本公告及隨附的上市文件乃按香港聯合交易所有限公司證券上市規則(「上市規則」)規定僅供參考之用,並不構成收購、購買或認購任何證券的邀請或要約。本公告及本文所述任何內容(包括隨附的上市文件)並非任何合同或承諾的依據。*為免生疑,刊發本公告及隨附的上市文件不應被視為就香港法例第32章公司(清盤及雜項條文)條例而言由本發行人(定義見下文)或其代表刊發的招股章程提出的證券發售要約,亦不屬於香港法例第571章證券及期貨條例所指其中載有向公眾人士發出邀請以訂立或發出要約以訂立有關購買、出售、認購或承銷證券的協議的廣告、邀請或文件。*

*本公告及隨附的上市文件不構成於美國或在未有根據當地證券法例登記或取得資格前作出有關要約、邀請或出售即屬違法之任何其他司法權區要約出售或邀請購買任何證券。本公告所述證券並未及將不會根據1933年美國證券法(經修訂)(「**證券法**」)登記,亦不得在美國境內或向任何美國人士直接或間接散佈或傳播(「美國人士」如證券法中的S條例所定義,且包括根據第13959號行政命令(由第14032號行政命令修訂或不時修訂,統稱「行政命令」)或《中國軍事工業複合體制裁法規》(31 CFR第586部分)(「CMIC制裁法規」)中的相關定義),惟獲豁免證券法登記規定或毋須遵守證券法登記規定,且未被行政命令或CMIC制裁法規禁止的交易除外。因此,該證券僅向美國境外的非美國人進行離岸交易並符合證券法S條例的規定提供和出售。*

香港投資者謹請注意:*發行人及擔保人(定義見下文)確認債券(定義見下文)擬僅供專業投資者(定義見上市規則第37章)購買,並將按該基準於香港聯合交易所上市。發行人及擔保人確認債券不適合作為香港零售投資者之投資。投資者應審慎考慮所涉及的風險。*

刊發發售通函

CCCI Treasure Limited

(於英屬維爾京群島註冊成立的有限公司)

(「發行人」)

2,200,000,000人民幣於2027年到期利率為2.46%的綠色擔保債券

(債券代號:84578)

(「債券」)

由

中國交通建設股份有限公司

CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

(於中華人民共和國註冊成立的股份有限公司)

(股份代號:1800)

(「擔保人」)

提供無條件及不可撤回地擔保

聯席全球協調人、聯席牽頭經辦人及聯席簿記管理人

中信証券　華泰國際　中銀國際　星展銀行有限公司

聯席牽頭經辦人及聯席簿記管理人

中國農業銀行股份有限公司香港分行　工銀亞洲　海通國際

聯席綠色顧問

中信證券　華泰國際

聯席經辦人

農銀國際　集友銀行有限公司

本公告乃根據上市規則第37.39A條刊發。

請參閱本公告隨附的日期為2024年10月17日的與債券相關的發售通函(「**發售通函**」)。發售通函僅以英文刊發，並無刊發發售通函的中文版。誠如發售通函所述，債券僅供專業投資者(定義見上市規則第37章)購買，並按該基準於香港聯合交易所有限公司上市。

發售通函並不構成向任何司法權區的公眾提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，且並非向公眾發出邀請以就認購或購買任何證券作出要約，亦非供傳閱以邀請公眾就認購或購買任何證券作出要約。

中國，北京
2024年10月25日

於本公告日期，發行人的唯一董事為俞曉東。

於本公告日期，擔保人董事為王彤宙、王海懷、劉翔、劉輝#、陳永德#、武廣齊#及周孝文#。

 # 獨立非執行董事

附件
2024年10月17日的發售通函

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR TO ANY U.S. PERSONS

UNLESS OTHERWISE SPECIFIED, REFERENCES TO "U.S. PERSONS" IN THIS DOCUMENT SHALL INCLUDE ANY PERSON THAT IS A U.S. PERSON AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND ANY PERSON THAT IS A U.S. PERSON AS DEFINED IN EXECUTIVE ORDER 13959 (AS AMENDED BY EXECUTIVE ORDER 14032 OR FROM TIME TO TIME AND TOGETHER, THE "EXECUTIVE ORDER") OR THE CHINESE MILITARY-INDUSTRIAL COMPLEX SANCTIONS REGULATIONS (31 CFR PART 586) (THE "CMIC SANCTIONS REGULATION"). REFERENCES TO "NON-U.S. PERSON" MEANS ANY PERSON OTHER THAN A U.S. PERSON.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to this offering circular following this page (the "Offering Circular"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access.

Restrictions: The Offering Circular is being furnished in connection with an offering in offshore transactions to Non-U.S. Persons outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein. **Only Non-U.S. Persons outside the United States are eligible to receive the Offering Circular. Recipients of the Offering Circular are reminded to ensure that they are not engaging in a prohibited transaction under the Executive Order and associated subsequent guidance or the CMIC Sanctions Regulation.**

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF BONDS FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS (AS DEFINED IN THE OFFERING CIRCULAR) AND THE GUARANTEE THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE BONDS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS AND SUCH TRANSACTION IS NOT PROHIBITED BY THE EXECUTIVE ORDER OR THE CMIC SANCTIONS REGULATION. THIS OFFERING IS MADE SOLELY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT. IN ADDITION, THE BONDS ARE NOT OFFERED OR SOLD TO ANY UNITED STATES CITIZEN, UNITED STATES PERMANENT RESIDENT ALIEN, ENTITY ORGANISED UNDER THE LAWS OF THE UNITED STATES OR ANY JURISDICTION WITHIN THE UNITED STATES (INCLUDING FOREIGN BRANCHES), OR ANY PERSON IN THE UNITED STATES.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES OR TO ANY U.S. PERSONS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Bonds, investors must not be located in the United States. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to CCCI Treasure Limited (the "Issuer"), China Communications Construction Company Limited (the "Guarantor" or the "Company") and CLSA Limited, Huatai Financial Holdings (Hong Kong) Limited, BOCI Asia Limited, DBS Bank Ltd., Agricultural Bank of China Limited Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited and Haitong International Securities Company Limited (the "Joint Lead Managers") that (1) you are not (a) a U.S. Person as defined in the Executive Order or the CMIC Sanctions Regulation as any "United States citizen, permanent resident alien, entity organised under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States", or a U.S. Person as defined in the Securities Act or (b) engaging the Joint Lead Managers to enter into any transactions for or on behalf of any U.S. Person and in respect of each transaction that any Joint Lead Manager or any of its subsidiaries/affiliates enters into with you, any of your subsidiaries/affiliates, any of your parent companies or any of their subsidiaries/affiliates which relates to the Offering Circular, such transaction shall not involve the participation of, or otherwise facilitate dealings with, any U.S. Person that is not authorised by the Executive Order or the CMIC Sanctions Regulation; (2) you and any customers you represent are Non-U.S. Persons outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions; and (3) that you consent to delivery of the Offering Circular and any amendments or supplements thereto by electronic transmission.

The Offering Circular has been made available to you the electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Guarantor, the Joint Lead Managers, the Trustee (as defined herein), the Agents (as defined herein) nor any of their affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

Restrictions: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers to subscribe for or purchase any of the securities described therein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular electronically or otherwise, to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by laws.

If you receive the Offering Circular by e-mail, you should not reply by e-mail to the Offering Circular, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CCCI TREASURE LIMITED

(incorporated in British Virgin Islands with limited liability)

CNY2,200,000,000 2.46 per cent. Guaranteed Green Bonds due 2027

unconditionally and irrevocably guaranteed by

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)

Issue Price: 100.0 per cent.

The CNY2,200,000,000 2.46 per cent. green bonds due 2027 (the "Bonds") will be issued by CCCI Treasure Limited (the "Issuer") and will be unconditionally and irrevocably guaranteed (the "Guarantee") by China Communications Construction Company Limited (the "Guarantor"). The Guarantor is a joint stock limited company incorporated in the People's Republic of China with limited liability and is listed on both the main board of the Shanghai Stock Exchange (Stock Code: 601800 SS) and the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (Stock Code: 1800 HK).

The Bonds will constitute direct, general, unsubordinated, unconditional and (subject to Condition 3 of the terms and conditions of the Bonds (the "Terms and Conditions", and each a "Condition")) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be provided by applicable provisions of laws and regulations. The Guarantee will constitute a direct, general, unsubordinated, unconditional and (subject to paragraph (a) of Condition 3) unsecured obligations of the Guarantor which shall, at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be provided by applicable provisions of laws and regulations.

Payments on the Bonds will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction or any political subdivision or any authority therein or thereof having power to tax, unless the withholding or deduction of the Taxes is required by law. Where such withholding or deduction is made by the Issuer or (as the case may be) the Guarantor as a result of the Issuer or (as the case may be) the Guarantor being deemed to be a PRC tax resident by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax at the rate applicable on 17 October 2024 (the "Applicable Rate"), the Issuer or the Guarantor, as the case may be, will increase the amounts paid by it to the extent required, so that the net amount received by the Holders (as defined in the Terms and Conditions) equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. See "*Terms and Conditions of the Bonds – Taxation*".

The Bonds will bear interest on their outstanding principal amount from and including 24 October 2024 (the "Issue Date") at the rate of 2.46 per cent. per annum, payable semi-annually in arrear on 24 April and 24 October in each year (each an "Interest Payment Date"), commencing on 24 April 2025. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined in Condition 4), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 24 October 2027. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15) to the Holders (which notice shall be irrevocable) to the Trustee (as defined in the Terms and Conditions) and the CMU Lodging and Paying Agent (as defined in the Terms and Conditions) at their principal amount, together with any interest accrued to (but excluding) the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that (i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction (as defined in the Terms and Conditions) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after [•] 2024; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or (ii) (A) if a demand was made under the Guarantee, the Guarantor would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 October 2024 and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Tax Amounts if a payment in respect of the Bonds (or the Guarantee, as the case may be) were then due. At any time following the occurrence of a No Registration Event (as defined in the Terms and Conditions), the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the No Registration Event Put Date (as defined in the Terms and Conditions) at their principal amount, together with any interest accrued to, but excluding, the No Registration Event Put Date. At any time following the occurrence of a Change of Control Event (as defined in the Terms and Conditions), the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the Change of Control Put Date (as defined in the Terms and Conditions) at 101 per cent. of together with any interest accrued to, but excluding, the date fixed for redemption. See "*Terms and Conditions of the Bonds – Redemption and Purchase*". For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*".

The Guarantor shall (i) submit to register or cause the Deed of Guarantee (as defined in the Terms and Conditions) to be submitted for registration with the State Administration of Foreign Exchange of the PRC or its local counterparts ("SAFE") within the prescribed timeframe, in accordance with the Provisions on the Administration of Foreign Exchange of Cross-border Guarantee《跨境擔保外匯管理規定》promulgated by SAFE on 12 May 2014 and the Guidelines for Implementing the Provisions on the Administration of Foreign Exchange of Cross-border Guarantee《跨境擔保外匯管理操作指引》promulgated by SAFE on 12 May 2014 (the "SAFE Registration"); (ii) use its commercially reasonable endeavours to complete the SAFE Registration on or before the Registration Deadline (as defined in the Terms and Conditions) and (iii) ensure that the SAFE Registration remains in full force and effect for so long as the Bonds remain outstanding.

Pursuant to the Administrative Measures for the Review and Registration of Medium and Long-term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (the "NDRC Measures") issued by the National Development and Reform Commission of the PRC (the "NDRC") which came into effect on 10 February 2023 and any implementation rules, reports,} certificates, approvals or guidelines as issued by the NDRC from time to time, the Guarantor has registered the issuance of the Bonds with the NDRC in accordance with the NDRC Measures and obtained the "Enterprise Foreign Debt Pre-Issuance Registration Certificate (企業借用外債審核登記證明)" issued by NDRC in accordance with the NDRC Measures dated 31 May 2024 (the "NDRC Pre-Issuance Registration Certificate"), evidencing such registration which remains valid and in full force and effect. The Guarantor shall within the relevant prescribed timeframes after the Issue Date, file or cause to be filed with the NDRC requisite information and documents in respect of the Bonds in accordance with the NDRC Measures and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time, including but not limited to, the filing with the NDRC the requisite information and documents in respect of the issue of the Bonds within 10 PRC Business Days after the Issue Date (the "NDRC Post-issue Filing").

Investing in the Bonds involves certain risks. See "*Risk Factors*" beginning on page 23.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and such transaction is not prohibited from Executive Order 13959 (as amended by Executive Order 14032 or from time to time and together, the "Executive Order") or the Chinese Military-Industrial Complex Sanctions Regulations (31 CFR Part 586) (the "CMIC Sanctions Regulation"). Accordingly, the Bonds and the Guarantee are being offered and sold only outside the United States to Non-U.S. Persons. Unless otherwise specified, references to "U.S. Persons" in this Offering Circular shall include any person that is a U.S. Person as defined in Regulation S under the Securities Act and any person that is a U.S. Person as defined in the Executive Order or the CMIC Sanctions Regulation. References to "Non-U.S. Person" means any person other than a U.S. Person. For a description of these and certain restrictions on offers and sales of the Bonds and the Guarantee and the distribution of this Offering Circular, see "*Subscription and Sale*" below.

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "Professional Investors") only, and such permission is expected to become effective on 25 October 2024. This offering circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to the Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Guarantor, the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to any U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this offering circular, see "*Subscription and Sale*" below.

The Bonds are expected to be rated "A-" by Fitch Ratings Ltd. ("Fitch"). A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds.

The denomination of the Bonds shall be CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.

The Bonds will be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form which will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator (the "HKMA") of the Central Moneymarkets Unit Service (the "CMU"). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream", together with Euroclear and CMU, the "Clearing Systems", each a "Clearing System"), such persons will hold their interests through an account opened and held by Euroclear or Clearstream (as the case may be) with the CMU.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

CITIC Securities **Huatai International** **BOC International** **DBS Bank Ltd.**

Joint Lead Managers and Joint Bookrunners

Agricultural Bank of China Limited Hong Kong Branch **ICBC (Asia)** **Haitong International**

Joint Green Advisors

CITIC Securities **Huatai International**

Co-Managers

ABC International **Chiyu Banking Corporation Limited**

Offering Circular dated 17 October 2024

IMPORTANT NOTICE

Each of the Issuer and the Guarantor, having made all reasonable enquiries, accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries taken as a whole (collectively, the "Group"), the Bonds and the Guarantee which is material in the context of the issue and offering of the Bonds (including all information which is required by applicable laws of the British Virgin Islands, Hong Kong, PRC or according to the particular nature of the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Bonds and the Guarantee), (ii) the statements of facts contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee are in all material respects true and accurate and not misleading, (iii) the opinions and intentions relating to the Issuer, the Guarantor and the Group expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other material facts relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, the omission of which would, in the context of the issue and offering of the Bonds and the giving of the Guarantee, make any statement in this Offering Circular, in light of the circumstances under which they were made, misleading, and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents (as defined in the Terms and Conditions) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds, the giving of the Guarantee or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, the Guarantor giving the Guarantee and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*". This Offering Circular is personal to each offeree and does not constitute an offer of, or an invitation to purchase, any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised in connection with the issue, offer or sale of the Bonds to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds or the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group, or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them to subscribe for or purchase, any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Bonds exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Bonds offered by this Offering Circular is prohibited. **Only Non-U.S. Persons outside the United States are eligible to receive the Offering Circular. Recipients of this Offering Circular are reminded to ensure that they are not engaging in a prohibited transaction under the Executive Order and associated subsequent guidance or the CMIC Sanctions Regulation. Each offeree of the Bonds, by accepting delivery of this Offering Circular, agrees to the foregoing and is deemed to have represented to the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, representatives and agents that (i) such offeree and any customers it represents are Non-U.S. Persons outside the United States and therefore not (a) a U.S. Person as defined in the Executive Order or the CMIC Sanctions Regulation as any "United States citizen, permanent resident alien, entity organised under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States", or a U.S. Person as defined in the Securities Act or (b) engaging the Joint Lead Managers, the Trustee or any Agent to enter into any transactions for or on behalf of any U.S. Person and (ii) in respect of each transaction that any Joint Lead Manager or any of its subsidiaries/affiliates enters into with such offeree or any customer it represents, any of their respective subsidiaries/affiliates, any of their respective parent companies or any of their subsidiaries/affiliates which relates to this Offering Circular or any Bond, such transaction shall not involve the participation of, or otherwise facilitate dealings with, any U.S. Person that is not authorised by the Executive Order or the CMIC Sanctions Regulation.**

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group for so long as any Bonds remains outstanding nor to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them.

This Offering Circular is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her adviser.

The Issuer and the Guarantor are making the offering in reliance upon exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. For a further description of certain restrictions on the offering and sale of the Bonds, see "*Subscription and Sale*".

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS ACTING AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER- ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor or the Bonds. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the offering of the Bonds, including the merits and risks involved. The Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them are not making any representation to any purchaser of Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor, the Group and the merit and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Guarantor believe this information are reliable, it has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective advisors, affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

None of the Joint Lead Managers accepts any responsibility for any social, environmental and sustainability assessment of the Bonds or makes any representation or warranty or assurance whether the Bonds will meet any investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels or any requirements of such labels as they may evolve from time to time. None of the Joint Lead Managers is responsible for the use or allocation of proceeds for the Bonds, nor the impact or monitoring of such use of proceeds nor do any of the Joint Lead Managers undertake to ensure that there are sufficient Eligible Projects (as defined in the "*Green Finance Framework*") to allow for allocation of a sum equal to the net proceeds of the issue of the Bonds in full.

Sustainable Fitch has issued an independent opinion, dated June 2024, on the Issuer's Green Finance Framework (the "Second Party Opinion"). The Second Party Opinion provides an opinion on certain environmental and related considerations and is not intended to address any credit, market or other aspects of an investment in the Bonds, including without limitation market price, marketability, investor preference or suitability of any security. The Second Party Opinion is a statement of opinion, not a statement of fact. No representation or assurance is given by the Joint Lead Mangers as to the suitability or reliability of the Second Party Opinion or any opinion or certification of any third party made available in connection with the Bonds. As at the date of this Offering Circular, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. The Second Party Opinion and any other such opinion or certification is not, nor should be deemed to be, a recommendation by the Joint Lead Managers, or any other person to buy, sell or hold the Bonds and is current only as of the date it is issued. The criteria and/or considerations that formed the basis of the Second Party Opinion or any such other opinion or certification may change at any time and the Second Party Opinion may be amended, updated, supplemented, replaced and/or withdrawn. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein. The Issuer's Green Finance Framework may also be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Offering Circular. The Issuer's Green Finance Framework, the Second Party Opinion and any other such opinion or certification does not form part of, nor is incorporated by reference in, this Offering Circular.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Joint Lead Managers, are "capital market intermediaries" ("CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "SFC Code"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("OCs") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (**Association**) with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor, or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Joint Lead Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2021, 2022 and 2023 included in this Offering Circular have been extracted from the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2022 (the "2022 Financial Statements") and 2023 (the "2023 Financial Statements", together with the 2022 Financial Statements, "the 2022 and 2023 Financial Statements") and included elsewhere in this Offering Circular together with the auditor's report in respect of such financial year. The 2022 and 2023 Financial Statements have been prepared and presented in accordance with International Financial Reporting Standards ("IFRS") and have been audited by the Guarantor's independent auditor, Ernst & Young ("E&Y").

The unaudited condensed consolidated financial information of the Guarantor as at and for the six months ended 30 June 2024 included in this Offering Circular has been extracted from the Guarantor's interim condensed consolidated financial statements as at and for the six months ended 30 June 2024 (together with comparative financial information for the six months ended 30 June 2023) (the "2024 Interim Financial Information"). The 2024 Interim Financial Information has been prepared in accordance with International Accounting Standard 34 "Interim Financing Reporting" and has been reviewed by E&Y.

CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references in this Offering Circular to "Renminbi" and "RMB" are to the lawful currency of the PRC, "U.S. dollars", "U.S.$" and "USD" are to the lawful currency of the United States of America, "Hong Kong dollars", "HK$" and "HKD" are to the lawful currency of Hong Kong, Sterling and "£" are to the lawful currency of the United Kingdom, "Singapore dollars" and "S$" are to the lawful currency of the Republic of Singapore, the "PRC" and "China" mean the People's Republic of China which for the purpose of this Offering Circular excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan, "Hong Kong" means the Hong Kong Special Administrative Region of the PRC, and "Macau" means the Macau Special Administrative Region of the PRC.

In this Offering Circular, where information has been presented in thousands, millions, or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements". All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding the Guarantor's and the Group's future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Guarantor or the Group participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "will", "may", "anticipate", "seek", "should", "estimate" or similar expressions or the negatives thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Guarantor's or the Group's control, which may cause its actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Guarantor's and the Group's present and future business strategies and the environment in which the Guarantor or the Group will operate in the future. Important factors that could cause the Guarantor's or the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- industry risks;
- general economic, political, social conditions and developments in China;
- the Group's business and operating strategies;
- the Group's capital expenditure plans;
- various business opportunities that the Group may pursue;
- the Group's operations and business prospects;
- the Group's financial condition and results of operations;
- fluctuation in price and availability of raw materials;
- availability and charges of bank loans and other forms of financing;
- changes in competitive conditions and its ability to compete under these conditions;
- changes in currency exchange rates; and
- other factors beyond the Group's control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" and elsewhere in this Offering Circular. The Issuer and the Guarantor caution investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular. Neither the Issuer nor the Guarantor undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

CONTENTS

DEFINITIONS

In this Offering Circular, unless the context otherwise requires, the following expressions shall have the following meanings.

CCCC	China Communications Construction Company Limited 中國交通建設股份有限公司, 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
CCCG	China Communications Construction Group
CCCI	CCCC International Holding Limited (中交國際(香港)控股有限公司), a subsidiary of the Guarantor incorporated under the laws of Hong Kong with limited liability
CHEC	China Harbour Engineering Company Ltd., a subsidiary of the Guarantor
CRBC	China Road & Bridge Corporation, a subsidiary of the Guarantor
ESG	Environmental, Social and Governance
GB	PRC national standards issued by the Standardisation Administration of the PRC
ISO	International standards issued by the International Organisation for Standardisation
SASAC	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
SOE	State-owned enterprise
ZPMC	Shanghai Zhenhua Heavy Industry Co., Ltd, a company incorporated on 14 February 1992 in the PRC and listed on the Shanghai Stock Exchange
ZPMC A Shares	Domestic shares in the ordinary share capital of ZPMC with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange under the stock code 600320 and traded in RMB
ZPMC B Shares	Domestically-listed foreign invested shares in the ordinary share capital of ZPMC with nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange under the stock code 900947 and traded in foreign currency

SUMMARY

The summary below is intended only to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to investors. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including "Risk Factors", to determine whether an investment in the Bonds is appropriate.

OVERVIEW

The Guarantor was incorporated as a joint stock limited company with limited liability under PRC law on 8 October 2006. The Guarantor is an important subsidiary of CCCG, which is under the supervision of central SASAC and is one of the largest central SOEs in infrastructure construction and design in the PRC by revenue according to ENR. In the Operating Results assessments of State-owned Enterprises conducted by the SASAC, CCCG has been rated as a Grade A enterprise for eighteen consecutive years and it ranked the first among Chinese enterprises in ENR's Top International Contractors for seventeen consecutive years. In 2023, CCCG's rank in Fortune Global 500 Companies soared to the 63rd place, which is attributable to the continual increase of CCCG's comprehensive strength. As an important holding subsidiary of CCCG, 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 Group is an established PRC market leader in its three core business segments of infrastructure construction, infrastructure design and dredging. The Group has been leveraging its extensive experience in its core business segments to shift towards an investment operation strategy which utilises an integrated, full value chain model both domestically and internationally, which enables the Group to provide extensive services and products to its customers, including research and development, planning, survey, design, construction, supervision, maintenance, operation, investment and financing. This has in turn increased the Group's competitiveness in its traditional businesses, and as a result, the Group has developed from being an established PRC market leader to a global competitor in its core business segments. The Guarantor had 36 principal wholly-owned or controlled subsidiaries. The Guarantor operates its businesses throughout China, including Hong Kong and Macau, and has established its global presence in 139 countries and regions.

Through designing and constructing in state-level engineering construction projects, the Company 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 Company 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, etc. Meanwhile, the Company proactively participated in the railway projects of "Going Global", and the Mombasa-Nairobi Railway in Kenya and the Nairobi-Maraba Railway Phase I Project were independently designed and constructed by the Company on the basis of the construction standards of railway in China. A number of overseas projects of the Company have won the Luban Award, the National Quality Project Award and the ENR's awards, and have established a number of landmark projects, quality projects, and people's livelihood projects overseas.

