2022 with the maturity date on 6 July 2022. The issuance scale is RMB2.0 billion and the interests rate is 2.37%.

2. The second tranche of 2022 ultra-short-term financing bonds was issued on 13 January 2022 with the maturity date on 13 July 2022. The issuance scale is RMB2.0 billion and the interests rate is 2.31%.

3. The third tranche of 2022 ultra-short-term financing bonds was issued on 20 January 2022 with the maturity date on 20 July 2022. The issuance scale is RMB2.0 billion and the interests rate is 2.26%.

4. The fourth tranche of 2022 ultra-short-term financing bonds was issued on 30 June 2022 with the maturity date on 20 December 2022. The issuance scale is RMB3.0 billion and the interests rate is 2.00%.

5. The fifth tranche of 2022 ultra-short-term financing bonds was issued on 7 July 2022 with the maturity date on 23 December 2022. The issuance scale is RMB3.0 billion and the interests rate is 2.00%.

6. The sixth tranche of 2022 ultra-short-term financing bonds was issued on 13 July 2022 with the maturity date on 28 December 2022. The issuance scale is RMB3.0 billion and the interests rate is 1.99%.

7. The seventh tranche of 2022 ultra-short-term financing bonds was issued on 4 August 2022 with the maturity date on 3 November 2022. The issuance scale is RMB2.0 billion and the interests rate is 1.53%.

8. The eighth tranche of 2022 ultra-short-term financing bonds was issued on 25 October 2022 with the maturity date on 23 February 2023. The issuance scale is RMB3.0 billion and the interests rate is 1.75%.

9. The ninth tranche of 2022 ultra-short-term financing bonds was issued on 1 November 2022 with the maturity date on 2 March 2023. The issuance scale is RMB3.0 billion and the interests rate is 1.67%.

10. The first tranche of 2022 mid-term notes was issued on 15 June 2022 with the maturity date on 16 June 2025. The issuance scale is RMB2.0 billion and the interests rate is 2.70%.

11. The second tranche of 2022 mid-term notes was issued on 11 August 2022 with the maturity date on 12 August 2024. The issuance scale is RMB1.5 billion and the interests rate is 2.20%.

12. The third tranche of 2022 mid-term notes (type 1) was issued on 21 December 2022. The issuance scale is RMB1.2 billion and the interests rate is 3.70%.

13. The third tranche of 2022 mid-term notes (type 2) was issued on 21 December 2022. The issuance scale is RMB0.8 billion and the interests rate is 3.88%.

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 2022.

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 2022.

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 2022.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2022 amounted to approximately RMB33,043 million.

DONATIONS

For the year ended 31 December 2022, the Group made charitable and other donations in a total amount of approximately RMB287 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 2022.

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 2022.

MATERIAL DISPOSAL OF EQUITY INTERESTS

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

On 8 December 2022, the Company, the target subsidiaries (including CCCC Second Harbour and CFHEC, subject to specific investment agreement and capital contribution agreement, the "Target Subsidiaries"), the original shareholders of Target Subsidiaries and the investors (including ABC Financial Asset Investment Co., Ltd.* (農銀金融資產投資有限公司), BoCom Financial Asset Investment Co., Ltd.* (交銀金融資產投資有限公司), CCB Financial Asset Investment Company Limited* (建信金融資產投資有限公司) and China Life Asset Management Company Limited* (中國人壽資產管理有限公司), subject to specific investment agreement and capital contribution agreement, the "Investors") entered into the investment agreements and capital contribution agreements, pursuant to which, the Investors agreed to make capital contribution to the Target Subsidiaries pursuant to the terms and conditions of each of the investment agreements and capital contribution agreements, and an aggregate amount of RMB6,000 million was introduced. Upon completion of such 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 aforementioned transaction, please refer to the announcement of the Company dated 8 December 2022.

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 2022, the sales of the Group to the five largest customers amounted to RMB26,520 million, representing 3.68% of the Group's revenue; the aggregate purchase from the five largest suppliers by the Group amounted to RMB27,386 million, representing 6.10% of the Group's aggregate purchase for the year.

CONNECTED TRANSACTIONS

The Company has entered into the following connected transactions in the year 2022.

1. On 28 April 2022, CCCC Third Harbour Engineering Co., Ltd.* (中交第三航務工程局有限公司, "CCCC Third Harbour"), CCCC Industrial Investment Holding Limited* (中交產業投資控股有限公司, "CCCC Industrial Investment"), China Three Gorges Renewables (Group) Co., Ltd.* (中國三峽新能源(集團)股份有限公司, "CTGR"), Datang International Power Generation Co., Ltd.* (大唐國際發電股份有限公司, "Datang Power Generation"), Guohua Energy Investment Co., Ltd.* (國華能源投資有限公司, "Guohua Investment") and Envision Energy Co., Ltd.* (遠景能源有限公司, "Envision Energy") entered into a promoters' agreement to jointly invest in and establish the joint venture, CCCC Offshore Wind Power Development Co., Ltd.* (中交海上風電發展股份有限公司, "Joint Venture"). Pursuant to the promoters' agreement, the registered capital of the Joint Venture is RMB2,500 million, of which RMB925 million, RMB500 million, RMB500 million, RMB250 million, RMB250 million and RMB75 million will be contributed by CCCC Third Harbour, CCCC Industrial Investment, CTGR, Datang Power Generation, Guohua Investment and Envision Energy to subscribe for 925,000,000 shares, 500,000,000 shares, 500,000,000 shares, 250,000,000 shares, 250,000,000 shares and 75,000,000 shares of the Joint Venture, accounting for 37%, 20%, 20%, 10%, 10% and 3% of the total registered capital of the Joint Venture, respectively.

   On 28 April 2022, CCCC Industrial Investment is a subsidiary of CCCG, the controlling shareholder of the Company which holds approximately 58.70% interests in the issued ordinary shares of the Company. Therefore, CCCC Industrial Investment is a connected person of the Company under the Hong Kong Listing Rules. As such, the formation of the Joint Venture under the promoters' agreement constituted a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

   For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 28 April 2022.

CONNECTED TRANSACTIONS (CONTINUED)

2. On 10 June 2022, CFHEC, CCCC Third Harbour Engineering Co., Ltd.* (中交第三航務工程局有限公司, "CTHEC"), ZPMC, Yancheng Expressway Network Construction Co., Ltd.* (鹽城市快速路網建設有限公司, "Yancheng Expressway") and China PPP Investment Funds Co., Ltd.* (中國政企合作投資基金管理有限責任公司, "CPPPF") entered into a capital increase agreement. Pursuant to the capital increase agreement, CFHEC, CTHEC, ZPMC and Yancheng Expressway agreed to make a capital increase of RMB103.00 million, RMB103.00 million, RMB128.75 million and RMB180.25 million in CCCC Yancheng Construction and Development Co., Ltd.* (中交鹽城建設發展有限公司, "CCCC Yancheng Construction") in cash, respectively.

   On 10 June 2022, ZPMC is a subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 58.98% interests in the issued ordinary shares of the Company. ZPMC is thus a connected person of the Company under the Hong Kong Listing Rules. As such, the capital increase in CCCC Yancheng Construction under the capital increase agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

   For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 10 June 2022.

3. On 10 June 2022, CCCC Central-South Engineering Co., Ltd.* (中交中南工程局有限公司, "CSEC") (a subsidiary of the Company) entered into an equity transfer agreement with CCCG, pursuant to which, CSEC has conditionally agreed to acquire and CCCG has conditionally agreed to sell 100% equity interest in CCCC Chenzhou Road Construction Machinery Co., Ltd.* (中交郴州築路機械有限公司, "CRCM") at a consideration of RMB219.8034 million.

   On 10 June 2022, CCCG is the controlling Shareholder of the Company holding approximately 58.98% interests in the issued ordinary shares of the Company and a connected person of the Company under the Hong Kong Listing Rules. As such, the acquisition of 100% equity interest in CRCM 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 acquisition of 100% equity interest in CRCM under the equity transfer agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the equity transfer agreement is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

   For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 10 June 2022.

CONNECTED TRANSACTIONS (CONTINUED)

4. On 11 May 2022, the Company entered into the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares with China Urban and Rural Holding Group Co., Ltd.* (中國城鄉控股集團有限公司, "China Urban-Rural") and Gansu Qilianshan Cement Group Co., Ltd.* (甘肅祁連山水泥集團股份有限公司, "Qilianshan"), pursuant to which, the Company shall dispose of the 100% equity interests of CCCC Highway Consultants Co., Ltd.* (中交公路規劃設計院有限公司, "CCCC Highway Institute"), CCCC First Highway Consultants Co., Ltd.* (中交第一公路勘察設計研究院有限公司, "CCCC First Highway Institute") and 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 Institute"), and China Urban-Rural shall dispose of the 100% equity interests 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, "Southwest Institute"), 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") and CCCC Urban Energy Research and Design Institute Co. Ltd.* (中交城市能源研究設計院有限公司, "Energy Institute") (i.e. the Swapped-out Assets) for 100% equity interest of Qilianshan Ltd held by Qilianshan (i.e. the Swapped-in Assets), and Qilianshan shall settle the shortfall between the Swapped-out Assets and the Swapped-in Assets to the Company and China Urban-Rural by issuing the new A share(s) of par value of RMB1.00 each in the share capital of Qilianshan (the "Proposed Assets Reorganization"). The aforesaid transactions are inter-conditional upon each other and will take effect concurrently.

   On 28 December 2022, in respect of the Proposed Assets Reorganization: (i) the Company, China Urban-Rural and Qilianshan entered into the Supplemental Agreement to the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares, pursuant to which, the Company, China Urban-Rural and Qilianshan further agreed on the consideration for the Swapped-out Assets and the Swapped-in Assets, the number of Consideration Shares to be issued, profit and loss in the period from 31 May 2022 ("the Valuation Benchmark Date") (exclusive) to the completion date for the transfer of the Swapped-in Assets or the Swapped-out Assets (inclusive) (the "Transitional Period"), the allocation of the Swapped-in Assets, etc.; (ii) the Company, China Urban-Rural and Qilianshan entered into a compensation agreement, pursuant to which, the Company and China Urban-Rural made commitments in respect of the performance of the Swapped-out Assets appraised using the income approach upon completion of the Proposed Assets Reorganization and, if such commitments are not fulfilled, shall compensate Qilianshan; and (iii) the Company, China Urban-Rural, Qilianshan Ltd and Xinjiang Tianshan Cement Co., Ltd.* (新疆天山水泥股份有限公司, "Tianshan Cement") entered into an entrustment agreement, pursuant to which, the Company and China Urban-Rural will entrust Tianshan Cement to operate and manage Qilianshan Ltd by way of equity entrustment upon completion of the Proposed Assets Reorganization.

   It is expected that upon completion of the Proposed Assets Reorganization, the Swapped-out Assets will become the subsidiaries of Qilianshan, and the Company will become the controlling shareholder of Qilianshan.

   The disposal of the CCCC Highway Institute, CCCC First Highway Institute and CCCC Second Highway Institute by the Company to Qilianshan under the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares and the Supplemental Agreement constitutes a disposal by the Company under Chapter 14 of the Hong Kong Listing Rules. At the same time, the acquisition of the Swapped-in Assets and the subscription of the Consideration Shares by the Company constitutes an acquisition by the Company under Chapter 14 of the Hong Kong Listing Rules. Pursuant to Rule 14.24 of the Hong Kong Listing Rules, as the Proposed Assets Reorganization involves both an acquisition and a disposal, it will be classified by reference to the higher amount of the acquisition and the disposal, and is subject to the reporting, announcement and/or the shareholders' approval requirements applicable to such classification.

   China Urban-Rural is a wholly-owned subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 59.63% interests in the issued ordinary Shares of the Company. China Urban-Rural is thus a connected person of the Company under the Hong Kong Listing Rules. As China Urban-Rural is a party to the Agreement on Assets Swap and Acquisition of Assets by Issuance of Shares and the Supplemental Agreement, the Proposed Assets Reorganization constituted a connected transaction of the Company.

   As the highest applicable percentage ratios of the acquisition and the disposal are both higher than 5% but less than 25%, the Proposed Assets Reorganization constitutes a disclosable transaction and a connected transaction of the Company and is subject to the reporting, announcement and the independent Shareholders' approval requirements under the Hong Kong Listing Rules.

   The Company convened the extraordinary general meeting and obtained Shareholders' approval for the aforesaid connected transactions on 10 March 2023.

   For details of the aforesaid connected transaction, please refer to the announcements of the Company dated 11 May 2022, 28 December 2022, 28 February 2023, 9 March 2023 and 10 March 2023 and the circular of the Company dated 21 February 2023.

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 2022, 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 relevant management systems for connected transactions to further optimise the compliance management system. Firstly, the Company amended the Related-Party (Connected) Transaction Management Manual (Third Edition) and published to all units for their study, reference and use, so as to further enhance the management of connected transactions. Secondly, the Company formulated the Rules for the Implementation of Daily Related-Party (Connected) Transactions of CCCC (Trial) and the Rules for the Implementation of One-off Related-Party (Connected) Transactions of CCCC (Trial) as the supplement to the Administrative Measures of Related-Party (Connected) Transactions of CCCC, so as to further clarify the management interface, sort out the work flow, and solidify the work template.

2. The Company compiled the Work Plan for Intensifying Risk Management for Related-Party (Connected) Transactions. In addition to the 2021 special work plan, the Company focused on tough tasks such as accurate measurement of daily connected transactions, closed-loop management of one-off connected transactions and addressing disposal for connected subsidiaries from four aspects, namely responsibility administration, training and communication, service support and supervision and assessment. To this end, the Company adhered to the principle of no occurring unless necessary, made good use of the information system, further strengthened business coordination with relevant departments of the headquarters and raised the awareness of all staff on the compliance of connected transactions.

3. The Company organized training on compliance risk management of connected transactions. Such training were provided to disseminate the Company's advanced plan on further enhancement of the risk management of connected transactions for 2022, analyse the necessity of enhancing the management of connected transactions, interpret the overall targets of the advanced plan and detailed measures of the management of connected transactions, clarify the segregation of duties and decision-making process as well as introduce the compliance procedures and work templates. The Company summarised the performance on the management of connected transactions for 2021, invited domestic and overseas perennial legal counsel to interpret the compliance regulatory requirements, key regulatory aspects as well as the regulating processes on connected transactions issued by the regulatory authorities, it also made analysis on certain cases on penalties for breaches occurred recently in the market.

4. The Company conducted the appraisal work on the management of connected transactions of subsidiaries for 2021. To further improve the internal control of the Company, the Company organized its subsidiaries to conduct the self-appraisal on the management of related-party (connected) transactions for 2021, arranged the relevant responsible departments to review the appraised results, and at the same time, took the audit results of external third-party auditors into account, to review and summaries the performance of the subsidiaries on the management of related-party (connected) transactions for 2021, on the basis of which, the Company made a list of excellent subsidiaries and update the list of supervised subsidiaries with an aim to establish a closed management mechanism.

5. 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 establish, strengthen, supplement and extend 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, and the transactions of CCCC and its subsidiaries with them will no longer be subject to the meaning of "connected subsidiaries" under the Hong Kong Listing Rules.

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 2022 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 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.

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 2022 are set out as follows:

	Annual cap for 2022 *(RMB million)*	Actual amount for 2022 *(RMB million)*
Project contracting services provided by the Group to CCCG Group	**33,155**	**13,395**
Labour and subcontracting services fees by CCCG Group to the Group	**8,628**	**2,949**

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

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.

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 2022 are set out as follows:

		Annual cap for 2022 *(RMB million)*	Actual amount for 2022 *(RMB million)*
Maximum daily balance (including the interests accrued thereon) of credit services provided by CCCC Finance to CCCG Group	Loan services under the Financial Services – Deposit Services and Loan Services Framework Agreement	**14,539**	**1,834**
	Guarantee letter services under the Financial Services – Guarantee Letter Services Framework Agreement	**3,006**	**1,840**
	Bills issuance services and bonds subscription under the Financial Services – Other Credit Services Framework Agreement	**810**	**803**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

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 28 October 2022, pursuant to the actual needs of production and operation, CCCC Leasing, CCCG and CCCC Capital entered into a supplemental agreement to the finance lease and commercial factoring agreement, to change the party to the Finance Lease and Commercial Factoring Agreement from CCCC Leasing to CCCC Capital.

For details of the aforesaid continuing connected transactions, please refer to the announcement of the Company dated 28 October 2022.

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 Capital to CCCG Group for the year ended 31 December 2022 are set out as follows:

	Annual cap for 2022 *(RMB million)*	**Actual amount for 2022 *(RMB million)***
Finance lease services provided by CCCC Capital to CCCG Group	**5,200**	**1,149**
Commercial factoring services provided by CCCC Capital to CCCG Group	**7,000**	**392**

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

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.

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 2022 are set out as follows:

	Annual cap for 2022 *(RMB million)*	**Actual amount for 2022 *(RMB million)***
Sales of material products to CCCG Group by the Group	**3,188**	**1,172**
Purchase of engineering products from CCCG Group by the Group	**4,615**	**1,531**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

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.

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 2022 are set out as follows:

	Annual cap for 2022 ***(RMB million)***	**Actual amount for 2022** ***(RMB million)***
Leasing of certain buildings, plants and auxiliary equipment, facilities, etc. for production and operation by CCCG Group to the Group	**847**	**290**

6. Product Leasing Framework Agreement Entered into by the Company and CCCC Haifeng

On 30 August 2022, the Company and CCCC Haifeng entered into a product leasing framework agreement, pursuant to which CCCC Haifeng Group agreed to lease engineering products to the Group during the term of such agreement.

CCCC Haifeng is a subsidiary of the Company. On 30 August 2022, CCCG (being the controlling Shareholder of the Company holding approximately 59.50% interests in the issued ordinary shares of the Company) holds 20% interests in CCCC Haifeng through its subsidiary, CCCC Industrial Investment. Therefore, CCCC Haifeng 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 caps 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 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 30 August 2022.

The annual cap for the continuing connected transactions described above as compared with the actual aggregate amount for the leasing by CCCC Haifeng to the Group for the year ended 31 December 2022 are set out as follows:

	Annual cap for 2022 ***(RMB million)***	**Actual amount for 2022** ***(RMB million)***
Leasing of engineering products by CCCC Haifeng Group to the Group	**65**	**48**

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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.

2. Risk Management and Review Process

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

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

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

CCCC Finance conducts credit review before conducting business, and perform credit rating and credit asset rating based on internal rating standards, and regularly arrange post-loan inspections (every six months). During the course of business, CCCC Finance also assigns dedicated personnel to follow up the utilization of loan. If the use of the loan is changed, CCCC Finance will recover the entire principal and interest, and impose an additional penalty of 100% interest.

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

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

2. Risk Management and Review Process (continued)

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

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

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

3. Risk Control Measures of CCCC over CCCC Finance

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

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

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

4. 2022 Deposit and Loan Business of CCCC Finance

In 2022, the balance of deposits from connected persons to CCCC Finance amounted to approximately RMB10,116 million, accounting for 24.47% of the total deposit of CCCC Finance, and paid interest of RMB125 million to connected persons. The maximum daily average loan balance to connected persons and corresponding interests amounted to RMB4,478 million.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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 2022 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 2022

For the year 2022, CCCC Leasing entered into finance lease transactions with the connected persons with the total amount of RMB1,149 million, accounting for 4.10% of the total amount of the finance leases of CCCC Leasing for that year.

For the year 2022, CCCC Leasing entered into commercial factoring transactions with the connected persons with the total amount of RMB392 million, accounting for 4.90% 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 2022, the Group had 136,506 employees that had signed labor contracts with the Group. The breakdown of employees as at 31 December 2022 was as follows:

1. Categorized by Major

Major	Number of Employees	Percentage
Production staff	68,550	50.22%
Sales staff	21,829	15.99%
Technician	34,724	25.44%
Financial staff	3,384	2.48%
Administrative staff	8,019	5.87%
Total	136,506	100.0%

2. Categorized by Degree Held

	Number of Employees	Percentage
Doctor	580	0.43%
Master	14,980	11.05%
Bachelor	95,115	70.19%
Junior college degree	16,001	11.81%
High school degree (associate degree) and other	9,830	7.25%
Total	136,506	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 2022. 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 2022, 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 2021 annual general meeting of the Company held on 16 June 2022 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 2021 annual general meeting and ending at the 2022 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.

Baiyangdian, located in Xiong'an New Area, is the largest freshwater wetland system in the North China Plain, known as the "Pearl of North China". It has an irreplaceable role in maintaining the ecological environment of North China, and is referred to as the "Kidney of North China".

The Baiyangdian Ecological Treatment and Comprehensive Restoration Project undertaken by the Company covers a watershed area of 31,000 square kilometres and a water area of 366 square kilometres, benefiting a population of more than 10 million.

REPORT OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee of the Company anchored at the Company's mainline of "Year for High-quality Development Implementation", took the responsibility of safeguard the interests of the Company and the Shareholders, and 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. The Supervisory Committee conducted effective 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 general meetings and Board meetings, and conducting on-site inspections, fully playing its supervisory role in promoting the Company's operation in compliance with regulations, enhancing management, improving quality and efficiency, and preventing operation risks.

I. WORK OF THE SUPERVISORY COMMITTEE

(i) Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee held 11 meetings and considered 53 resolutions. It considered 42 resolutions on routine supervision matters, including regular reports, financial reports and annual operation objectives of the Company; considered 8 resolutions on related-party (connected) transactions, which ensured that the plans and relevant annual caps for related-party (connected) transactions were determined in a scientific and reasonable manner and the pricing of related-party (connected) transactions was fair under transparent procedures; considered 3 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 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 13 board meetings to supervise the significant decisions of the Company and the duty performance and the exercise of powers of the senior management, and attended 24 meetings of the President's Office to fully understand the operation and management decisions of the Company and lay a solid foundation for the Supervisory Committee to enhance its value of supervision.