The following table sets forth the breakdown of the Group's revenue and gross profit by business segments before elimination of inter-segment sales and unallocated profits for the periods indicated:

	Year Ended 31 December											
	2021[1]				2022				2023			
	Revenue	% of the total revenue	Gross profit	% of the total gross profit	Revenue	% of the total revenue	Gross profit	% of the total gross profit	Revenue	% of the total revenue	Gross profit	% of the total gross profit
	(RMB in millions, except percentages)											
Infrastructure construction	608,593	85.3	68,706	81.7	634,246	84.1	67,237	80.4	667,802	84.7	77,179	81.7
Infrastructure design	47,595	6.7	8,488	10.1	50,279	6.7	8,281	9.9	47,302	6.0	8,731	9.2
Dredging	42,973	6.0	5,825	6.9	51,017	6.8	6,904	8.2	53,506	6.8	7,136	7.6
Other businesses	14,601	2.0	1,055	1.3	18,225	2.4	1,289	1.5	19,328	2.5	1,413	1.5
Inter-segment elimination and unallocated profit/(costs)	(30,977)	–	450	–	(34,683)	–	(19)	–	(32,292)	–	69	–
Total	**682,785**	**100**	**84,524**	**100**	**719,084**	**100**	**83,692**	**100**	**755,646**	**100**	**94,528**	**100**

	Six Months Ended 30 June							
	2023				2024			
	Revenue	% of the total revenue	Gross profit	% of the total gross profit	Revenue	% of the total revenue	Gross profit	% of the total gross profit
	(RMB in millions, except per centages)							
Infrastructure construction	327,822	85.5	33,379	83.6	318,681	85.2	34,118	81.9
Infrastructure design	19,352	5.1	3,315	8.3	17,342	4.6	3,230	7.8
Dredging	26,059	6.8	2,660	6.7	26,894	7.2	3,177	7.6
Other businesses	9,943	2.6	560	1.4	11,177	3.0	1,106	2.7
Inter-segment elimination and unallocated profit/(costs)	(17,831)	–	(5)	–	(18,084)	–	(35)	–
Total	**365,345**	**100**	**39,909**	**100**	**356,010**	**100**	**41,596**	**100**

Notes:

(1) The contributions by each of the Group's business segments in terms of revenue and as a percentage of its total revenue before elimination of inter-segment sales and unallocated profits for the year ended 31 December 2021 have been adjusted to exclude the heavy-machinery manufacturing business.

(2) Other businesses comprise manufacturing, sales of material, fund investments and the rest of the business in the former manufacture of heavy machinery business segment following the disposal of ZPMC.

The following table sets forth the Group's revenue by geographic regions for the periods indicated:

	Year Ended 31 December		
	2021	2022	2023
	(RMB in millions)		
The PRC (excluding Hong Kong and Macau)	588,410	620,706	639,710
Other regions	94,375	98,378	115,936
Total	**682,785**	**719,084**	**755,646**

	Six Months Ended 30 June	
	2023	2024
	(RMB in millions)	
The PRC (excluding Hong Kong and Macau)	309,081	286,551
Other regions	56,264	69,459
Total	**365,345**	**356,010**

During the six months ended 30 June 2024, the value of new contracts of the Group amounted to RMB960,867 million, representing a year-on-year increase of 8.4%, which was mainly due to the increased construction demand from overseas projects, urban construction and other fields. The Group continuously improved the business structure, steadily expanded the scale of cash remittance and significantly enhanced the quality and efficiency of investment. As at 30 June 2024, the Group's backlog amounted to RMB3,536,243 million.

During the six months ended 30 June 2024, the value of new contracts of all businesses from overseas markets of the Group amounted to RMB196,065 million, representing a year-on-year increase of 38.9%, and accounting for approximately 20% of the Group's new contracts value. Wherein, the total new contract value of projects with each contract value of over US$300 million amounted to US$13,798 million, accounting for 50% of total value of all overseas new contracts of the Group.

The Group mainly conducts the following businesses:

- ***Infrastructure construction***, the traditional and core business of the Group. The scope of the Group's 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 in the PRC and abroad;

- ***Infrastructure design***, the scope of the Group's 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; and

- ***Dredging***, the scope of the Group's 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.

RECENT DEVELOPMENTS

Recent Issuances of Bonds

On 8 August 2024, the Issuer issued RMB2,100,000,000 2.90 per cent. bonds that were guaranteed by the Guarantor. On 19 August 2024, the Issuer issued RMB2,800,000,000 2.88 per cent. bonds that were gurarantееd by the Guarantor.

Appointment of Board Secretary

On 26 July 2024, Mr. Liu Zhengchang was appointed as the board secretary of the Guarantor with a term of office commencing from the same date to the date of expiry of the fifth session of the board. See "*Directors, Supervisors and Senior Management – Senior Management*" for Mr. Liu's biography.

COMPETITIVE STRENGTHS

The growth and development of the Group can be primarily attributed to the following core competitive strengths:

- Enhance the Strength and Expertise of the Main Responsibility and Principal Business, and Forge the Integration Advantages of the Full Industry Chain.

- Actively Advance the Upgrading of "Company Internationalization" and Jointly Build the Belt and Road with High Quality.

- Continue to Optimise the Business Layout of "Big City" and Take on the Mantle of Steady Growth.

- Accelerate the Construction of Emerging Business Layout and Build New Quality Productive Forces with CCCC Characteristics.

- Be the "National Team" of Technological Innovation and Advance towards a World's Leading "Sci-Tech" Enterprise.

- Make New Achievements in Business Qualifications.

- Keep Improving the Market Value Management System and Continuously Enhance the Value Creation Capability of Listed Companies.

BUSINESS STRATEGIES

The development strategy of the Group is closely aligned with that of CCCG and emphasizes steadfastly adhering to high-quality development. The Group is committed to the "1-2-3-4-5-6" overall development strategy, unwavering in its mission to become stronger, better and bigger, and determined to build a world-class enterprise:

- One – One Enhancement.

- Two – Focusing on "Two Majors, Two Preferences, Two Foundations".

- Three – Concentrating on "Three Key Areas".

- Four – Adhering to the "Four Doings".

- Five – Promoting the "Five Businesses of CCCC".

- Six – Accelerating the Sixisations.

THE OFFERING

The following summary contains some basic information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" shall have the same meanings in this summary. For a complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.

Issuer	CCCI Treasure Limited.
Issuer Legal Entity Identifier (LEI)	222100QYJA4A1WYR6697.
Guarantor	China Communications Construction Company Limited (中國交通建設股份有限公司).
Issue	CNY2,200,000,000 2.46 per cent. Guaranteed Green Bonds due 2027.
Issue Price	100.0 per cent.
Guarantee	The Guarantor will in the Deed of Guarantee unconditionally and irrevocably guarantee the due and punctual payment in full of all sums expressed to be from time to time payable by the Issuer under the Trust Deed and in respect of the Bonds.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.46 per cent. per annum, payable semi-annually in arrears on 24 April and 24 October in each year, commencing on 24 April 2025. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined in Condition 4), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.
Issue Date	24 October 2024.
Maturity Date	The Interest Payment Date falling on, or nearest to, 24 October 2027.
Status of the Bonds	The Bonds constitute direct, general, unsubordinated, unconditional and (subject to paragraph (a) of Condition 3) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be provided by applicable provisions of laws and regulations.
Status of the Guarantee	The Guarantee will constitute a direct, general, unsubordinated, unconditional and (subject to paragraph (a) of Condition 3) unsecured obligations of the Guarantor which shall, at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be provided by applicable provisions of laws and regulations.

Negative Pledge	The Terms and Conditions contain a negative pledge provision, as further described in Condition 3(a).
Events of Default	The Bonds contain certain events of default provisions, as further described in Condition 8.
Taxation	All payments of principal, premium (if any) and interest in respect of the Bonds, the Trust Deed and under the Guarantee by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction or any political subdivision or any authority therein or thereof having power to tax, unless the withholding or deduction of the Taxes is required by law. Where such withholding or deduction is made by the Issuer or (as the case may be) the Guarantor as a result of the Issuer or (as the case may be) the Guarantor being deemed to be a PRC tax resident by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax at the rate applicable on 17 October 2024, the Issuer or the Guarantor, as the case may be, will increase the amounts paid by it to the extent required, so that the net amount received by the Holders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer or the Guarantor is required to make (i) such deduction or withholding by or within the PRC, in excess of the Applicable Rate; or (ii) any deduction or withholding by or within the British Virgin Islands, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except as further described in Condition 7.
Final Redemption	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 24 October 2027.
Redemption for Tax Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15) to the Holders (which notice shall be irrevocable) to the Trustee and the CMU Lodging and Paying Agent at their principal amount, together with any interest accrued to, but excluding, the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 October 2024; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) if a demand was made under the Guarantee, the Guarantor would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 October 2024 and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Tax Amounts if a payment in respect of the Bonds (or the Guarantee, as the case may be) were then due.

Redemption upon a No Registration .... At any time following the occurrence of a No Registration Event, the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the No Registration Event Put Date at their principal amount, together with any interest accrued to (but excluding) the No Registration Event Put Date, as further described in Condition 5(c).

Redemption upon a Change of Control Triggering Event .... At any time following the occurrence of a Change of Control Event, the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the Change of Control Put Date at 101 per cent. of their principal amount together with any interest accrued to (but excluding) the date fixed for redemption, as further described in Condition 5(d).

Clearing System	The Bonds will be represented by beneficial interests in the Global Certificate in registered form which will be registered in the name of, and lodged with a sub-custodian for the HKMA as the operator of the CMU. Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear and Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream (as the case may be) with the CMU. Except under the limited circumstances as described in "*Summary of Provisions Relating to the Bonds in Global Form*", individual certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
ISIN	HK0001051124.
Common Code	288656738.
CMU Instrument Number	BOAKFB24088.
Governing Law and Jurisdiction . . .	English law with the exclusive jurisdiction of Hong Kong courts.
Trustee, CMU Lodging and Paying Agent, Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Listing.	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence 25 October 2024.
Rating	The Bonds are expected to be rated "A-" by Fitch. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds.
Use of Proceeds	See "*Use of Proceeds*".

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

The summary audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2021, 2022 and 2023 set forth below is derived from the Guarantor's 2022 Annual Financial Statements and the Guarantor's 2023 Annual Financial Statements (which have been audited by E&Y). The 2024 Interim Financial Information has been extracted from the Guarantor's interim condensed consolidated financial statements as at and for the six months ended 30 June 2024. The 2024 Interim Financial Information has been prepared in accordance with International Accounting Standard 34 "Interim Financing Reporting" and has not been audited but reviewed by E&Y.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Guarantor, which are included in the F-pages of this Offering Circular. Historical results are not necessarily indicative of results that may be achieved in any future period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE GUARANTOR

	For the year ended 31 December			For the six months ended 30 June	
	2021(1)	**2022(2)**	**2023**	**2023(3)**	**2024**
	(audited) (restated)	**(audited) (restated)**	**(audited)**	**(unaudited) (restated)**	**(unaudited)**
			(RMB in millions)		
Revenue	**682,785**	**719,084**	**755,646**	**365,345**	**356,010**
Cost of sales	(598,261)	(635,392)	(661,118)	(325,436)	(314,414)
Gross profit	**84,524**	**83,692**	**94,528**	**39,909**	**41,596**
Other income	5,441	5,363	5,568	2,730	3,046
Other gains, net	(1,438)	3,404	(325)	439	(210)
Selling and marketing expenses	(1,451)	(2,019)	(2,543)	(973)	(1,399)
Administrative expenses	(42,861)	(44,139)	(47,588)	(18,365)	(18,910)
Impairment losses on financial and contract assets, net	(6,946)	(9,735)	(7,901)	(2,865)	(2,173)
Other expenses	(2,727)	(2,564)	(2,784)	(1,131)	(1,423)
Operating profit	**34,542**	**34,002**	**38,955**	**19,744**	**20,527)**
Finance income	14,609	21,320	23,896	11,046	10,696
Finance costs, net	(19,540)	(21,911)	(24,310)	(11,503)	(11,649)
Share of profits and losses of:					
– Joint ventures	(614)	(666)	(1,409)	(715)	(896)
– Associates	790	343	406	218	291
Profit before tax	**29,787**	**33,088**	**37,538**	**18,790**	**18,969**
Income tax expense	(5,928)	(7,117)	(6,397)	(3,224)	(3,814)
Profit for the year/period	**23,859**	**25,971**	**31,141**	**15,566**	**15,155**
Attributable to:					
– Owners of the parent	18,349	20,226	24,734	12,413	12,022
– Non-controlling interests	5,510	5,745	6,407	3,153	3,133
Earnings per share attributable to ordinary equity holders of the parent					
Basic	RMB1.04	RMB1.15	RMB1.45	RMB0.73	RMB0.70
Diluted	RMB1.04	RMB1.15	RMB1.45	RMB0.73	RMB0.70

Notes:

(1) On 30 September 2022, the Group acquired a 100 per cent. interest in Chenzhou Road Construction Equipment Co., Ltd. from China Communications Construction Group (Limited) ("CCCG"). As a result, the consolidated financial statements of the Group as at and for the year ended 31 December 2021 have been restated.

(2) As a result of the business combination of Zhongjiao Dingxin Equity Investment Management Co., LTD, China Southwest Municipal Engineering Design & Research Institute Co., Ltd., China Northeast Municipal Engineering Design & Research Institute Co., Ltd. and CCCC Urban Energy Research and Design Institute Co. Ltd. under common control in 2023, the consolidated statement of profit or loss of the Group for the year ended 31 December 2022 has been restated.

(3) China Communications (Xiamen) E-commerce Co., Ltd. ("China Communications E-commerce") is a subsidiary of China Communications Information Technology Group Co., Ltd., which is also controlled by CCCG. During the six months ended 30 June 2024, CCCC Materials Co., Ltd., a subsidiary of the Company, increased capital to China Communications Ecommerce at a consideration of RMB113,180,798. Upon completion of the transaction, the Group held 57% equity interest in China Communications E-commerce and obtained control over it. Since China Communications E-commerce 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 China Communications E-commerce are consolidated by the Group using the existing book values from the CCCG's 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 China Communications E-commerce and the consideration directly credited to equity. The comparative figures of the consolidated financial statements as of and for the six months ended 30 June 2023 have also been restated as a result of the merger accounting.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE GUARANTOR

	For the year ended 31 December			For the six months ended 30 June	
	2021[1]	**2022[2]**	**2023**	**2023[3]**	**2024**
	(audited) (restated)	**(audited) (restated)**	**(audited)**	**(unaudited) (restated)**	**(unaudited)**
			(RMB in millions)		
Profit for the year/period	**23,859**	**25,971**	**31,141**	**15,566**	**15,155**
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	(22)	–	(2)	(4)	(20)
Share of other comprehensive income of joint ventures and associates	–	1	–	2	7
Changes in fair value of equity investments designated at fair value through other comprehensive income/(losses), net of tax	68	(4,825)	(2,734)	(1,095)	2,577
Net other comprehensive income/(losses) that will not be reclassified to profit or loss in subsequent periods	46	(4,824)	(2,736)	(1,097)	2,564
Other comprehensive income/(losses) that may be reclassified to profit or loss in subsequent periods, net of tax					
Cash flow hedges, net of tax	2	(10)	(4)	2	2
Share of other comprehensive income/(losses) of joint ventures and associates	(39)	338	24	6	(293)
Exchange differences on translation of foreign operations	(1,522)	3,091	617	1,674	(506)
Net other comprehensive income/(losses) that may be reclassified to profit or loss in subsequent periods	(1,559)	3,419	637	1,682	(797)
Other comprehensive losses for the year, net of tax	**(1,513)**	**(1,405)**	**(2,099)**	**585**	**1,767**
Total comprehensive income for the year	**22,346**	**24,566**	**29,042**	**16,151**	**16,922**
Attributable to:					
– Owners of the parent	16,875	18,643	22,618	12,925	13,791
– Non-controlling interests	5,471	5,923	6,424	3,226	3,131

Notes:

(1) On 30 September 2022, the Group acquired a 100 per cent. interest in Chenzhou Road Construction Equipment Co., Ltd. from CCCG. As a result, the consolidated financial statements of the Group as at and for the year ended 31 December 2021 have been restated.

(2) As a result of the business combination of Zhongjiao Dingxin Equity Investment Management Co., LTD, China Southwest Municipal Engineering Design & Research Institute Co., Ltd., China Northeast Municipal Engineering Design & Research Institute Co., Ltd. and CCCC Urban Energy Research and Design Institute Co. Ltd. under common control in 2023, the consolidated statement of comprehensive income of the Group for the year ended 31 December 2022 has been restated.

(3) China Communications E-commerce is a subsidiary of China Communications Information Technology Group Co., Ltd., which is also controlled by CCCG. During the six months ended 30 June 2024, CCCC Materials Co., Ltd., a subsidiary of the Company, increased capital to China Communications E-commerce at a consideration of RMB113,180,798. Upon completion of the transaction, the Group held 57% equity interest in China Communications E-commerce and obtained control over it. Since China Communications E-commerce 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 China Communications E-commerce are consolidated by the Group using the existing book values from the CCCG's 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 China Communications E-commerce and the consideration directly credited to equity. The comparative figures of the consolidated financial statements as of and for the six months ended 30 June 2023 have also been restated as a result of the merger accounting.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GUARANTOR

	As at 31 December			As at 30 June
	2021[1]	2022[2]	2023	2024
	(audited) (restated)	(audited) (restated)	(audited)	(unaudited)
	(RMB in millions)			
Non-current assets				
Property, plant and equipment	61,251	60,705	75,102	76,795
Investment properties	6,697	10,633	9,583	10,338
Right-of-use assets	17,322	18,274	20,353	20,263
Intangible assets	229,094	219,538	200,548	213,952
Investments in joint ventures	44,578	51,731	59,671	59,383
Investments in associates	40,757	47,588	53,820	54,867
Financial assets at fair value through profit or loss	14,249	21,489	27,316	26,901
Derivative financial instruments	–	681	413	335
Debt investments at amortised cost	530	1,629	1,240	1,230
Equity investments designated at fair value through other comprehensive income	30,095	24,127	21,425	24,940
Contract assets, trade and other receivables	371,774	432,904	518,534	300,815
Deferred tax assets	7,190	7,849	10,117	10,222
Total non-current assets	**823,537**	**897,148**	**998,122**	**1,073,060**
Current assets				
Inventories	73,067	78,263	88,021	96,511
Contract assets, trade and other receivables	387,907	426,537	472,446	566,095
Financial assets at fair value through profit or loss	1,319	1,300	838	628
Debt investments at amortised cost	20	135	–	–
Derivative financial instruments	606	7	–	–
Restricted bank deposits and time deposits with an initial term of over three months	8,773	9,660	10,729	8,702
Cash and cash equivalents	95,880	103,663	110,204	119,852
Assets of a disposal group classified as held for sale	–	–	3,902	2
Total current assets	**567,572**	**619,565**	**686,140**	**791,790**
Current liabilities				
Trade and other payables	435,998	485,138	564,336	620,847
Contract liabilities	80,033	77,420	73,476	69,597
Derivative financial instruments	1	7	5	2
Tax payable	6,950	8,010	9,662	6,791
Interest-bearing bank and other borrowings	76,292	93,704	111,912	181,670
Retirement benefit obligations	109	101	102	102
Liabilities directly associated with the assets classified as held for sale	–	–	2,688	–
Total current liabilities	**599,383**	**664,380**	**762,181**	**879,009**
Non-current liabilities				
Trade and other payables	34,975	41,989	53,121	58,343
Interest-bearing bank and other borrowings	351,844	372,646	399,714	445,683
Deferred income	1,592	1,718	1,633	1,612
Deferred tax liabilities	7,438	4,476	4,379	6,107
Retirement benefit obligations	796	847	907	877
Provisions	3,686	3,165	3,203	3,520
Total non-current liabilities	**400,331**	**424,841**	**462,957**	**516,142**
Net assets	**391,395**	**427,492**	**459,124**	**469,699**
Equity				
Equity attributable to owners of the parent				
Share capital	16,166	16,166	16,264	16,279
Share premium	19,625	19,625	20,049	20,109
Treasury shares	–	–	(522)	(597)
Financial instruments classified as equity	33,959	37,988	35,000	35,000
Reserves	190,641	208,721	230,943	238,274
Non-controlling interests	131,004	144,992	157,390	160,634
Total equity	**391,395**	**427,492**	**459,124**	**469,699**

Notes:

(1) On 30 September 2022, the Group acquired a 100 per cent. interest in Chenzhou Road Construction Equipment Co., Ltd. from CCCG. As a result, the consolidated financial statements of the Group as at and for the year ended 31 December 2021 have been restated.

(2) As a result of the business combination of Zhongjiao Dingxin Equity Investment Management Co., LTD, China Southwest Municipal Engineering Design & Research Institute Co., Ltd., China Northeast Municipal Engineering Design & Research Institute Co., Ltd. and CCCC Urban Energy Research and Design Institute Co. Ltd. under common control in 2023, the consolidated statement of financial position of the Group as at 31 December 2022 has been restated.

RISK FACTORS

Prospective purchasers of any Bonds should carefully consider the risk factors set forth below, as well as the other information contained elsewhere in this Offering Circular. The risks described below are not the only ones that may affect the Issuer, the Guarantor, the Group or the Bonds. Additional risks and uncertainties which the Issuer or the Guarantor is not aware of or that the Issuer or the Guarantor currently believes are immaterial may also adversely affect the Group's financial condition or results of operations. If any of the possible events described below occur, the Group's financial condition or results of operations could be materially and adversely affected. In such case, the Issuer or the Guarantor may not be able to satisfy their respective obligations under the Bonds, and investors could lose all or part of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's business is subject to extensive laws and regulations in the markets in which the Group operates.

The Group's business is subject to extensive government regulations in all of the jurisdictions in which the Group operates. The Group must comply with various requirements mandated by laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations or guidance (including, but not limited to, state-owned assets administration, foreign investment industrial guidance catalogue and project construction, financing and operation administration) on the contract terms or requirements of infrastructure investments. If the Group fails to adapt its operations to new laws and regulations, the Group's business prospects, results of operations and financial condition may be materially and adversely affected.

The Group receives support from the PRC government and there can be no assurance that the Group will continue to receive such support in the future.

CCCG, the parent company of the Guarantor, is one of the state-owned key backbone companies directly owned by the central government, and the Group has received business and financial support from the PRC government. However, the Group has no control over the grant of subsidies or the policies governing the grant of government subsidies. There can be no assurance that the current government policies that are favourable to the Group will not change in the future and the Group will continue to obtain support from the PRC government. Any changes or withdrawal of support from the PRC government may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's business is affected by the level of growth in the national and regional economies in the PRC, and the general level of activity and growth in the industries in which the Group operates.

The Group derives most of the revenue from the PRC. Thus, its business, financial condition, results of operations and prospects are closely tied to the economic performance of the national and regional economies in the PRC, as well as the vibrancy of the industries in which the Group operates. Fluctuations in economic growth, government expenditure, or investment levels in these sectors can directly impact the demand for the Group's services and its financial health. The infrastructure construction and design sector, where the Group has significant exposure, is particularly susceptible to such economic and policy shifts.

Adverse economic conditions, such as a slowdown or recession, could lead to decreased demand for the Group's developments, falling asset prices, and a contraction in infrastructure construction and design activities, thereby materially affecting the Group's revenues and profitability. Regional economic disparities could further lead to inconsistent performance across the Group's business sectors, complicating management and operational strategies. If the Group is unable to adapt swiftly to changing economic and market conditions or enhance its resilience against economic downturns, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group receives payments in relation to construction projects in stages, and any delay or default in payments from its customers may affect the Group's working capital and cash flow.

Most of the Group's construction projects usually take years to complete and therefore, contracts with respect to the construction operations of the Group generally require its customers to make payments in stages upon the Group achieving project milestones as agreed between the parties. However, the Group incurs costs associated with a project, primarily materials, equipment and labour costs, on an on-going basis, before achieving the relevant project milestones. In the event that the customers delay in making or do not make payments to the Group pursuant to the payment terms in the relevant contracts, the Group bears the risk of not being able to recover the relevant costs and expenditures incurred by it on time or at all. In most cases, for the free maintenance period of a construction project (which typically lasts from one to two years), a portion of the contract value (typically of between five per cent. to ten per cent.) is withheld by its customer as retention money to be paid or released after the free maintenance period.

Events such as late payment settlement resulting from changes in the government's estimates or delayed progress payments or the inability to receive payment as scheduled may result in a large amount of trade and bills receivables and may impact the Group's cash flow, particularly, as it has to expend resources in advance of payment. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group's trade and bills receivables, net of provision, were RMB101,970 million, RMB111,129 million, RMB119,193 million and RMB139,531 million, respectively. The Group's turnover days of average trade and bills receivable, calculated by dividing the arithmetic mean of the opening and closing balances of trade and bills receivable for the relevant year by revenue and multiplying by 365 days (in the case of a full year) or 180 days (in the case of a half year) remained generally stable at 56 days, 54 days and 55 days for the years ended 31 December 2021, 2022 and 2023, and increased slightly to 65 days for the six months ended 30 June 2024. If the Group is not able to effectively control its level of trade and bills receivable and accounts receivable turnover days, its financial condition and results of operations could be materially and adversely affected.

Moreover, defaults in making payments to the Group on projects for which it has already incurred significant costs and expenditures can materially and adversely affect the Group's results of operations and reduce its financial resources that would otherwise be available to fund other projects. In general, the Group makes provisions for impairment of trade and bills receivables, including those relating to payments from customers on on-going or completed projects, where appropriate, based primarily on the period of delay of payment and other factors affecting the perceived likelihood of receivables collection. There is no assurance that the Group's customers will make payment in full on a timely basis or that the Group will be able to efficiently manage the level of bad debt arising from receipt of payments in stages, the failure of which could have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group's businesses and expansion plans require substantial capital investment, and its prospects, financial condition and results of operations are subject to the availability of external financing as well as fluctuations in the costs of external financing.

The Group is the largest dredging enterprise in the world by total hopper storage capacity of its hopper fleet and total engine power of its cutter fleet and revenue according to the IHS International Dredging Directory, and an important platform for infrastructure construction, industrial design and dredging businesses of CCCG, which is one of the largest central SOEs in infrastructure construction and design in the PRC by revenue according to ENR. The Group's business is capital intensive as it requires significant capital to fund its construction, dredging and manufacturing activities, to build, maintain and operate its production and operation facilities and to purchase necessary machinery, production equipment and vessels. For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the Group's capital expenditure was RMB46,304 million, RMB38,882 million, RMB42,886 million, RMB20,405 million and RMB13,942 million, respectively. Whilst the Group's capital expenditure has remained relatively stable during the abovementioned periods, there is no assurance that the Group's capital expenditure will not increase as the Group continues to expand and diversify its businesses. In addition, pursuant to some of the Group's construction contracts, the Group is required to pay costs and expenditures relating to projects prior to receiving sufficient payment from its customers to cover such costs and expenditures.

To the extent that the Group's funding requirements exceed its financial resources, the Group will be required to seek additional debt or equity financing or to defer planned expenditures. The Group has historically financed its working capital requirements and capital expenditures through a combination of internal cash flow from its operations and external financing, including bank and other borrowings, discounted bills as well as equity injection from its shareholders. As at 31 December 2023, the Group had unutilised credit facilities in the amount of RMB1,846,378 million. The Group also maintains a diverse panel of external financing providers, including various domestic large-scale commercial banks, trust companies and financial institutions. In 2023, the Board approved to issue not more than 300 million preference shares to specific subscribers in the PRC under the general mandate to raise total proceeds not exceeding RMB30 billion, which was later approved by the SASAC and was considered and approved by the shareholders in June 2023. In June 2024, the Group's proposed launch of asset-backed securitisation at an amount not exceeding RMB96,000 million, which will be issued in one or more instalments, was approved by way of an ordinary resolution. The Group's ability to obtain external financing in the future and the cost of such financing are subject to a variety of uncertainties, including:

- the condition of financial markets in particular, the credit market and the equity market;
- potential changes in monetary policies with respect to bank interest rates and lending policy;
- the Group's ability to obtain the PRC government approvals required to access domestic or international financing; and
- the performance of each business sector of the Group.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group had total borrowings (which represent the aggregate amount of short-term bank borrowings, bonds payable and other borrowings, current portion of long-term bank borrowings, and long-term bank borrowings, bonds payable and other borrowings) of RMB428,136 million, RMB466,350 million, RMB511,626 million and RMB627,353 million, respectively, representing a gearing ratio (calculated by dividing the Group's net debt by total capital; net debt is calculated as total borrowings less cash and cash equivalent; total capital is calculated as equity plus net debt) of 45.9 per cent., 45.9 per cent., 46.6 per cent. and 51.9 per cent., respectively. Given the increase of the Group's financial leverage, any adverse change in the Group's cash flows from operating activities may weaken its financial condition and adversely affect its ability to repay its borrowings on a timely basis or to obtain external financing or credit on time or on terms acceptable to the Group. As at 30 June 2024, 29.0 per cent. of the Group's total borrowings were short-term borrowings with maturities of one year or less. In particular, as at 30 June 2024, the Group's total borrowings with maturities of one year or less, one to two years, two to five years and more than five years amounted to RMB181.7 billion, RMB63.5 billion, RMB138.0 billion and RMB244.2 billion, respectively. If the Group is unable to obtain financing on a timely basis or at a reasonable cost, the Group may not be able to undertake new projects or expand into new business areas and geographic markets, and its business, financial condition and results of operations could be materially and adversely affected.

Furthermore, if any member of the Group is unable to comply with the restrictions and covenants in its current or future debt and other agreements, there could be a default under the terms of such agreements. In the event of a default under such agreements, the holders of the debt could terminate their commitments to lend to any member of the Group, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing arrangements entered into by members of the Group may contain cross-acceleration or cross-default provisions. As a result, a default under one debt agreement may cause the acceleration of debt or result in a default under other debt agreements. If the Group incurs substantial additional indebtedness in the future or if any of the above default events occurs, there is no assurance that the Group's assets and cash flow would be sufficient to repay in full all of such indebtedness, or that the Group would be able to find alternative financing at all or on terms that are favourable or acceptable to it.

If the Group is unable to accurately estimate or control its costs or the scope of work the Group is required to perform, the Group's profitability could be adversely affected.

Some of the Group's contracts relating to its operations require the Group to complete a project for a pre-agreed fixed price or price per unit. As the Group is typically responsible for all of its own costs, its ability to make a profit on any project or product is largely dependent on the Group's ability to effectively control these costs. The amount of total costs the Group incurs on a project is influenced by a variety of factors, including climatic conditions, variations in labour and equipment productivity, costs over the term of a contract, changes in project scope or conditions, fluctuations in the price of raw materials and components and inability or delay in obtaining the requisite permits and approvals, many of which are beyond the Group's control. The Group may not be able to effectively manage its costs, and any unexpected increase in costs may lead to lower than expected profits, or even losses, which could materially and adversely affect the Group's business, financial condition and results of operations.

Some of the Group's construction contracts contain price adjustment clauses, which allow it to reclaim additional costs incurred as a result of unexpected increases in raw material costs. However, the Group is typically required to bear a portion of the increased cost. From time to time, the Group may be required to perform extra or "change order" work under its contracts despite the absence of prior agreements with its customers on the scope or price of the work to be performed. See "*– Risks Relating to the Industries in which the Group Operates – The Group is exposed to risks in connection with contracting with public bodies*". This process may result in disputes over whether the work performed is beyond the pre-agreed scope of work, or over the price the customer is willing to pay for the extra work. Even when the customer agrees to pay for the extra work, the Group may be required to fund the cost of such work for a lengthy period of time until the change order is approved and funded by the customer. In addition, any delay caused by the extra work may impact the progress of the projects and the Group's ability to meet specific contract milestones or deadlines. The Group may also incur extra costs due to unapproved construction change orders or contract disputes. There is no assurance that the Group will be able to recover the extra costs in full or at all, which may lead to business disputes, or may otherwise adversely affect its business, financial condition, results of operations and prospects.

The Group may be unable to continue to procure an adequate supply of raw materials and energy supplies on acceptable prices and quality in a timely manner.

Successful operations of the Group depend on its ability to obtain from its suppliers' sufficient quantities of raw materials, energy supplies and other commodities at acceptable prices and quality in a timely manner. The Group is exposed to the market risk of fluctuations in certain commodity prices for raw materials such as steel, cement, explosives, admixture, track materials, waterproofing materials, and other construction materials utilised in its infrastructure construction operations. For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the cost of raw materials and consumables used accounted for approximately 35.2 per cent., 34.6 per cent., 34.8 per cent., 30.6 per cent. and 30.0 per cent. of the Group's total cost of operations (including cost of sales, selling and marketing expenses and administrative expenses), respectively. The price and availability of such raw materials may vary significantly from year to year due to factors such as the PRC's import restrictions, trade uncertainties consumer demand, producer capacity, market conditions and costs of materials. In particular, steel and cement, which are critical to the Group's operations, are subject to substantial pricing cyclicality and periodic shortages in the PRC. The Group is also affected by increases in energy prices, including electricity and fuel prices, for the operation of its machinery and equipment.

There is no assurance that the Group will be able to continue to obtain sufficient raw materials from its existing suppliers or from alternative sources at prevailing or acceptable prices, in a timely manner, or at all. There is no assurance that the Group will not encounter difficulties in obtaining quality materials or shortages of raw materials, or that the Group will be able to absorb any increase in raw material prices or pass them on to its customers.

The inherent hazardous nature of the Group's business exposes the Group to potential liabilities, which could harm its reputation and cause it to incur substantial costs.

Due to the nature of the Group's business, it engages or may engage in certain inherently hazardous activities, including operations at high-altitudes or in harsh geological conditions, tunnel construction, underground excavations, transportation, management and disposal of hazardous waste and other hazardous substances and materials and working with flammable and explosive materials. Despite compliance with the requisite safety requirements and standards, the Group is subject to the inherent risks of these activities, such as geological catastrophes, toxic gas, risk of equipment failure, industrial accidents, fire, explosion and failure of employees to follow proper safety procedures. These hazards may result in personal injury and loss of life, damage to or destruction of properties and equipment, and environmental damage and pollution, any of which could result in damage to the Group's business reputation and corporate image, suspension of its operations and imposition of civil or criminal penalties.

In addition, many of the Group's contracts provide for various deadlines. If the Group fails to meet these deadlines on a project, it may be responsible for the payment of liquidated damages. It may also face liabilities associated with the subsequent use by its customers or third parties of facilities it has constructed or equipment it has sold, after the completion of its projects. The Group normally seeks to limit exposure to such claims through contractual limitations of liability, indemnities from its customers, subcontractors and suppliers, and insurance as part of its risk management strategy. However, such measures may not offer sufficient protection and may be limited by various factors outside the Group's control, including:

- in some of the jurisdictions in which the Group operates, including the PRC, environmental and workers' compensation liabilities may be assigned to the Group as a matter of law and may not be limited through contracts;

- customers and subcontractors may not have adequate financial resources to satisfy their indemnity obligations to the Group;

- losses may arise from risks not addressed in the indemnity agreements; and

- insurance coverage of the Group may not be sufficient because it may not be possible to obtain adequate insurance against some risks on commercially reasonable terms, or at all.

Additionally, the occurrence of any of these risks could damage its reputation and relationship with regulators and other customers, which may materially hinder the Group's chance to win tenders for new projects.

The Group's insurance policies may not be sufficient.

Although the Group maintains insurance coverage in amounts that the Group believes are consistent with its risk of loss and the customary practice in the relevant industries, there is no assurance that the insurance taken on by the Group is sufficient and there may be circumstances where the Group is not fully covered by insurance policies. Moreover, the Group may not be able to obtain insurance against some risks on commercially reasonable terms, or at all. Failure to effectively cover the Group against these risks could expose the Group to substantial costs and potentially lead to significant losses.

The Group's backlog may not be indicative of its future results of operations.

In this Offering Circular, the Group has provided contract backlog figures that represent its estimate of the total contract value of work that remained to be completed pursuant to the terms of outstanding contracts as at a certain date. Backlog is not a measure defined by generally accepted accounting principles and backlog may not be indicative of future operating results. The Group's methodology for determining backlog also may not be comparable to the methodologies used by other companies in determining their backlog.

As at 30 June 2024, the aggregate contract backlog for the Group was approximately RMB3,536,243 million. However, this figure is based on the assumption that the relevant contracts will be performed in full in accordance with their terms. The Group's construction contracts may be subject to project cancellation or change of order by the customer or other force majeure events which may affect the progress of the project. Such cancellations or change of order of, or a force majeure event affecting, any one or more sizeable contracts may have a substantial and immediate effect on the backlog of the Group.

In addition, projects may also remain in the Group's backlog for an extended period of time. There is no assurance that the amount estimated in the Group's backlog will be realised in a timely fashion, or at all, or that, even if they are realised, will result in profits. As a result, investors should not unduly rely on the Group's backlog information presented in this Offering Circular as an indicator of the future earnings of the Group.

Any failure to complete the projects on time or to applicable standards could adversely affect the Group business.

The Group's success heavily relies on its ability to complete its projects on schedule and in accordance with all applicable quality standards and regulations. Delays may occur due to a variety of factors, including but not limited to, unforeseen construction challenges, supply chain disruptions, regulatory changes, or difficulties in obtaining necessary approvals or financing. Additionally, failing to meet the required construction standards or regulatory compliances can lead to significant rework, legal penalties, and/or reputational damage.

Inability to complete projects on time or to required standards may result in escalated costs, eroded profit margins, and potential disputes or litigations with clients and contractors. Such occurrences could materially and adversely affect the Group's business, financial condition and results of operations, diminish its market standing and/or impact its ability to attract future projects and secure relevant financing.

Any failure to maintain an effective quality control system could have a material adverse effect on the Group's business and operations.

The quality of the services that the Group provides and the products that the Group trades is one of the factors critical to its success. In order to sustain such success, the Group needs to continue to maintain an effective quality control system for its businesses. The effectiveness of its quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit ever-changing business needs, training programmes as well as the Group's ability to ensure that its quality control policies and guidelines are adhered to. Any failure or deterioration of its quality control system could result in defects in the Group's services, which in turn may jeopardise its reputation, reduce demands for its services or even subject the Group to contractual or product liabilities and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its reputation and/or result in significant disruption to its operations. Furthermore, if any of such claims were ultimately successful, the Group may be required to pay substantial monetary damages or penalties, which could have a material adverse impact on its business, financial condition and results of operations.

The Group employs independent third-party subcontractors to provide certain services for its projects, which may expose the Group to reputation and litigation risks.

The Group may outsource to independent third-party subcontractors to provide certain services for its projects. However, qualified subcontractors may not always be readily available when the Group's needs for subcontractors arise. If the Group is unable to hire qualified subcontractors, the Group's ability to take on additional projects or complete its current projects on time could be impaired. In addition, if the cost for subcontractors rises, the Group's profitability may be affected, particularly to the extent such increase causes its costs to exceed what the Group has estimated in fixed-price or fixed-unit-price type contracts with its customers.

In addition, the Group may not be able to monitor the performance of its subcontractors as directly and efficiently as for its own staff. Outsourcing exposes the Group to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors. As a result, the Group may experience deterioration in the quality or delivery of its relevant construction projects, incur additional costs due to the delays or at a higher price in sourcing the services, equipment or supplies in default, or be subject to liability under the relevant contract for its subcontractors' performance. Such events could impact upon its profitability, financial performance and reputation, and result in litigation or damage claims.

The Group's failure to adequately protect its intellectual property rights or any infringement claims brought by third parties against the Group may have an adverse effect on the Group's business, financial condition and results of operations.

The Group relies on patents, trademarks, copyrights, construction methods and contractual rights to protect its intellectual property. As at 30 June 2024, the Group accumulatively participated in the compilation of 168 national standards and 537 industry standards that have been promulgated, and had a total of 34,343 authorised patents. CCCC, CHEC and CRBC are major brands in the infrastructure construction and design and dredging industries. The Group believes that its portfolio of internationally-renowned brands has been critical to its competitiveness and success. The Group has also developed numerous advanced systems, trade secrets, know-how, processes, technologies and other intellectual property that have enhanced its operational efficiency and enabled the Group to maintain its competitiveness. In addition, the legal regime governing intellectual property rights in the PRC is still evolving and the level of protection of intellectual property rights in the PRC may differ from those in other jurisdictions. In the event that the steps the Group has taken and the protection provided by law do not adequately safeguard its intellectual property rights, the Group could suffer losses due to the provision or the sale of competing services or products by others which exploit its intellectual property rights.

In addition, there can be no assurance that any of the Group's intellectual property rights will not be challenged, misappropriated or circumvented by third parties, or that the Group's competitors will not independently develop alternative technologies that are equivalent or superior to the Group's proprietary technologies. The Group may also be subject to claims for infringement of patents, trademarks or other intellectual property rights of others. Defending or otherwise dealing with any infringement claim, whether with or without merit, could be time-consuming, result in costly litigation or damages, undermine the value of the Group's brands and trademarks, reduce sales and/or require the Group to enter into royalty or licencing agreements that may not be on commercially acceptable terms.

The Group's business may be adversely affected if it is unable to secure and retain qualified personnel for its operations.

The Group's operations depend upon its ability to attract and retain experienced and qualified personnel, including executive officers and key technical personnel, who have the necessary and required experience, knowledge and expertise. Competition for qualified personnel is intense in the PRC and other markets where the Group operates its business, with the PRC dredging industry in particular being short of experienced dredging technicians and dredging operators. The Group may lose these persons to those competitors who are able to offer more competitive packages. The Group may have to significantly increase its related staff costs to remain competitive.

It is expected that, in order to comply with applicable construction regulations and to complete the construction projects on time and within budget, the Group will have to continue to train its employees and require additional qualified professionals. Demand for employees who have industry-related experience and expertise will increase as customers of the Group increase their capital expenditure and the use of the Group's services. To the extent the Group is unable to recruit personnel with the necessary skills locally, the attention of its management could be diverted. If the Group cannot recruit, train and retain the qualified personnel necessary to execute its contracts or to perform necessary corporate activities, its business operations may be adversely affected. In addition, failure to attract and retain personnel with suitable managerial, technical or marketing expertise may result in the Group's non-compliance with applicable construction regulations and the inability to prevent misappropriation of its technology or maintain its client contacts.

There can be no assurance that the Group will be able to maintain an adequate skilled labour force necessary for it to execute its business or to perform other corporate activities, nor can the Group guarantee that staff costs will not increase as a result of a shortage in the supply of skilled personnel. If the Group fails to attract and retain personnel with suitable managerial, technical or marketing expertise or maintain an adequate labour force on a continuous basis, its business and operations could be adversely affected and its future growth and expansions may be inhibited.

The Group is subject to rising costs for labour which may not be able to be passed on to construction contractors, sub-contractors or to purchasers.

Wages for construction workers have substantially increased in recent years. Under the terms of most of the Group's construction contracts, contractors or sub-contractors may adjust the contract prices to cover increases in wages. The Group may not be able to complete its projects as it originally budgeted when it submitted its tender to undertake the project. Even if the Group's construction contracts are fixed-price contracts with price-adjustment terms, the price-adjustment terms may not be sufficient to cover cost overruns from inflation and the Group may not be able to achieve matching fixed-price contracts with its sub-contractors. Rising costs may materially and adversely affect the results of operations of the Group.

Any acquisitions or strategic investments the Group undertakes may not be successful or may not achieve the Group's anticipated economic results or commercial viability and may negatively impact the results of operations and financial condition of the Group.

The Group has acquired, been in the process of acquiring and may in the future acquire other businesses or companies whose assets, capabilities and strategies the Group believes are complementary to and are likely to enhance or expand its business operations. Acquisitions and strategic investments involve numerous risks, including those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, potential financing pressures, difficulties in retaining and assimilating personnel and integrating the operations and corporate culture of the acquired business, diversion of management's attention and other resources, insufficient or lack of experience and knowledge in the industry and market in which the acquired business operate and availability of technology.

The Group may not be able to identify suitable targets for acquisition or strategic investment. Extensive pre-feasibility studies on potential acquisition or strategic investment may require significant capital outlays and may not ultimately be implemented or generate any profits. Even if the Group does identify suitable targets for acquisition or strategic investment, it may not complete those transactions on terms commercially acceptable to the Group or at all, or it may fail to obtain the required governmental and other approvals for such acquisitions or strategic investments. Moreover, actual costs for acquisition or strategic investment of the Group may exceed its original budgets due to reasons such as delays in schedule, increases in funding costs and changes in original acquisition or investment plan. Acquisitions or strategic investments may result in the incurrence and inheritance of debts and other liabilities, assumption of potential legal liabilities in respect of the acquired business or investments, and incurrence of impairment charges relating to goodwill and other intangible assets, any of which could harm the financial condition and results of operations of the Group. As a result, there can be no assurance that the Group will be able to achieve the objective of any acquisition or strategic investment, the desired level of operational integration or its investment return target.

The Group may face unexpected difficulties in expanding into new industries and markets.

To improve the Group's profitability and diversify potential risks, the Group has been growing its operations in industries and markets with potential for deriving favourable returns, including infrastructure construction, railway construction and other municipal engineering projects, both in the PRC and abroad. Expansion in these industries and markets carries with it many associated risks, including risks related to lack of operating experience in such industries and markets and lack of experienced management and employees to staff such expansion. Expansion may also place excessive pressure on the Group's financial, human and management resources that are otherwise available for the Group's current businesses. In addition, there might be many established incumbent players in these new markets who already enjoy significant market shares and competitive market positions, and it may be difficult for the Group to win market share from them. Some of the overseas markets that the Group is targeting may have high barriers of entry to foreign players. There can be no assurance that the Group's expansion plans will be successful.

The Group's corporate structure, which consists of a large number of companies in multiple business sectors, exposes it to challenges to integrate and manage its business.

The Group consists of portfolio companies operating in multiple industries and has grown rapidly in its business scale and geographical coverage in recent years. Due to the diverse characteristics of the Group's portfolio companies, the Group is exposed to business, market and regulatory risks relating to different industries. It needs to devote substantial resources to monitor changes in different operating environments so that it can react with appropriate strategies that fit the needs of the portfolio companies affected. As the Group continues to grow through acquisitions of businesses in an increasing number of industries across various jurisdictions, its operations will become more widespread and complex and project management may become more difficult, which could in turn result in management risks. Successful operation of the Group requires an effective management and internal control system that emphasises proper authorisations, reliability and accountability of financial reporting, imposes financial and internal control disciplines on portfolio companies, and creates value-focused incentives for management. In particular, it will become increasingly difficult for the Group to direct and monitor the day-to-day operations of its businesses and to prevent or detect any fraud and protect the Group's assets, both physical and intangible.

The Group has interests in a number of non-wholly-owned subsidiaries and affiliates and may not be able to fully control their actions. Such arrangements necessarily involve special risks associated with the possibility that the other shareholders or project partners may (i) have economic or business interests or goals that are inconsistent with or opposed to those of the Group, (ii) exercise veto rights so as to block actions that the Group believes to be in the Group's or the entity's best interests, (iii) take actions that are contrary to the instructions, requests, policies or objectives of the Group, or (iv) as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations under the relevant project or shareholders' agreements. There is no assurance that such other shareholders or project partners will not exercise their veto power or influence over any of the Group's non-wholly-owned subsidiaries and affiliates in a way which may hinder the Group's corporate objectives.

The Guarantor is ultimately controlled by CCCG.

As at 30 June 2024, CCCG, which is wholly owned by SASAC, held approximately 59.42 per cent. of the shares of the Guarantor. CCCG will continue to have the ability to exercise a controlling influence over the Guarantor's business and may cause the Guarantor to take actions that are not in, or may conflict with, the interests of the Bondholders. These include matters relating to its overall operational and financing strategies and policies, timing and amount of dividends or other distributions, securities issuances, mergers, consolidations and the sale of all or substantially all of its assets, election of its directors and supervisors and other significant corporate actions.

Possible effect on the Group's tax burden following the changes in tax incentives and adverse effect on the Group's financial condition and results of operations.

The Group has enjoyed tax incentives, which vary depending on the location or nature of the Group's operations in China. Pursuant to the EIT Law of the PRC, the maximum corporate income tax rate in China has been 25 per cent. since 1 January 2008. However, a few of the Group's subsidiaries are entitled to preferential tax treatment, which allows them to enjoy a lower effective tax rate of 15 per cent. In addition, the Group also enjoys certain tax concessions on research and development costs. There can be no assurance that the preferential tax rates the Group's subsidiaries have enjoyed will be extended after the expiration of the current preferential tax period under the applicable PRC tax laws and policies, or that they will not be modified or revoked in the future. If these tax incentives are modified or revoked, the Group's results of operations may be adversely affected.

Pursuant to the Notice of Implementing the Pilot Program on Full Launch of Replacing Business Tax with Value-added Tax (關於全面推開營業稅改征增值稅試點的通知) which was issued on 23 March 2016 and enforced on 1 May 2016, as of 1 May 2016, the pilot program of replacing business tax with value-added tax shall be implemented across the country, all business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry shall be included in the scope of the pilot program, and the payment of business tax shall be replaced by the payment of value-added Tax. As the Group is involved in diversified industries, value-added tax rate varies from 3 per cent. to 13 per cent. For cross-border taxable behaviour, such as offering construction service for oversea projects, the Group may be exempt from paying value-added tax.

The Group's business, financial condition and results of operations may be affected by adverse weather conditions, natural disasters, acts of war and terrorist attacks.