(ii) Focus of Supervision

During the reporting period, the Supervisory Committee focused on the three major tasks of "stable growth, structure optimization and risks control" with the goal of promoting the high-quality development of the Company, supervised the promotion of the indicators of "two profits and four ratios (兩利四率)" and the goal of "two increases, one control and three improvements (兩增一控三提高)" of the Company, and carried out supervision and inspection with the theme of "promoting reform effectiveness, improving development quality and efficiency, and controlling operational risks". The supervision and inspection was carried out in units and projects including Road & Bridge, CCCG Xiong'an, CCCC Investment and CCCC First Harbour Engineering, by basing on the audit results and through reviewing financial information, listening to special reports, visiting project sites, holding communication meetings and providing improvement suggestions in writing. The Supervisory Committee also inspected the progress of Xiong'an Science and Technology Innovation City (雄安科創城) and considered the report on the investment and construction of the above-mentioned projects.

In the supervision and inspection, the Supervisory Committee identified the following issues existed in the promotion of high-quality development of enterprises: firstly, some enterprises still need to enhance their reform efforts, especially the "four capabilities (四能)" reform and other market-oriented business mechanisms should be further promoted. Secondly, the overall development situation of enterprises is upward and positive, but the key indicators of some enterprises such as account receivables turnover rate, the proportion of account receivables and inventories to revenue and other indicators still need to be improved, and the asset quality and asset efficiency should be optimized. Thirdly, risks prevention and control measures as well as implementation of measures should be improved and strengthened despite the comprehensive understanding of the risks in the development of enterprises and the investment and construction of projects. Fourthly, despite the remarkable effect of enterprise transformation and upgrading, the core competitiveness of enterprises should continue to improve. In response to the said issues and risks, the Supervisory Committee has made targeted advice: the first is to step up efforts to practice the Company's strategy, and to empower and strengthen the high-quality development of enterprises with high-level strategy implementation. The second is to promote enterprise reform with greater vigor, and promote the final phase of the three-year action plan for state-owned enterprise reform with high quality. The third is to enhance the quality of development with greater efforts, and vigorously push forward the professional development of sub-subsidiaries. The fourth is to control operational risks with greater intensity, always keep the bottom line of development, and take the road of high-quality, sustainable and characteristic development. The fifth is to attach great importance to investment risk management and control, pay attention to the whole process of investment control, and continuously improve the value of investment. Relevant enterprises valued the issues identified by the Supervisory Committee and their attached recommendation, took prompt action and actively implemented the improvement measures, which strongly promoted the high-quality development of the enterprises and showed the value of supervision of the Supervisory Committee.

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 the profound changes unseen in a century accelerates their evolution, with the changes to the world, to history and to our times are unfolding in an unprecedented way. The economy and society are facing the triple pressure of demand contraction, supply shock and weakening expectations, 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 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 actual reform effect, improving reform quality and efficiency, controlling operational risks, and striving to promote high-quality development of enterprises. With remarkable effect of the three-year action plan for state-owned enterprise reform, the Company has achieved comprehensive optimisation of its industrial system, made breakthroughs in strategic control and management, presented a fundamental reversal of investment dependence, and substantially improved its operational quality. The Company's operation maintained a steady and healthy development, achieving all budget targets and the goals set by the SASAC. CCCC has been rated as a Grade A enterprise in the Operating Results Assessment of State-owned Enterprises conducted by the SASAC for seventeen consecutive years, ranked the first among Chinese enterprises in ENR's Top International Contractors for 16 consecutive years and maintained the first among Asian enterprises. CCCC leaped to the 60th 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 further tackle the key difficulties in the reform, focus on the core functions and core competitiveness, deepen the reform in the key areas of high-quality development of enterprises with greater efforts, and achieve a change in quality through a change in efficiency and change in growth drivers. Secondly, the Company should enhance the strategic role, practice the new development concept completely, accurately and comprehensively, proactively integrate into and serve the new development pattern, and effectively enhance the ability of enterprises to serve national strategies. Thirdly, the Company should adhere to pursuit progress while ensuring stability, persistently expand its contracting projects and strengthen its investments, push forward the industrial upgrading and enhance the competitiveness of the whole industry chain. Fourthly, the Company should insist on the high-quality development, anchor the orientation of "profit and five rates (一利五率)" and continuously improve the quality of enterprise operation to achieve reasonable quantitative growth and effective quality improvement. Fifthly, the Company should speed up scientific and technological innovation and always view it as the "number one task", strengthen the layout of original and leading technologies and strive to make breakthroughs, firmly grasping the initiative of scientific and technological development. Sixthly, the Company should focus on risk prevention and control to guard the bottom line of the high-quality development.

(ii) Independent Opinions on Specific Matters

Firstly, keep the overall operation in compliance with laws and regulations. During the reporting period, the Company operated strictly in accordance with the Company Law, the Securities Law, the Articles of Association and other relevant policies and regulations, and each of the decision-making procedures complied with laws and regulations. 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, ensure the financial position to be objective and true. 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, use the proceeds raised in compliance with 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, ensure the fairness and justness of related-party (connected) transactions. During the reporting period, the Company insisted that related-party (connected) transactions should not occur unless necessary, and related-party (connected) transactions were gradually reduced. All related-party (connected) 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 as well as the legitimate supervision of the Company's Supervisory Committee under the principle of making compensation for equal value, and followed the statutory approval procedures while strictly managed and monitored the implementation. The related-party (connected) transactions remained within the scope of approval, and there was no act that was detrimental to the interests of the Company and the shareholders.

Fifthly, ensure the authenticity and accuracy of the internal assessment. During the reporting period, there was no 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, manage and regulate the disclosure of the inside information. During the reporting period, the Company recorded matters related to the inside information in a timely manner in accordance with requirements of the Management System for Inside Information of China Communications Construction Company Limited. 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.

The Chang Yi Offshore Wind Power Project in Shandong Province is a major project for the transformation of old and new growth engines, and is the first pilot demonstration project in Shandong Province for the integration of offshore wind power and marine pasture.

After the completion of the project, there will develop a new model of three-dimensional development and utilization of water and underwater, providing a replicable and applicable model of offshore "wind power + pasture + photovoltaic" integrated development for Shandong Province and the whole country.

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.

CORPORATE CULTURE

CCCC is a leading global comprehensive service provider of ultra-large infrastructure. Bearing in mind the country's most fundamental interests, CCCC has been forging ahead under the strategic guidance of quality development with the sentiment and strength of a national master. In recent years, CCCC has formed a scientific and comprehensive value system based on five dimensions: corporate mission, corporate vision, corporate spirit, corporate goals and value orientation.

CCCC Mission	Consolidate the foundation, cultivate the way, and carry out the CCCC's mission
CCCC Vision	Make the world more smooth, make the city more livable, make the life more colorful
CCCC Spirit	Blend with the world and build without borders
Development Goal	Build a word-class enterprise with global competitiveness in technology, management and quality
Value Orientation	Respect these talented people who can create value, regardless of their backgrounds

The Company firmly believes that a sound corporate culture is an important driving force for corporate development and an important way to increase the cohesiveness and synergy of all parties concerned. CCCC will continuously improve the construction of its corporate culture system so as to bring in cultural momentum for quality corporate development.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance. The Board believes that the Company complied with all code provisions contained in the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Hong Kong Listing Rules ("Corporate Governance Code") for the year ended 31 December 2022.

THE BOARD OF DIRECTORS

1. Composition of the Board of Directors

As at 31 December 2022, the Board consisted of nine Directors, including four executive Directors, one non-executive Director and four 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 and Sun Ziyu

Non-executive Director: Mi Shuhua

Independent non-executive Directors: Liu Hui, Chan Wing Tak Kevin, Wu Guangqi and Zhou Xiaowen

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 Board has established four specialized committees, namely the Strategy and Investment Committee, the Nomination Committee, the Remuneration and the Appraisal Committee as well as the Audit and Internal Control Committee, of which the Audit and Internal Control Committee and the Remuneration and the Appraisal Committee are all comprised of external Directors, while the Strategy and Investment Committee and the Nomination Committee comprise a majority of external Directors. The Board complies with the requirements of the modern enterprise system with Chinese characteristics and the Listing Rules, and has a mature and sound organization, which operates in a scientific and standardized manner and fully demonstrates its role. The Company has established a comprehensive and scientific mechanism to ensure that the Directors are fully informed of the relevant information of the Company and can express their views and opinions independently. The Company has compiled the "Work Plan for Guaranteeing the Performance of External Directors" and has established six working mechanisms, including the mechanism for obtaining information on the production and operation by the Directors, the mechanism for "Enquiries on Corporate Situation", the mechanism for investigation and research, and the mechanism for the convener of Directors. The Company has established a Directors' reporting meeting mechanism whereby the management of the Company makes special reports to the Directors at special reporting meetings on major and complex Board resolutions to assist the Directors in fully and comprehensively studying the feasibility and reasonableness of the relevant resolutions. In 2022, the Company convened nine Directors' reporting meetings, at which 50 proposals were discussed.

The Company has received the confirmation on independence from each of the independent non-executive Directors for the year 2022 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 2022, the Company held two shareholders' general meetings. The table below sets out the details of shareholders' general meeting attendance of each Director in 2022:

Director	Number of Meetings Attended
Wang Tongzhou	2
Wang Haihuai	2
Liu Xiang	2
Sun Ziyu *(Note 1)*	0
Mi Shuhua *(Note 2)*	1
Liu Maoxun *(Note 3)*	1
Huang Long *(Note 4)*	0
Zheng Changhong *(Note 4)*	0
Ngai Wai Fung *(Note 4)*	1
Liu Hui *(Note 5)*	1
Chan Wing Tak Kevin *(Note 5)*	1
Wu Guangqi *(Note 5)*	1
Zhou Xiaowen *(Note 5)*	1

Note 1: Mr. Sun Ziyu was elected as the executive Director on 25 February 2022.

Note 2: Mr. Mi Shuha was elected as the non-executive Director on 25 February 2022.

Note 3: Mr. Liu Maoxun retired as the non-executive Director on 25 February 2022.

Note 4: Mr. Huang Long, Mr. Zheng Changhong and Mr. Ngai Wai Fun retired as the independent non-executive Directors on 25 February 2022.

Note 5: Mr. Liu Hui, Mr. Chan Wing Tak Kevin, Mr. Wu Guangqi and Mr. Zhou Xiaowen were elected as the independent non-executive Directors on 25 February 2022.

THE BOARD OF DIRECTORS (CONTINUED)

3. Board Meetings

In 2022, the Company held 13 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 2022:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Wang Tongzhou	13	13	0	100%
Wang Haihuai	13	13	0	100%
Liu Xiang	13	13	0	100%
Sun Ziyu *(Note 1)*	12	12	0	100%
Mi Shuhua *(Note 2)*	12	12	0	100%
Liu Maoxun *(Note 3)*	1	1	0	100%
Huang Long *(Note 4)*	1	1	0	100%
Zheng Changhong *(Note 4)*	1	1	0	100%
Ngai Wai Fung *(Note 4)*	1	1	0	100%
Liu Hui *(Note 5)*	12	12	0	100%
Chan Wing Tak Kevin *(Note 5)*	12	12	0	100%
Wu Guangqi *(Note 5)*	12	12	0	100%
Zhou Xiaowen *(Note 5)*	12	12	0	100%

Note 1: Mr. Sun Ziyu was elected as the executive Director on 25 February 2022.

Note 2: Mr. Mi Shuha was elected as the non-executive Director on 25 February 2022.

Note 3: Mr. Liu Maoxun retired as the non-executive Director on 25 February 2022.

Note 4: Mr. Huang Long, Mr. Zheng Changhong and Mr. Ngai Wai Fun retired as the independent non-executive Directors on 25 February 2022.

Note 5: Mr. Liu Hui, Mr. Chan Wing Tak Kevin, Mr. Wu Guangqi and Mr. Zhou Xiaowen were elected as the independent non-executive Directors on 25 February 2022.

THE BOARD OF DIRECTORS (CONTINUED)

4. Responsibilities and Operations of the Board

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

The division of power between the Board and senior management complies with the Articles of Association and relevant regulations. The chairman of the Board is responsible for ensuring that the Directors perform their duties properly and ensuring discussions on material matters are on a timely basis. Pursuant to the Articles of Association, the president is responsible to the Board and is delegated the authority to, among other things, oversee the operation and management of the Company, implement the decisions of the Board, carry out investment plans and establish an internal management system. While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, the Board has also delegated the responsibility of implementing its strategies and the day- to-day operation to the management of the Company under the leadership of the executive Directors of the Company. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, financing and financial reporting, internal controls, communication with Shareholders and corporate governance. For the year ended 31 December 2022, Mr. Wang Tongzhou served as the Chairman of the Board and Mr. Wang Haihuai served as the President of the Company.

The corporate governance functions of the Company are performed by the Board. In 2022, 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 2022.

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 2022, each of Mr. Mi Shuhua, Mr. Chan Wing Tak Kevin, Mr. Wu Guangqi and Mr. Liu Hui participated in 2 trainings on corporate operation, securities compliance and energy conservation and emission reduction organized by the Shanghai Stock Exchange and the Listed Companies Association of Beijing, and Mr. Liu Hui participated in one training on low-carbon development organized by the Organization Department of the CPC Central Committee. Mr. Wang Tongzhou, Mr. Wang Haihuai, Mr. Liu Xiang, Mr. Sun Ziyu and Mr. Zhou Xiaowen attended briefings and seminars in relation to the listing rules of the listed places organised by the Company and read newspapers, periodicals and updates on the duties and responsibilities of directors.

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 2022, 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 2022, the Strategy and Investment Committee consisted of seven members, namely Mr. Wang Tongzhou, Mr. Wang Haihuai, Mr. Sun Ziyu, Mr. Mi Shuhua Mr. Liu Hui, Mr. Wu Guangqi and Mr. Zhou Xiaowen, and is chaired by Mr. Wang Tongzhou.

The Strategy and Investment Committee held three meetings in 2022 to review and discuss, among other things, the business plan, the investment plan, the budget for projects investment and foundation plan of the Company for 2022. The table below sets out the details of the Strategy and Investment Committee meeting attendance of each Director in 2022:

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	3	3	0	100%
Liu Xiang (Note 1)	1	1	0	100%
Sun Ziyu (Note 2)	2	2	0	100%
Liu Maoxun (Note 3)	1	1	0	100%
Mi Shuhua (Note 2)	2	2	0	100%
Liu Hui (Note 2)	2	2	0	100%
Wu Guangqi (Note 4)	0	0	0	–
Zhou Xiaowen (Note 2)	2	2	0	100%

Note 1: Mr. Liu Xiang ceased to be a member of the Strategy and Investment Committee with effect from 25 February 2022.

Note 2: Mr. Sun Ziyu, Mr. Mi Shuhua, Mr. Liu Hui and Mr. Zhou Xiaowen became members of the Strategy and Investment Committee with effect from 25 February 2022.

Note 3: Mr. Liu Maoxun ceased to be a member of the Strategy and Investment Committee with effect from 25 February 2022.

Note 4: Mr. Wu Guangqi became a member of the Strategy and Investment Committee with effect from 28 December 2022.

THE BOARD OF DIRECTORS (CONTINUED)

7. Committees under the Board (Continued)

(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 2022, the Audit and Internal Control Committee consisted of five members, namely Mr. Chan Wing Tak Kevin, Mr. Mi Shuhua, Mr. Liu Hui, Mr. Wu Gaungqi and Mr. Zhou Xiaowen, and is chaired by Mr. Chan Wing Tak Kevin. Four out of the five members of the Audit and Internal Control Committee were independent non-executive Directors.

The Audit and Internal Control Committee held 9 meetings in 2022 to discuss, among other things, the audited annual financial statements of 2021, the internal control report of the Company of 2021, the internal audit summary of 2021 and the plan of 2022, the report of duty performance of the Audit and Internal Control Committee in 2021, the quarterly financial reports of 2022 and the interim financial report of 2022, the re-appointment of the international and domestic auditors for 2022 and their remuneration, the Proposed Assets Reorganization and Proposed Spin-off and matters concerning connected transactions. The table below sets out the details of Audit and Internal Control Committee meeting attendance of each Director in 2022:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Maoxun *(Note 1)*	1	1	0	100%
Mi Shuhua *(Note 3)*	1	1	0	100%
Huang Long *(Note 1)*	1	1	0	100%
Zheng Changhong *(Note 1)*	1	1	0	100%
Ngai Wai Fung *(Note 1)*	1	1	0	100%
Liu Hui *(Note 2)*	8	8	0	100%
Chan Wing Tak Kevin *(Note 2)*	8	8	0	100%
Wu Guangqi *(Note 2)*	8	8	0	100%
Zhou Xiaowen *(Note 3)*	1	1	0	100%

Note 1: Mr. Liu Maoxun, Mr. Huang Long, Mr. Zheng Changhong and Dr. Ngai Wai Fung ceased to be members of the Audit and Internal Control Committee with effect from 25 February 2022.

Note 2: Mr. Liu Hui, Mr. Chan Wing Tak Kevin and Mr. Wu Guangqi became members of the Audit and Internal Control Committee with effect from 25 February 2022.

Note 3: Mr. Mi Shuhua and Mr. Zhou Xiaowen became members of the Audit and Internal Control Committee with effect from 28 December 2022.

THE BOARD OF DIRECTORS (CONTINUED)

7. Committees under the Board (Continued)

(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 2022, the Remuneration and Appraisal Committee consisted of five members, namely Mr. Liu Hui, Mr. Mi Shuhua, Mr. Chan Wing Tak Kevin, Mr. Wu Guangqi and Mr. Zhou Xiaowen and is chaired by Mr. Liu Hui. Four out of the five members of the Remuneration and Appraisal Committee were independent non- executive Directors.

The Remuneration and Appraisal Committee held one meeting in 2022 to review and discuss the 2022 Restricted Share Incentive Scheme (Draft) of the Company and its summary thereof and relevant proposals. The table below sets out the details of Remuneration and Appraisal Committee meeting attendance of each Director in 2022:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Huang Long(Note 1)	0	0	0	–
Mi Shuhua(Note 2)	1	1	0	100%
Zheng Changhong(Note 1)	0	0	0	–
Ngai Wai Fung(Note 1)	0	0	0	–
Liu Hui(Note 2)	1	1	0	100%
Chan Wing Tak Kevin(Note 3)	0	0	0	–
Wu Guangqi(Note 2)	1	1	0	100%
Zhou Xiaowen(Note 3)	0	0	0	–

Note 1: Mr. Huang Long, Mr. Zheng Changhong and Dr. Ngai Wai Fung ceased to be members of the Remuneration and Appraisal Committee with effect from 25 February 2022.

Note 2: Mr. Mi Shuhua, Mr. Liu Hui and Mr. Wu Guangqi became members of the Remuneration and Appraisal Committee with effect from 25 February 2022.

Note 3: Mr. Chan Wing Tak Kevin and Mr. Zhou Xiaowen became members of the Remuneration and Appraisal Committee with effect from 28 December 2022.

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 2022, the Nomination Committee consisted of five members, namely Mr. Wang Tongzhou, Mr. Liu Xiang, Mr. Chan Wing Tak Kevin, Mr. Wu Guangqi and Mr. Zhou Xiaowen, and is chaired by Mr. Wang Tongzhou. Three out of the five members of the Nomination Committee were independent non-executive Directors.

The Nomination Committee held two meetings in 2022 to discuss the re-election of the Directors, appointment of president, vice presidents, chief financial officer and the Board secretary of the Company. The table below sets out the details of Nomination Committee meeting attendance of each Director in 2022:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Wang Tongzhou	2	2	0	100%
Wang Haihuai *(Note 1)*	1	1	0	100%
Liu Xiang *(Note 2)*	1	1	0	100%
Huang Long *(Note 1)*	1	1	0	100%
Zheng Changhong *(Note 1)*	1	1	0	100%
Ngai Wai Fung *(Note 1)*	1	1	0	100%
Chan Wing Tak Kevin *(Note 2)*	1	1	0	100%
Wu Guangqi *(Note 2)*	1	1	0	100%
Zhou Xiaowen *(Note 2)*	1	1	0	100%

Note 1: Mr. Wang Haihuai, Mr. Huang Long, Mr. Zheng Changhong and Dr. Ngai Wai Fung ceased to be members of the Nomination Committee with effect from 25 February 2022.

Note 2: Mr. Liu Xiang, Mr. Chan Wing Tak Kevin, Mr. Wu Guangqi and Mr. Zhou Xiaowen became members of the Nomination Committee with effect from 25 February 2022.

THE BOARD OF DIRECTORS (CONTINUED)

7. Committees under the Board (Continued)

(d) Nomination Committee (Continued)

For the year ended 31 December 2022, the Nomination Committee adopted a basic policy concerning diversity of Board members and is committed to enhancing the diversity of the Board and the Company's staff structure. 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.

During the reporting period, except for gender diversity, the Board has achieved the following measurable objectives: at least one independent non-executive Director shall usually reside in Hong Kong; at least one independent non-executive Director shall have work experience as the financial controller in large enterprises or shall be an expert in corporate finance and accounting; the number of independent non-executive Directors shall be not less than one-third of the Board members and the number of independent non-executive Directors shall exceed half of the Board members.

The Board is committed to achieving gender diversity of Board members. Considering the importance of gender diversity, the Nomination Committee has made discussions from the perspective of gender diversity of the Board and fully studied the relevant requirements of the diversity policy under the Listing Rules. Given that the fifth session of the Board is comprised of all male members, the Company will fully communicate with the relevant regulatory authorities and Shareholders to seize the opportunity to increase the proportion of female members of the Board and enhance the level of gender diversity in line with Shareholders' expectations and practice.

As at 31 December 2022, the Company has a total of 0.136 million employees in service, of which approximately 0. 023 million employees are women, accounting for 17% of the total number of employees in service. The Company has always adhered to the principle of gender equality in employment, eliminated gender discrimination, and protected the employment rights of women.

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 2022, 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 11 meetings in 2022 to consider and approve 53 resolutions. The table below sets out the details of Supervisory Committee meeting attendance of each Supervisor in 2022:

Supervisor	**Number of Meetings to be Attended**	**Number of Meetings Attended in Person**	**Number of Meetings Attended by Proxy**	**Attendance Rate**
Wang Yongbin *(chairman)*	11	11	0	100%
Lu Yaojun	11	11	0	100%
Yao Yanmin	11	11	0	100%

AUDITORS' REMUNERATION

Ernst & Young and Ernst & Young Hua Ming LLP are appointed as the international and domestic auditors of the Company, respectively. Breakdown of the remuneration to Ernst & Young and Ernst & Young Hua Ming LLP for audit services and other non-audit services provided for the year ended 31 December 2022 are as follows:

	RMB'000
Audit services	27,850
Other non-audit services	6,169

The resolution on appointment of auditors will be submitted at the 17th meetings 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 true process of internal control of the Company.