Adverse weather conditions, such as extreme cold weather, snow, typhoons, flooding and heavy or sustained rainfall and natural disasters such as earthquakes, landslides or mudslides, may prevent the Group from conducting its activities or otherwise affect its productivity, preventing the Group from completing its projects on schedule, delaying its receipt of payment and possibly causing the Group to incur increased operating expenses. The Group's dredging operations are also subject to seasonal variations due to weather conditions, as its ability to operate may be adversely affected if the harbours or bodies of water in which its dredging operations are carried out freeze over. As the Group may not be able to receive full compensation of losses suffered as a result of adverse weather conditions or natural disasters under its construction and dredging contracts, climatic conditions that are unusually severe or intense and occur at abnormal times or last longer than usual could therefore have a material adverse effect on the Group's business, financial condition and results of operations. Adverse weather conditions and potential natural disasters associated with global climate change, such as more frequent and intense storm events and flooding incidents, may amplify the physical risks to which our operations may ordinarily be exposed. Moreover, natural disasters and other acts of God which are beyond the control of the Group may adversely affect the economy, infrastructure and communities in the countries and regions in which it has operations.

Acts of war and terrorist attacks, including those in foreign countries in which the Group has overseas operations, may cause damage or disruption to the Group, its employees, subcontractors, operations, equipment and facilities, as well as to its markets, any of which could impact its public image, turnover and cost of sales. The potential for war or terrorist attacks may also create uncertainty and cause its business to suffer in ways that the Group cannot currently predict. Any of these will have a material and adverse effect on the Group's business, results of operations and financial condition.

The Group faces litigation risks in the course of its business.

In the ordinary course of the Group's business, claims from project owners, customers, subcontractors, project partners and other parties may be brought against the Group or by the Group in connection with its contracts from time to time. Claims may be brought against the Group for alleged defective or incomplete work, liabilities for defective products, related personal injuries and death, damage to or destruction of property, breaches of warranty and late completion of the project, and such claims can involve actual damages and liquidated damages. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice received by the Group. As at 30 June 2024, no provision has been made for the Group's pending lawsuits with a maximum compensation amount of RMB4,151 million, mainly related to disputes and subcontractors, as the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. If the Group was found to be liable under any proceedings, the Group would have to incur a charge against earnings to the extent a reserve had not been established for the matter in its accounts, or to the extent the claims were not sufficiently covered by its insurance. Claims brought by the Group against project owners may include claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes in the initial scope of work. Claims between the Group and its subcontractors and vendors may include claims similar to those described above.

Both claims brought against the Group and by the Group, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings which could also be disruptive to the Group's normal business operations. The results of these legal proceedings are often difficult to predict and the amounts ultimately realised from project claims by the Group could differ from the balances included in the Group's financial statements. Moreover, legal proceedings resulting in judgments or findings against the Group may harm its reputation, cause economic losses and damage its prospects for future contract awards. Such claims could therefore have a material and adverse impact on the Group's financial condition, results of operations and cash flow. See "*Description of the Group – Legal Proceedings*".

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to litigation, financial losses and sanctions imposed by governmental authorities, which will in turn affect its reputation. These misconducts could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- engaging in improper activities such as offering bribes to counterparties in return for any type of benefits or gains;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;

- engaging in unauthorised or excessive transactions to the detriment of the Group's customers; or

- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective in all cases. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity and damage to the public image of the Group.

The Group's offshore operations are subject to economic and political uncertainties in overseas markets.

The Group has been expanding its operations in overseas countries and regions. As at 30 June 2024, the Group conducted its business in 139 countries and regions, with major overseas business in Australia, Hong Kong, Africa, the Middle East and Southeast Asia. For the year ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, RMB94,375 million, RMB98,364 million, RMB115,936 million and RMB69,459 million, or approximately 13.8 per cent., 13.7 per cent., 15.3 per cent. and 19.5 per cent. of the Group's total revenue, was generated from its overseas operations, respectively. The Group's business is therefore subject to changing international economic and political conditions, and local conditions of countries in, among others, Australia, Africa, the Middle East and Southeast Asia, where political and economic conditions may be subject to uncertainty. The Group expects a steady increase in the revenue and profits derived from its overseas projects in the foreseeable future. As a result of its overseas operations, the Group is exposed to various risks associated with conducting business in foreign countries and regions that include, among other factors:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, other armed conflict, regional and global political or military tensions, strained or altered foreign relations and trade and economic sanctions;

- economic, financial and market instability and credit risks, including those relating to potential deterioration of the credit markets and other economic conditions in other countries;

- abrupt changes in foreign government regulations or policies;

- expropriation and nationalisation of its assets in foreign countries;

- natural disasters;

- inflation;

- unfamiliarity with local operating and market conditions, which could result in unfavourable consequences such as inaccurate bidding prices for projects;

- lack of understanding of local construction, taxation, labour, customs and other laws, regulations, standards and other requirements;

- risks and uncertainties associated with using foreign workers and subcontractors in connection with the Group's overseas operations, including adverse labour conditions or strikes;

- preferential treatments or corrupt business practices;

- tax increases, confiscatory taxation or other adverse tax policies;

- trade protectionism, trade restrictions or embargoes;
- currency value fluctuations and conversion restrictions;
- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds;
- government activities that may result in the deprivation of contract rights;
- government activities that may result in the inability to obtain or retain licences required for operations;
- competition from other international large-scale construction companies;
- adverse labour conditions;
- negative media and investor attention to the Group;
- cyclical nature and demand of international construction markets; and
- lack of a well-developed or independent legal system in the foreign countries in which the Group has overseas operations, which may create difficulties in the enforcement of contractual rights.

For example, in August 2020, the Guarantor and certain of its subsidiaries (the "BIS Entities") were added to the Entity List maintained by the U.S. Department of Commerce's Bureau of Industry and Security (the "BIS"). As a result of such designation, additional license requirements have been imposed on exports, reexports and transfers (in-country) of all items subject to U.S. Export Administration Regulations to any of the BIS Entities. The BIS also imposed a license review policy of "presumption of denial" for all BIS Entities. In addition, the Guarantor has been added to the Non-SDN Chinese Military-Industrial Complex Companies List (the "NS-CMIC List") published by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") pursuant to U.S. Executive Order 13959, as amended by Executive Order 14032. As a result, U.S. Persons may not be able to invest in the Guarantors' publicly traded securities. See " – *Risks Relating to the Guarantee and the Bonds – Restrictions on Investors who are considered U.S. Persons for purposes of Executive Order 13959 or the CMIC Sanctions Regulation*."

As the Group's overseas operations are susceptible to changes in the overseas countries' respective local economic, political and regulatory environments as well as changes in global economy, a variety of factors, many of which are beyond the control of the Group, could significantly affect the profitability and growth of these operations. Any slowdown of the global economy could result in reduced infrastructure development which could in turn affect the Group's overseas operations. In addition, the Group may be required to deploy management resources and personnel to high-risk areas where its overseas projects are located. As such, the Group may incur substantial costs to implement safety and security measures to protect its personnel and assets. Such measures may not always be adequate. The Group's level of exposure to certain risks varies with respect to each project, and is dependent on the particular work stage of each project. Any of the above factors could lead to, amongst others, project disruptions, losses of personnel and assets and other indirect losses, which could harm its international business operations, overall financial condition and profitability.

Government control of currency conversion and exchange rate fluctuations may adversely affect the operations and financial results of the Group.

Most of the Group's operations are located in the PRC, and most of the Group's income and costs are denominated in Renminbi, which is the functional currency of a majority of the entities within the Group. While most of the Group's transactions are settled in Renminbi, the Group uses foreign currencies to settle the Group's invoices from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. In addition, the Group generates revenue from certain construction contracts denominated in foreign currencies and the Group's borrowings are primarily denominated in Renminbi and U.S. dollars, and to a lesser extent, Euro, Japanese Yen and Hong Kong dollars. The Group is therefore subject to risks associated with foreign currency fluctuations and changes in the value of foreign currencies could affect the Group's results of operations. For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the Group recorded net foreign currency exchange losses of RMB1,213 million, net foreign currency exchange gains of RMB1,802 million, net foreign currency exchange gains of RMB1,550 million, net foreign currency foreign exchange gains of RMB1,283 million and net foreign currency exchange gains of RMB343 million, respectively. Changes in the value of foreign currencies could increase the Group's Renminbi costs for, or reduce the Group's Renminbi turnover from, its foreign operations, or affect the prices of its exported products and the prices of its imported equipment and materials, any of which could materially and adversely affect the Group's results of operations.

Under the existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are complied with. Approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to pay interests and/or principal to the holders of its foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

The value of Renminbi against the U.S. dollar and other foreign currencies is subject to changes in the PRC's policies, as well as international economic and political developments. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 17 March 2014, the floating band of interbank spot foreign exchange market trading price of Renminbi against the U.S. dollar was gradually widened from 0.3 per cent. to 2 per cent. On 11 August 2015, the People's Bank of China ("PBOC") adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System, a sub-institutional organisation of PBOC, published the China Foreign Exchange Trade System (CFETS) Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective.

In addition, the value of Renminbi depreciated significantly against the U.S. dollar following the announcement by PBOC on 11 August 2015. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. There can be no assurance that the Renminbi will not experience significant depreciation or appreciation against the U.S. dollar or against any other currency in the future. Furthermore, the Group is required to obtain SAFE's approval before converting significant amounts of foreign currencies into Renminbi. As a result, any significant fluctuation in the value of Renminbi against foreign currencies may adversely affect the Group's business, prospects, financial condition and results of operations.

Some of the Group's operations are less profitable, and the Group may not be able to continue developing new operations that generate higher levels of profit in the future.

Some of the Group's infrastructure construction projects, such as some of the conventional construction projects and public infrastructure projects, are less profitable than the Group's other businesses. The Group is often affected by government policies when it undertakes major public infrastructure construction projects. As public spending on such projects may be restricted due to governmental policies on public spending, profits generated from these projects may be limited. In addition, the Group may from time to time undertake various landmark projects involving high costs, high precision requirements, tight construction schedules and substantial capital investments, as well as the need to acquire new, expensive machinery and equipment, which collectively lead to increased costs and funding requirements. The undertaking of low-profit projects may expose the Group to short-term losses and could adversely affect its profit-generating abilities. The Group's efforts to oversee cost management, make improvements to its technology and develop new operations to increase its profitability may not be successful.

Furthermore, the Group may not be able to continue developing new projects with high profit margins. For example, the Group plans to capture the opportunities created by favourable market conditions to continue to expand its operations in real estate development, with an emphasis on residential real estate development. The PRC Government has in recent years taken various measures to regulate the property market. There is no assurance that the Group's strategic plan will be successful.

The development and utilisation of new technology may not always produce positive results.

The Group is often engaged to undertake large, complicated projects that require it to design and develop new technologies and construction methods in light of its strong research, design and development capabilities. There can be no guarantee that the Group would always successfully develop these new technologies and construction methods after substantial resources have been invested by the Group. The use of new technologies and construction methods could also result in experimental failures, increased costs, unstable conditions, affecting the profitability of some of its projects, which could materially and adversely affect the business and results of operations of the Group.

The Group's infrastructure investment and operation projects may expose the Group to additional risks.

The Group is involved in and plans to continue exploring opportunities in projects involving ownership and operation of the infrastructure in both domestic and international markets, which mainly include construction projects by way of build-and-transfer ("BT") and build-operate-transfer ("BOT") models. The nature of infrastructure investment and operation projects requires the Group to fund the project upfront and make payments to suppliers and subcontractors. Also, some infrastructure projects and investments typically have long payback periods. In undertaking infrastructure investment and operation projects, the Group may be exposed to payment delays or default of payment. The risks in connection with undertaking infrastructure investment and operation projects include the risk of an inaccurate forecast concerning cash inflows to be derived from the completed projects and the risks arising during the operational phase of such projects. Investment by the private sector in these projects is dependent on government policies and laws and regulations relating to public and private participation and the sharing of risks and returns of such projects. Undertaking infrastructure investment and operation projects also requires significant outlay of the Group's working capital over extended periods. Moreover, the introduction of infrastructure investment and operation projects in China's infrastructure construction industry is relatively recent, and the Group has limited management experience in carrying out and managing the risks involved in such projects. There is no assurance that the Group will be able to successfully and profitably carry out infrastructure investment and operation projects. Any inability to execute or handle such projects may adversely affect the Group's business and results of operations.

In addition, laws in the PRC in respect of the BT and BOT models are relatively new and still evolving. The level of protection and means of enforcement of contractors' rights in the PRC may differ from those in other jurisdictions. Enforcement of the Group's rights as contractor under the BT and BOT models could be costly. In circumstances where the Group is not paid for the construction, expenditures and financing costs and the Group initiates legal actions against the proprietor for the payments, the legal procedures can be lengthy and costly and the Group may not be fully compensated, or at all.

The Group is subject to a high degree of financial leverage, which could adversely affect the Group's financial position.

The Group is subject to a high degree of financial leverage as it has relied upon both short-term and long-term borrowings to fund a portion of its capital expenditures and operations and expects to continue to do so in the future. As at 31 December 2021, 2022, 2023 and 30 June 2024, the Group had total borrowings of RMB428,136 million, RMB466,350 million, RMB511,626 million and RMB627,353 million, respectively, representing a gearing ratio (calculated by dividing the Group's net debt by total capital; net debt is calculated as total borrowings less cash and cash equivalent; total capital is calculated as equity plus net debt) of 45.9 per cent., 45.9 per cent., 46.6 per cent. and 51.9 per cent., respectively.

The Group's substantial indebtedness may affect its ability to secure additional funding for various projects, including current and future projects. A shortage of such funds could cause serious consequences, including but not limited to: imposing limitations on the Group's ability to repay outstanding debt; making it more vulnerable to adverse economic and industry conditions; forcing the Group to dedicate a substantial portion of cash flow from its operations to service and repay its debts, thereby reducing its cash flow available for working capital, capital expenditures and other general corporate purposes; limiting its flexibility in planning for or reacting to the changes in the Group's businesses and the industry; causing it to be less competitive as compared to its competitors that have less debt; and limiting its ability to borrow more funds in the future and/or increasing the Group's financing costs. The Group's ability to meet its payment and other obligations under its outstanding debt depends on the Group's ability to generate cash flows in the future or to refinance such debt. There is no assurance that its business will generate sufficient cash flows from operations to satisfy its obligations under the Group's outstanding debt and to fund other liquidity needs. If the Group is not able to generate sufficient cash flows to meet such obligations, the Group may need to refinance or restructure its debt, reduce or delay capital investments, or seek additional equity or debt financing. A shortage of financing could in turn impose limitations on the Group's ability to plan for, or react effectively to, changing market conditions or to expand through organic and acquisitive growth, thereby reducing the Group's competitiveness. There is no assurance that future financing will be available in amounts or on terms acceptable to it, if at all.

Further, the Group has entered into guarantee agreements or loan agreements as a co-borrower for bank borrowings made by subsidiaries, joint ventures and certain third party entities. Pursuant to the terms of the these agreements, upon default in loan repayments by the customer, the banks are entitled to ask for early repayments and the Group as a co-borrower can be liable to repay the outstanding principal together with accrued interest. In the event that the customer(s) under such arrangements do not comply in a timely manner with their payment obligations, the Group will bear the risk of becoming liable for such payments.

The Group's financing costs are subject to changes in interest rates.

As the Group relies on borrowings to fund a portion of its capital expenditures and operations, it is exposed to interest rate risk. As at 30 June 2024, the Group's borrowings at variable rates were mainly denominated in RMB, U.S. dollar, Euro and Hong Kong dollar. As at 30 June 2024, the Group's borrowings of approximately RMB371,474 million were at variable rates. As at 30 June 2024, the applicable rates of the Group's certain borrowings are determined by adjusting certain base points from the latest loan prime rate published by the National Interbank Funding Centre. In recent years, the PBOC has adjusted the benchmark of one-year lending rate several times. There can be no assurance that the PBOC will not raise lending rates in the future, and any increase in these rates will increase the Group's financing cost and may materially and adversely affect the Group's business, financial condition and results of operations.

The Group is exposed to equities securities 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 as other financial assets at fair value through profit or loss.

RISKS RELATING TO THE INDUSTRIES IN WHICH THE GROUP OPERATES

The Group's business is largely dependent on the level of the PRC government's spending on transportation and other infrastructure.

The Group's business largely depends on continuing spending by the relevant PRC government agencies to build public transportation infrastructure, including ports, roads, highways, bridges, railways, tunnels and other municipal engineering projects. The Group's dredging business is also largely dependent on the PRC government's spending on transportation infrastructure, principally the construction and improvement of ports and waterways and land reclamation. Any significant reduction in the PRC government's investments in infrastructure development could have a material and adverse effect on the Group's business. The PRC government's spending on infrastructure has historically been, and will continue to be, cyclical in nature. Various factors affect the nature, scale, location and timing of the PRC government's public investment plans in the infrastructure sector of the PRC. These factors include the PRC government's policy and priorities regarding different regional economies across China, the PRC government's fiscal and monetary policies which affect the availability of credit and funding for projects, deregulation to encourage private sector participation in the transportation infrastructure sector and the general condition and prospects of the overall PRC economy.

The Group is required to comply with extensive environmental, safety and health laws and regulations and quality control standards and the compliance of which may be onerous or expensive.

The Group is required to comply with extensive environmental (including but not limited to the carbon emission control measures in light of the increasing concerns about global climate change in recent years), health and safety laws and regulations promulgated by the PRC government and the governments of other overseas jurisdictions in which it operates, as well as quality control standards. Given the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. If the Group fails to comply with these laws and regulations and industry standards applicable to its operations, it could be subject to suspension of its operations, failed evaluation when the project is delivered for review, substantial penalties, fines, suspension or revocation of its licences or permits to conduct business, termination of government contracts, administrative proceedings or litigation. Such events could have a material and adverse impact on its business, results of operations, financial condition and reputation. As these laws and regulations continue to evolve, there can be no assurance that the PRC government or the governments of other overseas jurisdictions in which the Group has operations will not impose additional or more onerous laws or regulations, compliance with which may cause the Group to incur significantly increased costs, which the Group may not be able to pass on to its customers. In addition, some of the new overseas markets that the Group is seeking to enter may have more onerous environmental, safety and health regulations than in China, compliance with which may be costly and could hinder its endeavours to enter these new overseas markets.

The Group is required to possess permits, certificates or licences to undertake its business operations and any loss, termination or non-renewal of these permits, certificates or licences could have a significant and adverse impact on its business and operations.

The Group is required to possess permits, certificates and licences issued by the relevant government agencies to conduct its business, including its construction operations, and it must comply with the restrictions and conditions imposed by various governmental authorities to maintain its permits, certificates and licences. The Group is subject to regular inspections, examination, inquiries and audits by governmental authorities as part of the process of maintaining or renewing these various licenses, certificates and permits. The Group is also subject to periodic and spot inspections conducted by governmental authorities at various levels. In the event that any of its or its subsidiaries' facilities or products fails such inspections, the Group's business, profitability and reputation may be materially and adversely affected. The Group may also be subject to fines or other financial penalties in such events. It cannot be assured that the Group will be able to maintain or renew its existing licenses, certificates or permits, or any other regulatory approvals or obtain new licenses, certificates, permits or other approvals required for its continuing operation on a timely basis or at all. Failure to comply with applicable laws and regulations or failure to maintain, renew or obtain the necessary licenses, certificates, permits or approvals could materially and adversely affect the Group's business, results of operations and financial condition.

The Group faces significant and increasing competition in the markets in which it operates, and failure to compete effectively could adversely affect its business.

The Group faces significant competition in the markets in which it operates. Its competition comes from various sources, including both large and local state-owned and private companies in China, as well as leading international companies. The Group competes with other domestic companies for projects and expects to face increasing competition from both local and international players in the future. Increased competition may result in loss of market share and may adversely impact the Group's results of operations and financial condition.

The Group is exposed to risks in connection with contracting with public bodies.

The PRC and overseas government agencies (which term shall include entities administered and financed by such agencies) at national, provincial and local levels are the most significant group of investors in the infrastructure industry, and they are the Group's core customer base. The Group is therefore exposed to risks in connection with contracting with such public bodies. For example, many of the Group's contracts with government agencies are for large and high profile infrastructure projects, which can result in increased political and public scrutiny of its work. Such public bodies may from time to time require the construction methods or equipment utilised to be changed, directing the Group to reconfigure its designs or purchase machinery and equipment for the relevant project, thereby subjecting the Group to additional costs. Due to the fact that most of the transportation infrastructure projects are funded by government agencies, these projects are sometimes subject to changes or postponement arising from factors such as changes in government budget, changes in policy considerations or changes of government in certain overseas jurisdictions, which could also lead to a withholding of, or delay in, payments to the Group. Government agencies generally exercise significant discretion in the performance of their contracts. If any public body terminates or fails to renew a contract with the Group, the Group's backlog may be reduced. See "*Description of the Group – Backlog and New Contracts – Backlog*". In addition, disputes with public bodies could potentially lead to contract termination if unresolved or may last for considerably longer periods of time than for those that occur with private sector counter parties, and the Group may not be able to receive payments from public bodies timely or at all as a result.

The Group's business is subject to general economic and business cycles, and difficult conditions in the global economy may adversely affect the Group's business.

The Group's businesses are closely related to the development of the macro-economy, especially its infrastructure design and infrastructure construction business and are substantially affected by general global macro-economic conditions.

The outlook for the world economy and financial markets remains uncertain. The demand for the Group's services is substantially influenced by general global and domestic economic conditions. Global and domestic economic conditions may cause volatility and disruptions in the capital and credit markets. The global economy has continued to face new challenges such as the Russia-Ukraine conflict, the situation in the Middle East and the geopolitical tensions between the U.S. and China. In addition, economic conditions in the PRC are sensitive to global economic conditions, and it is impossible to predict how the PRC economy will develop in the future and whether it may slow down due to a global crisis, or experience a financial crisis.

Instability in the global economy may materially and adversely affect markets that the Group operates in, which may lead to a decline in the general demand for the Group's services and products. In addition, a reduction in liquidity in the global financial markets and in the PRC may negatively affect the Group's liquidity. Therefore, instability in the global economy may materially and adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO THE PRC

The Group's business, financial condition, results of operation and prospects could be adversely affected by slowdown in the PRC economy.

A substantial part of the Group's revenue is derived from the PRC and the growth of the Group's businesses depends significantly upon the continuation of economic development and growth in the PRC. For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, approximately 86.2 per cent., 86.3 per cent., 84.7 per cent. and 80.5 per cent., respectively, of the Group's revenue from its main business segments was from the PRC. The Group relies, to a significant degree, on domestic demand for infrastructure, dredging and other projects to achieve revenue growth. Factors which may influence the performance and growth of infrastructure construction, design and dredging industries include general national economic conditions, mortgage and interest rate levels, inflation, unemployment, demographic trends, gross domestic product growth and consumer confidence. A downturn in economic activities in the PRC could lead to a recession in the construction industry in particular. The Group's financial condition and results of operations could be materially and adversely affected by a downturn in such industries in the PRC or in any of the regional markets where the Group operates.

Any slowdown in the PRC economy may increase the Group's exposure to material losses from its investments, decrease the opportunities for developing the Group's businesses, create a credit tightening environment, increase the Group's financing costs, or reduce government subsidies to the Group, any of which may result in a material adverse effect on the Group's business, results of operations and financial condition.

Interpretation and enforcement of the laws and regulations in the PRC may involve uncertainties.

As substantially all of the Group's businesses are conducted, and substantially all of the Group's assets are located, in the PRC, a substantial part of the Group's business and operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. Any litigation may be protracted and result in substantial costs and the diversion of resources and management's attention.

Adverse changes in political, social and economic policies of the PRC government could have a material and adverse effect on the overall economic growth of the PRC, which could in turn affect the Group's business and prospects.

The PRC government continues to play a significant role in regulating certain industries and the economy through numerous policy measures. The Group cannot predict whether changes in the nation's economic, political or social conditions, or in any laws, regulations and policies, will adversely affect its business, financial condition or results of operations. The Group's operations and financial results could also be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, the Group's operating results and financial condition may also be materially and adversely affected by other changes in taxation and changes in state policies affecting the industries in which the Group operates. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by such changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease in the PRC and other parts of the world, could materially and adversely affect the Group's business and results of operations.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome ("SARS"), avian influenza, Ebola virus disease or COVID-19 in the PRC and other parts of the world, could materially and adversely affect the overall business sentiment and environment in the PRC, particularly if such outbreak is inadequately controlled. Over the past few decades, the PRC has suffered health epidemics related to the outbreak of avian influenza, H1N1 virus, SARS and COVID-19. Any prolonged recurrence of avian influenza, SARS, COVID-19 or other adverse public health developments in the PRC could materially and adversely affect domestic consumption, labour supply and, possibly, the overall gross domestic product growth of the PRC. The Group's revenue is currently derived mainly from its PRC operations, and any labour shortages on contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect the Group's business, financial condition and results of operations. In addition, if any of the Group's employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant plants and materially and adversely affect the Group's business, financial condition and results of operations, which may also involve a closure of the Group's facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's customers and suppliers, which could materially and adversely affect the Group's business, financial condition, and results of operations.

It may be difficult to effect service of process or enforce any judgments obtained from non-PRC courts against the Group or its directors and senior management who reside in the PRC.

Substantially all of the Group's assets are located within the PRC. In addition, most of the Group's directors and senior management reside within the PRC, and assets of the directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's directors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from non-PRC courts against the Group, the Guarantor, any of their respective directors or senior management in the PRC.

RISKS RELATING TO THE GUARANTEE AND THE BONDS

Restrictions on Investors who are considered U.S. Persons for purposes of Executive Order 13959 or the CMIC Sanctions Regulation.

U.S. Executive Order 13959, as amended by Executive Order 14032, (together, the "Executive Order") or the CMIC Sanctions Regulation prohibits "U.S. Persons" (defined under the Executive Order or the CMIC Sanctions Regulation, as "any United States citizen, lawful permanent resident, entity organised under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States") from purchasing or selling "any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities" (each a "Covered Security") of any person listed on the NS-CMIC List published by OFAC, including the Guarantor. OFAC has the authority to list additional companies on the NS-CMIC List in the future, including entities that are determined, at the discretion of the U.S. Government, "to be owned or controlled by, directly or indirectly" a person listed on the NS-CMIC List.

The restrictions in the Executive Order or the CMIC Sanctions Regulation become effective 60 days after the date an entity is listed on the NS-CMIC List. Purchases or sales of Covered Securities made solely for divestment purposes are permitted during the 60-day wind down period. The Executive Order's or the CMIC Sanctions Regulation's restrictions are a form of U.S. sanctions. Investors are responsible for ensuring that they comply with the Executive Order, the CMIC Sanctions Regulation and any related official guidance. Investors who are considered U.S. Persons for purposes of the Executive Order or the CMIC Sanctions Regulation should consider whether this is an appropriate investment.

The Bonds may not be a suitable investment for all investors.

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

(iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds may not meet investor expectations or requirements.

It is the Issuer's intention to apply an amount equal to the net proceeds of the Bonds in accordance with the Issuer's Green Finance Framework. A prospective investor should have regard to the information set out in the section "*Green Finance Framework*" and determine for itself the relevance of such information for the purpose of an investment in the Bonds together with any other investigation it deems necessary.

No assurance is given by that such use of proceeds will satisfy any present or future investment criteria or guidelines with which an investor is required, or intends, to comply, in particular with regard to any direct or indirect environmental or sustainability impact of any project or uses, the subject of or related to, the Green Finance Framework.

No assurance can be given that Eligible Projects will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels. The Bonds will not be compliant with the Regulation (EU) 2023/2631 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (the "EU Green Bond Regulation") and are only intended to comply with the requirements and processes in the Issuer's Green Finance Framework. It is not clear if the establishment of the EuGB label and the optional disclosures regime for bonds issued as "environmentally sustainable" under the EU Green Bond Regulation could have an impact on investor demand for, and pricing of, green use of proceeds bonds that do not comply with the requirements of the EuGB label or the optional disclosures regime, such as the Bonds. It could result in reduced liquidity or lower demand or could otherwise affect the market price of the Bonds.

While it is the intention of the Issuer to allocate an amount equal to the net proceeds of the Bonds for Eligible Projects as described in *Green Finance Framework* below, there is no contractual obligation to do so. There can be no assurance that any such Eligible Projects will be available or capable of being implemented in the manner and timeframe anticipated and, accordingly, that the Issuer will be able to use the proceeds for such Eligible Projects as intended. In addition, there can be no assurance that Eligible Projects will be completed as expected or achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated. None of a failure by the Issuer to allocate the proceeds of the Bonds or a failure of a third party to issue (or to withdraw) an opinion or certification in connection with the Bonds or the failure of the Bonds to meet investors' expectations requirements regarding any "green", "sustainable", "social" or similar labels will constitute an Event of Default or breach of contract with respect to the Bonds.

The Issuer does not undertake to ensure that there are at any time sufficient Eligible Projects to allow for allocation of a sum equal to the net proceeds of the issue of the Bonds in full.

Each prospective investor should have regard to the factors described in the Issuer's Green Finance Framework and the relevant financial information contained in this Offering Circular and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the Bonds before deciding to invest. The Issuer's Green Finance Framework may be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Offering Circular. The Issuer's Green Finance Framework does not form part of, nor is incorporated by reference, in this Offering Circular.

No assurance of suitability or reliability of any Second Party Opinion or any other opinion or certification of any third party relating to the Bonds.

Sustainable Fitch has issued an independent opinion, dated June 2024, on the Issuer's Green Finance Framework (the "Second Party Opinion"). The Second Party Opinion provides an opinion on certain environmental and related considerations is a statement of opinion, not a statement of fact. No representation or assurance is given as to the suitability or reliability of the Second Party Opinion or any opinion or certification of any third party made available in connection with the issue of the Bonds. The Second Party Opinion and any other such opinion or certification is not intended to address any credit, market or other aspects of any investment in the Bonds, including without limitation market price, marketability, investor preference or suitability of any security or any other factors that may affect the value of the Bonds. The Second Party Opinion and any other opinion or certification is not a recommendation to buy, sell or hold the Bonds and is current only as of the date it was issued.

The criteria and/or considerations that formed the basis of the Second Party Opinion and any other such opinion or certification may change at any time and the Second Party Opinion may be amended, updated, supplemented, replaced and/or withdrawn. Any withdrawal of any such opinion or certification may have a material adverse effect on the value of the Bonds and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein. The Second Party Opinion and any other such opinion or certification does not form part of, nor is incorporated by reference, in this Offering Circular.

The Bonds are not linked to the performance of the Eligible Projects, do not benefit from any arrangements to enhance the performance of the Bonds or any contractual rights derived solely from the intended use of proceeds of the Bonds.

The performance of the Bonds is not linked to the performance of the relevant Eligible Projects or the performance of the Issuer in respect of any environmental or similar targets. There will be no segregation of assets and liabilities in respect of the Bonds and the Eligible Projects. Consequently, neither payments of principal and/or interest on Bonds nor any rights of Bondholders shall depend on the performance of the relevant Eligible Projects or the performance of the Issuer in respect of any such environmental or similar targets. Holders of the Bonds shall have no preferential rights or priority against the assets of any Eligible Project nor benefit from any arrangements to enhance the performance of the Bonds.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of bonds for which there is currently no trading market. One or more initial investors may subscribe for a material proportion of the aggregate principal amount of the Bonds which may reduce the liquidity of the Bonds in the secondary trading market and such investors may have certain influence on matters voted on by holders of the Bonds. Application will be made to the Hong Kong Stock Exchange for the Bonds to be admitted for trading on the Hong Kong Stock Exchange. No assurance can be given that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of Holders to sell their Bonds or the price at which Holders will be able to sell their Bonds. None of the Joint Lead Managers is obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, Holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The Issuer may not be able to meet its outstanding obligations under the Bonds.

The Issuer may, upon the occurrence of an early redemption event (and at maturity, will), be required to redeem all of the Bonds. However, the Issuer is a special purpose vehicle which does not generate any revenue. In the event the Issuer is required to redeem the Bonds or to pay interest under the Bonds, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds and/or to meet the interest payment obligations under the Bonds may also be limited by the terms of other debt instruments. Failure to redeem the Bonds, or failure to pay interest under the Bonds by the Issuer, may constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's or the Guarantor's other indebtedness.

The Issuer is a special purpose vehicle established specifically for the purpose of issuing securities.

The Issuer was established specifically for the purpose of issuing securities and on-lending the net proceeds from the issue of any securities to the Guarantor and/or its subsidiaries. Its ability to make payments under the Bonds will depend on the receipt of timely remittance of funds from the Guarantor and/or its subsidiaries and other members of the Group. There is no assurance that the Issuer will be able to receive sufficient funds from the Guarantor and/or its subsidiaries and other members of the Group to make payments under the Bonds.

The Bonds and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Bonds and the Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, whether or not secured. The Bonds will not be guaranteed by any of the Issuer's or the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable law. Each of the Issuer's and the Guarantor's subsidiaries is a separate legal entity that has no obligation to pay any amounts due under the Bonds or Guarantee or make any funds available therefor whether by dividends, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor is a creditor of that subsidiary). Consequently, the Bonds and the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Guarantor may in the future acquire or establish.

The Bonds and the Guarantee are the Issuer's and the Guarantor's unsecured obligations, respectively, and will: (i) at all times rank at least *pari passu* in right of payment with all the Issuer's and the Guarantor's other present and future unsecured and unsubordinated obligations save for such obligations as may be preferred by provisions of law that are both mandatory and of general application; (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's and the Guarantor's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of (1) the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution, or other winding up proceedings, or (2) a default in payment under the Issuer's or the Guarantor's secured indebtedness or other unsecured indebtedness, or (3) any acceleration of any of the Issuer's or the Guarantor's indebtedness, these assets will be available to pay obligations on the Bonds only after all other debt secured by these assets has been repaid in full; thus, the repayment may be compromised. Any remaining assets will be available to the Bondholders rateably with all of the Issuer's or the Guarantor's other unsecured creditors, including trade creditors. If there are not sufficient assets remaining to pay all such creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued to (but excluding) the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer or the Guarantor, as the case may be, has or will become obliged to pay Additional Tax mounts, as further described in Condition 5(b).

If the Issuer redeems the Bonds prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The issue of additional Bonds in the future may adversely affect the market price of the Bonds.

The Issuer may, from time to time, and without the consent of the Bondholders, create and issue further bonds (See "*Terms and Conditions of the Bonds – Further Issues") which shall be consolidated and form a single series with any Bonds then outstanding, or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.*

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to the industries in which the Group operates and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

The ratings of the Bonds may be downgraded or withdrawn.

Each Bonds are expected to be assigned a rating of "A-" by Fitch. The ratings represent only the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Bonds and the Trust Deed and credit risks in determining the likelihood that payments will be made when due under the Bonds. Ratings are not recommendations to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawn at any time. Neither the Issuer nor the Guarantor is obligated to inform Holders of the Bonds if the ratings are lowered or withdrawn. Each rating should be evaluated independently of the other rating. A downgrade or withdrawal of the ratings may materially and adversely affect the market price of the Bonds and the Issuer's ability to access the debt capital markets.

Investment in the Bonds is subject to exchange rate risks.

The Bonds are denominated and payable in RMB. An investor who measures investment returns by reference to a currency other than RMB would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of the RMB against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

The Issuer's ability to make payments under the Bonds will depend on timely payments under on lent loans of the proceeds from the issue of the Bonds to the Guarantor and its subsidiaries.

The Issuer is a subsidiary of the Guarantor formed for the principal purpose of issuing the Bonds and will on-lend the entire proceeds from the issue of the Bonds to the Guarantor and its subsidiaries. The Issuer does not and will not have any substantive net assets other than such on-lent loans and its ability to make payments under the Bonds depends on timely payments under such loans. In the event that the Guarantor and its subsidiaries do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Bonds may be adversely affected.

The Guarantor's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly controlled entities and associated companies.

As a holding company, the Guarantor depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations, including its obligations under the Bonds and the Guarantee. The ability of the Guarantor's subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. The Guarantor cannot assure that its subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments on the Bonds. These factors could reduce the payments that the Guarantor receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Bonds and the Guarantee.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. The PRC subsidiaries, jointly controlled entities and associated companies of the Guarantor or its non-PRC subsidiaries, jointly controlled entities and associated companies are also required to set aside a portion of their post tax profits according to PRC accounting standards and regulations to fund certain reserves until such reserve reaches 50 per cent. of its registered capital, which are not allowed to be distributed as cash dividends. In addition, starting from 1 January 2008, dividends paid by such PRC subsidiaries, jointly controlled entities and associated companies to their non-PRC parent companies will be subject to a 10 per cent. withholding income tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated which specifically exempts or reduces such withholding income tax. Pursuant to the Agreement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (內地和香港特別行政區關於對所得避免雙重征稅和防止偷漏稅的安排) together with related implementation rules, if a non-PRC parent company is a Hong Kong resident and directly holds a 25 per cent. or more interest in a PRC enterprise, and subject to certain other requirements, this withholding income tax rate may be lowered to 5 per cent. However, according to the Announcement of the State Taxation Administration on Issuing the Measures for the Administration of Non-resident Taxpayers' Enjoyment of Treaty Benefits (國家稅務總局關於發布非居民納稅人享受協定待遇管理辦法的公告), effective on 1 January 2020, the Hong Kong parent company needs to file a report and relevant documents if necessary to local tax authorities through the PRC subsidiaries, jointly controlled entities and associated companies before the 5 per cent. withholding income tax rate applies. The tax authorities will take follow-up management measures to companies who enjoyed such preferential tax treatment and have the right to recover tax payment if such treatment should not be applied. Moreover, according to the Notice of the State Administration of Taxation on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust a preferential tax rate of an offshore entity to the relevant tax rate that it otherwise would have been eligible for. The Guarantor cannot provide assurance that the 5 per cent. withholding income tax rate will applies to dividends received by it or its subsidiaries, jointly controlled entities and associated companies in Hong Kong from their respective PRC subsidiaries, jointly controlled entities and associated companies. As a result of such factors, the Guarantor could face difficulties in making payments required by the Bonds or satisfying obligations under the Guarantee.

The PRC Government has no payment or other obligations under the Bonds.

The PRC Government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, or in lieu of the Issuer or the Guarantor. In addition, any ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, any of the Issuer's or the Guarantor's financial condition. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State- owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知，財金[2018]23號) (the "MOF Circular") promulgated on 28 March 2018 and which took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知，發改外資[2018]706號) (the "Joint Circular") promulgated on 11 May 2018 and which took effect on the same day.

The State-owned Assets Supervision and Administration Commission of the State Council is the actual controller of the Guarantor, and it indirectly holds the equity interests of the Guarantor. As such, the PRC Government does not have any payment obligations under the Bonds or the Deed of Guarantee. The Bonds are solely to be repaid by the Issuer and to be guaranteed by the Guarantor, each as an obligor under the relevant transaction documents and as an independent legal person.

Any failure to complete the relevant filings under the NDRC Measures within the prescribed time frame following the completion of the issuance of the Bonds or to comply with the continuing reporting obligations under the NDRC Measures may have adverse consequences for the Issuer and/or the investors of the Bonds.

The NDRC issued the NDRC Measures on 5 January 2023, which came into effect on 10 February 2023 and repealed the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號) on the same date. According to the NDRC Measures, domestic enterprises and their overseas controlled entities shall obtain the Certificate of Review and Registration of Enterprise Borrowing of Foreign Debts ("企業借用外債審核登記證明") (the "Certificate of Review and Registration") of any debt securities denominated in Renminbi or a foreign currency, with a maturity term of one year and longer issued outside of the PRC with NDRC prior to the issue of such securities and notify the particulars of the relevant issues within 10 working days after the completion of the issuance. In addition, pursuant to the NDRC Measures, enterprises are required to complete the following filings: (i) report on the status of the foreign debt within 10 working days after the expiration of the relevant Certificate of Review and Registration, (ii) report on use of proceeds, principal and interest repayment status and arrangement and key business indicators within five working days prior to the end of January and July each year, and (iii) timely report on any material event that may affect the due performance of their debt obligations. The NDRC Measures sets forth certain legal liabilities and disciplinary measures which would be imposed on enterprises and intermediaries if they fail to comply with the relevant requirements. According to the NDRC Measures, for any enterprise that fails to report relevant information according to the NDRC Measures, the review and registration authorities shall order the enterprise to make corrections within a certain amount of time, and depending on the seriousness of the circumstances, impose disciplinary measures such as warnings on such enterprise concerned and its principal responsible person. Furthermore, conducts in violation of the NDRC Measures committed by enterprises will be published on, among others, the Credit China (信用中國) website and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統). In the worst case scenario, non-compliance with the NDRC requirements under the NDRC Measures may result in it being unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under the Bonds or the Guarantee.

Any failure to complete the relevant filings under the NDRC Measures within the prescribed time frames following the completion of the issue of the Bonds may have adverse consequences for the Issuer, the Guarantor and/or the investors of the Bonds. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

There may be uncertainties relating to the performance of obligations under the Guarantee.

Under the Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums expressed to be payable from time to time by the Issuer under the Trust Deed or in respect of the Bonds according to the terms of the Trust Deed and the Bonds. The obligations of the Guarantor with respect to the Bonds will be contained in a deed of guarantee to be entered into on or about the Issue Date.

The Guarantor is required by the Provisions on the Administration of Foreign Exchange of Cross-border Guarantee (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and the Guidelines for Implementing the Provisions on the Administration of Foreign Exchange of Cross-border Guarantee (跨境擔保外匯管理操作指引) promulgated by SAFE on 12 May 2014 (collectively, the "Foreign Exchange of Cross-border Guarantee Measures") to register the Guarantee and will register the Guarantee with the Beijing Bureau of SAFE within 15 PRC Business Days after the date of execution of the Deed of Guarantee. If the registration of the Guarantee is not completed in accordance with the aforesaid provisions, the Guarantor may not be able to go through the procedures of purchase of foreign exchange and remittance to perform its obligations under the Guarantee and SAFE may impose a fine or other penalties on the Guarantor.

In addition, if the Issuer intends to redeem the Bonds, there is no guarantee that the Issuer will have sufficient funds to redeem the Bonds in time, or on acceptable terms, or at all, in the event that the Guarantor fails to complete the registration with the Beijing Bureau of SAFE.

The interpretation of the Foreign Exchange of Cross-border Guarantee Measures may affect the enforceability and/or effective performance of the Guarantee in the PRC. In addition, the administration of the Foreign Exchange of Cross-border Guarantee Measures may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the Guarantee with SAFE can be completed by the Guarantor or will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Guarantee in the PRC.

The insolvency laws of the British Virgin Islands, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the Holders of the Bonds are familiar.

As the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor, even if brought in other jurisdictions, would likely involve the insolvency laws of the British Virgin Islands and the PRC, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Holders of the Bonds are familiar.

Bonds which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The denominations of the Bonds are CNY1,000,000 and integral multiples of CNY10,000 in excess thereof. Therefore, it is possible that the Bonds may be traded in amounts in excess of CNY1,000,000 that are not integral multiples of CNY1,000,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of less than CNY1,000,000 will not receive an individual certificate in respect of such holding of Bonds (should individual certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more denominations. If individual certificates are issued, Bondholders should be aware that Bonds with aggregate principal amounts that are not an integral multiple of CNY1,000,000 may be illiquid and difficult to trade.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including, without limitation, giving of notice to the Issuer pursuant to Condition 8), the Trustee may (at its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or pre-funded and/or secured to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

The Terms and Conditions contain provisions for calling meetings of holders of the Bonds and to pass resolutions in writing or by way of electronic consents through the relevant clearing system(s) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds, including holders who did not attend and vote at the meeting or participated in the relevant resolution and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of individual Bondholders.

The Bonds will be represented by a Global Certificate and holders of a beneficial interest in a Global Certificate must rely on the procedures of the CMU or any alternative clearing system.

The Bonds will initially be represented by beneficial interests in a Global Certificate. Such Global Certificate will be registered in the name of, and lodged with a sub-custodian for, the HKMA as the operator of the CMU. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive individual Certificates. The CMU or any alternative clearing system will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their interests only through the CMU or any alternative clearing system.

While the Bonds are represented by the Global Certificate which will be held in the CMU, any payments that are made in respect of the Bonds evidenced by the Global Certificate shall be made by the CMU to the respective account holders and such payments shall discharge the obligation of the Issuer in respect of that payment. A holder of an interest in such Global Certificate must rely on the procedures of the CMU to receive payments under the Bonds. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate.

Holders of beneficial interests in the relevant Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the CMU or any alternative clearing system to appoint appropriate proxies.

Modifications and waivers may be made in respect of the Terms and Conditions, the Trust Deed, the Agency Agreement and the Deed of Guarantee by the Trustee.

The Terms and Conditions and Trust Deed provide that the Trustee may, without the consent of the Holders, agree to any modification of the Terms and Conditions, the Deed of Guarantee or the Trust Deed (in each case, other than in respect of a Reserved Matter (as defined in the Terms and Conditions)) or the Agency Agreement which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Holders and to any modification of the Terms and Conditions, the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error.

Additional procedures may be required to be taken to hear English law governed matters in the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law matters.

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters, Hong Kong courts may require certain additional procedures to be taken.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "Choice of Court Arrangement"), pursuant to which a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a "choice of court" agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with an enforceable final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a "choice of court" agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A "choice of court" agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, under the Choice of Court Arrangement, it was not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute did not enter into a "choice of court" agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Issuer or the Guarantor or the Issuer's or the Guarantor's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC.

On 18 January 2019, Hong Kong and the PRC entered into the Arrangement of the Supreme People's Court on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (最高人民法院關於內地與香港特別行政區法院互相認可和執行民商事案件判決的安排) (the "2019 Arrangement"), which seeks to establish a bilateral legal mechanism with great clarity and certainty for recognition and enforcement of judgements in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement has been implemented on 29 January 2024 and shall apply to judgements made by the courts of Hong Kong and the PRC on or after the date of the commencement of 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for "choice of court" agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Issuer, the Guarantor or the Issuer's or the Guarantor's directors or members of their respective senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC.

Changes in market interest rates may adversely affect the value of the Bonds.

Investment in the Bonds, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Gains from the Bonds may be subject to income tax under PRC tax laws.

Pursuant to the EIT Law which was recently amended on December 29, 2018, and its implementation rules, which became effective on January 1, 2008 and was amended on April 23, 2019, enterprises established outside of the PRC whose "de facto management bodies" are located in the PRC are considered PRC resident enterprises. The implementation rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. The Circular of the State Administration of Taxation on Issues Concerning the Identification of Chinese-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the Actual Standards of Organizational Management (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) ("Circular 82") issued by the SAT on 22 April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "de facto management body" located within the PRC if all of the certain requirements are satisfied at the same time as described more detail in "*Taxation – PRC Taxation*". A PRC resident enterprise under the EIT Law is subject to enterprise income tax at the rate of 25 per cent. on its global taxable income. It also must withhold tax on payments of PRC-source income paid to non-resident enterprise holders of the Bonds at the rate of 10 per cent. and to non-resident individual holders at a rate of 20 per cent., in each case, unless a lower rate is available under an applicable tax treaty. Under the EIT Law, a "non-resident" enterprise means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but derives income from sources within the PRC.

As at the date of this Offering Circular, the Issuer has not been notified by the SAT that it is a PRC resident enterprise. However, no assurance can be made that the Issuer will not be deemed a PRC resident enterprise in the future. If the Issuer is deemed a PRC resident enterprise for enterprise income tax purposes, the Issuer would be subject to enterprise income tax at a rate of 25 per cent. on its global income (although dividends paid from one PRC resident enterprise to another may qualify as tax-exempt income for these purposes) and may be required to withhold PRC withholding tax on payments of distribution paid to non-resident enterprise holders of the Bonds at the rate of 10 per cent. or to non-resident individual holders at a rate of 20 per cent., as the case may be. Furthermore, any capital gains on the transfer of the Bonds of non-resident holders may be regarded as derived from sources within the PRC and therefore subject to PRC tax at the above rates if the Issuer is deemed to be a PRC resident enterprise for enterprise income tax purposes. Applicable tax treaties may provide for lower tax rates.

In addition, as the Guarantor is a PRC resident enterprise, if the Issuer is not able to make payments under the Bonds and the Guarantor fulfils the payment obligations under the Guarantee, the Guarantor must withhold PRC income tax on payments with respect to the Bonds to non-resident enterprise holders at the rate of 10 per cent. and to non-resident individual holders at a rate of 20 per cent., as the case may be. Applicable tax treaties may provide for lower tax rates.

If a holder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains from the Bonds, the value of the relevant holders, investment in the Bonds may be materially and adversely affected.

The Issuer or the Guarantor may not be able to redeem the Bonds upon a Change of Control or No Registration Event.

At any time following the occurrence of a Change of Control or No Registration Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds at a redemption price equal to the amount prescribed in the Terms and Conditions, together with accrued interest. The source of funds for any such redemption would be available cash of the Group or third-party financing. However, the Issuer or the Guarantor may not have enough available funds at the time of the occurrence of any Change of Control or No Registration Event to redeem outstanding Bonds. If an event constituting a Change of Control or a No Registration Event occurs at a time when the Issuer is prohibited from redeeming the Bonds by the terms of its other debt instruments, the Issuer may seek the consent of the investors of such debt instruments under such indebtedness to redeem the Bonds or may attempt to refinance the debt instruments that contain such prohibition. If such a consent to repay such debt instruments is not obtained, the Issuer may be unable to redeem the Bonds. The Issuer's failure to redeem the outstanding Bonds would constitute an event of default under the Bonds. The event of default may, in turn, constitute an event of default under other debt instruments, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If the Issuer's other debt instruments were to be accelerated, it may not have sufficient funds to redeem the Bonds and repay those debt instruments.