INTERNAL CONTROL AND RISK MANAGEMENT (CONTINUED)

By strictly implementing the requirements of the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, and other laws and regulations, CCCC improves the institutional mechanism to prevent the emergence and spread of corruption, promotes the "three non-corruptions", focuses on the construction of work style, and establishes a "four-in-one" corruption management system with a view to strengthening discipline and promoting a culture of integrity, thus jointly creating a clean atmosphere for corporate development. Through the establishment of whistleblowing channels (including anonymous reporting by phone, email or in writing), daily risk monitoring, internal audits and self-inspections, the Company is able to grasp clues of problems, investigate and deal with them in a timely manner. The Board is the highest governance organization of the Company, and the Company has been actively strengthening anti-corruption trainings for Directors and rigorously enforcing the relevant regulations on the integrity and self-discipline of responsible persons and Directors of state-owned enterprises. In 2022, all employees of the Company have attended the anti-corruption trainings, with each employee receiving at least three hours of anti-corruption trainings.

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 2022 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 2022, 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 2022 Environmental, Social and Governance Report of China Communications Construction 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 2022, 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.

INVESTOR RELATIONS

Please refer to the chapter headed "Investor Relations" for detailed information. The Company has reviewed the implementation and effectiveness of its shareholder's communication policy during the reporting period. The Board is of the view that the Company has established a smooth and effective communication channel with its Shareholders and considers that the Company's shareholder communication policy and its implementation are effective.

Malaysia's Prime Minister Anwar Bin Ibrahim and Minister of Transport Anthony Loke attended the opening ceremony of the entire Kuala Lumpur Metro Line 2, Malaysia.

Kuala Lumpur Metro Line 2 is a major north-south artery of the rail network in the Greater Kuala Lumpur and will enable more than two million residents along the line to realize a "half-hour living circle", greatly mitigating traffic congestion and inconvenience for local residents.

BOARD OF DIRECTORS

The Board consisted of nine Directors, including four executive Directors, 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 Construction Group 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 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, the 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, the 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, the deputy secretary of the Party Committee of CCCC Second Harbour Engineering Co., Ltd., 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 business administration for executives from Wuhan University and is a professorate senior engineer and senior economist who enjoys special government allowance of the State Council. 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, the 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 China Harbour Engineering Co., Ltd., 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, and 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 Engineering Group Company 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), the vice president of Chinese Banking Association of Hong Kong and a member of the Chinese People's Political Consultative Conference Guangdong Committee (中國人民政治協商會議廣東省委員會) and he also serves as an independent non-executive director of TravelSky Technology Limited and Royale Home Holdings Limited, respectively. 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 Railways, the dean of the Economy Planning Institute and the director of the Engineering Design Appraisal Center of Ministry of Railways; 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.

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 a specialized external Supervisor of CCCG, an external supervisor of CCCC Tianhe Machinery and Equipment Manufacturing Co., Ltd., China Urban and Rural Holding Group Co., Ltd.* (中國城鄉控股集團有限公司), CCCC Asset Management Co., Ltd. and China Communications Information Technology Group Co., Ltd., respectively. 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, the general manager of corporate culture department of the Company, 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 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.

SENIOR MANAGEMENT

The Company's senior management consisted of seven members with the profiles 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 secretary of the Party Committee 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 Transportation University 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. 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 secretary of the Party Committee and the chairman 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. 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 Transportation University) with a bachelor's degree in finance and accounting and later obtained an executive master of business administration (EMBA) from Tsinghua University. He is a professorate senior economist. Mr. Li has been serving as the vice president of the Company since October 2019.

Mr. Zhu Hongbiao, born in 1970, with Chinese nationality, 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 Transportation University) with a bachelor's degree in accounting and later obtained a master's degree in accounting from Peking University. He is a professorate senior accountant. Mr. Zhu has been serving as the chief financial officer of the Company since October 2019.

SENIOR MANAGEMENT (CONTINUED)

Mr. Yang Zhichao, born in 1981, with Chinese nationality, is currently the vice president and a member of the Party Committee 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 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), a deputy director of the Party Committee work department (the Party Committee united front work department) and the secretary of the Youth League Committee of the Company; 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. 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. Chen Zhong, born in 1971, with Chinese nationality, was 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 from October 2019 to September 2022. 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.

The 300,000-tonne channel in Lianyungang was fully opened. The project is the most advanced man-made deep-water channel in China and even in the world built on muddy shallow bank in open marine areas.

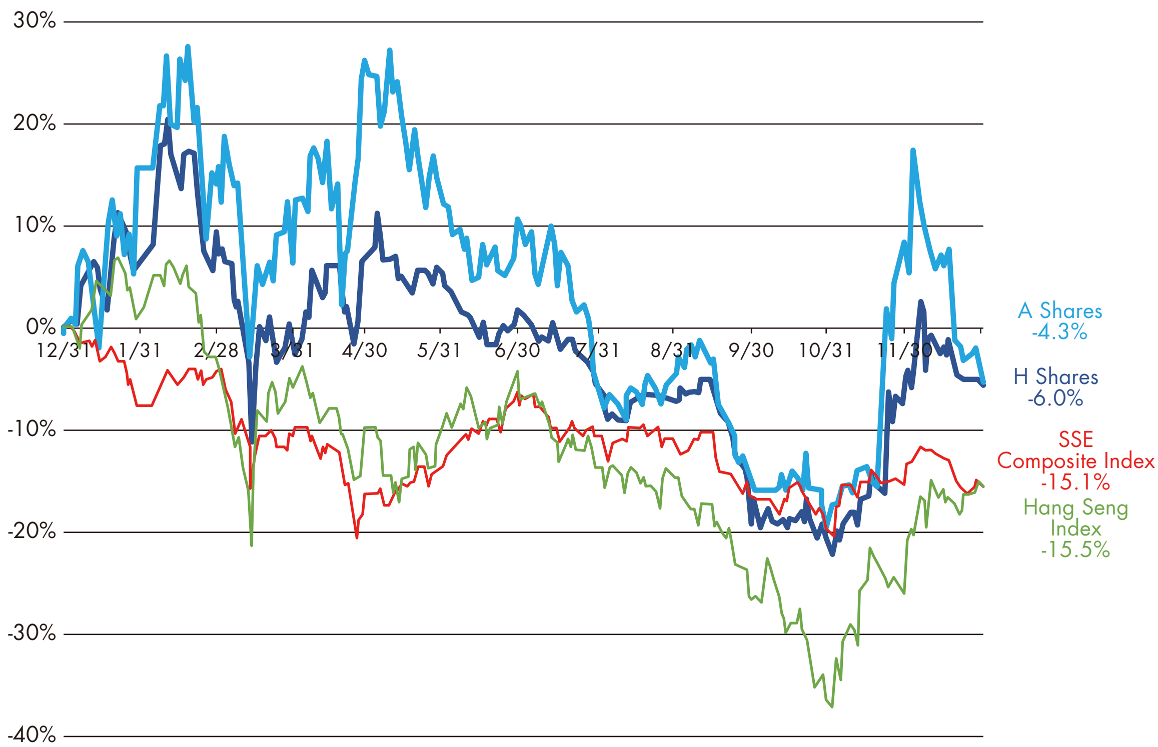
The completion and opening of the channel is of great significance in supporting Jiangsu's coastal development strategy and facilitating the "Belt and Road" maritime transport channel.

INVESTOR RELATIONS

The Company strengthens its investor relations management, establishes scientific market values, creates a new era for its value realization. It attaches importance to the performance in the capital market, endeavors to promote the Company's market value conform with its intrinsic value, aiming to facilitate the sound development of the Company and enhance its appraised value.

(I) CAPITAL MARKET REVIEW

In 2022, the Company's share price fluctuated and declined amid market volatilities due to international political environment and low industry valuations, and outperformed the market. The closing price of the A Shares on 31 December 2022 was RMB8.05, representing a decrease of 4.16% as compared to the closing price of RMB8.58 on 31 December 2021. The closing price of the H Shares on 31 December 2022 was HKD3.75, representing a decrease of 6.02% as compared to the closing price of HKD4.24 on 31 December 2021.



(II) ENHANCING THE QUALITY OF LISTED COMPANIES, AND CARRYING OUT POSITIVE INTERACTION WITH CAPITAL MARKET IN A PROACTIVE MANNER

In 2022, 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 Effective and High-quality Results Presentations

As the continuous improvement in the market sentiment of the industry, the Company collated the industry concerns and took the achievements and deficiencies of the Company into deep analysis through organizing and convening 2021 annual results presentation, 2022 interim results presentation and 2022 third-quarter results presentation, and built a comprehensive promotion platform in leverage of digital technologies. Key leaders of the Company attended such results presentations in person and fully promote the high-quality development of the Company by looking ahead to market opportunities and making strategic plans in an objective manner.

(II) ENHANCING THE QUALITY OF LISTED COMPANIES, AND CARRYING OUT POSITIVE INTERACTION WITH CAPITAL MARKET IN A PROACTIVE MANNER (CONTINUED)

2. Holding Timely and Special Capital Market Operation Presentations

The Company had convened several communication meetings before and after the issuance of publicly traded REITs to provide a detailed introduction of the project progress and future plans to nearly 1,000 investors and demonstrate the achievements of the Company regarding the reform of the transformation and upgrades through capital optimization as well as industry and finance integration, to which the market and investors responded actively. Upon the issuance of the announcement in relation to the spin-off and listing of a subsidiary, the Company convened a special presentation in a timely manner to demonstrate to over 70 institute investors regarding the effect of the spin-off proposal on the Company's strategy of enhancing the value of the Company and its shareholders, strengthening a strong alliance with state-owned enterprises and achieving a win-win situation by focusing on principal businesses and on specialties and taking advantage of its whole industry chain advantage, and to answer the concerns of investors.

3. Holding Appropriate Thematic Exchange Meetings of Investors of Capital Operation

The Company communicated with professional institute investors on important issues of capital market, invited the industry experts to give a lecture on special aspects, such as "new energy development", "intelligence transportation", "The Belt and Road – Southeast Asia Region", "ESG", "special technology for foundation treatment" and provide explanations against the relevant concerns, and thereby, enhance the investors' understanding of the industry and improve the Company's image in the capital market.

4. Carrying Out Targeted Reverse Roadshow Based on Needs of Capital Market

The Company promptly launched the reverse roadshow plan upon the conclusion of the epidemic. In February 2023, the Company held a reverse roadshow for investors regarding the CCCC Design Business for 2023 in Beijing, with the analysts and investors from more than 30 domestic and foreign institutes involved, such as CICC, Zhongtai Securities, TF Securities and BOC Wealth Management. Through such activity, the Company introduced the development, highlights of value, strategic deployment and the progress of professional reorganization of Design Business, together with the initiative of CCCC of carrying out capital optimization for continually promoting deployment optimization and functional operation of listed companies, to the investors. Design Business has been considered as the quality asset of CCCG, and all operational indicators of which are at the forefront of the Company. Implementing the reorganization for Design Business will further enhance the core competitiveness, facilitate the progress of building "CCCC Design" into a well-known brand in the global design and consulting industry, and provide a strong support to enhance the appraised value of CCCC. Going forward, the growth and increase in Design Business will mainly attribute to the synergy effect of various business segments of the Group, the expansion of domestic and overseas markets, the development of new business, the upgrade and maintenance of business models, the digital upgrade as well as the mergers and acquisitions and capital operation, which is conducive to realizing the high-quality development of the Company in a faster and better manner. During the process of opinion exchange, analysts and investors fully communicated with the management on the Company's key technologies, edges in the industry, strategic layout, financing channels, overseas development, value enhancement of listed companies and other issues.

(II) ENHANCING THE QUALITY OF LISTED COMPANIES, AND CARRYING OUT POSITIVE INTERACTION WITH CAPITAL MARKET IN A PROACTIVE MANNER (CONTINUED)

5. Responding Promptly to the Concerns of Investors

The Company participated in the research activities of various institute investors from all aspects and actively contacted the securities research institutions, including but not limited to routine visits, institutional summits, investors reception days, e-interaction platforms, to keep the popularity of the Company in the capital market. It also reported the material concerns in capital market and management proposals by 10 capital market monthly reports (briefing) and 2 special reports. Besides, the Company replied on 96 queries from the e-interaction platforms of the stock exchange, and participated in nearly 73 meetings of types of investors with over 1,700 investors attended.

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, 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 growth in appraised value, the progress of the increase in shareholdings of major shareholders, etc.

List of the Company's major investor relations activities in 2022

Month	Activity	Organiser
January	2021 Annual Conference	UBS Securities
February	2022 Spring Online Strategy Conference	Huatai Securities
	2022 Spring Online Strategy Conference	TF Securities
	2022 Spring Online Strategy Conference	Changjiang Securities
	2022 Spring Online Strategy Conference	Guosheng Securities
March	2021 Annual Results Announcement	CCCC
April	• Online Results Presentation	CCCC
	• Meeting of Analysts and Investors	CCCC
	• Non-deal Roadshow	CCCC
	2022 First Quarterly Report	CCCC
May	2022 Roadshow	RoadShowChina
	2022 Interim Online Strategy Conference	Huachuang Securities
	2022 Interim Online Strategy Conference	Soochow Securities
	2022 Interim Online Strategy Conference	Huatai Securities

(II) ENHANCING THE QUALITY OF LISTED COMPANIES, AND CARRYING OUT POSITIVE INTERACTION WITH CAPITAL MARKET IN A PROACTIVE MANNER (CONTINUED)

5. Responding Promptly to the Concerns of Investors (continued)

List of the Company's major investor relations activities in 2022 (continued)

Month	Activity	Organiser
June	2022 Interim Capital Market Summit	CSC
	2022 Interim Online Strategy Conference	Everbright Securities
	2022 Interim Online Strategy Conference	Haitong Securities
	2022 Interim Online Strategy Conference	Guosen Securities
	2022 Capital Markets Forum	Citic Securities
	2022 Interim Online Strategy Conference	HSBC Securities
	2022 Interim Online Strategy Conference	Essence Securities
July	2022 Interim Online Strategy Conference	UBS Securities
	2022 Interim Online Strategy Conference	Galaxy Securities
	2022 Interim Online Strategy Conference	TF Securities
	2022 Interim Online Strategy Conference	Industrial Securities
August	2022 Interim Results Announcement	CCCC
September	• Online Results Presentation	CCCC
	• Meeting of Analysts and Investors	CCCC
	• Non-deal Roadshow	CCCC
	2022 Autumn Capital Market Summit	Guosheng Securities
	2022 Capital Market Summit	Haitong Securities
	2022 Third Quarterly Strategy Conference	TF Securities
October	2022 Third Quarterly Report	CCCC
November	2023 Annual Online Strategy Conference	TF Securities
	2023 Investment Summit	Wonderful Sky Financial
	2023 Annual Online Strategy Conference	China Merchants Securities
	2023 Annual Online Strategy Conference	Zhongtai Securities
	2023 Annual Online Strategy Conference	Huatai Securities
December	2023 Annual Online Strategy Conference	Guotai Jun'an
	2023 Investment Summit	Dongxing Securities
	2023 Annual Capital Market Conference	Guosen Securities
	2023 Investment Summit	Cinda Securities
	2023 Annual Capital Market Conference	Huachuang Securities
	2023 Capital Market Summit	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) CONSOLIDATE THE SYSTEM FOUNDATION AND OPTIMIZE THE CORPORATE GOVERNANCE

In 2022, in accordance with the latest regulatory requirements issued by domestic and abroad securities regulatory agencies, and in combination with the requirements of the Task Plan on Enhancing the Quality of Listed Companies Controlled by Central Enterprises (《提高央企控股上市公司質量工作方案》) issued by SASAC, the Company included the duly management of the relationship between information disclosure and guarding state secrets as well as keeping business secrets into the information disclosure system, and revised 4 systems, including the Management Measures for Information Disclosure and Internal Reporting of Important Information (《信息披露及重大信息內部報告管理辦法》), the Management System of Inside Information (《內幕信息管理制度》), the Administrative Policies on Shareholding Changes of Shareholders, Directors, Supervisors and Senior Management Members (《股東及董事、監事和高級管理人員持股變動管理制度》), the Management Measures for Management of Investor Relations (《投資者關係管理辦法》), aiming to enhance the Company's performance in management of investor relations, regulate the information disclosure, and improve the operation quality 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. The Company assessed the implementation and effectiveness of its shareholder communication policy and considers that it has established open and effective communication channels with its shareholders. Upon relevant election, the Company was listed on the "5th New Fortune Best IR of HK-Listed Company (第五屆新財富最佳IR港股公司)", won the "2022 All-Asia Executive Team (2022年度亞洲區公司最佳管理團隊)" selected by Institutional Investor, won 3 capital market awards, including the "Outstanding Contribution in Corporate Governance Award (公司治理特別貢獻獎)", the "Most Insightful Chairman Award (最具戰略眼光董事長獎)" and the "Excellent Assistant to Board Secretary Award (董秘好助手)" in the "Gold Round Table Award (金圓桌獎)", won the "China Top 100 Enterprises Award and China Top 100 Outstanding Board Secretary Award (中國百強企業獎和中國百強卓越董秘獎)", won the "Best Investor Relations Award (最佳投資者關係獎)" in "Golden Bull Award (金牛獎)", the "Best Investor Relations Award (最佳投資者關係獎)" in "Golden Bauhinia Award (金紫荊獎)", and was awarded the "Best Practice Case of Office of Board of Directors of Public Companies 2022 (2022年度上市公司董辦最佳實踐案例)" by China Association for Public Companies(中國上市公司協會), as well as the "Excellent Practice Case of Investors Relationship Management (投資者關係管理優秀實踐案例)" by Beijing Association for Public Companies (北京上市公司協會). 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 ninth 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 2023. 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 Supporting Terminal Project for the Digening Coal-fired Power Plant in Philippines is the largest terminal project under construction in Philippines, with a capacity of berthing 160,000 tonnage vessels upon completion.

Upon completion and operation, the project will contribute to the supply of electricity and energy to the entire Luzon Island, which will effectively boost local employment, improve the livelihood of the local people and stimulate local economic development.

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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 114 to 243, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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, including future expectations for the traffic volume, necessary maintenance and operating costs incurred for the concession assets, and discount rates. The assessment of recoverable amounts by the management of the Group with the assistance of management specialists 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 and evaluated the appropriateness of the models and assumptions used by the management specialists. We involved internal valuation specialists to assist us in evaluating the models and the inputs used e.g. the discount rates. We reviewed the basis and assumptions used in the cash flow forecasts, including 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 also compared the prior year's forecast with the Group's actual performance in 2022. 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 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB million	2021 RMB million (Restated)
Revenue	4, 5	**717,473**	682,785
Cost of sales		**(634,409)**	(598,261)
Gross profit		**83,064**	84,524
Other income	5	**5,328**	5,441
Other gains/(losses), net	5	**3,404**	(1,438)
Selling and marketing expenses		**(1,998)**	(1,451)
Administrative expenses		**(43,880)**	(42,861)
Impairment losses on financial and contract assets, net		**(9,646)**	(6,946)
Other expenses		**(2,556)**	(2,727)
Operating profit		**33,716**	34,542
Finance income	7	**21,309**	14,609
Finance costs, net	8	**(21,916)**	(19,540)
Share of profits and losses of:			
– Joint ventures		**(666)**	(614)
– Associates		**343**	790
Profit before tax	6	**32,786**	29,787
Income tax expense	11	**(7,080)**	(5,928)
Profit for the year		**25,706**	23,859
Attributable to:			
– Owners of the parent		**20,065**	18,349
– Non-controlling interests		**5,641**	5,510
		25,706	23,859
Earnings per share attributable to ordinary equity holders of the parent	13		
Basic		**RMB1.14**	RMB1.04
Diluted		**RMB1.14**	RMB1.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB million	2021 RMB million (Restated)
Profit for the year	**25,706**	23,859
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 on retirement benefit obligations, net of tax	**(1)**	(22)
Share of other comprehensive income of joint ventures and associates	**1**	–
Changes in fair value of equity investments designated at fair value through other comprehensive income/(loss), net of tax	**(4,850)**	68
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**(4,850)**	46
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax:		
Cash flow hedges, net of tax	**(10)**	2
Share of other comprehensive income/(loss) of joint ventures and associates	**338**	(39)
Exchange differences on translation of foreign operations	**3,091**	(1,522)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**3,419**	(1,559)
Other comprehensive loss for the year, net of tax	**(1,431)**	(1,513)
Total comprehensive income for the year	**24,275**	22,346
Attributable to:		
– Owners of the parent	**18,469**	16,875
– Non-controlling interests	**5,806**	5,471
	24,275	22,346

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB million	2021 RMB million (Restated)
Non-current assets			
Property, plant and equipment	14	**60,147**	61,251
Investment properties	15	**10,629**	6,697
Right-of-use assets	16(a)	**18,117**	17,322
Intangible assets	17	**219,531**	229,094
Investments in joint ventures	18	**51,731**	44,578
Investments in associates	19	**47,573**	40,757
Financial assets at fair value through profit or loss	20	**21,489**	14,249
Derivative financial instruments	25	**681**	–
Debt investments at amortised cost		**1,628**	530
Equity investments designated at fair value through other comprehensive income	21	**24,084**	30,095
Contract assets, trade and other receivables	24	**431,762**	371,774
Deferred tax assets	30	**7,715**	7,190
Total non-current assets		**895,087**	823,537
Current assets			
Inventories	23	**78,263**	73,067
Contract assets, trade and other receivables	24	**423,739**	387,907
Financial assets at fair value through profit or loss	20	**1,300**	1,319
Debt investments at amortised cost		**135**	20
Derivative financial instruments	25	**7**	606
Restricted bank deposits and time deposits with an initial term of over three months	26	**9,617**	8,773
Cash and cash equivalents	26	**103,202**	95,880
Total current assets		**616,263**	567,572
Current liabilities			
Trade and other payables	27	**482,953**	435,998
Contract liabilities	28	**76,629**	80,033
Derivative financial instruments	25	**7**	1
Tax payable		**7,985**	6,950
Interest-bearing bank and other borrowings	29	**93,678**	76,292
Retirement benefit obligations	31	**101**	109
Total current liabilities		**661,353**	599,383
Net current liabilities		**(45,090)**	(31,811)
Total assets less current liabilities		**849,997**	791,726