Certain events constituting a Change of Control or a No Registration Event under the Bonds may also constitute an event of default under certain of the Issuer, the Guarantor or their respective subsidiaries' debt instruments, requiring repurchase or repayment of such debt instruments. In addition, future debt of the Issuer or the Guarantor may also: (1) prohibit the Issuer from redeeming Bonds in the event of a Change of Control or a No Registration Event; (2) provide that a Change of Control or a No Registration Event is a default; or (3) require repurchase or repayment of such debt upon a Change of Control or a No Registration Event.

Moreover, the exercise by the Bondholders of their right to require the Issuer to redeem the Bonds could cause a default (even if the Change of Control and No Registration Event themselves do not) under the Issuer, the Guarantor or their respective subsidiaries' other indebtedness, due to the financial effect of the redemption on all of them.

If the Issuer or the Guarantor is unable to comply with the terms of the Trust Deed or their respective current or future debt obligations and other agreements, there could be a default under those obligations or agreements, which could cause repayment of the debt of the Issuer or the Guarantor to be accelerated.

If the Issuer or the Guarantor is unable to comply with the terms in the Trust Deed or its current or future debt obligations and other agreements, there could be a default under those obligations or agreements. If that occurs, the holders of the debt could terminate their commitments to lend to the Issuer or, as the case may be, the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, the Trust Deed and certain financing agreements of the Group contain, and the Issuer's or the Guarantor's future debt agreements are likely to contain, cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other obligations, including the Bonds, or result in a default under their other debt agreements, including the Trust Deed. If any of these events occur, the Issuer's or the Guarantor's assets and cash flow might not be sufficient to repay in full all of its respective indebtedness and the Issuer or, as the case may be, the Guarantor might not be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, it might not be on terms that are favourable or acceptable to it.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes, which may subject the Issuer to PRC income taxes on its worldwide income, and interest payable by the Issuer to foreign investors and gain on the sale of the Bonds may be subject to withholding taxes under PRC tax law.

Under the EIT Law and the implementation rules which both took effect on 1 January 2008, and were amended on 29 December 2018 and 23 April 2019 respectively, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise.

The Circular 82 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "de facto management body" located within China if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management habitually reside within China. On 27 July 2011, the SAT issued Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group (境外註冊中資控股居民企業所得稅管理辦法(試行)) ("Circular 45"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group." Circular 45 provides two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its de facto management body is located in China based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation. On 29 January 2014, the SAT issued the Announcement of the SAT on Issues Concerning the Accreditation of Resident Enterprises Based on the Place of Effective Management Criteria (關於依據實際管理機構標準實施居民企業認定有關問題的公告) ("Circular 9"), to further specify the accreditation procedure of a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" as a resident enterprise. Under Circular 9 any foreign enterprise, which meets the criteria of resident enterprise under Circular 82, shall file an accreditation application with domestic taxation authorities where its major domestic shareholder is situated.

To date, the Issuer has not been notified by the competent tax bureau that it is a PRC resident enterprise. If the Issuer is deemed to be a PRC resident enterprise for enterprise income tax ("EIT") purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. Furthermore, the Issuer may be obligated to withhold PRC income tax of up to 7 per cent. on payments of interest and certain other amounts on the Bonds to investors that are Hong Kong resident enterprises, or 10 per cent. on payments of interest and other amounts on the Bonds (**provided that** the investors do not have offices or premises in the PRC, or if they have offices or premises in the PRC, as long as such gains are not effectively connected therewith) to investors that are neither Hong Kong resident enterprises nor PRC resident enterprises, **provided that** there are no tax treaties between China and those countries which exempt or reduce such withholding tax, because the interest and other amounts may be regarded as being derived from sources within the PRC. In addition, if the Issuer fails to do so, it may be subject to fines and other penalties. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Bonds may be regarded as being derived from sources within the PRC, and may accordingly be subject to a 10 per cent. PRC withholding tax **provided that** there are no tax treaties between China and those countries which exempt or reduce such withholding tax and the investors do not have offices or premises in the PRC, or if they have offices or premises in the PRC as long as such gains are not effectively connected therewith.

If the Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to foreign investors who are "non-resident enterprises", the Issuer will be required to pay such additional amounts as will result in receipt by a holder of the Bonds of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Bonds, as well as its profitability and cash flow. In addition, if the Bondholders are required to pay PRC income tax on the transfer of the Bonds, the value of investments in the Bonds may be materially and adversely affected. It is unclear whether, if the Issuer is considered a PRC "resident enterprise", holders of the Bonds might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

The Issuer may not be able to pay additional amounts if it is treated as a PRC "resident enterprise".

Under the EIT Law and the implementation regulations thereunder, PRC enterprise income tax at a rate of 10 per cent. is normally applicable to PRC-sourced income of non-resident enterprises without establishment within the PRC or whose income has no actual connection to its establishment within the PRC, subject to adjustment by applicable treaty. The EIT Law's implementation regulations further set forth that interest income is viewed as PRC-sourced income if the enterprise that pays interest is located in the PRC. If the Issuer is deemed a PRC resident enterprise for tax purposes, interest paid to overseas creditors may be regarded as PRC-sourced and, therefore, to be subject to PRC enterprise income tax at the rate of up to 10 per cent. and 20 per cent. in the case of payments to non-resident individual holders. In such case, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as would result in receipt by a holder of a Bond of such amounts as would have been received by the holder had no such withholding been required. The source of funds for any such additional amounts would be available cash of the Group or third-party financing. However, the Issuer or the Guarantor may not have sufficient funds at the time such additional amounts are required to be paid. Failure to pay interest with required additional amounts by the Issuer, or failure of the Guarantor to make payments under the Guarantee, may constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's or the Guarantor's other indebtedness.

Due to uncertainties in the interpretation of certain provisions of the new VAT regime, the issuance of the Bonds may be treated as a provision of loans in the PRC that is subject to VAT, and the Issuer may be required to withhold VAT and local levies from the payment of interest income to the Bondholders who are located outside the PRC.

On 23 March 2016, the MOF and the SAT jointly issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知) ("Circular 36") which confirms that business tax will be completely replaced by value-added tax ("VAT") from 1 May 2016. With effect from 1 May 2016, the income derived from the provision of financial services which previously attracted business tax is instead to be subject to VAT. Services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. Based on the definition of "loans" under Circular 36, the issuance of Bonds could be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. It is unclear from the interpretation of Circular 36 whether the provision of loans to the Issuer could be considered as services provided within the PRC, which could be regarded as the provision of financial services subject to VAT. The Issuer will be obliged to withhold VAT of six per cent. and certain surcharges on payments of interest and certain other amounts on the Bonds paid by the Issuer to the Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of the Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of the Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of the Bonds is located inside the PRC.

There is uncertainty as to the application of Circular 36 in the context of the issuance of the Bonds, payments thereunder, and their sale and transfer. If VAT is applicable on the transfer of the Bonds, the value of investments in the Bonds may be materially and adversely affected.

A change in English law which governs the Bonds may adversely affect holders of the Bonds.

The Bonds and the Trust Deed are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

International financial markets and world economic conditions may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. The international financial markets have experienced significant volatility recently and any such continuing volatility may impact the market price of the Bonds.

Restrictive covenants contained in debt agreements of the Group may limit the Group's ability to incur additional indebtedness and restrict its future operations.

Certain debt agreements entered into by members of the Group may contain operational and financial restrictions that prohibit any member of the Group from incurring additional indebtedness, restrict such member of the Group from creating security or granting guarantees or prohibit such member of the Group from changing its business and corporate structure, or amending its articles of association unless they obtain the lender's prior consent. If any member of the Group is unable to comply with its current or future obligations under the agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the lenders could terminate their commitments to lend, accelerate repayment of the debts, declare all amounts borrowed due and payable, or terminate the agreements, as the case may be.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of the Bonds.

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong, Macau, Singapore, Taiwan, Seoul, Frankfurt, London, Paris, Luxembourg, Doha and Toronto have been permitted to engage in the settlement of current account trade transactions in Renminbi under certain pilot schemes.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are still being developed.

Although starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there can be no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which will have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance their obligations under the Bonds.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Bonds and the Issuer's ability to source Renminbi outside the PRC to service the Bonds.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements (the "Settlement Arrangements") on the clearing of Renminbi business with financial institutions (the "Renminbi Clearing Banks") in a number of financial centres and cities, including but not limited to Hong Kong and has established the Cross-Border Inter-Bank Payment System to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC, although PBOC has gradually allowed participating banks to access the PRC's onshore interbank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Bonds. To the extent the Issuer is required to source Renminbi in the offshore market to service its Bonds, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Bonds, which will be endorsed on the Bond Certificates evidencing the Bonds:

The CNY2,200,000,000 2.46 per cent. guaranteed bonds due 2027 (the "Bonds", which expression includes any further bonds issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of CCCI Treasure Limited (the "Issuer") was authorised by a resolution of the sole director of the Issuer passed on 16 October 2024. The Bonds are guaranteed by China Communications Construction Company Limited (中國交通建設股份有限公司) (the "Guarantor" or the "Company") pursuant to a deed of guarantee dated 24 October 2024 (the "Deed of Guarantee"). The providing of guarantee stipulated in the Deed of Guarantee was approved by the board of directors of the Guarantor on 29 February 2024. The Bonds are constituted by, are subject to, and have the benefit of, a trust deed dated 24 October 2024 (as amended or supplemented from time to time, the "Trust Deed") between the Issuer, the Company and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee (the "Trustee", which expression includes its successor(s) and all other persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 24 October 2024 (as amended or supplemented from time to time, the "Agency Agreement") between the Issuer, the Company, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as registrar (the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Bonds), the CMU lodging and paying agent (the "CMU Lodging and Paying Agent", which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Bonds), the transfer agent named therein (the "Transfer Agent", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Bonds), the other agents named therein and the Trustee. References herein to the "Agents" are to the Registrar, the CMU Lodging and Paying Agent, the Transfer Agents and any other agent or agents appointed from time to time under the Agency Agreement with respect to the Bonds. Certain provisions of these Conditions are summaries of the Deed of Guarantee, the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Holders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Deed of Guarantee, the Trust Deed and the Agency Agreement applicable to them. Copies of the Deed of Guarantee, the Trust Deed and the Agency Agreement are available to Holders during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time) Mondays to Fridays, excluding public holidays) with prior written notification and satisfactory proof of holdings and identity from the specified office of the CMU Lodging and Paying Agent, being at the date hereof 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

All capitalised terms not defined in these Conditions have the meanings ascribed to them in the Trust Deed.

1. FORM, DENOMINATION, STATUS, RANKING AND GUARANTEE

(a) Form and Denomination

The Bonds are in registered form in the denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof (each, an "Authorised Denomination").

(b) Status of the Bonds

The Bonds constitute direct, general, unsubordinated, unconditional and (subject to paragraph (a) (*Negative Pledge*) of Condition 3 (*Negative Pledge and other Covenants*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be provided by applicable provisions of laws and regulations.

(c) Guarantee

The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment in full of all sums expressed to be from time to time payable by the Issuer under the Trust Deed and in respect of the Bonds (the "Guarantee"). The Guarantee constitutes a direct, general, unsubordinated, unconditional and (subject to paragraph (a) (*Negative Pledge*) of Condition 3 (*Negative Pledge and other Covenants*)) unsecured obligations of the Guarantor which shall, at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be provided by applicable provisions of laws and regulations.

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator (the "Operator") of the Central Moneymarkets Unit Service (the "*CMU*"). These Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are represented by the Global Certificate. See "Summary of Provisions Relating to the Bonds in Global Form".

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive Individual Certificates in respect of their individual holdings of Bonds.

For so long as any of the Bonds are represented by the Global Certificate, each person who is for the time being shown in the records of the Operator as the holder of a particular principal amount of Bonds (the "account holder") (in which regard any certificate or other documents issued by the Operator as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee, the Registrar, the Transfer Agent, the CMU Lodging and Paying Agent and the Operator as the holder of such principal amount of such Bonds. For so long as any of the Bonds are represented by the Global Certificate and the Global Certificate is held with the CMU, any transfer of principal amounts of Bonds shall be effected in accordance with the rules and procedures for the time being of the CMU.

2. REGISTER, TITLE AND TRANSFERS

(a) Register

The Registrar will maintain a register (the "Register") outside of the United Kingdom in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions, the "Holder" of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "Holder" shall be construed accordingly. A certificate (each, a "Bond Certificate") will be issued to each Holder in respect of its entire registered holding. Each Bond Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) Title

The Holder of each Bond shall (except as ordered by a court of competent jurisdiction or otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Bond Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Bond Certificate) and no person shall be liable for so treating such Holder.

(c) Transfers

Subject to paragraphs (f) and (g) below, a Bond may be transferred upon surrender of the relevant Bond Certificate, with the form of transfer duly completed and signed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Bond Certificate are the subject of the transfer, a new Bond Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures of the CMU.

(d) Registration and delivery of Bond Certificates

Within seven business days of the surrender of a Bond Certificate in accordance with paragraph (c) above, the Registrar will register the transfer in question and deliver a new Bond Certificate of a like principal amount to the Bonds transferred to each relevant Holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured mail to the address specified for the purpose by such relevant Holder.

(e) No charge

The transfer of a Bond will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but upon (i) such payment or indemnity and/or security and/or pre-funding as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer; (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the relevant Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

(f) Closed periods

No Holders may require the transfer of a Bond to be registered:

(i) during the period of 15 days ending on (and including) the due date for any redemption of that Bond;

(ii) after the exercise of the put option in Condition 5(c) (*Redemption Upon a No Registration Event*) or Condition 5(d) (*Redemption for Change of Control*); or

(iii) during the period of seven days ending on (and including) any Record Date (as defined in paragraph (e) (*Record date*) of Condition 6 (*Payments*)).

(g) Regulations concerning transfers and registration

All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Holder upon prior written request and satisfactory proof of holding and identity during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) at the specified office for the time being of the Registrar.

3. NEGATIVE PLEDGE AND OTHER COVENANTS

(a) Negative Pledge

So long as any of the Bonds remains outstanding (as defined in the Trust Deed).

(i) the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "Security Interest") upon, or with respect to, any of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any of it Relevant Indebtedness, unless the Issuer, in the case of the creation of a Security Interest, before or at the same time takes any and all action necessary to ensure that:

(A) all amounts payable by it under the Bonds and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee, or

(B) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders, and

(ii) the Guarantor will not, and the Guarantor will ensure that none of its Principal Subsidiaries (other than any Subsidiary whose ordinary shares are listed on any recognised stock exchange and its Subsidiaries) will create or have outstanding any Security Interest (save for any Permitted Security Interest) upon, or with respect to, any of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any of its Relevant Indebtedness unless the Guarantor, in the case of the creation of a Security Interest, before or at the same time takes any and all action necessary to ensure that:

(A) all amounts payable by it under the Guarantee are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee, or

(B) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution of the Holders.

(b) Undertakings in relation to the Guarantee

The Guarantor shall (i) submit to register or cause the Deed of Guarantee to be submitted for registration with the SAFE within the prescribed timeframe in accordance with the Provisions on the Administration of Foreign Exchange of Cross-border Guarantee《跨境擔保外匯管理規定》promulgated by SAFE on 12 May 2014 and the Guidelines for Implementing the Provisions on the Administration of Foreign Exchange of Cross-border Guarantee《跨境擔保外匯管理操作指引》promulgated by SAFE on 12 May 2014 (the "SAFE Registration"); (ii) use its commercially reasonable endeavours to complete the SAFE Registration on or before the Registration Deadline; and (iii) ensure that the SAFE Registration remains in full force and effect for so long as the Bonds remain outstanding.

(c) NDRC Registration

The Guarantor shall within the relevant prescribed timeframes after the Issue Date (as defined below), file or cause to be filed with the NDRC requisite information and documents in respect of the Bonds in accordance with the Administrative Measures for the Review and Registration of Medium and Long-term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法 (國家發展和改革委員會令第56號)) issued by the NDRC which came into effect on 10 February 2023 and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (each, a "NDRC Post-issue and Continuing Filing"), including but not limited to, the filing with the NDRC the requisite information and documents in respect of the issue of the Bonds within 10 PRC Business Days after the Issue Date (the "NDRC Post-issue Filing").

(d) Certificates to Trustee

Within 10 PRC Business Days after the later of the submission of such NDRC Post-issue Filing and receipt of the registration record or evidence of filing from SAFE as referred to in Condition 3(b) (*Undertakings in relation to the Guarantee*) above (A) provide the Trustee with the Registration Documents and (B) give notice to the Holders in accordance with Condition 15 (Notices) of the same.

The Trustee shall rely conclusively without investigation or verification on the Registration Documents and any other certificate, document, confirmation, evidence, notice and/or other document in relation to or in connection with the NDRC Post-issue and Continuing Filing, the NDRC Post-issue Filing and/or the SAFE Registration and have no duty or obligation to monitor or ensure the completion of (or otherwise assist with) the NDRC Post-issue and Continuing Filing, the NDRC Post-issue Filing and/or the SAFE Registration on or before the deadline referred to above or to verify the accuracy, completeness, contents, validity and/or genuineness of any certificate, confirmation or other documents in relation to or in connection with the NDRC Post-issue and Continuing Filing, the NDRC Post-issue Filing and/or the SAFE Registration (and may rely conclusively on any of such documents) or to give notice to the Holders confirming the submission of the NDRC Post-issue and Continuing Filing, the NDRC Post-issue Filing and/or the SAFE Registration, or to translate or procure the translation into English of any document referred to above which is in the Chinese language, and shall not be liable to Holders, the Issuer, the Guarantor or any other person for not doing so.

(e) Financial Statements

So long as any Bond remains outstanding, the Guarantor shall send to the Trustee (i) as soon as they are available but in any event within 180 days after each Relevant Period, a copy of the relevant audited annual consolidated financial statements of the Group (audited by a nationally or an internationally recognised firm of independent accountants) prepared and presented in accordance with International Financial Reporting Standards and (ii) as soon as they are available but in any event within 120 days after each Relevant Period, a copy of the relevant semi-annual consolidated financial statements of the Group (reviewed by a nationally or an internationally recognised firm of independent accountants) prepared and presented in accordance with International Financial Reporting Standards, **provided that** if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) a nationally or an internationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally or an internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor certifying that such translation is complete and accurate.

The Trustee shall not be required to review the audited annual consolidated financial statements of the Group, the semi-annual consolidated financial statements of the Group or any other financial reports delivered to it as contemplated in this Condition 3(e) and, if the same shall not be in the English language, shall not be required to investigate or verify the accuracy or completeness of any English language translation of any financial reports or request or obtain or arrange for an English language translation of the same, and the Trustee shall not be liable to any Holder or any other person for not doing so.

(f) Compliance Certificate

So long as any Bond remains outstanding, each of the Issuer and the Guarantor shall send to the Trustee (i) a Compliance Certificate (on which the Trustee may rely conclusively without investigation or verification as to such compliance) (A) within 14 days of a written request therefor from the Trustee; and (B) at the same time as the provision of the audited annual consolidated financial statements referred to in Condition 3(e)(i) above.

The Trustee shall be entitled to rely conclusively upon such compliance certificates of the Issuer and the Guarantor given without further verification or investigation as contemplated in these Conditions and shall not be liable to any Holder or any other person for so relying upon such certificates.

In this Condition 3(f) (*Compliance Certificate*):

"Compliance Certificate" means a certificate of the Issuer and the Guarantor in English substantially in the form set out in the Trust Deed signed by their respective Authorised Signatory (as defined the Trust Deed) that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer and the Guarantor as at a date (the "Certification Date") not more than five days before the date of the certificate:

(i) no Event of Default (as defined in Condition 8) had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed and Deed of Guarantee or, if such an event had occurred, giving details of it; and

(ii) the Issuer and Guarantor has complied with all its obligations under the Trust Deed, and Deed of Guarantee and the Bonds or, if non-compliance had occurred, giving details of it.

4. INTEREST

The Bonds bear interest on their outstanding principal amount from and including 24 October 2024 (the "Issue Date") at the rate of 2.46 per cent. per annum, payable semi-annually in arrear on 24 April and 24 October in each year (each an "Interest Payment Date"), commencing on 24 April 2025. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below in this Condition 4), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Bond Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Holder, and (b) the day which is seven days after the Trustee or the CMU Lodging and Paying Agent has notified Holders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Conditions).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "Interest Period".

Interest in respect of any Bond shall be calculated per CNY10,000 in principal amount of the Bonds (the "Calculation Amount"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the actual number of days in the relevant Interest Period (or such other period) divided by 365, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

In this Condition 4, "business day" means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks are generally open for business and settlement of Renminbi payments in Hong Kong.

5. REDEMPTION AND PURCHASE

(a) Final redemption

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 24 October 2027 (the "Maturity Date"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 5 (*Redemption and Purchase*).

(b) Redemption for tax reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15 (*Notices*)) to the Holders (which notice shall be irrevocable) to the Trustee and the CMU Lodging and Paying Agent at their principal amount, together with any interest accrued to, but excluding, the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 October 2024; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) if a demand was made under the Guarantee, the Guarantor would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 17 October 2024 and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Tax Amounts if a payment in respect of the Bonds (or the Guarantee, as the case may be) were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph (b), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate in English signed by an Authorised Signatory of the Issuer stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by an Authorised Signatory of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and

(B) an opinion in form and substance reasonably satisfactory to the Trustee of independent legal advisers or accounting firm of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled, without being liable to Holders or any other Person, to conclusively rely on such certificate and opinion without investigation and to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Holders, and the Trustee shall be protected and shall have no liability to any Holder or any person for so accepting and relying on such certificate or opinion, in which event they shall be conclusive and binding on the Holders.

Upon the expiry of any such notice period as is referred to in this paragraph (b), the Issuer shall be bound to redeem the Bonds in accordance with this paragraph (b).

(c) Redemption Upon a No Registration Event

At any time following the occurrence of a No Registration Event, the Holder of any Bond will have the right (the "No Registration Event Put Right"), at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the No Registration Event Put Date (as defined below) at their principal amount, together with any interest accrued to, but excluding, the No Registration Event Put Date.

To exercise such right, the Holder of the relevant Bond must deposit at the specified office of any Transfer Agent or the Registrar a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Transfer Agent or the Registrar (a "No Registration Event Put Exercise Notice"), together with the Bond Certificates evidencing the Bonds to be redeemed by not later than 30 days following a No Registration Event, or, if later, 30 days following the date upon which notice thereof is given to Holders by the Issuer in accordance with Condition 15 (*Notices*). The "No Registration Event Put Date" shall be the fifth day after the expiry of such period of 30 days as referred to above.

A No Registration Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the No Registration Event Put Exercise Notices delivered as aforesaid.

The Issuer shall give notice to Holders in accordance with Condition 15 (*Notices*) and to the Trustee and the CMU Lodging and Paying Agent in writing by not later than five days following the first day on which it becomes aware of the occurrence of a No Registration Event.

Neither the Agents nor the Trustee shall have any obligation or duty to verify the accuracy, validity, completeness, content and/or genuineness of any documents in relation to or in connection with any No Registration Event Put Right and none of them shall be required to monitor or to take any steps to ascertain whether an No Registration Event or any event which could lead to an No Registration Event has occurred or may occur and none of them shall be liable to Holders, the Issuer or any other person for not doing so.

In this Condition 5(c) (*Redemption Upon a No Registration Event*):

"Registration Condition" means the receipt by the Trustee of the Registration Documents; and

a "No Registration Event" occurs when the Registration Condition is not complied with on or before the Registration Deadline.

(d) Redemption for Change of Control

At any time following the occurrence of a Change of Control Event, the Holder of any Bond will have the right (the "Change of Control Put Right"), at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the Change of Control Put Date (as defined below) at 101 per cent. of their principal amount together with any interest accrued to, but excluding, the date fixed for redemption.

To exercise such right, the Holder of the relevant Bond must deposit at the specified office of any Transfer Agent or the Registrar a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Transfer Agent or the Registrar (a "Change of Control Put Exercise Notice"), together with the Bond Certificates evidencing the Bonds to be redeemed by not later than 60 days following a Change of Control Event, or, if later, 60 days following the date upon which notice thereof is given to Holders by the Issuer in accordance with Condition 15 (*Notices*). The "Change of Control Put Date" shall be the 14th day after the expiry of such period of 60 days as referred to above.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Change of Control Put Exercise Notices delivered as aforesaid.

The Issuer shall give notice to Holders in accordance with Condition 15 (*Notices*) and to the Trustee and the CMU Lodging and Paying Agent in writing by not later than 30 days following the first day on which it becomes aware of the occurrence of a Change of Control Event.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Change of Control Put Right and none of them shall be liable to Holders, the Issuer, the Guarantor or any other person for not doing so.

So long as the Bonds are represented by the Global Certificate, a Holder's right to redemption of the Bonds will be effected in accordance with the rules and procedures for the time being of the Operator.

(e) Notice of Redemption

All Bonds in respect of which any notice of redemption is given under this Condition 5 shall be redeemed on the date specified in such notice in accordance with this Condition 5. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 5(b) (*Redemption for tax reasons*), any No Registration Event Put Exercise Notice given by a Holder pursuant to Condition 5(c) (*Redemption Upon a No Registration Event*) and any Change of Control Put Exercise Notice given by a Holder pursuant to Condition 5(d) (*Redemption for Change of Control*)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or have a duty to verify the accuracy, validity and/or authenticity of any documents in relation to or in connection therewith, and shall not be liable to the Issuer, the Guarantor, the Holders or any other person for not doing so.

(f) No other redemption

The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in paragraphs (a) to (d) above.

(g) Purchase

The Issuer, the Guarantor or any of their respective Subsidiaries, the holding company of the Issuer or the Guarantor or any Subsidiary of such holding company may at any time purchase Bonds in the open market or otherwise and at any price. The Bonds so purchased, while held by or on behalf of the Issuer or the Guarantor or any of their respective Subsidiaries, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Holders and for the purposes of Condition 8 (*Events of Defaults*), Condition 12(a) (*Meetings of Holders*) and Condition 13 (*Enforcement*).

(h) Cancellation

All Bonds so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries, the holding company of the Issuer or the Guarantor or any Subsidiary of such holding company may be cancelled. Any Bonds so cancelled may not be reissued or resold.

6. PAYMENTS

(a) Principal

Payments of principal shall be made in Renminbi by wire transfer to registered account of the relevant Holder. For the purpose of this Condition 6(a) (*Principal*) and Condition 6(b) (*Interest*) Holder's "registered account" means the Renminbi account maintained by or on behalf of it with a bank and (i) (in the case of redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Bond Certificates at the specified office of the CMU Lodging and Paying Agent.

(b) Interest

Payments of interest shall be made in Renminbi by wire transfer to registered account of the relevant Holder and (i) (in the case of interest payable on redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Bond Certificates at the specified office of the CMU Lodging and Paying Agent.

(c) Payments subject to fiscal laws

All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) Payments on business days

Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Bond Certificate is surrendered (or, in the case of part payment only, endorsed) at the specified office of the CMU Lodging and Paying Agent, on the first business day on which the CMU Lodging and Paying Agent is open for business and on or following which the relevant Bond Certificate is surrendered and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day.

(e) Record date

Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "Record Date").

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator, the CMU Lodging and Paying Agent will make payments to the Operator who will make payments to each CMU participant who is for the time being shown in the records of the Operator as the holder of a particular principal amount of Bonds (each an "accountholder"). Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants, and the Trustee, the CMU Lodging and Paying Agent and the other Agents shall have no liability to the Holders, the Issuer, the Guarantor, the CMU participants, the indirect participants or any other person in respect of any such payment. Save in the case of final payment, no presentation of the Global Certificate shall be required for such purpose.

(f) Partial payment

If the CMU Lodging and Paying Agent makes a partial payment in respect of any Bonds, the Issuer shall procure that the amount and date of such payment are noted in the Register and, in the case of partial payment upon presentation of a Bond Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Bond Certificate.

7. TAXATION

All payments of principal, premium (if any) and interest in respect of the Bonds, the Trust Deed and under the Guarantee by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction or any political subdivision or any authority therein or thereof having power to tax, unless the withholding or deduction of the Taxes is required by law.

Where such withholding or deduction is made by the Issuer or (as the case may be) the Guarantor as a result of the Issuer or (as the case may be) the Guarantor being deemed to be a PRC tax resident by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax at the rate applicable on 17 October 2024 (the "Applicable Rate"), the Issuer or the Guarantor, as the case may be, will increase the amounts paid by it to the extent required, so that the net amount received by the Holders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or the Guarantor is required to make (i) such deduction or withholding by or within the PRC, in excess of the Applicable Rate; or (ii) any deduction or withholding by or within the British Virgin Islands, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the "Additional Tax Amounts") as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

(i) presented for payment by or on behalf of a Holder who is liable to the Taxes in respect of such Bond by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond; or

(ii) where (in the case of a payment of principal or interest on redemption) the relevant Bond Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Bond Certificate on the last day of such period of 30 days.

In these Conditions, "Relevant Date" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the CMU Lodging and Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders.

Any reference in these Conditions to principal, premium (if any) or interest shall be deemed to include any additional amounts in respect of such principal, premium (if any) or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than any of the Relevant Jurisdictions, references in these Conditions to the Relevant Jurisdiction shall be construed as references to the Relevant Jurisdictions and/or such other jurisdiction.

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charges, withholding, assessment or other payment referred to in this Condition 7 (*Taxation*) or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, the Holders or any other Person to pay such tax, duty, charges, assessment, withholding or other payment in any jurisdiction and none of them shall be responsible or obliged to provide any notice or information to the Holders or any other persons that would permit, enable or facilitate the payment of any principal, interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charges, assessment, withholding, deduction or other payment imposed by or in any jurisdiction.

8. EVENTS OF DEFAULT

If any of the following events (each an "Event of Default") occurs and is continuing, then the Trustee at its sole and absolute discretion may (but shall not be obliged to) and, if so requested in writing by Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or pre-funded and/or provided with security to its satisfaction), give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon the Bonds shall become immediately due and payable at their principal amount together with accrued and unpaid interest (if any) without further notice or formality:

(a) Non-payment

There is failure to pay (i) the principal of or any premium on any of the Bonds when due or (ii) any interest on any of the Bonds within 30 days after the due date for such payment;

(b) Breach of Other Obligations

The Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Bonds, the Deed of Guarantee or the Trust Deed (other than any failure in the performance or observance that gives rise to a right of redemption by the Holders pursuant to Conditions 5(c) (*Redemption Upon a No Registration Event*) or 5(d) (*Redemption for Change of Control*)) and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is capable of remedy remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer and the Guarantor;

(c) Cross-Default

(i) any Indebtedness for Borrowed Money of the Issuer, the Guarantor or, any of the Guarantor's Subsidiaries becomes due and repayable prematurely by reason of any default or an event of default (howsoever, described), (ii) the Issuer, the Guarantor or, any of the Guarantor's Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or, as the case may be, within any originally applicable grace period, or (iii) default is made by Issuer, the Guarantor or, any of the Guarantor's Subsidiaries in making any payment due under any guarantee or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that the aggregate amount of such Indebtedness for Borrowed Money, guarantees and indemnities, in respect of which one or more of the events mentioned above in this provision have occurred equals or exceeds U.S.$200,000,000 or its equivalent determined by middle spot rate on relevant day;

(d) Enforcement Proceedings

Failure by the Guarantor, the Issuer or any Principal Subsidiary to pay one or more final judgments from a court of competent jurisdiction aggregating in excess of U.S.$200,000,000, or its equivalent determined by middle spot rate on relevant day, which judgments are not paid, discharged or stayed for a period of 60 days;

(e) Security Enforced

Any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor or any of the Principal Subsidiaries on the whole or any substantial part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person) and is not discharged or stayed within 60 days;

(f) Insolvency

Decree or order is entered (i) for relief in respect of the Issuer, the Guarantor or any Principal Subsidiary in an involuntary case of winding up or bankruptcy proceeding under applicable law or (ii) adjudging the Issuer, the Guarantor or any Principal Subsidiary bankrupt or insolvent, or seeking reorganisation, winding up, arrangement, adjustment or composition of or in respect of the Issuer, the Guarantor or any Principal Subsidiary under applicable law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Issuer, the Guarantor or any Principal Subsidiary or of any substantial part of any of their respective properties, or ordering the winding up or liquidation of any of their affairs, and any such decree or order remains unstayed and in effect for a period of 60 consecutive days;

(g) Winding-up

The Issuer, the Guarantor or any Principal Subsidiary institutes a voluntary case or proceeding under applicable bankruptcy, insolvency, reorganisation or similar law, or any other case or proceedings to be adjudicated bankrupt or insolvent, or the Issuer, the Guarantor or any Principal Subsidiary files a petition or answer or consent seeking reorganisation or relief under applicable bankruptcy, insolvency, reorganisation or similar law, or consents to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of any of the Issuer, the Guarantor or any Principal Subsidiary or of any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any such action, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Holders, or (ii) in the case of any Principal Subsidiary (other than the Issuer), whereby the business, undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another of the Guarantor's Subsidiaries;

(h) Analogous Events

Any event occurs that under any applicable laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 8(d) (*Enforcement Proceedings*) to 8(g) (*Winding-up*) (both inclusive);

(i) Nationalisation

Any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a substantial part of the assets of the Issuer or the Guarantor or any of the Principal Subsidiaries;

(j) Authorisation and Consents

Any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (A) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Deed of Guarantee and the Trust Deed, (B) to ensure that those obligations are legally binding and enforceable and (C) to make the Bonds, the Deed of Guarantee and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(k) Unenforceability

The Guarantee shall cease to be in full force or effect, or the Guarantor shall deny or disaffirm its obligations under the Guarantee.

9. PRESCRIPTION

Claims for payment in respect of the Bonds shall become void unless the relevant Bond Certificates are surrendered for payment within ten years (in the case of principal) and five years (in the case of interest) of the appropriate Relevant Date.

10. REPLACEMENT OF BOND CERTIFICATES

If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar and the Transfer Agent having its specified office in Hong Kong, subject to all applicable laws and stock exchange requirements or other relevant authority, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the Transfer Agent may reasonably require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

11. TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified, pre-funded or secured to its satisfaction and relieved it from taking proceedings to enforce payment or taking other steps and/or actions and/or instituting any other proceedings unless first indemnified and/or secured and/or pre-funded to its satisfaction and for the Trustee to be paid or reimbursed for its fees, costs and expenses and indemnity payments and for any liabilities incurred by it in priority to the claims of the Holders. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity and/or security and/or pre-funding given to it by the Holders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries and/or any entity related (directly or indirectly) to any of them and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries and/or any entity related (directly or indirectly) to any of them, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

In connection with the exercise by it of any of its functions, trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and nor shall any Holder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 7 (Taxation) and/or any undertaking given in addition to, or in substitution for, Condition 7 (Taxation) pursuant to the Trust Deed.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor (financial or otherwise) and any other person appointed by the Issuer or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Holder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Holders. The Trustee shall be entitled to rely conclusively on any direction, request or resolution of Holders given by Holders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Holders convened and held in accordance with the Trust Deed.

The Trustee shall have no obligation to monitor or take any steps to ascertain whether an Event of Default, a No Registration Event or a Change of Control Event has occurred or may occur, and shall not be liable to the Holders or any other person for not doing so.

Each Holder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and/or their respective Subsidiaries, and the Trustee shall not at any time have any responsibility or liability for the same and each Holder shall not rely on the Trustee in respect thereof.

In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations or responsibilities towards or relationship of agency or trust for or with any of the Holders or any third parties.

The initial Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or CMU Lodging and Paying Agent and additional or successor paying agents and transfer agents, provided, however, that the Issuer and the Guarantor shall at all times maintain (a) a CMU Lodging and Paying Agent, (b) a registrar and (c) a transfer agent.

Notice of any change in any of the Agents or in their specified offices shall promptly be given by the Issuer to the Holders.

12. MEETINGS OF HOLDERS; MODIFICATION AND WAIVER

(a) Meetings of Holders

The Trust Deed contains, provisions for convening meetings of Holders to consider matters relating to the Bonds, including the modification of any provision of these Conditions, the Deed of Guarantee or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Holders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds provided that the Trustee shall have been indemnified and/or pre-funded and/or secured to its satisfaction. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Holders whatever the principal amount of the Bonds held or represented, provided, however, that certain proposals (including any proposal to (i) modify the Maturity Date of the Bonds or the dates on which interest is payable in respect of the Bonds or circumstances in which the Bonds may be redeemed or the circumstances in which interest are payable or (ii) to reduce or cancel the principal amount of, or interest on or to vary the method of calculating the interest rate or to reduce the interest rate in respect of the Bonds (other than as provided under these Conditions) or (iii) to change the currency of payments under the Bonds or (iv) to amend the terms of the Guarantee or (v) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "Reserved Matter")), may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

The Trust Deed provides that a resolution passed (i) at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) in writing signed by or on behalf of the Holders of not less than three-fourths in principal amount of the Bonds for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Holders of not less than three-fourths in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed at any meeting of the Holders will be binding on all Holders, whether or not they are present and whether or not they voted at the meeting at which such resolution was passed. An Extraordinary Resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more Holders.

(b) Modification and waiver

The Trustee may (but shall not be obliged to), without the consent of the Holders, agree to any modification of these Conditions, the Deed of Guarantee or the Trust Deed (in each case, other than in respect of a Reserved Matter) or the Agency Agreement which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Holders and to any modification of these Conditions, the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Bonds or of any of the provisions of the Deed of Guarantee, the Trust Deed or the Agency Agreement if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

The Trustee may request and conclusively rely upon a certificate signed by an Authorised Signatory and/or an opinion of counsel concerning the compliance with the above conditions in respect of any modification, waiver and/or authorisation. Any such authorisation, waiver or modification shall be notified to the Holders by the Issuer as soon as practicable thereafter.

(c) Certificates and reports

The Trustee and Agents may each rely conclusively without investigation or verification, and may act or refrain from acting, in each case without liability to Holders, the Issuer, the Guarantor or any other person on the advice, opinion or report of or any information, confirmation or certificate obtained from any lawyer, valuer, accountant, auditor, surveyor, banker, broker, auctioneer, or other expert (whether obtained by the Issuer, the Guarantor, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report, information, confirmation or certificate, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope or basis of such advice, opinion, report or information). The Trustee and the Agents may each accept and shall be entitled to rely conclusively on any such report, information, confirmation, certificate, opinion or advice, in which case such report, information, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Guarantor and the Holders. The Trustee and the Agents will not be responsible to anyone for any liability occasioned by so acting or refrain from acting.

(d) Directions from Holders

Notwithstanding anything to the contrary in these Conditions or the Trust Deed, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed, the Agency Agreement or the Deed of Guarantee to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from taking any such action, making any such decision, or giving any such direction or certification, to seek directions or clarification of the directions from the Holders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking or refraining from taking such action, making such decision, or giving such direction or certification as a result of seeking such direction or clarification from the Holders or in the event that no direction or clarification is given to the Trustee by the Holders.

13. ENFORCEMENT

The Trustee may at any time, at its sole and absolute discretion and without notice, take such steps and/or actions and/or institute such proceedings against the Issuer, the Guarantor and/or any other person as it thinks fit to enforce its rights under the Deed of Guarantee, the Trust Deed and the Agency Agreement and in respect of the Bonds, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Holder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

The Trustee may refrain from taking any steps or actions or instituting any proceedings in any jurisdiction that would, in its opinion, be contrary to any law of that jurisdiction or that would otherwise render it liable to any person in that jurisdiction or if, in its opinion, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

14. FURTHER ISSUES

Subject to compliance with paragraph (b) (*Undertakings in relation to the Guarantee*) of Condition 3 (*Negative Pledge and other Covenants*), the Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest and the timing for the NDRC Post-issue Filing and the SAFE Registration) so as to form a single series with the Bonds. Any further bonds shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee.

15. NOTICES

Notices to Holders will be sent to them by (i) uninsured mail at their respective addresses on the Register, any such notice shall be deemed to have been given on the fourth day (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing or (ii) electronic communication, when the relevant receipt of such communication being read is given, or where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given, on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator, any notice to the Holders of the Bonds shall be validly given by the delivery of the relevant notice to each relevant accountholder via the CMU in substitution for notification as required by these Conditions, and shall be deemed to have been given on the date of delivery to the CMU. Indirect participants will have to rely on the CMU participants (through whom they hold the Bonds, in the form of interests in the Global Certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

16. CURRENCY INDEMNITY

If any sum due from the Issuer or the Guarantor in respect of the Bonds or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Bonds, the Issuer and the Guarantor shall indemnify the Trustee and each Holder, on the written demand of the Trustee or such Holder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Holder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

17. GOVERNING LAW AND JURISDICTION

(a) Governing law

The Bonds, the Deed of Guarantee, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Bonds, the Deed of Guarantee, the Agency Agreement and the Trust Deed are governed by, and will be construed in accordance with, English law.

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("Proceedings") may be brought in such courts. Each of the Issuer, the Guarantor, the Trustee, the Agents and any Holder irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Service of Process

Each of the Issuer and the Guarantor hereby irrevocably appoints CCCI to accept service of process in Hong Kong in respect of any Proceedings at Room 2805, 28/F, Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer or the Guarantor). Each of the Issuer and the Guarantor undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose. Nothing in this paragraph shall affect the right to serve process in any other manner permitted by law.

18. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Bond, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. DEFINITIONS

In these Conditions:

"Additional Tax Amounts" has the meaning ascribed to it in Condition 7 (*Taxation*);

"Board of Directors" means the board of directors elected or appointed by the relevant shareholders of the Issuer or the Guarantor, as applicable, to manage the business of the Issuer or the Guarantor, or any committee of such board duly authorised to take the action purported to be taken by such committee;

"business day" means: (a) in respect of Condition 2 (*Register, Title and Transfers*), a day, excluding a Saturday and a Sunday, on which commercial banks are generally open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its specified office, (b) in respect of Condition 4 (*Interest*), any day, excluding a Saturday and a Sunday, on which commercial banks are generally open for business (including dealings in foreign currencies) and settlement of Renminbi payments in Hong Kong, and (c) in respect of Condition 6 (*Payments*), any day, excluding a Saturday and a Sunday, on which (i) commercial banks are generally open for business (including dealings in foreign currencies) and settlement of Renminbi payments in Hong Kong and (ii) the CMU is operating and open for business and (iii) in the case of surrender (or, in the case of part payment only, endorsement) of a Bond Certificate, in the place in which the Bond Certificate is surrendered (or, as the case may be, endorsed);

"CCCI" means CCCC International Holding Limited;

"Change of Control" mean (i) the PRC government ceases to directly or indirectly Control (as defined below) the Guarantor or (ii) the Guarantor ceases to directly or indirectly Control (as defined below) CCCI or (iii) CCCI ceases to directly or indirectly own and control 100 per cent. of the issued and outstanding share capital of the Issuer or (iv) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other Person or Persons, acting together, except where such Person(s) is/are Controlled, directly or indirectly by the PRC government;

"Change of Control Event" means the occurrence of Change of Control (as defined below);

"Control" over a Person means (where applicable): (i) the ownership or control of more than 50 per cent of the Voting Rights of the issued share capital of a Person or (ii) the ability to nominate or designate no less than 50 per cent of the members then in office of a Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person or (iv) where a Person is a Subsidiary (direct or indirect) of the other Person. For the avoidance of doubt, a Person is deemed to Control another Person so long as it fulfils one of the four foregoing requirements; the term "Controlled" has a meaning correlative to the foregoing;

"Group" means the Guarantor and its Subsidiaries, taken as a whole;

"Guarantee" has the meaning ascribed to it in paragraph (c) (*Guarantee*) of Condition 1 (*Form, Denomination, Status, Ranking and Guarantee*);

"Holder" has the meaning ascribed to it in paragraph (a) (*Register*) of Condition 2 (*Register; Title and Transfers*);

"Hong Kong" means the Hong Kong Special Administrative Region;

"Indebtedness for Borrowed Money" means any indebtedness for borrowed money (whether being principal, premium, interest or other amounts and includes any notes, bonds, debentures, debenture stock, loan stock or other securities);

"Macau" means the Macau Special Administrative Region;

"NDRC" means the National Development and Reform Commission of the PRC;

"Permitted Security Interest" means any Security Interest on any revenue, assets or undertakings (including any uncalled capital) existing at the time of acquisition of such property or asset, provided that the aggregate value of such assets at any time shall not exceed 10 per cent of the consolidated gross asset of the Guarantor (as shown by the latest consolidated financial statements of the Guarantor provided to the Trustee);

"Person" means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

"PRC" means the People's Republic of China, which, solely for the purposes of these Conditions, excludes Hong Kong, Macau and Taiwan;

"PRC Business Day" means a day (other than a Saturday, Sunday or a public holiday) on which banks in Beijing, the PRC are not authorised or obliged by law or executive order to be closed;

"Principal Subsidiary" means any Subsidiary of the Guarantor:

(a) whose total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) as shown by its latest audited income statement, is at least 10 per cent. of the consolidated total revenue as shown by the latest published audited income statement of the Guarantor and its consolidated Subsidiaries; or

(b) whose profit before income tax (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited income statement, is at least 10 per cent. of the consolidated profit before income tax as shown by the latest published audited consolidated income statement of the Guarantor and its consolidated Subsidiaries, including for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited balance sheet, are at least 10 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries, including the investment of the Guarantor and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of such Guarantor and of associated companies and after adjustment for minority interests;

provided that, in relation to (a), (b) and (c) above,

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, total revenue, profit before income tax or total assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by or on behalf of the Guarantor;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Guarantor; and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor, or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, whereupon the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall immediately become a Principal Subsidiary, provided that on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether or not such transferor Subsidiary or transferee Subsidiary would continue to be a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of (a), (b) or (c) above.

A certificate signed by any Authorised Signatory of the Guarantor that in its opinion a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary of the Issuer may be relied upon by the Trustee without further enquiry or evidence and shall be conclusive and binding on the Issuer, the Guarantor and the Holders;

"Proceedings" has the meaning ascribed to it in Condition 17 (*Governing Law and Jurisdiction*);

"Register" has the meaning ascribed to it in paragraph (a) (*Register*) of Condition 2 (*Register, Title and Transfers*);

"Registration Deadline" means the day falling 150 PRC Business Days after the Issue Date;

"Registration Documents" means (i) a certificate in English in substantially the form set out in the Trust Deed of any duly authorised signatory of the Guarantor confirming the completion of the SAFE Registration and the completion of the NDRC Post-issue Filing as described in paragraph (b) (*Undertakings in relation to the Guarantee*) of Condition 3 (*Negative Pledge and Other Covenants*) and (ii) certified true copies of the relevant SAFE Registration certificates (if applicable) and certified true copies of the relevant documents evidencing the NDRC Post-issue Filing and any other document evidencing the completion of registration issued by SAFE and NDRC Post-issue Filing and the particulars of registration;

The Trustee shall have no obligation or duty to verify the accuracy, validity or genuineness of any documents in relation to or in connection with the Registration Documents and shall not be liable to Holders or any Person for not doing so;

"Relevant Indebtedness" means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) in the form of or represented by any notes, bonds, debentures, debenture stock, loan stock, certificates of deposit or other similar securities distributed outside the PRC which, (a) have an original maturity in excess of one year and (b) for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market and (ii) any guarantee or indemnity of any such indebtedness;

"Relevant Jurisdiction" means the British Virgin Islands, the PRC, any jurisdiction in which the Issuer and the Guarantor respectively is incorporated or any jurisdiction of residence for tax purposes of the Issuer and the Guarantor respectively;

"Relevant Period" means, in relation to the consolidated financial statements of the Guarantor in respect of a financial year, each period of twelve months ending on the last day of the financial year (being, as at the Issue Date, 31 December of that financial year) and in relation to the Guarantor's consolidated financial statements in respect of such semi-annual period, each period of six months ending on the last day of the first half financial year (being, as at the Issue Date, 30 June of that financial year);

"SAFE" means the State Administration of Foreign Exchange of the PRC or its local counterparts;

"Subsidiary" means, in relation to any Person, means, any company (i) in which that Person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or (ii) which at any time has its accounts consolidated with those of that Person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such Person from time to time, should have its accounts consolidated with those of that Person; and

"Voting Rights" means the right generally to vote at a general meeting of shareholders of the Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions.

The Bonds will be represented by a Global Certificate which will be registered in the name of the HKMA as the operator of the CMU and shall be delivered to and held by a sub-custodian nominated by the HKMA as the operator of the CMU. The Global Certificate will be held for the account of CMU members who have accounts with the CMU or the CMU participants. For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with the CMU. Interests in the Global Certificate will only be shown on, and transfers of interests will be effected through, records maintained by the CMU.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal sum on the maturity date of the Bonds or on such earlier date or dates as the same may become payable in accordance with the Terms and Conditions represented by the Global Certificate to the Bondholders in such circumstances as the same may become payable in accordance with the Terms and Conditions and to pay interest on such principal sum in arrear on the dates and at the rate specified in the Terms and Conditions, together with any additional amounts payable in accordance with the Terms and Conditions.

The Global Certificate will become exchangeable in whole, but not in part, for individual Certificates if (a) an Event of Default has occurred and is continuing; or (b) the CMU is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business.