Continued/…

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB million	2021 RMB million (Restated)
Total assets less current liabilities		849,997	791,726
Non-current liabilities			
Trade and other payables	27	41,437	34,975
Interest-bearing bank and other borrowings	29	372,337	351,844
Deferred income		1,718	1,592
Deferred tax liabilities	30	4,463	7,438
Retirement benefit obligations	31	701	796
Provision	32	3,165	3,686
Total non-current liabilities		423,821	400,331
Net assets		426,176	391,395
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	37,988	33,959
Reserves	35	208,199	190,641
		281,978	260,391
Non-controlling interests		144,198	131,004
Total equity		426,176	391,395

Wang Tongzhou
Director

Wang Haihuai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	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 2021		16,166	19,625	33,959	40,115	150,485	260,350	131,004	391,354
Business combination under common control		-	-	-	57	(16)	41	-	41
As at 1 January 2022 (Restated)		16,166	19,625	33,959	40,172*	150,469*	260,391	131,004	391,395
Profit for the year		-	-	-	-	20,065	20,065	5,641	25,706
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		-	-	-	(4,850)	-	(4,850)	-	(4,850)
Cash flow hedges, net of tax		-	-	-	(10)	-	(10)	-	(10)
Share of other comprehensive loss of joint ventures and associates		-	-	-	339	-	339	-	339
Actuarial loss on retirement benefit obligations, net of tax		-	-	-	(1)	-	(1)	-	(1)
Exchange differences on translation of foreign operations		-	-	-	2,925	-	2,925	166	3,091
Total comprehensive income for the year		-	-	-	(1,597)	20,065	18,468	5,807	24,275
Final 2021 dividend declared		-	-	-	-	(3,293)	(3,293)	-	(3,293)
Interest on perpetual securities (i)		-	-	-	-	(1,622)	(1,622)	(3,530)	(5,152)
Dividends to non-controlling shareholders		-	-	-	-	-	-	(1,952)	(1,952)
Withdrawal of capital by non-controlling shareholders		-	-	-	-	-	-	(112)	(112)
Capital contribution from non-controlling shareholders		-	-	-	4,335	-	4,335	12,319	16,654
Business combination under common control		-	-	-	(220)	-	(220)	-	(220)
Acquisition of subsidiaries	39	-	-	-	-	-	-	89	89
Disposal of subsidiaries	40	-	-	-	-	-	-	(741)	(741)
Issuance of perpetual securities		-	-	18,000	(30)	-	17,970	25,332	43,302
Redemption of perpetual securities		-	-	(13,971)	-	-	(13,971)	(24,018)	(37,989)
Transaction with non-controlling interests		-	-	-	(79)	-	(79)	-	(79)
Transfer to statutory surplus reserve	35(a)	-	-	-	743	(743)	-	-	-
Transfer from general reserve	35(b)	-	-	-	141	(141)	-	-	-
Transfer to safety production reserve	35(c)	-	-	-	961	(961)	-	-	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	21	-	-	-	(86)	86	-	-	-
Others		-	-	-	(1)	-	(1)	-	(1)
At 31 December 2022		16,166	19,625	37,988	44,339*	163,860*	281,978	144,198	426,176

* As at 31 December 2022, these reserve accounts comprise the consolidated reserves of RMB208,199 million (2021: RMB190,641 million) in the consolidated statement of financial position.

\# As of 31 December 2022, perpetual securities of RMB81,052 million (2021: RMB79,927 million) issued by subsidiaries of the Company were classified as non-controlling interests in the consolidated financial statements.

(i) For the year ended 31 December 2022, the Company distributed interest on perpetual securities totalling RMB1,622 million (2021: RMB1,737 million), of which nil million (2021: 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 2022

		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 2020		16,166	19,625	33,938	37,661	137,681	245,071	112,733	357,804
Business combination under common control		–	–	–	57	(17)	40	–	40
As at 1 January 2021 (Restated)		16,166	19,625	33,938	37,718	137,664	245,111	112,733	357,844
Profit for the year		–	–	–	–	18,349	18,349	5,510	23,859
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)	18,349	16,875	5,471	22,346
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(Restated)		16,166	19,625	33,959	40,172*	150,469*	260,391	131,004	391,395

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB million	2021 RMB million (Restated)
Cash flows from operating activities			
Profit before tax		**32,786**	29,787
Adjustments for:			
– Depreciation of property, plant and equipment, investment properties and right-of-use assets	6	**10,494**	9,447
– Amortisation of intangible assets	6	**2,916**	2,697
– Gains on disposal of items of property, plant and equipment, intangible assets and other long-term assets	5	**(1,385)**	(771)
– Gains on disposal of joint ventures and associates	5	**(79)**	(136)
– Fair value losses/(gains) on financial assets at fair value through profit or loss	5	**169**	(173)
– Fair value losses/(gains) on derivative financial instruments	5	**(34)**	(6)
– Gains on disposal of financial assets at fair value through profit or loss	5	**(118)**	(48)
– Gains on disposal of subsidiaries	5	**(2,710)**	(26)
– Dividend income from financial assets at fair value through profit or loss	5	**(241)**	(196)
– Dividend income from equity investments designated at fair value through other comprehensive income	5	**(874)**	(847)
– Dividend income on derivative financial instruments	5	**–**	(193)
– Other (income)/loss from investing activities		**(168)**	177
– Share of profits and losses of joint ventures and associates, net	18, 19	**323**	(176)
– Write-down of inventories	6	**201**	202
– Provision for impairment of financial and contract assets, net	6	**9,646**	6,946
– Provision for impairment of property, plant and equipment	14	**79**	–
– Provision for impairment of associates and joint ventures	18	**1**	–
– Provision for impairment of goodwill	17	**50**	–
– Interest income	7	**(21,309)**	(14,609)
– Interest expenses	8	**20,348**	18,429
– Net foreign exchange losses/(gains) on borrowings	8	**32**	(113)
		50,127	50,391
Increase in inventories		**(5,390)**	(2,674)
Increase in contract assets, trade and other receivables		**(112,775)**	(97,874)
Increase in restricted bank deposits		**(205)**	(56)
Increase in trade and other payables		**58,454**	38,342
Decrease in contract liabilities		**(3,147)**	(8,614)
Decrease in retirement benefit obligations		**(95)**	(61)
(Decrease)/increase in provision		**(521)**	477
Increase in deferred income		**126**	514
Cash used in operations		**(13,426)**	(19,555)
Interest income from operating activities		**20,793**	13,674
Income tax paid		**(6,925)**	(6,745)
Net cash flows from/(used in) operating activities		**442**	(12,626)

Continued/…

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB million	2021 RMB million (Restated)
Net cash flows from/(used in) operating activities		**442**	(12,626)
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(12,968)**	(8,018)
Purchases of investment properties		**(5)**	(19)
Additions to right-of-use assets		**(598)**	(1,388)
Purchases of intangible assets		**(20,465)**	(27,536)
Proceeds from disposal of items of property, plant and equipment		**1,987**	1,136
Proceeds from disposal of right-of-use assets		**58**	119
Proceeds from disposal of investment properties		**134**	5
Proceeds from disposal of intangible assets		**14**	76
Business combination	39	**115**	212
Asset acquisition	39	**(2,721)**	(2,422)
Investments in associates		**(4,421)**	(7,128)
Investments in joint ventures		**(6,822)**	(9,227)
Disposal of subsidiaries		**9,054**	3,409
Disposal of joint ventures and associates		**841**	1,406
Purchases of equity investments designated at fair value through other comprehensive income		**(960)**	(399)
Purchases of financial assets at fair value through profit or loss		**(28,822)**	(16,374)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**587**	1,098
Proceeds from disposal of financial assets at fair value through profit or loss		**20,949**	9,537
Proceeds from disposal of debt instruments		**14**	33
Purchases of debt instruments		**(1,094)**	–
Loans to joint ventures, associates and third parties		**(12,002)**	(13,848)
Repayment of loans from joint ventures, associates and third parties		**7,986**	12,888
Interest received		**460**	307
Changes in time deposits with an initial term of over three months		**(639)**	(173)
Cash consideration from operation of concession assets		**289**	1,539
Dividends received		**1,552**	1,951
Proceeds from other investment activity		**798**	–
Net cash flows used in investing activities		**(46,679)**	(52,816)
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		**16,647**	18,703
Withdrawal of capital contribution by non-controlling interests		**(112)**	(1,316)
Dividends paid to non-controlling shareholders		**(1,521)**	(1,615)
Dividends paid to equity holders of the parent		**(3,293)**	(2,924)
Proceeds from issue of perpetual securities		**43,302**	27,889
Interest paid for perpetual securities		**(4,734)**	(4,618)
Redemption of perpetual securities		**(37,989)**	(20,016)
Proceeds from bank and other borrowings		**293,160**	289,732
Repayments of bank and other borrowings		**(228,881)**	(240,172)
Interest paid for bank and other borrowings		**(22,257)**	(20,070)
Transaction with non-controlling interests		**(79)**	(1,964)
Cash paid for business combination under common control		**(220)**	–
Principal portion of lease payments		**(1,163)**	(1,425)
Net cash flows generated from financing activities		**52,860**	42,204
Net increase/(decrease) in cash and cash equivalents		**6,623**	(23,238)
Cash and cash equivalents at beginning of year	26	**95,880**	119,572
Effect of foreign exchange rate changes, net		**699**	(454)
Cash and cash equivalents at end of year	26	**103,202**	95,880

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, which was established in the PRC.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital *(in million)*	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Unlisted						
China Harbour Engineering Co., Ltd. ("CHEC")	PRC and other regions	Limited liability company	RMB6,000	50.10%	49.90%	Infrastructure construction
China Road and Bridge Corporation ("CRBC")	PRC and other regions	Limited liability company	RMB6,000	99.64%	0.36%	Infrastructure construction
CCCC First Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB7,295	82.39%	–	Infrastructure construction
CCCC Second Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB5,329	71.50%	–	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	RMB6,976	74.81%	–	Infrastructure construction
CCCC Second Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB3,942	65.16%	–	Infrastructure construction
Road & Bridge International Co., Ltd.	PRC	Limited liability company	RMB3,974	71.08%	–	Infrastructure construction
CCCC Third Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB2,156	70%	–	Infrastructure construction
CCCC Construction Group Co., Ltd.*	PRC	Limited liability company	RMB2,177	71.20%	–	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	RMB1,074	66.47%	33.53%	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	99.94%	–	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

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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	Percentage of equity attributable to the Company 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	RMB10,000	100%	–	Fund management and financial leasing
CCCC Asset Management Co., Ltd.	PRC	Limited liability company	RMB20,733	35.37%	64.63%	Investment holding
CCCC Urban Investment Co., Ltd.	PRC	Limited liability company	RMB4,100	90.49%	–	Investment holding
CCCC Tianhe Machinery and Equipment Manufacturing Co., Ltd. ("CCCC Tianhe")	PRC	Limited liability company	RMB1,191	87.41%	12.59%	Machinery and equipment manufacturing

* In October 2022, CCCC Forth Highway Engineering Co., Ltd. changed its name to CCCC Construction Group Co., Ltd.

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") issued by IASB 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 RMB45,090 million as at 31 December 2022. Having considered the Group's cash flow projections for the year ending 31 December 2023, 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 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 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* (the "Conceptual Framework") issued in June 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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, in profit or loss, selling any such items, and the cost of those items as determined by IAS 2 Inventories. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *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 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
IFRS 17	Insurance Contracts[1]
Amendment to IFRS 17	Insurance Contracts[1, 5]
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information[6]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments") [2, 4]
Amendments to IAS 1	Non-current Liabilities with Covenants (the "2022 Amendments") [2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to IFRS 17 issued in October 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

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 (2011) 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 IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). 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 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 in IAS 12 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 (provided that sufficient taxable profit is available) 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 amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to IAS 12. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, except for those acquisitions which are considered as a business combination under common control in a manner similar to pooling-of-interest.

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the ultimate controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the ultimate controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the ultimate controlling party's interest.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the prior reporting period or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders 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 consider that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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 the way of internal evaluating and reporting to key management personnel the performance of financial assets, the risks affecting the performance of financial assets and the way those risks are managed, as well as the way in which relevant business management personnel are compensated. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, the Group needs to consider the frequency, value and timing of sales before the maturity dates if any.

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)

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 2022, the Group recognised an accumulated impairment of RMB299 million (2021: RMB299 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 2022, the Group recognised an accumulated impairment of RMB100 million (2021: RMB50 million) to profit or loss for goodwill. Details of the impairment test for goodwill are disclosed in note 17.

Provision for ECLs of contract assets, trade receivables and long-term receivables

The Group uses a provision matrix to calculate ECLs of the Group's contract assets, trade receivables and long-term receivables. The provision rates are based on the ageing or the days past due for groupings of various customer segments that have similar loss patterns (i.e., by product or service type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's contract assets, trade receivables and long-term receivables is disclosed in note 24 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Infrastructure construction and design services

The recognition of revenue and cost of infrastructure construction and design services requires the management of the Group to make judgements and estimations. For onerous contracts, the present obligation under the contract must be recognised in the current period and measured as provisions, based on the estimated budgets and losses of the construction services. Because of the nature of the activity undertaken in construction, design and dredging businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in each contract budget as the contract progresses.

The Group also monitors the payment progress from customers against the contract terms, and periodically evaluates the creditworthiness of the customers. If circumstances arise that a customer would default on all or part of its payments or otherwise fail to fulfil its performance obligations under the contract terms, the Group will reassess the outcome of the relevant contract and may revise the relevant estimates. The revision will be reflected in the consolidated statement of profit or loss in the period in which the circumstances that give rise to the revision become known by the Group.

Income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed. Further details are disclosed in note 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.

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 ("the Construction")

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

(c) dredging ("the Dredging")

(d) others

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

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

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

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, intangible assets, inventories, receivables, contract assets, equity investments designated at fair value through other comprehensive income, debt investments at amortised cost, financial assets at fair value through profit or loss, derivative financial instruments, and cash and cash equivalents. They exclude deferred tax assets, investments in joint ventures and associates, the assets of the headquarters of the Company and the assets of CCCC Finance, a subsidiary of the Company.

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2022 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2022					
	Construction *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Eliminations** *RMB million*	**Total** *RMB million*
Total gross segment revenue	634,246	48,210	51,017	18,209	(34,209)	717,473
Intersegment sales	(8,892)	(9,442)	(985)	(14,890)	34,209	–
Revenue *(note 5)*	625,354	38,768	50,032	3,319	–	717,473
Segment results	28,183	3,490	2,415	240	27	34,355
Unallocated loss						(639)
Operating profit						33,716
Finance income						21,309
Finance costs, net						(21,916)
Share of profits and losses of joint ventures and associates						(323)
Profit before tax						32,786
Income tax expense						(7,080)
Profit for the year						25,706
Other segment information						
Depreciation	8,144	551	1,252	547	–	10,494
Amortisation	2,799	77	36	4	–	2,916
Write-down of inventories	191	1	–	9	–	201
Impairment of property, plant and equipment	77	2	–	–	–	79
Impairment of intangible assets	–	–	–	50	–	50
Impairment of investments in joint ventures	1	–	–	–	–	1
Impairment losses on financial and contract assets, net	7,669	961	688	328	–	9,646
Capital expenditure	35,409	812	1,703	780	–	38,704

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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	608,593	47,595	42,973	14,601	(30,977)	682,785
Intersegment sales	(8,374)	(10,653)	(678)	(11,272)	30,977	–
Revenue *(note 5)*	600,219	36,942	42,295	3,329	–	682,785
Segment results	27,638	4,258	1,758	320	60	34,034
Unallocated income						508
Operating profit						34,542
Finance income						14,609
Finance costs, net						(19,540)
Share of profits and losses of joint ventures and associates						176
Profit before tax						29,787
Income tax expense						(5,928)
Profit for the year						23,859
Other segment information						
Depreciation	7,473	421	1,174	379	–	9,447
Amortisation	2,561	66	45	25	–	2,697
Write-down of inventories	202	–	–	–	–	202
Impairment losses on financial and contract assets, net	5,186	539	698	523	–	6,946
Capital expenditure	43,183	1,268	981	872	–	46,304

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 2022 are as follows:

	As at 31 December 2022					
	Construction	**Design**	**Dredging**	**Others**	**Eliminations**	**Total**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Segment assets	**1,178,160**	**58,729**	**118,617**	**109,260**	**(97,337)**	**1,367,429**
Investments in joint ventures						**51,731**
Investments in associates						**47,573**
Other unallocated assets						**44,617**
Total assets						**1,511,350**
Segment liabilities	**503,436**	**32,957**	**53,182**	**9,634**	**(59,889)**	**539,320**
Unallocated liabilities						**545,854**
Total liabilities						**1,085,174**

The segment assets and liabilities as at 31 December 2021 are as follows:

	As at 31 December 2021					
	Construction	Design	Dredging	Others	Eliminations	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	1,070,491	54,490	110,002	91,416	(80,179)	1,246,220
Investments in joint ventures						44,578
Investments in associates						40,757
Other unallocated assets						59,554
Total assets						1,391,109
Segment liabilities	462,237	28,710	47,571	9,304	(45,779)	502,043
Unallocated liabilities						497,671
Total liabilities						999,714

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2022 **RMB million**	2021 *RMB million*
Mainland China	**619,109**	588,410
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**98,364**	94,375
	717,473	682,785

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

(b) Non-current assets

	2022 **RMB million**	2021 *RMB million*
Mainland China	**275,302**	290,275
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**45,299**	36,144
	320,601	326,419

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 2022 and 2021.

5. REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Total *RMB million*
Type of goods or services					
Infrastructure construction services	594,998	22,238	7,238	63	624,537
Infrastructure design services	556	15,957	598	–	17,111
Dredging and filling services	–	–	38,580	–	38,580
Others	29,800	573	3,616	3,256	37,245
Total revenue from contracts with customers	625,354	38,768	50,032	3,319	717,473
Geographical markets					
Mainland China	533,554	37,330	45,376	2,849	619,109
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	91,800	1,438	4,656	470	98,364
Total revenue from contracts with customers	625,354	38,768	50,032	3,319	717,473
Timing of revenue recognition					
Services transferred over time	595,551	38,762	46,416	63	680,792
Services transferred at a point in time	7,634	–	–	–	7,634
Merchandise transferred at a point in time	22,169	6	3,616	3,256	29,047
Total revenue from contracts with customers	625,354	38,768	50,032	3,319	717,473

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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	564,673	23,015	1,854	34	589,576
Infrastructure design services	623	13,833	551	–	15,007
Dredging and filling services	–	–	37,782	–	37,782
Others	34,923	94	2,108	3,295	40,420
Total revenue from contracts with customers	600,219	36,942	42,295	3,329	682,785
Geographical markets					
Mainland China	509,757	35,897	39,898	2,858	588,410
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	600,219	36,942	42,295	3,329	682,785
Timing of revenue recognition					
Services transferred over time	565,906	36,848	40,188	18	642,960
Services transferred at a point in time	4,438	–	–	–	4,438
Merchandise transferred at a point in time	29,875	94	2,107	3,311	35,387
Total revenue from contracts with customers	600,219	36,942	42,295	3,329	682,785

5. REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), 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 2022

Segments	**Construction** *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Revenue from contracts with customers					
External customers	**625,354**	**38,768**	**50,032**	**3,319**	**717,473**
Intersegment sales	**8,892**	**9,442**	**985**	**14,890**	**34,209**
Intersegment adjustments and eliminations	**(8,892)**	**(9,442)**	**(985)**	**(14,890)**	**(34,209)**
Total revenue from contracts with customers	**625,354**	**38,768**	**50,032**	**3,319**	**717,473**

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	600,219	36,942	42,295	3,329	682,785
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	600,219	36,942	42,295	3,329	682,785

5. REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), 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.

	2022 *RMB Million*	2021 *RMB million*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction	**33,300**	37,694
Design	**1,914**	2,190
Dredging	**1,077**	917
Others	**209**	376
	36,500	41,177

(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 of those uncompleted contracts 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/(LOSSES), NET (CONTINUED)

Other income

	2022 ***RMB million***	2021 *RMB million*
Rental income	**1,070**	860
Revenue from consulting services	**553**	364
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	**863**	717
– Unlisted equity instruments	**11**	130
Government grants	**713**	623
Dividend income from financial assets at fair value through profit or loss	**241**	196
Income from sale of scraps	**288**	358
Dividend income on derivative financial instruments	**–**	193
Interest income on debt investments at amortised cost	**69**	1
Others	**1,520**	1,999
	5,328	5,441

Other gains/(losses), net

	2022 ***RMB million***	2021 *RMB million*
Gains on disposal of items of property, plant and equipment	**666**	94
Gains on disposal of items of intangible assets and other long-term assets	**719**	677
Gains on disposal of subsidiaries (note 40(ii))	**2,710**	26
Gains on disposal of joint ventures and associates	**79**	136
Fair value gains/(losses), net:		
– Financial assets at fair value through profit or loss	**(169)**	173
– Derivative financial instruments – transactions not qualifying as hedges	**34**	6
Foreign exchange difference, net	**1,803**	(1,213)
Gains on disposal of financial assets at fair value through profit or loss	**118**	48
Losses on derecognition of financial assets at amortised cost	**(2,537)**	(1,241)
Losses on derecognition of contract assets	**(19)**	(144)
	3,404	(1,438)

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB million	2021 RMB million
Raw materials and consumables used*		**219,564**	210,476
Cost of goods sold		**21,381**	19,066
Subcontracting costs		**284,705**	265,865
Employee benefit expenses*:			
– Salaries, wages and bonuses		**35,495**	31,498
– Pension costs – defined contribution plans		**5,299**	4,711
– defined benefit plans		**19**	36
– Housing benefits		**2,774**	2,423
– Welfare, medical and other expenses		**16,541**	18,549
		60,128	57,217
Equipment and plant usage costs		**14,264**	16,376
Business tax and other taxes		**1,722**	1,599
Fuel		**4,270**	3,887
Utilities		**1,881**	1,748
Maintenance costs		**1,767**	1,779
Research and development costs (including raw materials and consumables used, employee benefit expenses, depreciation and amortisation)		**23,396**	22,588
Depreciation of property, plant and equipment, investment properties and right-of-use assets*	14, 15, 16(a)	**10,494**	9,447
Amortisation of intangible assets*	17	**2,916**	2,697
Auditors' remuneration		**28**	28
Write-down of inventories to net realisable value		**201**	202
Impairment losses on financial and contract assets, net	24	**9,646**	6,946

* The raw materials and consumables used, the employee benefit expenses, and the depreciation and amortisation for the year charged for research and development activities are also included in the item of "Research and development costs".

7. FINANCE INCOME

	2022 RMB million	2021 RMB million
Interest income from:		
– Bank deposits	**1,094**	854
– Deposits in The People's Bank of China and interbank placement	**229**	279
– Contract assets and receivables from Public-Private-Partnership("PPP") contracts and primary land development contracts	**12,508**	6,910
– Loan receivables	**4,806**	3,182
– Others	**2,672**	3,384
	21,309	14,609

8. FINANCE COSTS, NET

An analysis of finance costs is as follows:

	2022 ***RMB million***	2021 *RMB million*
Interests on:		
– Bank borrowings	**19,759**	18,309
– Other borrowings	**201**	244
– Corporate bonds	**1,267**	1,003
– Debentures	**461**	301
– Non-public debt instruments	**492**	423
– Lease liabilities	**122**	182
	22,302	20,462
Less: Interest capitalised	**(1,954)**	(2,033)
Net interest expense	**20,348**	18,429
Foreign exchange difference on borrowings, net	**32**	(113)
Others	**1,536**	1,224
	21,916	19,540

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 4.13% (2021: 4.76%) per annum was used, representing the comprehensive cost rate of the borrowings used to finance the qualifying assets.

Interest capitalised during the year was as follows:

	2022 ***RMB million***	2021 *RMB million*
Inventories	**403**	444
Concession assets	**1,478**	1,493
Construction in progress	**73**	96
	1,954	2,033

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:

	2022 **RMB'000**	2021 RMB'000
Fees	**347**	388
Other emoluments:		
Salaries, allowances and benefits in kind	**2,729**	2,412
Performance related bonuses	**4,606**	2,636
Pension scheme contributions	**435**	256
	7,770	5,304
	8,117	5,692

(a) Independent non-executive directors

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

	2022 **RMB'000**	2021 RMB'000
Mr. Huang Long *(i)*	**30**	80
Mr. Zheng Changhong *(ii)*	**30**	80
Mr. Ngai Wai Fung *(iii)*	**54**	228
Mr. Liu Hui *(iv)*	**50**	–
Mr. Chan Wing Tak Kevin *(v)*	**83**	–
Mr. Zhou Xiaowen *(vi)*	**50**	–
Mr. Wu Guangqi *(vii)*	**50**	–
	347	388

(i) Mr. Huang Long resigned as the independent non-executive directors on 25 February 2022.
(ii) Mr. Zheng Changhong resigned as the independent non-executive directors on 25 February 2022.
(iii) Mr. Ngai Wai Fung resigned as the independent non-executive directors on 25 February 2022.
(iv) Mr. Liu Hui was elected as the independent non-executive directors on 25 February 2022.
(v) Mr. Chan Wing Tak Kevin was elected as the independent non-executive directors on 25 February 2022.
(vi) Mr. Zhou Xiaowen was elected as the independent non-executive directors on 25 February 2022.
(vii) Mr. Wu Guangqi was elected as the independent non-executive directors on 25 February 2022.

There were no other emoluments payable to the independent non-executive directors during the year (2021: 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*
2022				
Executive directors				
Mr. Wang Tongzhou	**278**	**1,018**	**58**	**1,354**
Mr. Wang Haihuai *(Chief executive)*	**278**	**1,374**	**58**	**1,710**
Mr. Liu Xiang	**254**	**813**	**58**	**1,125**
Mr. Sun Ziyu (i)	**212**	**264**	**47**	**523**
	1,022	**3,469**	**221**	**4,712**
Non-executive directors				
Mr. Liu Maoxun (ii)	**10**	**–**	**40**	**50**
Mr. Mi Shuhua (iii)	**–**	**–**	**–**	**–**
	10	**–**	**40**	**50**
Supervisors				
Mr. Wang Yongbin	**510**	**498**	**58**	**1066**
Mr. Yao Yanmin	**573**	**347**	**58**	**978**
Mr. Lu Yaojun	**614**	**292**	**58**	**964**
	1,697	**1,137**	**174**	**3,008**
	2,729	**4,606**	**435**	**7,770**
2021				
Executive directors				
Mr. Wang Tongzhou *(Chief executive)*	275	492	53	820
Mr. Wang Haihuai	166	630	31	827
Mr. Liu Xiang	151	232	31	414
	592	1,354	115	2,061
Non-executive director				
Mr. Liu Maoxun	80	–	–	80
	80	–	–	80
Supervisors				
Mr. Li Sen	–	101	–	101
Mr. Wang Yongbin	676	274	52	1,002
Mr. Yao Yanmin	668	276	53	997
Mr. Lu Yaojun	104	171	9	284
Mr. Zhao Xi'an	292	460	27	779
	1,740	1,282	141	3,163
	2,412	2,636	256	5,304

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

(i) Mr. Sun Ziyu was elected as the executive director on 25 February 2022.
(ii) Mr. Liu Maoxun resigned as the non-executive directors on 25 February 2022.
(iii) Mr. Mi Shuhua was elected as the non-executive directors on 25 February 2022.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

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:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**2,247**	2,046
Performance related bonuses	**10,381**	8,022
Pension scheme contributions	**752**	672
	13,380	10,740

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

	Number of employees	
	2022	2021
HK$2,000,000 to HK$2,500,000 (equivalent to approximately RMB1,760,000 to RMB2,200,000)	**–**	3
HK$2,500,000 to HK$3,000,000 (equivalent to approximately RMB2,200,000 to RMB2,640,000)	**3**	1
HK$3,000,000 to HK$3,500,000 (equivalent to approximately RMB2,640,000 to RMB3,080,000)	**1**	1
HK$3,500,000 to HK$4,000,000 (equivalent to approximately RMB3,080,000 to RMB3,520,000)	**1**	–
	5	5

11. INCOME TAX

Most of the companies of the Group are subject to the PRC enterprise income tax, which was provided based on the statutory income tax rate of 25% (2021: 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% (2021: 15%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022	2021
	RMB million	*RMB million*
Current		
– PRC enterprise income tax	**6,887**	5,245
– Elsewhere	**1,073**	1,151
	7,960	6,396
Deferred	**(880)**	(468)
Total tax charge for the year	**7,080**	5,928

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:

	2022		2021	
	RMB million	***%***	*RMB million*	*%*
Profit before tax	**32,786**		29,787	
Tax at PRC statutory tax rate of 25%	**8,197**	**25.0**	7,447	25.0
Land appreciation tax in the PRC	**643**	**2.0**	509	1.7
Profits and losses attributable to joint ventures and associates	**81**	**0.3**	(44)	(0.1)
Income not subject to tax	**(258)**	**(0.8)**	(252)	(0.8)
Additional tax concession on research and development costs	**(1,091)**	**(3.3)**	(857)	(2.9)
Expenses not deductible for tax	**79**	**0.2**	194	0.7
Temporary differences utilised from previous periods	**(5)**	**(0.1)**	(3)	(0.1)
Temporary differences not recognised	**412**	**1.3**	606	2.0
Tax losses utilised from previous periods	**(105)**	**(0.3)**	(574)	(1.9)
Tax losses not recognised	**1,067**	**3.3**	720	2.4
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(1,666)**	**(5.1)**	(1,820)	(6.1)
Adjustments in respect of current income tax of previous years	**(20)**	**(0.1)**	24	0.1
Others	**(254)**	**(0.8)**	(22)	(0.1)
Tax charge at the Group's effective rate	**7,080**	**21.6**	5,928	19.9

The share of tax attributable to joint ventures and associates amounting to approximately RMB170 million (2021: RMB200 million) is included in "Share of profits and losses of a joint venture and associates" in the consolidated statement of profit or loss.

12. DIVIDENDS

	2022 **RMB million**	2021 *RMB million*
Proposed final dividend of RMB0.21707 per ordinary share (2021: RMB0.20371)	**3,509**	3,293

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 (2021: 16,165,711,425) in issue during the year.

The calculation of basic earnings per share is based on:

	2022	2021
Profit attributable to ordinary equity holders of the parent *(RMB million)*	**20,065**	18,349
Less: Interest on perpetual securities *(RMB million) (i)*	**1,559**	1,528
	18,506	16,821
Weighted average number of ordinary shares in issue *(million)*	**16,166**	16,166
Basic earnings per share	**RMB1.14**	RMB1.04

(i) The perpetual securities issued by the Company were classified as equity instruments with deferrable accumulative interest. Interest of RMB1,559 million on the perpetual securities which has been accrued but not distributed during the year was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2022.

The Company had no potentially dilutive ordinary shares in issue during the year ended 31 December 2022 and 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 2022						
At 31 December 2021, net of accumulated depreciation and impairment	14,425	13,747	17,963	3,742	11,374	61,251
Additions	472	2,447	1,825	1,813	5,264	11,821
Capital contribution from non-controlling shareholders	29	–	–	–	–	29
Disposals	(246)	(243)	(40)	(210)	–	(739)
Business combination	1	9	1	2	2	15
Disposal of subsidiaries	(2)	(51)	(18)	(14)	–	(85)
Transfer	1,460	543	1,356	244	(3,603)	–
Transfer from right-of-use assets	–	29	–	–	–	29
Transfer from investment properties	297	–	–	–	–	297
Transfer from inventories	56	15	–	–	616	687
Transfer to Intangible assets	–	–	–	–	(7)	(7)
Transfer to right-of-use assets	–	–	–	–	(17)	(17)
Transfer to investment properties	(360)	–	–	–	(3,976)	(4,336)
Depreciation provided during the year	(888)	(3,392)	(2,141)	(2,465)	–	(8,886)
Impairment	–	(77)	–	(2)	–	(79)
Exchange realignment and others	32	82	133	(42)	(38)	167
At 31 December 2022, net of accumulated depreciation and impairment	15,276	13,109	19,079	3,068	9,615	60,147
At 31 December 2022						
Cost	21,190	36,000	44,971	16,749	9,740	128,650
Accumulated depreciation and impairment	(5,914)	(22,891)	(25,892)	(13,681)	(125)	(68,503)
Net carrying amount	15,276	13,109	19,079	3,068	9,615	60,147

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 2021						
At 31 December 2020, net of accumulated depreciation and impairment	13,166	14,304	18,437	3,316	11,852	61,075
Additions	422	1,410	1,265	2,893	3,674	9,664
Disposals	(53)	(183)	(46)	75	–	(207)
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	(637)	(2,836)	(1,828)	(2,549)	–	(7,850)
Exchange realignment and others	(55)	(103)	(31)	8	(25)	(206)
At 31 December 2021, net of accumulated depreciation and impairment	14,425	13,747	17,963	3,742	11,374	61,251
At 31 December 2021						
Cost	19,518	35,202	42,307	16,545	11,660	125,232
Accumulated depreciation and impairment	(5,093)	(21,455)	(24,344)	(12,803)	(286)	(63,981)
Net carrying amount	14,425	13,747	17,963	3,742	11,374	61,251

As at 31 December 2022, the Group was in the process of applying for the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB1,928 million (2021: RMB2,464 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

15. INVESTMENT PROPERTIES

	2022 *RMB million*	2021 *RMB million*
Carrying amount at 1 January	**6,697**	4,523
Additions	**5**	19
Transfer from property, plant and equipment	**4,336**	2,249
Transfer from inventories	**423**	288
Business combination	**64**	–
Transfer to property, plant and equipment	**(297)**	(77)
Transfer to inventories	**(89)**	(43)
Disposals	**(134)**	(5)
Disposal of subsidiaries	**(86)**	–
Depreciation provided during the year	**(350)**	(256)
Exchange realignment	**60**	(1)
Cost	**12,362**	8,107
Accumulated depreciation and impairment	**(1,733)**	(1,410)
Carrying amount at 31 December	**10,629**	6,697
Fair value at 31 December (a)	**14,514**	12,451

15. INVESTMENT PROPERTIES (CONTINUED)

(a) As at 31 December 2022, 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 2022 was determined using income approach, market comparison approach or the residual method.

	Valuation techniques	Significant unobservable/ observable inputs	Fair value at 31 December 2022 *RMB million*	Fair value at 31 December 2021 *RMB million*
Investment properties located in Mainland China	Income approach: taking into account the net rental income of the properties derived mainly from the existing and/or achievable leases in the existing market with due allowance, which have been then capitalised to determine the fair value at an appropriate capitalisation rate	Future rental inflows, and capitalisation rates	**11,770**	10,202
Investment property under construction located in Mainland China	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	Future rental inflows, discount rates and unexpended costs	**–**	503
The rest of the investment properties located in Mainland China	Market comparison approach: with reference to comparable market transactions	Comparable price in the market	**1,086**	860
Investment properties located outside Mainland China	Market comparison approach: with reference to comparable market transactions	Comparable price in the market	**850**	886
Investment properties located outside Mainland China	Income approach: taking into account the net rental income of the properties derived mainly from the existing and/or achievable leases in the existing market with due allowance, which have been then capitalised to determine the fair value at an appropriate capitalisation rate	Future rental inflows, discount rates and capitalisation rates	**808**	–
			14,514	12,451

15. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties as at 31 December 2022 using significant unobservable inputs (Level 3):

Valuation techniques	Significant unobservable inputs	Range 2022	2021
Income approach and residual method (2021: Income approach and residual method)	Discount rate	**3.0%–12.0%**	1.0%–12.0%
	Average monthly rental (per square meter)	**RMB3–RMB522 per square meter**	RMB3–RMB986 per square meter

There were no transfers between Level 1 and Level 2 and into or out of Level 3 during the year (2021:Nil).

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

As at 31 December 2022, the Group was in the process of applying for the ownership certificates for certain properties with an aggregate carrying amount of approximately RMB633 million (2021: RMB910 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 2022							
At 31 December 2021, net of accumulated depreciation	14,315	2,027	509	174	233	64	17,322
Additions	602	918	2	50	25	6	1,603
Capital contribution from non-controlling shareholders	21	–	–	–	–	–	21
Transfer from property, plant and equipment	17	–	–	–	–	–	17
Acquisition of subsidiaries	15	3	–	–	–	–	18
Transfer from inventories	49	–	–	–	–	–	49
Depreciation charge	(225)	(870)	(45)	(84)	(25)	(9)	(1,258)
Transfer to property, plant and equipment	–	–	–	(29)	–	–	(29)
Disposal of subsidiaries	(4)	–	–		–	–	(4)
Disposal, retirement, and others	479	120	(22)	12	(211)	–	378
At 31 December 2022	15,269	2,198	444	123	22	61	18,117

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 2021							
At 31 December 2020, net of accumulated depreciation	12,863	1,832	665	104	256	70	15,790
Additions	1,386	1,493	7	120	27	12	3,045
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	14,315	2,027	509	174	233	64	17,322

As at 31 December 2022, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB8,764 million (2021: RMB6,342 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:

	2022 Lease liabilities *RMB million*	2021 Lease liabilities *RMB million*
Carrying amount at 1 January	**2,633**	2,545
New leases	**775**	1,331
Interest expense	**122**	182
Payments	**(1,169)**	(1,425)
Carrying amount at 31 December	**2,361**	2,633
Analysed into:		
Current portion	**793**	902
Non-current portion	**1,568**	1,731

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:

	2022 RMB million	2021 RMB million
Interest on lease liabilities	**122**	182
Depreciation charge of right-of-use assets	**1,258**	1,341
Expense relating to short-term leases (included in cost of sales)	**2,026**	1,905
Expense relating to leases of low-value assets (included in administrative expenses)	**7**	8
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	**5**	7
Total amount recognised in profit or loss	**3,418**	3,443

(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

(a) Operating lease

The Group leases its investment properties (note 15) and property, plant and equipment 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 RMB1,070 million (2021: RMB860 million).

As at 31 December 2022, the Group's operating arrangements for leased property, plant and equipment are as follows:

	Machinery RMB million	Vessels and vehicles RMB million	Total RMB million
At 31 December 2021, net of accumulated depreciation and impairment	903	160	1,063
Additions	250	1,012	1,262
Lease expiration	(41)	(98)	(139)
Depreciation	(221)	(442)	(663)
At 31 December 2022, net of accumulated depreciation and impairment	891	632	1,523

16. LEASES (CONTINUED)

The Group as a lessor (continued)

(a) Operating lease (continued)

At 31 December 2022, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 ***RMB million***	2021 *RMB million*
Within 1 year	**600**	613
1 year to 2 years	**453**	352
2 years to 3 years	**343**	257
3 years to 4 years	**207**	193
4 years to 5 years	**128**	77
Over 5 years	**350**	230
	2,081	1,722

(b) Finance lease

Financing income from net lease investment was RMB2,414 million (2021: RMB1,915 million).

At 31 December 2022, the Group had contracted with lessees for the following future undiscounted lease payments under non-cancellable finance leases are as follows:

	2022 ***RMB million***	2021 *RMB million*
Lease payments receivables		
– Within 1 year	**16,598**	13,980
– 1 year to 2 years	**13,855**	11,083
– 2 years to 3 years	**8,377**	7,828
– 3 years to 4 years	**3,601**	3,592
– 4 years to 5 years	**2,023**	1,661
– Over 5 years	**1,154**	1,429
	45,608	39,573
Less: Unearned finance lease income	**5,585**	4,544
Net investment in the lease	**40,023**	35,029

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 2022						
Cost at 1 January 2022, net of accumulated amortisation and impairment	**222,097**	**5,120**	**1,138**	**399**	**340**	**229,094**
Additions	**24,815**	**–**	**49**	**293**	**118**	**25,275**
Transfer from property, plant and equipment	**–**	**–**	**–**	**7**	**–**	**7**
Business combination *(note 39(a))*	**–**	**18**	**–**	**–**	**–**	**18**
Asset acquisition *(note 39(c))*	**7,696**	**–**	**–**	**–**	**–**	**7,696**
Disposal of subsidiaries	**(34,605)**	**–**	**–**	**(1)**	**–**	**(34,606)**
Disposal	**–**	**–**	**–**	**(14)**	**–**	**(14)**
Amortisation provided during the year	**(2,645)**	**–**	**(34)**	**(193)**	**(44)**	**(2,916)**
Impairment written off during the year	**–**	**(50)**	**–**	**–**	**–**	**(50)**
Exchange realignment	**–**	**95**	**–**	**–**	**–**	**95**
Others	**(5,067)**	**(1)**	**–**	**–**	**–**	**(5,068)**
At 31 December 2022	**212,291**	**5,182**	**1,153**	**491**	**414**	**219,531**
At 31 December 2022						
Cost	**223,353**	**5,282**	**1,455**	**1,535**	**782**	**232,407**
Accumulated amortisation and impairment	**(11,062)**	**(100)**	**(302)**	**(1,044)**	**(368)**	**(12,876)**
Net carrying amount	**212,291**	**5,182**	**1,153**	**491**	**414**	**219,531**
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	–	15	–	–	8	23
Asset acquisition	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

17. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2022, the net carrying amount of concession assets consisted of RMB175,141 million (2021: RMB175,979 million) under operation and RMB37,150 million (2021: RMB46,118 million) under construction, respectively.

As at 31 December 2022, the Group recognised an accumulated impairment of RMB299 million (2021: RMB299 million), based on the impairment tests for concession assets in the infrastructure construction segment.

As at 31 December 2022, certain bank and other borrowings were secured by concession assets with a total carrying amount of approximately RMB146,235 million (2021: RMB165,047 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:

	2022 ***RMB million***	2021 *RMB million*
John Holland CGU (i)	**4,617**	4,523
Concremat CGU (i)	**252**	252
F&G CGU (i)	**195**	245
Other CGUs	**118**	100
	5,182	5,120

(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:

	2022			2021		
	John Holland	**Concremat**	**F&G**	John Holland	Concremat	F&G
Terminal growth rate [(1)]	**2%**	**2%**	**2%**	1.5%	2%	2%
Before tax discount rate [(2)]	**12.9%**	**23.6%**	**16.7%**	14.3%	20.3%	14.6%

(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 2022, the Group recognised an accumulated impairment of RMB100 million (2021: 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 2022 and 2021.

18. INVESTMENTS IN JOINT VENTURES

	2022 ***RMB million***	2021 *RMB million*
At 1 January	**44,578**	33,543
Additions	**6,822**	9,227
Disposals	**(744)**	(1,183)
Share of losses, net	**(666)**	(614)
Dividend distribution	**(616)**	(46)
Initial recognition of fair value of interests in joint ventures arising from disposal of subsidiaries	**2,320**	4,168
Conversion into subsidiaries resulting from increase in equity interests in joint ventures	**(166)**	(263)
Share of other comprehensive income of joint ventures	**(22)**	(84)
Impairment	**(1)**	–
Others	**226**	(170)
At 31 December	**51,731**	44,578

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:

	2022 ***RMB million***	2021 *RMB million*
Share of the joint ventures' losses for the year	**(666)**	(614)
Share of the joint ventures' other comprehensive loss	**(22)**	(84)
Share of the joint ventures' total comprehensive loss	**(688)**	(698)
Aggregate carrying amount of the Group's investments in the joint ventures	**51,731**	44,578

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 2022, approximately 9.27% of the aggregate carrying amount of the Group's investments in the joint ventures was directly held by the Company.

19. INVESTMENTS IN ASSOCIATES

	2022 *RMB million*	2021 *RMB million*
At 1 January	**40,757**	34,068
Additions	**5,442**	7,633
Disposals	**(18)**	(936)
Share of profits, net	**343**	790
Dividend distribution	**(285)**	(799)
Initial recognition of fair value of interests in associates arising from disposal of subsidiaries	**978**	16
Conversion into subsidiaries resulting from increase in equity interests in associates	**–**	(52)
Share of other comprehensive loss of associates	**360**	45
Others	**(4)**	(8)
At 31 December	**47,573**	40,757

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 2022, approximately 23.95% 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:

	2022 **RMB million**	2021 RMB million
Non-current assets	**39,366**	37,951
Current assets	**38,847**	40,381
Total assets	**78,213**	78,332
Current liabilities	**(36,351)**	(32,628)
Non-current liabilities	**(23,740)**	(28,054)
Total liabilities	**(60,091)**	(60,682)
Non-controlling interests	**(2,954)**	(2,660)
Perpetual securities	**(500)**	(500)
Equity attributable to ordinary equity holders of the parent	**14,668**	14,490
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	**2,421**	2,387
Goodwill on acquisition (less cumulative impairment)	**1,911**	1,911
Carrying amount of the investment	**4,332**	4,298
Revenue	**30,183**	25,978
Profit attributable to owners of the parent	**376**	440
Other comprehensive loss attributable to owners of the parent	**94**	(6)
Total comprehensive income for the year attributable to owners of the parent	**470**	434
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:

	2022 RMB million	2021 RMB million
Share of the associates' profit for the year	**281**	704
Share of the associates' other comprehensive income	**345**	46
Share of the associates' total comprehensive income	**626**	750
Aggregate carrying amount of the Group's investments in the associates	**43,241**	36,459

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

	2022 RMB million	2021 RMB million
Listed equity investments *(note a)*	**993**	1,169
Unlisted investments		
– Investments in structured entities *(note 22)*	**17,257**	11,070
– Unlisted equity investments	**2,084**	1,812
– Future purchase option *(note c)*	**2,118**	1,337
– Investments in assets-backed securities *(note 22)*	**30**	30
– Wealth management products *(note b)*	**307**	150
	22,789	15,568
Less: Non-current portion		
Unlisted investments	**21,489**	14,249
Current portion	**1,300**	1,319

(a) The listed equity investments at 31 December 2022 were classified as financial assets at fair value through profit or loss as they were held for trading. The fair value of these investments was based on the quoted market prices at the end of the reporting period.

(b) The above wealth management products issued by banks in Mainland China are mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(c) Some subsidiaries of the Company disposed of their equity interests in their subsidiaries to Partnerships Fund and purchased future purchase options from them. As at 31 December 2022, the fair value of the future purchase option is RMB2,118 million (2021: RMB1,337 million).

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:

	2022 RMB million	2021 RMB million
Listed equity instruments		
– China Merchants Bank Co., Ltd.	**15,752**	20,593
– China Merchants Securities Co., Ltd.	**3,655**	4,851
– Zhengzhou Yutong Bus Co., Ltd.	**307**	451
– China Everbright Bank Co., Ltd.	**229**	248
– China Development Bank Financial Leasing Co., Ltd.	**146**	149
– CECEP Environmental Protection Equipment Co., Ltd.	**146**	148
– Bank of Communications Co., Ltd.	**143**	140
– Zhongtong Bus Holding Co., Ltd.	**56**	60
– Others	**262**	309
	20,696	26,949
Unlisted equity instruments		
– Lunan High Speed Railway Co., Ltd.	**1,298**	1,405
– Hubei Jiaotou Shiwu Expressway Co., Ltd.	**–**	349
– Shandong Jiwei Expressway Co., Ltd.	**346**	–
– Beijing CEDC Ltd.	**321**	316
– Shandong Expressway Jiqing Midline Highway Co., Ltd.	**242**	240
– Hunan Bainan Expressway Construction Development Co., Ltd.	**173**	173
– Jiangsu Xitai Tunnel Co., Ltd.	**149**	89
– Shanghai Kerry Oils & Grains Industries Co., Ltd.	**48**	113
– Others	**811**	461
	3,388	3,146
	24,084	30,095

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 2022, 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 RMB175 million (2021: RMB1,098 million) at the time of sale and the Group realised a gain of RMB86 million (2021: RMB5 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 2022, the Group recognised dividends in a total amount of RMB874 million (2021: RMB848million), including nil (2021: RMB84 million) relating to equity investments derecognised during the reporting period and RMB874 million (2021: RMB764 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. 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 2022, the maximum exposure to loss and the book values of relevant investments of the Group arising from the interests held in structured entities that are sponsored by the Group or the third party financial institutions are set out as below:

	2022		2021	
	Carrying amount RMB million	**Maximum exposure to loss RMB million**	Carrying amount RMB million	Maximum exposure to loss RMB million
Investments in structured entities	**17,257**	**17,257**	11,070	11,070
Investments in asset-backed securities	**30**	**30**	30	30
	17,287	**17,287**	11,100	11,100

In 2022, the Group received management fees, commission and performance fees amounting to RMB38 million (2021: RMB43 million) from unconsolidated structured entities sponsored by the Group.

As disclosed in notes 24(e) and 38(iii)(b), the Group has entered into agreements with certain financial institutions so as to establish ABS and ABN arrangements. As at 31 December 2022, in addition to the liquidity support provided by the Group as disclosed, the Group invested in senior securities of an ABS arrangement with an aggregated amount of RMB30 million (2021: RMB30 million) out of RMB710 million senior securities in total of that ABS arrangement. The directors of the Company evaluated that since the Group did not hold any subordinated tranches that are exposed to substantially all the risks and rewards of these arrangements, and therefore determined not to consolidate these ABS and ABN arrangements.

As at 31 December 2022, except for those disclosed and note 38(iii), there were no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities (2021: Nil).

23. INVENTORIES

	2022 RMB million	2021 RMB million
Raw materials	16,819	18,849
Work in progress	884	1,184
Properties under development (note a)	51,086	43,915
Completed properties held for sale (note b)	7,515	7,050
Finished goods	1,433	1,490
Others	526	579
	78,263	73,067

At 31 December 2022, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amount of RMB10,184 million (2021: RMB6,995 million) were pledged to secure the Group's bank loans (notes 29(d) and 41(b)).

(a) Properties under development comprise:

	2022 RMB million	2021 RMB million
Land use rights	29,845	28,062
Construction cost	18,181	12,984
Finance costs capitalised	3,060	2,869
	51,086	43,915

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 RMB5,365 million (2021: RMB3,881 million). The remaining amount is expected to be recovered within one year.

24. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES

	2022 RMB million	2021 RMB million
Trade and bills receivables *(note a)*	**130,554**	119,549
Impairment	**(22,070)**	(17,579)
	108,484	101,970
Contract assets and long-term receivables *(note b)*	**649,554**	557,710
Impairment	**(11,466)**	(8,862)
	638,088	548,848
Other receivables:		
Prepayments	**34,746**	25,627
Deposits	**27,378**	30,108
Others	**52,003**	57,017
	114,127	112,752
Impairment *(note c)*	**(5,198)**	(3,889)
	108,929	108,863
	855,501	759,681
Portion classified as non-current		
Contract assets and long-term receivables	**418,009**	358,879
Other receivables:		
Prepayments	**5,933**	4,051
Deposits	**1,576**	1,389
Others	**6,244**	7,455
	431,762	371,774
Current portion	**423,739**	387,907

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:

	2022 ***RMB million***	2021 *RMB million*
Within 6 months	**61,641**	65,644
6 months to 1 year	**9,867**	11,087
1 year to 2 years	**22,007**	11,412
2 years to 3 years	**5,870**	6,052
Over 3 years	**9,099**	7,775
	108,484	101,970

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

	2022 ***RMB million***	2021 *RMB million*
At beginning of year	**17,579**	16,116
Impairment losses, net	**5,359**	2,832
Disposal of subsidiaries	**(62)**	(1)
Amount written off*	**(1,027)**	(972)
Others	**221**	(396)
At end of year	**22,070**	17,579

* During the year ended 31 December 2022, an accumulated impairment of RMB1,003 million (2021: RMB923 million) was written off because the relevant trade and bills receivables 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 2022

	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	**1.30%**	**13.82%**	**25.91%**	**35.86%**	**58.37%**	**82.73%**	**12.82%**
Gross carrying amount *(RMB million)*	**71,811**	**25,210**	**7,687**	**5,533**	**3,678**	**5,802**	**119,721**
Expected credit losses *(RMB million)*	**(935)**	**(3,485)**	**(1,992)**	**(1,984)**	**(2,147)**	**(4,800)**	**(15,343)**

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	1.39%	13.50%	25.44%	40.28%	56.53%	81.97%	11.15%
Gross carrying amount *(RMB million)*	77,383	13,018	7,354	5,037	2,954	4,782	110,528
Expected credit losses *(RMB million)*	(1,074)	(1,757)	(1,871)	(2,029)	(1,670)	(3,920)	(12,321)

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 2022, the accumulated individual loss allowance was RMB6,727 million (2021: RMB5,258 million) with a carrying amount before loss allowance of RMB10,833 million (2021: RMB9,021 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 2022 and 2021 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 2022	31 December 2021	1 January 2021
	RMB million	*RMB million*	*RMB million*
Contract assets and long-term receivables arising from:			
Infrastructure construction	**591,911**	456,903	407,905
Infrastructure design	**20,695**	17,030	32,437
Dredging	**30,477**	44,175	11,802
Others	**6,471**	39,602	26,883
	649,554	557,710	479,027
Impairment	**(11,466)**	(8,862)	(5,800)
	638,088	548,848	473,227
Portion classified as non-current	**418,009**	358,879	282,634
Current portion	**220,079**	189,969	190,593

During the year ended 31 December 2022, RMB2,943 million (2021: RMB3,114 million) was recognised as an allowance for expected credit losses on contract assets and long-term receivables.

As at 31 December 2022, 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:

	2022	2021
	RMB million	*RMB million*
At beginning of year	**8,862**	5,800
Impairment losses, net	**2,943**	3,114
Disposal of subsidiaries	**–**	(12)
Amount written off	**(215)**	(54)
Others	**(124)**	14
At end of year	**11,466**	8,862

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 and long term receivables 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 and long term receivables 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:

	2022	2021
Expected credit loss rate	**0.91%**	1.04%
Gross carrying amount *(RMB million)*	**639,604**	552,954
Expected credit losses *(RMB million)*	**5,838**	5,771

(c) The movements in the loss allowance for impairment of other receivables are as follows:

	2022 ***RMB million***	2021 *RMB million*
At beginning of year	**3,889**	2,978
Impairment losses, net	**1,344**	1,000
Acquisition of subsidiaries	**2**	–
Disposal of subsidiaries	**(33)**	(76)
Amount written off	**(12)**	(7)
Others	**8**	(6)
At end of year	**5,198**	3,889

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates of other receivables are based on the groupings of various customer segments with similar loss patterns (i.e., by service type, customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's other receivables using a provision matrix:

	2022	2021
Expected credit loss rate	**2.92%**	2.15%
Gross carrying amount *(RMB million)*	**110,675**	110,110
Expected credit losses *(RMB million)*	**3,230**	2,366

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

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

(e) The Group has entered into certain recourse and non-recourse factoring agreements with certain banks for financing purpose. As at 31 December 2022, Nil (2021: RMB1,108 million) of the trade receivables and long-term receivables had been transferred under recourse factoring agreements. 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 2022, trade receivables of RMB51,804 million (2021: RMB27,746 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.

(f) 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 2022, the relevant outstanding trade receivables and long-term receivables under the ABS and ABN amounted to RMB34,880 million (2021: RMB18,413 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.

(g) In 2022, the Group transferred a portion of its accounts receivable to a special purpose entity, which issued asset-backed securities to investors. The Group assumed the credit risk of the transferred accounts receivable by subscribing to subordinated asset-backed securities. The transferred but unsettled accounts receivable amounted to RMB1,995 million (December 31, 2021: nil). As the Group retained a significant portion of the risk and return related to the relevant accounts receivable, the Group did not derecognize the related accounts receivable.

(h) As at 31 December 2022, outstanding bills receivable of RMB405 million (2021: RMB1,169 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 2022, outstanding bills receivable of RMB458 million (2021: RMB506 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.

(i) As at 31 December 2022, certain of the Group's outstanding trade and other receivables(excluding PPP projects) with a net carrying amount of approximately RMB37,882 million (2021: RMB29,814 million) were pledged to secure general banking facilities granted to the Group, and certain of the Group's outstanding trade receivables from PPP projects with a net carrying amount of approximately RMB138,257 million (2021:RMB137,241 million) have been pledged to secure bank borrowings (notes 29(d) and 41(b)).

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 Assets RMB million	2022 Liabilities RMB million	2021 Assets RMB million	2021 Liabilities RMB million
Forward currency contracts				
– Cash flow hedges	**7**	**7**	15	1
Future purchase option	**–**	**–**	85	–
Interest rate swap	**62**	**–**	15	–
Foreign exchange option	**619**	**–**	491	–
	688	**7**	606	1
Portion classified as non-current:				
Interest rate swap	**62**	**–**	–	–
Foreign exchange option	**619**	**–**	–	–
Current portion	**7**	**7**	606	1

26. CASH AND BANK BALANCES

	2022 RMB million	2021 RMB million
Restricted bank deposits *(note a)*	**5,536**	5,331
Time deposits with an initial term of over three months *(note b)*	**4,081**	3,442
	9,617	8,773
Cash and cash equivalents	**103,202**	95,880
	112,819	104,653

(a) As at 31 December 2022, 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 RMB76,218 million (2021: RMB70,174 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 2022, less than 3% (2021: 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

	2022 **RMB million**	2021 RMB million
Trade and bills payables *(note a)*	**350,945**	317,345
Deposits from suppliers	**43,046**	41,930
Retentions	**46,817**	42,156
Deposits in CCCC Finance *(note b)*	**12,179**	11,758
Other taxes	**34,256**	28,493
Payroll and social security	**2,208**	2,136
Accrued expenses and others	**34,939**	27,155
	524,390	470,973
Portion classified as non-current		
Retentions	**35,699**	30,231
Other taxes	**328**	425
Others	**5,410**	4,319
	41,437	34,975
Current portion	**482,953**	435,998

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:

	2022 *RMB million*	2021 *RMB million*
Within 1 year	**319,071**	286,242
1 year to 2 years	**18,631**	17,116
2 years to 3 years	**5,906**	7,270
Over 3 years	**7,337**	6,717
	350,945	317,345

(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% (2021: 0.8%).

28. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	December 31 2022 *RMB million*	December 31 2021 *RMB million*	January 1 2021 *RMB million*
Contract liabilities arising from:			
Infrastructure construction	**66,267**	70,612	78,406
Infrastructure design	**5,898**	5,137	6,050
Dredging	**3,432**	3,238	3,132
Others	**1,032**	1,046	992
	76,629	80,033	88,580

Contract liabilities mainly include short-term advances received to render construction, design and dredging services. The decrease in contract liabilities in 2022 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	2022 RMB million	2021 RMB million
Non-current			
Long-term bank borrowings			
– secured	*(d)*	**257,314**	246,818
– guaranteed	*(e)*	**14,453**	13,135
– unsecured or unguaranteed		**68,235**	56,743
		340,002	316,696
Long-term other borrowings			
– secured	*(d)*	**819**	1,174
– guaranteed	*(e)*	**2,370**	1,420
– unsecured or unguaranteed		**1,068**	1,089
		4,257	3,683
Corporate bonds		**14,558**	20,255
Non-public debt instruments		**11,952**	9,479
Lease liabilities	*16(b)*	**1,568**	1,731
Total non-current borrowings		**372,337**	351,844
Current			
Current portion of long-term bank borrowings			
– secured	*(d)*	**15,632**	14,544
– guaranteed	*(e)*	**5,361**	4,533
– unsecured or unguaranteed		**18,491**	9,251
		39,484	28,328
Short-term bank borrowings			
– secured	*(d)*	**11,125**	8,205
– guaranteed	*(e)*	**196**	2,524
– unsecured or unguaranteed		**24,299**	23,771
		35,620	34,500
Current portion of long-term other borrowings			
– secured	*(d)*	**587**	452
– guaranteed	*(e)*	**150**	140
– unsecured or unguaranteed		**343**	15
		1,080	607
Short-term other borrowings			
– secured	*(d)*	**–**	–
– unsecured or unguaranteed		**409**	40
		409	40
Corporate bonds		**5,588**	3,657
Debentures		**8,532**	1,526
Non-public debt instruments		**2,172**	6,732
Lease liabilities	*16(b)*	**793**	902
Total current borrowings		**93,678**	76,292
Total borrowings		**466,015**	428,136

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

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

	2022 RMB million	2021 RMB million
Bank borrowings		
– Within one year or on demand	**75,104**	62,828
– In the second year	**40,281**	43,702
– In the third to fifth years, inclusive	**75,168**	74,673
– Beyond five years	**224,553**	198,321
	415,106	379,524
Others, excluding lease liabilities		
– Within one year or on demand	**17,781**	12,562
– In the second year	**9,250**	12,017
– In the third to fifth years, inclusive	**18,665**	14,311
– Beyond five years	**2,852**	7,089
	48,548	45,979
	463,654	425,503

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

	2022 RMB million	2021 RMB million
Renminbi	**434,738**	406,482
United States dollar	**26,176**	15,074
Euro	**3,038**	2,783
Japanese yen	**41**	2,417
Hong Kong dollar	**241**	264
Others	**1,781**	1,116
	466,015	428,136

(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 7.50% (2021: 0.30% to 7.66%) per annum at the end of the reporting period, and two overseas bank borrowing bore interest ranging from 9.38% to 16.70%.

(d) As at 31 December 2022 and 2021, the borrowings were secured by the Group's property, plant and equipment (note 14), 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

	2022			
	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 2022	4,906	1,947	4,328	11,181
Charged to profit or loss during the year *(note 11)*	–	18	667	685
Charged/(Credited) to other comprehensive income	(1,344)	–	–	(1,344)
Acquisition of a subsidiary	–	–	(9)	(9)
Disposal of subsidiaries	–	–	(33)	(33)
Transfer to tax payable upon the disposal of equity investments designated at fair value through other comprehensive income	(1,330)	–	–	(1,330)
Exchange differences	103	–	144	247
At 31 December 2022	2,335	1,965	5,097	9,397

Deferred tax assets

	2022				
	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 2022	4,293	2,881	315	3,444	10,933
Credited/(Charged) to profit or loss during the year *(note 11)*	1,474	598	15	(522)	1,565
Credited to other comprehensive income	–	–	–	152	152
Acquisition of a subsidiary	11	7	–	–	18
Disposal of subsidiaries	(17)	(1)	(7)	–	(25)
Exchange differences	26	10	44	(74)	6
At 31 December 2022	5,787	3,495	367	3,000	12,649

30. DEFERRED TAX (CONTINUED)

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)

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:

	2022		2021	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	RMB million	***RMB million***	*RMB million*	*RMB million*
The gross balance	**12,649**	**9,397**	10,933	11,181
Offsetting	**(4,934)**	**(4,934)**	(3,743)	(3,743)
	7,715	**4,463**	7,190	7,438

The Group have not been recognised in respect of these losses amounting to RMB27,498 million (2021: RMB27,006 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.

As at 31 December 2022, the Group's unrecognized deductible provisional difference for deferred tax assets was RMB9,562 million (2021: RMB7,931 million) as the directors believe it is not probable that such deductible temporary differences would be recognised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The Group's unrecognized tax losses and deductible provisional difference for deferred tax assets are as follows:

	2022	2021
	RMB million	*RMB million*
Tax losses	**27,498**	27,006
Deductible provisional difference	**9,562**	7,931

The above tax losses of RMB249 million are available indefinitely and RMB27,249 million are available within 1 to 5 years for offsetting against future taxable profits of the companies in which the losses arose.

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:

	2022	2021
	RMB million	*RMB million*
Present value of defined benefit obligations	**802**	905
Portion classified as current portion	**101**	109
Non-current portion	**701**	796

31. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2022 RMB million	2021 RMB million
At 1 January	905	973
Past service cost	(4)	7
Interest cost	23	29
	924	1,009
Remeasurements		
– Gains from changes in financial assumptions	–	28
– Experience gains	1	(1)
	925	1,036
Payments	(123)	(131)
At 31 December	802	905

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:

	2022	2021
Discount rate	2.75%	2.75%
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	
	2022 RMB million	2021 RMB million
Discount rate:		
– 0.25% increase	(12)	(14)
– 0.25% decrease	12	14
Medical cost growth rate:		
– 1.00% increase	8	10
– 1.00% decrease	(7)	(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:

	2022 ***RMB million***	2021 *RMB million*
Within 1 year	**101**	109
1 year to 2 years	**93**	101
2 years to 5 years	**235**	259
Over 5 years	**523**	613
	952	1,082

The average duration of the defined benefit plan obligation at the end of the reporting period was 6 years (2021: 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 2022	**96**	**2,162**	**1,428**	**3,686**
Additional provisions	**29**	**426**	**286**	**741**
Utilised/reversed during the year	**(80)**	**(980)**	**(202)**	**(1,262)**
At 31 December 2022	**45**	**1,608**	**1,512**	**3,165**
Non-current portion	**45**	**1,608**	**1,512**	**3,165**

	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

33. SHARE CAPITAL AND PREMIUM

	2022 RMB million	2021 RMB million
Issued and fully paid:		
11,747,235,425 (2021: 11,747,235,425) A shares of RMB1.00 each	**11,747**	11,747
4,418,476,000 (2021: 4,418,476,000) H shares of RMB1.00 each	**4,419**	4,419
	16,166	16,166

During the year of 2022, CCCG, the parent company, increased its shareholding of H shares in the Company by 181,465,000 H shares. Prior to the increase of shareholding, CCCG held 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. Subsequent to the increase of shareholding, CCCG holds 9,640,032,604 shares of the Company (including 9,374,616,604 A shares and 265,416,000 H shares), representing approximately 59.63% of the total issued shares of the Company.

34. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY

	2022 RMB million	2021 RMB million
Perpetual securities	**37,988**	33,959

a) Renewable medium-term notes

As approved by National Association of Financial Market Institutional Investors ("NAFMII"), two tranches of renewable medium-term notes were issued by the Company in 2020, with nominal values of RMB2,000 million and RMB2,000 million, respectively. There is no maturity date for these renewable medium-term notes and the holders have no right to receive a return of principal. The initial interest rates of these renewable medium-term notes were 4.34% and 3.85% per annum respectively, which will be reset once in every three years, respectively, since the issuance date. Pursuant to the terms of these renewable medium-term notes, 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 renewable medium-term notes 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 NAFMII, one tranches of renewable medium-term notes were issued by the Company in 2022, with nominal values of RMB2,000 million. There is no maturity date for these renewable medium-term notes and the holders have no right to receive a return of principal. The initial interest rates of these renewable medium-term notes were 3.70% for type one and 3.88% for type two per annum respectively, which will be reset once in every three years, respectively, since the issuance date. Pursuant to the terms of these renewable medium-term notes, 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 renewable medium-term notes 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.

34. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY (CONTINUED)

b) Renewable corporate bonds

As approved by China Securities Regulatory Commission ("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.

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%, 3.60%, 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.

As approved by CSRC, seven tranches of renewable corporate bonds were issued by the Company in 2022. The first tranche has a nominal value of RMB2,000 million, and the initial interest rate of this tranche of bonds were 2.99% for type one and 3.45% for type two per annum, which will be reset once in every three years for type one and every five years for type two since the issuance date. The second, third, and fourth tranches have a nominal value of RMB2,000 million, RMB3,000 million, RMB2,000 million, respectively. The initial interest rate of these tranche of bonds were 2.98%, 3.07%, 2.78% per annum, which will be reset once in every three years since the issuance date. The fifth tranche has a nominal value of RMB2,000 million, and the initial interest rate of this tranche of bonds were 2.44% for type one and 2.69% for type two per annum, which will be reset once in every three years since the issuance date. The sixth tranche has a nominal value of RMB2,000 million, and the initial interest rate of this tranche of bonds were 2.44% for type one and 2.70% for type two per annum, which will be reset once in every three years since the issuance date. The seventh tranche has a nominal value of RMB3,000 million, and the initial interest rate of this tranche of bonds were 2.98% for type one and 3.20% for type two 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.

c) Renewable infrastructure debt investment plans

The Company entered into two contracts with investors to implement the infrastructure debt 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 investors have no right to receive a return or principal. The initial interest rates of these contracts were 4.80%, 4.72% and 4.77% per annum, respectively, for the first contract, and 4.69% per annum for the first ten years for the second contract, which will be reset once in every three years after ten years of the issuance date. Pursuant to the terms of these contracts, the Company may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. These contracts are subject to redemption in whole, at the option of the Company, ten years after the issue date, at its principal amount together with accrued interest.

The directors of the Company are of the opinion that the Company has no contractual obligations to repay the principal or to pay any distribution for these renewable financial instruments and therefore these financial instruments have been 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 2021	13,689	8,282	637	(63)	17,806	10	2,968	(3,214)	150,485	190,600
Business combination under common control	57	-	-	-	-	-	-	-	(16)	41
At 1 January 2022	13,746	8,282	637	(63)	17,806	10	2,968	(3,214)	150,469	190,641
Profit for the year	-	-	-	-	-	-	-	-	20,065	20,065
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	(4,850)	-	-	-	-	(4,850)
Cash flow hedges, net of tax	-	-	-	-	-	(10)	-	-	-	(10)
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	339	-	-	-	-	339
Share of other reserves of joint ventures and associates	2	-	-	-	-	-	-	-	-	2
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	(1)	-	-	-	-	-	(1)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	2,925	-	2,925
Issuance of perpetual securities	(30)	-	-	-	-	-	-	-	-	(30)
Final 2021 dividend declared	-	-	-	-	-	-	-	-	(3,293)	(3,293)
Capital contribution from non-controlling interests	4,335	-	-	-	-	-	-	-	-	4,335
Business combination under common control	(220)	-	-	-	-	-	-	-	-	(220)
Transaction with non-controlling interests	(79)	-	-	-	-	-	-	-	-	(79)
Interest on perpetual securities	-	-	-	-	-	-	-	-	(1,622)	(1,622)
Transfer to statutory surplus reserve (a)	-	743	-	-	-	-	-	-	(743)	-
Transfer to general reserve (b)	-	-	141	-	-	-	-	-	(141)	-
Transfer to safety production reserve (c)	-	-	-	-	-	-	961	-	(961)	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(86)	-	-	-	86	-
Others	(3)	-	-	-	-	-	-	-	-	(3)
At 31 December 2022	17,751	9,025	778	(64)	13,209	-	3,929	(289)	163,860	208,199

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 2020	10,682	7,639	709	(41)	17,782	9	2,613	(1,732)	137,681	175,342
Business combination under common control	57	–	–	–	–	–	–	–	(17)	40
At 1 January 2021	10,739	7,639	709	(41)	17,782	9	2,613	(1,732)	137,664	175,382
Profit for the year	–	–	–	–	–	–	–	–	18,349	18,349
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)
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	13,746	8,282	637	(63)	17,806	10	2,968	(3,214)	150,469	190,641

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 2022, the board of directors proposed an appropriation of 10% (2021: 10%) of the Company's profit after tax, as determined under PRC GAAP, of RMB743 million (2021: RMB643 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 2022 amounted to RMB778 million (2021: RMB637 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

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Percentage of equity interests held by non-controlling interests:

	2022 **(%)**	2021 (%)
CCCC (Beijing) One-term Equity Investment Fund LLP	**40.00**	40.00
CCCC First Highway Engineering Group Co., Ltd.	**25.19**	14.12
CCCC Second Highway Engineering Co., Ltd.	**34.84**	34.84
CCCC Third Highway Engineering Co., Ltd.	**30.00**	30.00
CCCC Construction Group Co., Ltd.	**28.80**	25.98
CCCC First Harbour Engineering Co., Ltd.	**17.61**	13.94
CCCC Second Harbour Engineering Co., Ltd.	**28.50**	23.34
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.	**28.92**	25.72
CCCC City Investment Holding Co., Ltd.	**9.51**	9.51

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

	2022 ***RMB million***	2021 *RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**1**	247
CCCC First Highway Engineering Group Co., Ltd.	**148**	145
CCCC Second Highway Engineering Co., Ltd.	**200**	122
CCCC Third Highway Engineering Co., Ltd.	**58**	58
CCCC Construction Group Co., Ltd.	**230**	122
CCCC First Harbour Engineering Co., Ltd.	**173**	116
CCCC Second Harbour Engineering Co., Ltd.	**287**	122
CCCC Third Harbour Engineering Co., Ltd.	**87**	87
CCCC Forth Harbour Engineering Co., Ltd.	**174**	174
Road & Bridge International Co., Ltd.	**230**	119
CCCC City Investment Holding Co., Ltd.	**101**	2

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

Dividends paid to non-controlling interests:

	2022 **RMB million**	2021 *RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**–**	234
CCCC First Highway Engineering Group Co., Ltd.	**145**	145
CCCC Second Highway Engineering Co., Ltd.	**173**	116
CCCC Third Highway Engineering Co., Ltd.	**58**	58
CCCC Construction Group Co., Ltd.	**195**	116
CCCC First Harbour Engineering Co., Ltd.	**155**	116
CCCC Second Harbour Engineering Co., Ltd.	**234**	116
CCCC Third Harbour Engineering Co., Ltd.	**87**	87
CCCC Forth Harbour Engineering Co., Ltd.	**174**	174
Road & Bridge International Co., Ltd.	**191**	116
CCCC City Investment Holding Co., Ltd.	**66**	–

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

	2022 **RMB million**	2021 *RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**3,770**	3,769
CCCC First Highway Engineering Group Co., Ltd. *(note a)*	**4,074**	1,600
CCCC Second Highway Engineering Co., Ltd.	**2,497**	2,642
CCCC Third Highway Engineering Co., Ltd.	**924**	924
CCCC Construction Group Co., Ltd. *(note a)*	**2,875**	2,348
CCCC First Harbour Engineering Co., Ltd. *(note a)*	**2,470**	1,800
CCCC Second Harbour Engineering Co., Ltd. *(note a)*	**4,913**	3,763
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 a)*	**3,496**	2,966
CCCC Urban Investment Holding Co., Ltd.	**1,001**	1,280

(a) In 2022, the Company and its certain subsidiaries entered into agreements with third-party investors, according to which, third party investors have made capital contributions of RMB9,000 million in total to the subsidiaries. As of 31 December 2022, the investors have completed cash contributions totaling RMB9,000 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:

2022	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 Construction Group 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	-	131,136	67,438	25,091	48,359	54,490	87,909	47,885	45,665	53,141	10,666
Profit for the year	2	2,122	1,894	199	1,884	792	1,999	706	2,820	2,141	2,358
Total comprehensive income	2	2,093	1,925	206	1,874	840	1,933	654	2,829	2,119	2,358
Current assets	-	73,054	33,037	25,657	33,376	38,565	81,089	37,260	23,893	26,920	26,736
Non-current assets	9,439	123,756	48,581	18,143	41,567	42,351	56,343	37,200	49,743	49,316	25,826
Current liabilities	50	98,313	46,684	33,530	41,464	49,030	86,759	46,607	32,423	38,399	24,531
Non-current liabilities	-	57,435	16,048	4,589	14,635	11,574	20,947	11,197	15,131	16,654	9,804
Net cash flows (used in)/generated from operating activities	-	2,915	4,290	932	(2,162)	2,955	5,702	2,608	5,974	891	2,321
Net cash flows (used in)/generated from investing activities	-	(20,612)	(4,064)	(1,213)	(1,017)	266	(5,189)	(2,483)	(3,607)	(5,644)	(4,266)
Net cash flows (used in)/generated from financing activities	-	19,300	266	1,249	3,982	(1,524)	1,712	971	(672)	5,408	1,587
Exchange gains on cash and cash equivalents	-	4	3	2	7	29	17	4	24	1	-
Net increase/(decrease) in cash and cash equivalents	-	1,607	495	970	810	1,726	2,242	1,100	1,719	656	(358)

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)

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	–	123,616	60,239	25,745	43,383	51,991	84,112	44,065	42,235	49,837	10,941
Profit for the year	233	1,790	1,567	158	1,442	1,008	1,500	324	2,670	1,887	2,278
Total comprehensive income	233	1,765	1,481	161	1,442	912	1,507	297	2,461	1,791	2,278
Current assets	–	65,259	35,891	20,900	32,687	42,861	77,473	35,009	23,395	24,683	21,023
Non-current assets	9,423	104,034	38,636	18,256	33,808	40,499	50,199	33,009	43,601	46,587	25,286
Current liabilities	36	87,606	43,741	29,581	36,378	53,596	80,482	42,757	30,932	35,487	20,135
Non-current liabilities	–	49,712	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)	2,227	2,950	(793)	(4,920)	1,963	61	6,358	4,939	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	–	(7,782)	433	(1,566)	(6,024)	(242)	2,842	657	601	(2,000)	43

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:

	2022 **RMB million**	2021 RMB million
Increase in right-of-use assets	**1,002**	1,274
Bank acceptance bills endorsed settlement of trade and other payables	**1,493**	1,959

(b) Changes in liabilities arising from financing activities

2022	**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 2021	**383,854**	**2,633**	**23,912**	**1,526**	**16,211**	**1,295**	**429,431**
Changes from financing cash flows	**42,258**	**(1,377)**	**(4,532)**	**6,545**	**(2,579)**	**(9,549)**	**30,766**
New leases	**-**	**983**	**-**	**-**	**-**	**-**	**983**
Foreign exchange movement	**32**	**-**	**-**	**-**	**-**	**-**	**32**
Declared dividends	**-**	**-**	**-**	**-**	**-**	**10,397**	**10,397**
Interest expense	**19,960**	**122**	**1,267**	**461**	**492**	**-**	**22,302**
Increase arising from acquisition of subsidiaries	**3,979**	**-**	**-**	**-**	**-**	**-**	**3,979**
Decrease arising from disposal of subsidiaries	**(28,837)**	**-**	**-**	**-**	**-**	**(376)**	**(29,213)**
Addition of unrenewed perpetual securities	**(394)**	**-**	**(501)**	**-**	**-**	**-**	**(895)**
At 31 December 2022	**420,852**	**2,361**	**20,146**	**8,532**	**14,124**	**1,767**	**467,782**

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

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

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

(c) Total cash outflow for leases

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

	2022 ***RMB million***	2021 *RMB million*
Within operating activities	**1,957**	1,682
Within investing activities	**598**	1,388
Within financing activities	**1,163**	1,425
	3,718	4,495

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 RMB2,554 million (31 December 2021: RMB2,631 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 RMB3,378 million (31 December 2021: RMB3,940 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 2022, the outstanding balance of guarantees provided by the Group was approximately RMB3,815 million (31 December 2021: RMB4,623 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 2022, the outstanding balance of rent payable by Changchun Public Transportation (Group) Co., Ltd. to Huaxia Financial Leasing Co., Ltd. was RMB97 million (31 December 2021: RMB138 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 2022, out of the ABS and ABN in issue with an aggregate amount of RMB59,390 million (31 December 2021: RMB27,662 million), RMB54,284 million (31 December 2021: RMB26,132 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 COMBINATIONS

(a) Acquisition of subsidiaries not under common control

During the year ended 31 December 2022, the Group obtained control over several companies from certain independent third parties, at a total consideration of RMB283 million. The Group has elected to measure the non-controlling interests in these companies at the non-controlling interests' proportionate shares of identifiable net assets of these companies.

Information of the major acquisitions was as follows:

Target companies	Principal activities	Percentage of equity attributable to the Group	Acquisition date
CCCC (Tianjin) Rail Transit Engineering Construction Co., Ltd.	Construction	80%	31 January 2022
Ningbo Zhongcheng Real Estate Development Co., Ltd.	Real estate development	100%	30 April 2022
Sichuan Yuanxi Construction Co., Ltd	Construction	100%	30 September 2022
Henan Jinchang Petrochemical Construction Co., Ltd	Construction	51%	31 December 2022

39. BUSINESS COMBINATIONS (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	
Contract assets, trade and other receivables	142
Investment properties	64
Property, plant and equipment	15
Deferred tax assets	19
Right-of-use assets	18
	258
Current assets	
Other financial assets at fair value through profit or loss	2
Inventories	943
Contract assets, trade and other receivables	708
Cash and cash equivalents	233
	1,886
Current liabilities	
Trade and other payables	(1,774)
Interest-bearing bank and other borrowings	(5)
Tax payable	(1)
	(1,780)
Non-current liabilities	
Interest-bearing bank and other borrowings	(1)
Deferred tax liabilities	(9)
	(10)
Total identifiable net assets at fair value	354
Non-controlling interests	89
Goodwill on acquisition	18
Consideration	283
Less: Fair value of initial equity interests in these companies at acquisition date	165
Satisfied by cash	118

39. BUSINESS COMBINATIONS (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:

	2022 *RMB million*
Cash consideration	**(118)**
Cash and bank balances acquired	**233**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**115**

Since the acquisition, the acquirees contributed RMB884 million to the Group's revenue and caused a loss of RMB7 million to the Group's profit for the year ended 31 December 2022.

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 RMB718,459 million and RMB25,717 million, respectively.

(b) Acquisition of a subsidiary under common control

On 30 September 2022, the Group acquired a 100% interest in Chenzhou Road Construction Equipment Co., Ltd. ("Chenzhou Road Construction") from CCCG. Chenzhou Road Construction is engaged in the manufacture of road construction equipment.

Since Chenzhou Road Construction and the Group are both under common control of CCCG before and after the acquisition, the acquisition is accounted for as merger accounting, i.e. the assets and liabilities of Chenzhou Road Construction are consolidated by the Group using the existing book values from the CCCG' perspective, as if the current group structure had been in existence throughout the periods presented, with the difference between the book value of the net assets of Chenzhou Road Construction and the consideration directly credited to equity. The comparative figures of the consolidated financial statements have also been restated as a result of the merger accounting.

39. BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of a subsidiary under common control (continued)

The book values of Chenzhou Road Construction's assets and liabilities as at 30 September 2022 and 31 December 2021 were as follows:

	30 September 2022 Book value *RMB million*	31 December 2021 Book value *RMB million*
Non-current assets		
Investments in joint ventures	**9**	9
Property, plant and equipment	**31**	33
Right-of-use assets	**3**	3
	43	45
Current assets		
Inventories	**15**	3
Contract assets, trade and other receivables	**265**	207
Cash and cash equivalents	**75**	77
	355	287
Current liabilities		
Trade and other payables	**(247)**	(263)
Contract liabilities	**(83)**	(15)
Tax payable	**(1)**	(2)
	(331)	(280)
Non-current liabilities		
Retirement benefit obligations	**(10)**	(11)
	(10)	(11)
Net assets	**57**	41
Difference directly credited to equity	**(163)**	
Cash consideration	**220**	

39. BUSINESS COMBINATION (CONTINUED)

(c) Asset acquisition

During the year ended 31 December 2022, the Group acquired the majority shareholdings previously held by third parties in CCCC Yujia Expressway Co., Ltd. ("CCCC Yujia Expressway"), and Xianning Forth Harbor Construction Co., Ltd. ("Xianning Forth Harbor") at a total cash consideration of RMB2,734 million and obtained control over both 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 on a single identifiable asset of these acquired companies.

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

	2022 ***RMB million***
Intangible assets	**7,696**
Other assets	**2,097**
Total current liabilities	**(4,972)**
Fair value of identifiable net assets on acquisition date	**4,821**
Consideration	
Satisfied by cash	**2,734**
Book value of the equity interests previously held by the Group	**2,087**

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

	2022 ***RMB million***
Cash paid for asset acquisition	**2,734**
Cash and bank balances of assets acquired	**13**
Net outflow of cash and cash equivalents in respect of asset acquisition	**2,721**

40. DISPOSAL OF SUBSIDIARIES

(i) Information of subsidiaries disposed of:

(a) In 2022, the Group disposed of an 100% equity interest in Hubei CCCC Jiatong Expressway Development Co., Ltd. to the CAMC-CCCC REIT, which has been listed on Shanghai Stock Exchange ("SSE"), and simultaneously subscribed for a 20% units of CAMC-CCCC REIT.

(b) In 2022, the Group disposed of the majority equity interests in Handan Pengyi Construction Co., Ltd. ("Handan Pengyi Construction"), Guizhou CCCC Yushi Expressway Development Co., Ltd. ("Yushi Expressway Development"), CCCC Hami Communications Construction Co., Ltd. ("Hami Communications Construction"), Chongqing Wanzhou Expressway Co., Ltd. ("Chongqing Wanzhou Expressway"), and Hami City CCCC First Public Bureau Tiankun Construction Co., Ltd. ("Tiankun Construction ") to third-parties for a total cash consideration of RMB4,405 million. Upon the completion of equity transfer, the Group, with less than 50% equity interests, no longer has control over Handan Pengyi Construction, Yushi Expressway Development, Hami Communications Construction, Chongqing Wanzhou Expressway or Tiankun Construction.

(c) In 2022, CCCC First Highway Engineering Group Co., Ltd. ("CCCC First Highway") transferred 100% interests in Beijing Zhongtuan Construction Co., Ltd. ("Beijing Zhongtuan Construction ") to a third party for a total cash consideration of RMB225 million. CCCC Second Highway Engineering Co., Ltd. ("CCCC Second Highway") transferred 51% interests in CCCC Second Public Bureau Sixth Engineering Co., Ltd. ("Second Public Bureau Sixth Engineering ") and 50% interests in Bazhou CCCC Real Estate Development Co., Ltd. ("Bazhou Real Estate Development ") to a third party for a total cash consideration of RMB362 million and RMB71 million respectively. Upon the completion of equity transfer, CCCC First Highway no longer has control over Beijing Zhongtuan Construction and CCCC Second Highway no longer has control over Second Public Bureau Sixth Engineering as well as Bazhou Real Estate Development.

(d) The Group and Chongqing Expressway Group Co., Ltd. are the only two shareholders of Chongqing Zhongwan Expressway Co., Ltd ("Chongqing Zhongwan Expressway"). In view of the experience of the Group in infrastructure construction, the two shareholders agreed that Chongqin Zhongwan Expressway was controlled by the Group during the construction period and jointly controlled by the two shareholders during the operation period. As such, after Chongqin Zhongwan Expressway entered the operation period, the two shareholders revised the operation arrangements of Chongqing Zhongwan Expressway and replaced directors and senior management appointed by the Group with those appointed by Chongqing Expressway Group Co., Ltd.. As at 31 December 2022, the Group no longer has control over Chongqing Zhongwan Expressway.

(e) In 2022, a new shareholder invested RMB315 million in Guangxi Pingcen Expressway Co., Ltd. ("Guangxi Pingcen Expressway"), taking 50% equity interest in Guangxi Pingcen Expressway. Upon the completion of investment, CCCC no longer has control over Guangxi Pingcen Expressway.

(f) In 2022, the Group disposed of an 100% equity interest in CCCC City Operation Management Co., Ltd. ("CCCC City Operation Management") as well as Chongqing CCCC Property Management Co., Ltd. (" Chongqing CCCC Property Management") to CCCC Property Services Co., Ltd. ("CCCC Property Services"), for a non-controlling 29% equity interest in CCCC Property Services.

40. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(ii) The financial information of subsidiaries disposed of by the Group at the date of disposal is as follows:

	2022 Total *RMB million*	2021 Total *RMB million*
Non-current assets	**38,307**	52,819
– Intangible assets *(note 17)*	**34,606**	50,128
Current assets	**6,322**	4,977
Current liabilities	**(11,813)**	(5,069)
Non-current liabilities	**(22,829)**	(41,124)
	9,987	11,603
Non-controlling interests	**741**	1,506
	9,246	10,097
Goodwill on acquisition	**–**	7
	9,246	10,104
Gains on disposal of subsidiaries *(note 5)*	**2,710**	26
Total considerations	**11,956**	10,130
Represented by:		
Fair values of residual interests in joint ventures	**2,320**	4,168
Fair values of residual interests in associates	**978**	16
Financial assets at fair value through profit or loss	**1,663**	74
Cash consideration	**6,995**	5,872
	11,956	10,130

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

	2022 *RMB million*	2021 *RMB million*
Cash received from disposal of subsidiaries	**10,645**	4,138
Cash and bank balances of subsidiaries disposed of	**(1,591)**	(729)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**9,054**	3,409

41. PLEDGE OF ASSETS

(a) At 31 December 2022, the restricted deposits were RMB5,536 million (2021: RMB5,331 million).

(b) Details of the Group's assets secured for interest-bearing bank and other borrowings are as follows:

	2022 *RMB million*	2021 *RMB million*
Right-of-use assets *(note 16(a))*	**8,764**	6,342
Concession assets and trade receivables from PPP projects *(note 17, note24)*	**284,492**	302,288
Inventories *(note 23)*	**10,184**	6,995
Contract assets and trade and other receivables (excluding PPP projects) *(note 24)*	**37,882**	29,814
	341,322	345,439

42. COMMITMENTS

(i) Capital expenditure commitments

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

	2022 *RMB million*	2021 *RMB million*
Intangible assets – concession assets	**84,425**	90,119
Property, plant and equipment	**2,335**	1,889
	86,760	92,008

(ii) Other commitment

In accordance with the financial services framework agreement between CCCC Finance and CCCG, CCCC Finance provides financial services to CCCG and its subsidiaries. In 2022, the maximum daily balance of loan services under the deposit services and loan services framework agreement is RMB14,539 million, the maximum daily balance of guarantee letter services under the guarantee letter services framework agreement is RMB3,006 million, and the maximum daily balance of bills issuance services and bonds subscription under the other credit services framework agreement is RMB810 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:

	2022 *RMB million*	2021 *RMB million*
Transactions with CCCG		
– Revenue from the provision of construction services and construction-related services	**2,053**	2,945
– Rental income	**1**	–
– Rental charges	**289**	305
– Interest expenses on deposits placed in CCCC Finance	**31**	30
– Loans to CCCG by CCCC Finance	**300**	–
– Interest income from loans provided by CCCC Finance	**6**	–
– Other borrowings from CCCG	**307**	1,100
– Interest expenses on loans	**4**	8
Transactions with fellow subsidiaries		
– Revenue from the provision of construction and construction-related services	**11,342**	8,750
– Revenue from sale of goods	**1,172**	1,227
– Rental income	**12**	7
– Interest expenses on deposits placed in CCCC Finance	**75**	100
– Loans from fellow subsidiaries	**191**	4,209
– Interest expenses on loans	**–**	1
– Purchases of materials	**1,531**	1,479
– Subcontracting and service charges	**2,949**	2,407
– Rental charges	**1**	1
– Loans to fellow subsidiaries by CCCC Finance	**1,180**	4,555
– Interest income from loans provided by CCCC Finance	**18**	40
– Factoring to fellow subsidiaries	**340**	3,158
– Interest income from factoring	**52**	132
– Finance lease loans to fellow subsidiaries	**1,040**	1,346
– Interest income from finance lease loans	**109**	96

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

	2022 RMB million	2021 RMB million
Transactions with fellow subsidiaries' joint ventures and associates		
– Finance lease loans to fellow subsidiaries' joint ventures and associates	33	–
– Interest income from finance lease loans	1	–
– Factoring to fellow subsidiaries' joint ventures and associates	320	–
– Interest income from factoring	8	–
– Revenue from the provision of construction and construction-related services	307	215
– Revenue from sale of goods	2	10
– Subcontracting and service charges	–	3
Transactions with joint ventures and associates		
– Revenue from the provision of construction and construction-related services	73,140	75,102
– Revenue from sale of goods	483	1,264
– Purchases of materials	265	576
– Subcontracting and service charges	902	167
– Rental income	19	2
– Interest expense on deposits placed in CCCC Finance	19	4
– Loans from joint ventures and associates	10,644	9,555
– Interest expenses on loans	31	15
– Loans to a joint venture by CCCC Finance	182	–
– Loans to joint ventures and associates	7,301	11,109
– Interest income from other loans	559	899
– Factoring to joint ventures and associates	70	241
– Interest income from factoring	29	15
– Finance lease loans to joint ventures and associates	127	130
– Interest income from finance lease loans	152	140

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.

ZPMC is an associate and also a fellow subsidiary of the Company. The transaction with ZPMC and its subsidiaries for 2022 and 2021, and the outstanding balances with ZPMC and its subsidiaries as at 31 December 2022 and 31 December 2021 were included in the category of transactions and balances with fellow subsidiaries.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

Balances with related parties other than government-related entities:

	2022 RMB million	2021 RMB million
Trade and bills receivables due from		
– CCCG	**409**	278
– Fellow subsidiaries	**3,293**	2,626
– Joint ventures and associates	**5,729**	6,764
– Fellow subsidiaries' joint ventures	**54**	33
	9,485	9,701
Long-term trade receivables due from		
– CCCG	**1,793**	1,664
– Fellow subsidiaries	**5,580**	4,586
– Joint ventures and associates	**19,355**	20,885
– Fellow subsidiaries' joint ventures	**418**	209
	27,146	27,344
Prepayments to		
– CCCG	**–**	33
– Fellow subsidiaries	**665**	1,443
– Joint ventures and associates	**156**	46
– Fellow subsidiaries' joint ventures	**1**	6
	822	1,528
Other receivables due from*		
– CCCG	**475**	97
– Fellow subsidiaries	**1,543**	2,998
– Joint ventures and associates	**10,611**	8,658
– Fellow subsidiaries' joint ventures	**8**	163
	12,637	11,916
Contract assets		
– CCCG	**190**	105
– Fellow subsidiaries	**1,866**	2,711
– Joint ventures and associates	**5,118**	1,991
– Fellow subsidiaries' joint ventures	**51**	–
	7,225	4,807
	57,315	55,296

* 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)

	2022 RMB million	2021 RMB million
Trade and bills payables due to		
– Fellow subsidiaries	2,764	3,695
– Joint ventures and associates	1,514	1,290
– Fellow subsidiaries' joint ventures	17	12
	4,295	4,997
Long-term trade payables due to		
– CCCG	60	–
– Fellow subsidiaries	2,822	2,852
– Joint ventures and associates	315	280
– Fellow subsidiaries' joint ventures	25	17
	3,222	3,149
Contract liabilities		
– CCCG	62	–
– Fellow subsidiaries	565	545
– Joint ventures and associates	6,995	8,379
– Fellow subsidiaries' joint ventures	19	115
	7,641	9,039
Other payables*		
– CCCG	941	968
– Fellow subsidiaries	9,141	10,778
– Joint ventures and associates	5,786	4,350
– Fellow subsidiaries' joint ventures	–	384
	15,868	16,480
Other borrowings		
– CCCG	–	1,160
Lease liabilities		
– Joint ventures and associates	–	8
	–	8
	31,026	34,833

* Including deposits from related parties

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees with related parties:

	2022 **RMB million**	2021 RMB million
Outstanding loan guarantees provided to		
– Joint ventures	**1,629**	2,184
– Associates	**1,749**	1,756
	3,378	3,940
Outstanding guarantees provided by CCCG	**9,101**	11,151

(d) Commitments with related parties:

	2022 **RMB million**	2021 RMB million
Provision of construction services		
– CCCG	**2,369**	5,154
– Fellow subsidiaries	**18,265**	15,717
– Joint ventures and associates	**106,950**	138,434
– Fellow subsidiaries' joint ventures	**890**	343
	128,474	159,648
Purchase of services and goods		
– Fellow subsidiaries	**2,479**	1,107
– Joint ventures and associates	**33**	589
	2,512	1,696

(e) Key management compensation:

	2022 **RMB'000**	2021 RMB'000
Short term employee benefits	**17,539**	16,142
Post-employment benefits	**797**	698
	18,336	16,840

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Equity transactions with related parties

During the year ended 31 December 2022, the Group contributed RMB1,710 million in total to share capitals of companies set up together with fellow subsidiaries of CCCG.

(g) Other transactions with related parties

a) In 2022, CSEC ("中交中南工程局有限公司", a subsidiary of the Company) purchased a 100% equity interest in Chenzhou Road Construction, a subsidiary of CCCG, at a consideration of RMB220 million. Upon completion of the transaction, the Group holds 100% of the equity interest in Chenzhou Road Construction.

b) As of 31 December 2022, 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 RMB1,840 million (31 December 2021: RMB1,375 million).

c) In accordance with the financial services framework agreement between CCCC Finance and CCCG, CCCC Finance provides financial services to CCCG and its subsidiaries. In 2022, the maximum daily balance of loan services under the deposit services and loan services framework agreement is RMB14,539 million, the maximum daily balance of guarantee letter services under the guarantee letter services framework agreement is RMB3,006 million, and the maximum daily balance of bills issuance services and bonds subscription under the other credit services framework agreement is RMB810 million..

d) In 2022, CCCC Finance made an additional bond investment of RMB30 million in China Urban and Rural Holding Group Co., Ltd.. The outstanding balances of the bond investments as at 31 December 2022 was RMB51 million, of which the principal amount was RMB50 million, and the interest was RMB1 million. In addition, CCCC Finance made an additional bond investment of RMB750 million in China Real Estate Group Co., Ltd.. The outstanding balances of the bond investments as at 31 December 2022 was RMB752 million, of which the principal amount was RMB750 million, and the interest was RMB2 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:

2022

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	–	–	22,789	–	22,789
Equity investments designated at fair value through other comprehensive income	–	24,084	–	–	24,084
Derivative financial instruments	–	–	688	–	688
Debt investments at amortised cost	–	–	–	1,763	1,763
Trade and other receivables excluding prepayments and other non-financial assets	1,747	–	–	400,326	402,073
Cash and bank balances	–	–	–	112,819	112,819
	1,747	24,084	23,477	514,908	564,216

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)	–	463,654	463,654
Derivative financial instruments	7	–	7
Trade and bills payables *(note 27)*	–	350,945	350,945
Deposits from suppliers *(note 27)*	–	43,046	43,046
Retentions *(note 27)*	–	46,817	46,817
Deposits in CCCC Finance *(note 27)*	–	12,179	12,179
Financial liabilities included in other payables and accruals	–	34,694	34,694
	7	951,335	951,342

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)

2021

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	–	–	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	1,165	–	–	377,588	378,753
Cash and bank balances	–	–	–	104,653	104,653
	1,165	30,095	16,174	482,771	530,205

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)	–	425,503	425,503
Derivative financial instruments	1	–	1
Trade and bills payables *(note 27)*	–	317,345	317,345
Deposits from suppliers *(note 27)*	–	41,930	41,930
Retentions *(note 27)*	–	42,156	42,156
Deposits in CCCC Finance *(note 27)*	–	11,758	11,758
Financial liabilities included in other payables and accruals	–	26,866	26,866
	1	865,558	865,559

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than lease liabilities and those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022 **RMB million**	2021 *RMB million*	**2022** **RMB million**	2021 *RMB million*
Financial liabilities				
Non-current				
Bank borrowings	**340,002**	316,696	**339,960**	317,703
Corporate bonds	**14,558**	20,255	**14,561**	20,259
Non-public debt instruments	**11,952**	9,479	**11,481**	9,479
Other borrowings (other than lease liabilities)	**4,257**	3,683	**4,235**	3,683
	370,769	350,113	**370,237**	351,124

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 (excluding lease liabilities) 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 (excluding lease liabilities) as at 31 December 2022 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 techniques. The valuation models used mainly comprise the discounted cash flow model and the 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, interest rate swaps 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 interest rate swaps and total return swaps are the same as their fair values.

As at 31 December 2022, the mark-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 rates.

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 2022

	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 receivable	–	1,747	–	1,747
Equity investments designated at fair value through other comprehensive income	20,696	–	3,388	24,084
Financial assets at fair value through profit or loss	1,300	–	21,489	22,789
Derivative financial instruments				
– Forward currency contracts	–	7	–	7
– Interest rate swap	–	62	–	62
– Forward equity contracts	–	–	–	–
– Foreign exchange option	–	–	619	619
	21,996	1,816	25,496	49,308
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	7	–	7

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

Fair value hierarchy (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (continued)

Assets and liabilities measured at fair value: (continued)

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 receivable	–	1,165	–	1,165
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
– Forward equity contracts	–	–	85	85
– Foreign exchange option	–	–	491	491
	28,268	1,195	17,971	47,434
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	1	–	1

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 (2021: Nil).

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

	2022 ***RMB million***	2021 *RMB million*
At 1 January	**17,971**	15,035
Total (losses)/gains recognised in the consolidated statement of profit or loss included in other gains	**(58)**	21
Total losses recognised in other comprehensive income	**(524)**	(77)
Purchases	**14,896**	7,760
Disposals	**(6,789)**	(4,768)
At 31 December	**25,496**	17,971

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 2022

	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*
Bank borrowings	–	339,960	–	339,960
Corporate bonds	4,000	10,561	–	14,561
Non-public debt instruments	–	11,481	–	11,481
Other borrowings (other than lease liabilities)	–	4,235	–	4,235
	4,000	366,237	–	370,237

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*
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

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 2022, the Group's aggregate net liabilities of RMB2,985 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 2022, 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 RMB563 million (2021: RMB13 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:

	2022	2021
Increase/decrease in quoted price in open markets	**10%**	10%

	2022 ***RMB million***	2021 *RMB million*
Impact on profit before tax for the year	**99**	117
Impact on equity (excluding retained profits)	**2,070**	2,695

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 2022 and 2021, 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 2022 and 2021.

As at 31 December 2022, the Group's borrowings of approximately RMB281,850 million (2021: RMB242,810 million) were at variable rates. As at 31 December 2022, 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 RMB2,819 million (2021: RMB2,428 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 2022

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 2022

	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*	265,957	27,357	407	502,016	795,737
Debt investments at amortised cost	–	–	1,763	–	1,763
Restricted bank deposits and time deposits with an initial term of over three months					
– Not yet past due	9,617	–	–	–	9,617
Cash and cash equivalents					
– Not yet past due	103,202	–	–	–	103,202
Guarantees given to banks in connection with facilities granted to associates and joint ventures	3,378	–	–	–	3,378
	382,154	27,357	2,170	502,016	913,697

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Contract assets, trade and other receivables*	244,085	31,724	973	430,320	707,102
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	95,880	–	–	–	95,880
Guarantees given to banks in connection with facilities granted to associates and joint ventures	3,940	–	–	–	3,940
	352,678	31,724	1,523	430,320	816,245

* 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, respectively.

As at 31 December 2022, 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 RMB7,066 million (2021: RMB4,959 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.

2022

	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)	107,910	65,029	131,579	288,521	593,039
Lease liabilities	989	572	682	625	2,868
Trade and other payables (excluding statutory and non-financial liabilities)	446,785	31,339	8,272	1,501	487,897
Net-settled derivative financial instruments	7	–	–	–	7
	555,691	96,940	140,533	290,647	1,083,811

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)	405,745	25,976	7,263	1,355	440,339
Net-settled derivative financial instruments	1	–	–	–	1
	502,182	99,323	138,487	284,078	1,024,070

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 2022 *RMB million*	31 December 2021 *RMB million*
Total borrowings *(note 29)*	**466,015**	428,136
Less: Cash and cash equivalents *(note 26)*	**103,202**	95,880
Net debt	**362,813**	332,256
Total equity	**426,176**	391,395
Total capital	**788,989**	723,651
Gearing ratio	**46.0%**	45.9%

The Group's gearing ratio increases from 45.9% to 46.0% on 31 December 2022 when compared with the ratio as at 31 December 2021.

47. EVENT AFTER THE REPORTING PERIOD

On 30 March 2023, the board of directors of the Company resolved that a final dividend of RMB0.21707 per share, totalling approximately RMB3,509 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.

The Company proposed to spin off and list its subsidiaries, namely CCCC Highway Consultants Co., Ltd.* (中交公路規劃設計院有限公司), CCCC First Highway Consultants Co., Ltd.* (中交第一公路勘察設計研究院有限公司) and CCCC Second Highway Consultants Co., Ltd.* (中交第二公路勘察設計研究院有限公司) ("Three Highway Institutes") by reorganization with Gansu Qilianshan Cement Group Co., Ltd.* (甘肅祁連山水泥集團股份有限公司) ("Qilianshan"). Upon completion of the proposed spin-off and reorganization, Qilianshan will become the controlling shareholder of the Three Highway Institutes, and the Company will become the controlling shareholder of Qilianshan. As of the date of this report, the Company has received the Approval on Matters Related to the Assets Reorganization and the Supporting Financing of Gansu Qilianshan Cement Group Co., Ltd.* (甘肅祁連山水泥集團股份有限公司) (《關於甘肅祁連山水泥集團股份有限公司資產重組和配套融資有關事項的批覆》) by the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC"), in which the SASAC has agreed in principle to the overall plan of Qilianshan's assets reorganization and supporting financing.

48. COMPARATIVE AMOUNTS

As a result of the business combination under common control as described in note 39(b), the comparative figures have been restated.

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:

	2022 ***RMB million***	2021 *RMB million*
Non-current assets		
Property, plant and equipment	**132**	1,667
Right-of-use assets	**16**	8
Investment properties	**1,699**	–
Intangible assets	**400**	283
Investments in subsidiaries	**155,176**	139,384
Investments in joint ventures	**4,797**	3,997
Investments in associates	**11,395**	9,434
Financial assets at fair value through profit or loss	**537**	566
Equity investments designated at fair value through other comprehensive income	**7,507**	17,368
Contract assets, trade and other receivables	**5,438**	4,758
Loans to subsidiaries	**427**	455
Amounts due from subsidiaries	**1,307**	832
Total non-current assets	**188,831**	178,752
Current assets		
Inventories	**471**	442
Contract assets, trade and other receivables	**19,733**	25,593
Loans to subsidiaries	**18,711**	31,820
Amounts due from subsidiaries	**36,585**	31,934
Restricted bank deposits	**4**	1
Cash and cash equivalents	**17,782**	23,521
Total current assets	**93,286**	113,311
Current liabilities		
Trade and other payables	**4,092**	4,310
Contract liabilities	**6,326**	5,694
Amounts due to subsidiaries	**65,105**	78,506
Tax payables	**1,010**	228
Interest-bearing bank and other borrowings	**33,591**	25,593
Retirement benefit obligations	**2**	18
Total current liabilities	**110,126**	114,349
Net current liabilities	**(16,840)**	(1,038)
Total assets less current liabilities	**171,991**	177,714

Continued/…

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2022 *RMB million*	2021 *RMB million*
Total assets less current liabilities	**171,991**	177,714
Non-current liabilities		
Trade and other payables	**373**	170
Deferred income	**13**	5
Amounts due to subsidiaries	**6,088**	4,756
Interest-bearing bank and other borrowings	**20,819**	29,813
Deferred tax liabilities	**1,061**	3,742
Retirement benefit obligations	**23**	32
Provisions	**4**	4
Total non-current liabilities	**28,381**	38,522
Net assets	**143,610**	139,192
Equity		
Share capital	**16,166**	16,166
Share premium	**19,625**	19,625
Financial instruments classified as equity	**37,988**	33,959
Reserves *(note)*	**69,831**	69,442
Total equity	**143,610**	139,192

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve *RMB million*	Statutory surplus reserve *RMB million*	Remeasurement reserve *RMB million*	Investment revaluation reserve *RMB million*	Exchange reserve *RMB million*	Retained earnings *RMB million*	Total *RMB million*
At 31 December 2021	21,103	8,431	63	12,245	(77)	27,677	69,442
Profit for the year	–	–	–	–	–	7,435	7,435
Changes in fair value of equity instruments designated at fair value through other comprehensive income, net of tax	–	–	–	(2,860)	–	–	(2,860)
Share of other comprehensive loss of joint ventures and associates	–	–	–	15	–	–	15
Actuarial loss on retirement benefit obligations, net of tax	–	–	(1)	–	–	–	(1)
Exchange differences on translation of foreign operations	–	–	–	–	64	–	64
Equity trading	680	–	–	–	–	–	680
Issuance of perpetual securities	(29)	–	–	–	–	–	(29)
Final 2021 dividend declared	–	–	–	–	–	(3,293)	(3,293)
Interest on perpetual securities	–	–	–	–	–	(1,622)	(1,622)
Transfer to statutory surplus reserve	–	743	–	–	–	(743)	–
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	–	399	–	(3,988)	–	3,589	–
At 31 December 2022	21,754	9,573	62	5,412	(13)	33,043	69,831

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 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

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

TERMS & GLOSSARIES

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 2022 to be held in 2023
"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
"CCCC" or "Company"	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 Capital"	CCCC Capital Holdings Limited* (中交資本控股有限公司), a subsidiary of the Company
"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 Construction"	CCCC Construction Group Co., Ltd.* (中交建築集團有限公司), a subsidiary of the Company
"CCCC Haifeng"	CCCC Haifeng Wind Power Development Co., Ltd.*(中交海峰風電發展股份有限公司), a connected subsidiary of the Company
"CCCC Haifeng Group"	CCCC Haifeng and its subsidiaries
"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 59.63% equity interest in the Company
"CCCG Group"	CCCG and its subsidiaries, excluding the Company and its subsidiaries

TERMS & GLOSSARIES

"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
"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
"One increase, two stabilizations and three improvements"	in 2023, the Company sets the target to ensure that the increase in total profit rate will complete the goal, proposed by SASAC in 2022, for state-owned enterprises to maintain A level, the asset-liability ratio will stay below 75%, the ratio of investment in R&D to operating revenue will be stable at around 3%, and the return on net assets, operating cash ratio and overall labour productivity will be further improved
"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
"Qilianshan Ltd"	Gansu Qilianshan Cement Group Ltd.* (甘肅祁連山水泥集團有限公司), a wholly-owned subsidiary of Qilianshan
"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

TERMS & GLOSSARIES

"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@cccccltd.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

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, China

Authorised representatives of H Shares: WANG Tongzhou, ZHOU Changjiang

H Share registrar:
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

中國交通建設股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

Room 2805, 28th Floor, Convention Plaza Office Tower,
1 Harbour Road, Wanchai, Hong Kong

www.ccccltd.cn