Whenever the Global Certificate representing the Bonds is to be exchanged for individual Certificates, the Issuer at its own expense will cause such individual Certificates to be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered Bondholder of the Global Certificate and the CMU, to the Registrar of such information as is required to complete and deliver such individual Certificates (including, without limitation, the names and addresses of the persons in whose names the individual Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Bondholder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions as they apply to the Bonds evidenced by such Global Certificate. The following is a summary of certain of those provisions:

Payments: In the case of all payments made in respect of the Global Certificate held in the CMU, payment will be made to the person(s) shown in the records of the operator of the CMU as the holder of a particular principal amount of Bonds (each an "accountholder") at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means a day on which the CMU is operating and open for business, for whose account(s) interests in this Global Certificate are credited with being held in accordance with the agreements, rules and regulations governing the CMU (the "CMU Rules") and, save in the case of final payment thereunder, no presentation of such Global Certificate shall be required. Payment made in accordance thereof shall discharge the obligations of the Issuer and the Guarantor in respect of that payment. For these purposes, a notification from the CMU shall be conclusive evidence of the records of the CMU (save in the case of manifest error).

Notices: So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the HKMA, any notice to the Holders of the Bonds shall be validly given by the delivery of the relevant notice to each relevant accountholder via the CMU and shall be deemed to have been given on the second Clearing System Business Day on which such notice is delivered to the persons shown in the CMU Issue Position Report. Indirect participants will have to rely on the CMU participants (through whom they hold the Bonds, in the form of interests in the Global Certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

Payments, transfers, exchanges and other matters relating to interests in the Global Certificate may be subject to various policies and procedures adopted by the CMU from time to time. In addition, the CMU is under no obligation to maintain or continue to operate the CMU is under no obligation to perform or continue to perform the procedures described above. Accordingly, the CMU and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents, nor any of their affiliates, directors, officers, employees, representatives, agents nor any person who controls any of them will have any responsibility for the performance by the CMU or the CMU participants of their respective obligations under the rules and procedures governing their operations.

USE OF PROCEEDS

The total gross proceeds from the offering of the Bonds will be CNY2,200,000,000. The Issuer intends to use the proceeds from the offering of the Bonds to refinance the Group's existing offshore indebtedness in accordance with the NDRC certificate dated 31 May 2024. An amount equal to the proceeds from the offering of the Bonds will be allocated exclusively to refinance the Eligible Projects as further described in "*Green Finance Framework*".

CAPITALISATION OF THE GUARANTOR

As at 30 June 2024, the registered share capital of the Guarantor was RMB16,278,611,425, comprising 11,860,135,425 A shares listed on the Main Board of Shanghai Stock Exchange of RMB1.0 par value each and 4,418,476,000 H shares listed on the Main Board of Hong Kong Stock Exchange of RMB1.0 par value each representing 72.86 per cent. and 27.14 per cent. of the registered share capital of the Guarantor, respectively, and its issued share capital was RMB16,278,611,425 consisting of 16,278,611,425 ordinary shares of RMB1.0 par value each.

The following table sets forth the Guarantor's consolidated capitalisation as at 30 June 2024 and as adjusted to give effect to the issue of the Securities before deduction of any fees, commissions and expenses. The table should be read in conjunction with the financial statements and the accompanying notes included in this Offering Circular.

	As at 30 June 2024	
	Actual	**As adjusted**
	(RMB)	*(RMB)*
	(in millions)	
Current borrowings		
– Short-term bank borrowings	80,171	80,171
– Current portion of long-term bank borrowings	52,341	52,341
– Current portion of long-term other borrowings	230	230
– Short-term other borrowings	781	781
– Corporate bonds	2,581	2,581
– Debentures	34,219	34,219
– Non-public debt instruments	10,474	10,474
– Lease liabilities	873	873
Total current borrowings	**181,670**	**181,670**
Non-current borrowings		
– Long-term bank borrowings	407,273	407,273
– Long-term other borrowings	5,296	5,296
– Corporate bonds	19,026	19,026
– Non-public debt instruments	12,295	12,295
– Lease liabilities	1,793	1,793
– Bonds to be issued	–	2,200
Total non-current borrowings	**445,683**	**447,883**
Total borrowings	**627,353**	**629,553**
Equity		
– Equity attributable to owners of the parent	309,065	309,065
– Non-controlling interests	160,634	160,634
Total equity	**469,699**	**469,699**
Total capitalisation(2)	**1,097,052**	**1,099,252**

Notes:

(1) This amount represents the aggregate principal amount of the Bonds to be issued before deduction of commissions and offering expenses payable by the Group.

(2) Total capitalisation equals the sum of total borrowings and total equity.

Since 30 June 2024, the Guarantor has incurred additional indebtedness primarily through the issue of bank loans and onshore bonds. In addition, the Guarantor has incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding its operations in the ordinary course of business. In particular, on 8 August 2024, the Issuer issued RMB2,100,000,000 2.90 per cent. bonds that were guaranteed by the Guarantor. On 19 August 2024, the Issuer issued RMB2,800,000,000 2.88 per cent. bonds that were gurranteed by the Guarantor. Other than as disclosed above, there has been no material change in the capitalisation of the Guarantor since 30 June 2024.

GREEN FINANCE FRAMEWORK

This Green Finance Framework ("GFF" or the "Framework") demonstrates the Group and/or its entities intend to enter into Green Financing Transactions ("GFT") to fund projects, assets and developments that will deliver environmental benefits and support the Group's sustainability vision, as well as its business strategy.

Bonds issued under the Framework will be aligned with voluntary guidelines in Green Bond Principles ("GBP") (2021) by the International Capital Markets Association ("ICMA").

Loans issued under the Framework will be aligned to Green Loan Principles ("GLP") (2023) by the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications and Trading Association (LSTA).

For each GFT, the Group's management will adopt the following principles:

- Use of Proceeds
- Project Evaluation and Selection
- Management of Proceeds
- Reporting & External Review

USE OF PROCEEDS

The Group commits to allocating the proceeds or an equivalent amount of proceeds of each GFT exclusively for the financing and/or refinancing of Eligible Projects at the Group, in whole or in part, including the acquisition, construction, development or re-development of such projects that provide clear environmental benefits. Refinancing of eligible projects ("Eligible Projects") will have a look-back period of no longer than 36 months from the time of issuance. The Group is committed to fully allocate the net proceeds of each GFT on a best effort basis within 36 months of issuance. Projects and assets eligible for green financing must fulfill the relevant eligibility criteria set forth below.

Eligible Project Categories	**Eligibility Criteria**	**Sustainable Development Goal Mapping**
Green Building	Acquisition, development, construction and refurbishment of new or existing commercial or residential buildings that will reduce the building's environmental impact in accordance to one or more of the national or international green building certification scheme, such as: • China Green Building Evaluation Label – 2 stars or above; or • U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or • Hong Kong BEAM Plus – minimum certification level of Gold; or • BREEAM – minimum certification level of Excellent Building; or • EDGE Green Building Certificate – minimum certification level of level 1	
Renewable Energy . . .	Acquisition, development, construction, operation, upgrade of projects or assets that increase the share of renewable energy in the power system, such as infrastructure construction and equipment manufacturing related to onshore/offshore wind farm or solar photovoltaic (PV) facilities	

Eligible Project Categories	Eligibility Criteria	Sustainable Development Goal Mapping
Terrestrial and aquatic biodiversity conservation	Investments and expenditures related ecological management and environmental protection to protect local fauna and flora during project construction and operation, such as: 1) Systemic restoration, protection and comprehensive management of river basins around major regions in China such as Beijing-Tianjin-Hebei Region, Yangtze River Delta, Great Bay Area, Chengdu-Chongqing Region etc. 2) Nature conservation, biodiversity protection at the Group's overseas construction project sites.	  
Energy Efficiency . . .	Investments and expenditures related to energy conservation research, development and applications for optimizing energy management. Examples include energy saving equipment and/or systems for construction projects, such as LED energy-saving lamps, intelligent lighting control system, solar water heaters, efficient construction machinery and other energy-saving equipment to improve energy efficiency.	 
Pollution prevention and control	Facilities, system and equipment that are used to monitor and/or mitigate environmental pollution (e.g., air, noise, solid waste) during the construction projects. Digital office, office equipment recycling systems and related investments that are targeted for waste prevention, reduction and recycling.	 

PROJECT EVALUATION AND SELECTION

Exclusion Criteria

Based on the latest International Finance Corporation Exclusion List, the Group has added the following activities to the Exclusion List. Projects under this GFF will exclude the following activities from consideration for eligibility:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

- Production or trade in weapons and munitions.

- Production or trade in alcoholic beverages (excluding beer and wine).

- Production or trade in tobacco.

- Gambling, casinos, and equivalent enterprises.

- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where any international financial company considers the radioactive source to be trivial and/or adequately shielded.

- Production or trade in unbonded asbestos fibres. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 per cent.

- Drift net fishing in the marine environment using nets over 2.5 kilometres in length.

- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.

- Commercial logging operations for use in primary tropical forest.

- Production or trade in wood or other forestry products other than from sustainably managed forests.

- Projects related to nuclear production.

- Projects related to fossil fuel production.

- Projects related to coal mining.

- Projects related to hydropower which installed capacity > 25M

Process for Project Evaluation and Selection

The Group integrates social responsibility and ESG into its strategy, operation, management and culture. The board of directors is the highest coordinating and decision-making body for ESG work. The Group has established the Strategy and Investment and ESG Committee which consists of six directors and is chaired by the Group's chairman.

The Strategy and Investment and ESG Committee oversees financing initiatives in accordance to the Framework, including:

- Ratify Eligible Projects, which will be proposed by the Group's subsidiaries and regional headquarters based on their investment plans and initial screening against the eligibility criteria set out in the Use of Proceeds section of this Framework

- Approve the projects based on various criteria such as compliance, financial viability, technical feasibility, environmental impact, social impact, risk management, transparency and accountability

- Monitor the asset pool during the entire funding period to ensure Eligible Projects are compliant with eligibility criteria set out in the Use of Proceeds section of this Framework. Meanwhile, any ineligible projects will be substituted by eligible new Eligible Projects

- Manage any future updates to this Framework

- Ensure that the approval of Eligible Projects will follow the Group's existing credit/loan/investment approval processes

- Ensure that each Eligible Projects also complies with the environmental guidelines applicable to the Group, as well as all applicable national and local environmental standards, laws and regulations.

MANAGEMENT OF PROCEEDS

The proceeds of each of the Group's GFT will be managed by the treasury team under the oversight of the Strategy and Investment and ESG Committee. An internal record containing below information will be maintained:

Terms of the GFT:

- Issuer/borrower entity
- Pricing, settlement, and maturity dates
- Currency of denomination and amount then outstanding
- Labelling (e.g. Green Bond, or Green Loan)
- ISIN number (if applicable)

Allocation of Use of Proceeds:

- Name and description of Eligible Projects
- Amount of GFT proceeds or an equivalent amount of GFT proceeds allocated to each project
- The remaining balance of unallocated proceeds yet to be earmarked
- Other relevant information such as information of temporary investment for unallocated proceeds

During the life of the GFT, the use of funds are regularly monitored to ensure they are spent in accordance with the established purposes and budgets. If a designated project ceases to fulfil the criteria necessary for it to be deemed an Eligible Project, the net proceeds will be reallocated to an alternative Eligible Project that comply with the green financing eligibility criteria outlined above, as soon as reasonably practicable.

REPORTING AND EXTERNAL REVIEW

Reporting

Allocation Reporting: The Group will provide below information on the allocation of net proceeds of the GFT on an annual basis until all the net proceeds have been allocated:

- The aggregate amount allocated to various Eligible Projects
- The remaining balance of funds which have not yet been allocated
- The proportion of net proceeds allocated to financing vs. refinancing
- Examples of Eligible Projects (subject to confidentiality disclosures)

Impact Reporting: The Group will report the environmental benefits of the Eligible Projects. Such benefits may be measured by the following impact indicators subject to the nature of the Eligible Project and information availability.

Eligible Project Category	Sample Impact Indicators
Green Buildings	• Type and number of green building certifications obtained • Annual energy savings (kWh) • Annual greenhouse gas (GHG) emissions avoided (tonnes CO_2eq)
Renewable Energy	• Renewable energy produced (kWh) • Avoided greenhouse gas emissions (tonnes CO_2eq)
Terrestrial and aquatic biodiversity conservation	• Area covered by sustainable land and water resources management practices (sq. meter)
Energy Efficiency	• Energy consumption reduction (kWh) • Electricity intensity (kWh per sq. meter)
Pollution prevention and control	• Annual amount of waste separated and treated or recycled in an environmentally sound manner (tonnes) • Annual carbon reduction (tonnes)

External Review

The Group intends to engage external reviewers to assess this Green Finance Framework and its alignment with the GBPs and GLPs and issue a Second Party Opinion accordingly.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer, CCCI Treasure Limited, was incorporated as a BVI business company with limited liability in the British Virgin Islands on 27 February 2015 under the BVI Business Companies Act, 2004 of the British Virgin Islands. Its registered office is located at Mandar House, 3rd Floor, Johnson's Ghut, Tortola, British Virgin Islands. The Issuer is a subsidiary which is 98.98 per cent. indirectly owned by the Guarantor.

BUSINESS ACTIVITY

The Issuer was established for the purpose of issuing securities and on-lending the net proceeds to the Guarantor and/or its subsidiaries. The Issuer has issued U.S.$1,100,000,000 3.50 per cent. unsubordinated guaranteed perpetual securities on 21 April 2015, and U.S.$1,000,000,000 3.425 per cent. subordinated guaranteed perpetual securities and U.S.$500,000,000 3.650 per cent. subordinated guaranteed perpetual securities on 21 February 2020. On 8 August 2024, the Issuer issued RMB2,100,000,000 2.90 per cent. bonds that were guaranteed by the Guarantor. On 19 August 2024, the Issuer issued RMB2,800,000,000 2.88 per cent. bonds that were gurarանteed by the Guarantor.

DIRECTORS

The sole director of the Issuer as at the date of this Offering Circular is Mr. Yu Xiaodong.

SHARE CAPITAL

As at the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 shares with a par value of U.S.$1.00 each in one single class or series. As at the date of this Offering Circular, one ordinary share, which is held by CCCC International Holding Limited, had been issued and credited as fully paid, representing the entire issued shares of the Issuer.

None of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities was being or was proposed to be sought as at the date of this Offering Circular.

FINANCIAL STATEMENTS

Under British Virgin Islands law, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions. Effective from 1 January 2023, the Issuer is under the laws of the British Virgin Islands required to file a financial annual return with its registered agent within nine months after the end of each year to which the financial annual return relates.

DESCRIPTION OF THE GROUP

OVERVIEW

The Guarantor was incorporated as a joint stock limited company with limited liability under PRC law on 8 October 2006. The Guarantor is an important subsidiary of CCCG, which is under the supervision of central SASAC and is one of the largest central SOEs in infrastructure construction and design in the PRC by revenue according to ENR. In the Operating Results assessments of State-owned Enterprises conducted by the SASAC, CCCG has been rated as a Grade A enterprise for eighteen consecutive years and it ranked the first among Chinese enterprises in ENR's Top International Contractors for seventeen consecutive years. In 2023, CCCG's rank in Fortune Global 500 Companies soared to the 63rd place, which is attributable to the continual increase of CCCG's comprehensive strength. As an important holding subsidiary of CCCG, 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 Group is an established PRC market leader in its three core business segments of infrastructure construction, infrastructure design and dredging. The Group has been leveraging its extensive experience in its core business segments to shift towards an investment operation strategy which utilises an integrated, full value chain model both domestically and internationally, which enables the Group to provide extensive services and products to its customers, including research and development, planning, survey, design, construction, supervision, maintenance, operation, investment and financing. This has in turn increased the Group's competitiveness in its traditional businesses, and as a result, the Group has developed from being an established PRC market leader to a global competitor in its core business segments. The Guarantor had 36 principal wholly-owned or controlled subsidiaries. The Guarantor operates its businesses throughout China, including Hong Kong and Macau, and has established its global presence in 139 countries and regions.

Through designing and constructing in state-level engineering construction projects, the Company 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 Company 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, etc. Meanwhile, the Company proactively participated in the railway projects of "Going Global", and the Mombasa-Nairobi Railway in Kenya and the Nairobi-Maraba Railway Phase I Project were independently designed and constructed by the Company on the basis of the construction standards of railway in China. A number of overseas projects of the Company have won the Luban Award, the National Quality Project Award and the ENR's awards, and have established a number of landmark projects, quality projects, and people's livelihood projects overseas.

The following table sets forth the breakdown of the Group's revenue and gross profit by business segments before elimination of inter-segment sales and unallocated profits for the periods indicated:

	Year Ended 31 December											
	2021[(1)]				2022				2023			
	Revenue	% of the total revenue	Gross profit	% of the total gross profit	Revenue	% of the total revenue	Gross profit	% of the total gross profit	Revenue	% of the total revenue	Gross profit	% of the total gross profit
	(RMB in millions, except percentages)											
Infrastructure construction	608,593	85.3	68,706	81.7	634,246	84.1	67,237	80.4	667,802	84.7	77,179	81.7
Infrastructure design	47,595	6.7	8,488	10.1	50,279	6.7	8,281	9.9	47,302	6.0	8,731	9.2
Dredging	42,973	6.0	5,825	6.9	51,017	6.8	6,904	8.2	53,506	6.8	7,136	7.6
Other businesses	14,601	2.0	1,055	1.3	18,225	2.4	1,289	1.5	19,328	2.5	1,413	1.5
Inter-segment elimination and unallocated profit/(costs)	(30,977)	–	450	–	(34,683)	–	(19)	–	(32,292)	–	69	–
Total	**682,785**	**100**	**84,524**	**100**	**719,084**	**100**	**83,692**	**100**	**755,646**	**100**	**94,528**	**100**

	Six Months Ended 30 June							
	2023				2024			
	Revenue	% of the total revenue	Gross profit	% of the total gross profit	Revenue	% of the total revenue	Gross profit	% of the total gross profit
	(RMB in millions, except per centages)							
Infrastructure construction	327,822	85.5	33,379	83.6	318,681	85.2	34,118	81.9
Infrastructure design	19,352	5.1	3,315	8.3	17,342	4.6	3,230	7.8
Dredging	26,059	6.8	2,660	6.7	26,894	7.2	3,177	7.6
Other businesses	9,943	2.6	560	1.4	11,177	3.0	1,106	2.7
Inter-segment elimination and unallocated profit/(costs)	(17,831)	–	(5)	–	(18,084)	–	(35)	–
Total	**365,345**	**100**	**39,909**	**100**	**356,010**	**100**	**41,596**	**100**

Notes:

(1) The contributions by each of the Group's business segments in terms of revenue and as a percentage of its total revenue before elimination of inter-segment sales and unallocated profits for the year ended 31 December 2021 have been adjusted to exclude the heavy-machinery manufacturing business.

(2) Other businesses comprise manufacturing, sales of material, fund investments and the rest of the business in the former manufacture of heavy machinery business segment following the disposal of ZPMC.

The following table sets forth the Group's revenue by geographic regions for the periods indicated:

	Year Ended 31 December		
	2021	2022	2023
	(RMB in millions)		
The PRC (excluding Hong Kong and Macau)	588,410	620,706	639,710
Other regions	94,375	98,378	115,936
Total	**682,785**	**719,084**	**755,646**

	Six Months Ended 30 June	
	2023	2024
	(RMB in millions)	
The PRC (excluding Hong Kong and Macau)	309,081	286,551
Other regions	56,264	69,459
Total	**365,345**	**356,010**

During the six months ended 30 June 2024, the value of new contracts of the Group amounted to RMB960,867 million, representing a year-on-year increase of 8.4%, which was mainly due to the increased construction demand from overseas projects, urban construction and other fields. The Group continuously improved the business structure, steadily expanded the scale of cash remittance and significantly enhanced the quality and efficiency of investment. As at 30 June 2024, the Group's backlog amounted to RMB3,536,243 million.

During the six months ended 30 June 2024, the value of new contracts of all businesses from overseas markets of the Group amounted to RMB196,065 million, representing a year-on-year increase of 38.9%, and accounting for approximately 20% of the Group's new contracts value. Wherein, the total new contract value of projects with each contract value of over US$300 million amounted to US$13,798 million, accounting for 50% of total value of all overseas new contracts of the Group.

The Group mainly conducts the following businesses:

- ***Infrastructure construction***, the traditional and core business of the Group. The scope of the Group's 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 in the PRC and abroad;

- ***Infrastructure design***, the scope of the Group's 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; and

- ***Dredging***, the scope of the Group's 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.

HISTORY

The Group's history dates back to more than 100 years ago, in China's Qing Dynasty, when the Qing government established the Haihe Engineering Department in 1897 and Junpu Engineering Department in 1905, which are the predecessors of the current CCCC-Tianjing Dredging Co., Ltd. and CCCC Shanghai Dredging Co., Ltd. respectively.

In 1979, the China Road and Bridge (Group) Company was established. It was the predecessor of CRBC and was later restructured and became one of the wholly-owned subsidiaries of CCCC in 2005. In 1980, CHEC's predecessor was established. It was restructured and became CHEC in 2005.

In 2006, the Guarantor was initiated and founded by CCCG, which inherited the businesses and assets of the group of CHEC's and CRBC's predecessors, which were two of the then-most influential enterprises in the PRC infrastructure construction sector, following their consolidation.

The Guarantor was the first ultra large state-owned infrastructure construction group in the PRC entering the overseas capital markets, with its H shares being listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1800.HK) on 15 December 2006. On 9 March 2012, the Guarantor's A shares were listed on the Shanghai Stock Exchange (Stock Code: 601800.SS).

In 2000, the Guarantor completed the construction of the second phase of Yantian Port, being one of the largest single ports in China in terms of container handling capacity. In 2011, the Guarantor completed the construction of the High-Speed Railway between Beijing and Shanghai. Such High-Speed Railway was designed to accommodate high-speed trains traveling at 380 kilometres per hour. In 2009, the Guarantor issued onshore corporate bonds of RMB10 billion, which was the largest single issuance in the onshore corporate bonds market then. After the issuance, the Guarantor had obtained onshore financing through corporate bonds, medium-term notes, short-term financing, etc. In 2015, the Guarantor obtained international ratings for its issuance of offshore US-dollar bonds for the first time.

On 18 July 2017, the Guarantor entered into an equity transfer agreement with CCCG, pursuant to which the Guarantor has conditionally agreed to sell and CCCG has conditionally agreed to acquire 552,686,146 ZPMC A shares held by the Guarantor at a consideration of approximately RMB2,912,655,989.42, representing 12.59 per cent. of the total issued share capital of ZPMC on 18 July 2017. On the same date, Zhen Hua Engineering Company Limited ("Zhen Hua HK") and Zhen Hwa Harbour Construction Co. Ltd. ("Zhen Hwa Macao") entered into the Zhen Hua HK equity transfer agreement and the Zhen Hwa Macao equity transfer agreement, respectively, with CCCG (on behalf of CCCG HK), pursuant to which Zhen Hua HK and Zhen Hwa Macao have conditionally agreed to sell, and CCCG HK has conditionally agreed to acquire 749,677,500 ZPMC B shares held by Zhen Hua HK and 14,285,700 ZPMC B shares held by Zhen Hwa Macao at a consideration of approximately RMB2,751,316,425 and RMB52,428,519, respectively, representing an aggregate of 17.40 per cent. of the total issued share capital of ZPMC on 18 July 2017. The disposal shares in aggregate represent 29.99 per cent. of the total issued share capital of ZPMC on 18 July 2017. The reason for the aforementioned disposals is to allow the Group to better concentrate on and make more centralised investments in its core business of infrastructure and further strengthen its core competitiveness as ZPMC is primarily engaged in research and development and manufacture of products such as container cranes, loading and unloading machinery etc., which share limited synergies with the Group's business of transportation infrastructure. On 27 December 2017, the transfer and registration procedures for the disposal shares was completed and ZPMC has ceased to be a subsidiary of the Guarantor.

Upon completion of the disposals, Zhen Hua HK and Zhen Hwa Macao no longer holds any shares in ZPMC and the shares in ZPMC held by the Guarantor represent 16.24 per cent. of the issued share capital of ZPMC, while ZPMC ceased to be a subsidiary of the Guarantor and its financial results will not be consolidated into the financial statements of the Guarantor.

Following the disposals, the heavy machinery manufacturing business has ceased to be in the Guarantor's business segment and the rest of the business in such business segment (except for that of ZPMC) are covered in the other business segments of the Guarantor.

RECENT DEVELOPMENTS

Please see "*Summary – Recent Developments*" for details.

COMPETITIVE STRENGTHS

The growth and development of the Group can be primarily attributed to the following core competitive strengths:

Enhance the Strength and Expertise of the Main Responsibility and Principal Business, and Forge the Integration Advantages of the Full Industry Chain.

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 has 36 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.

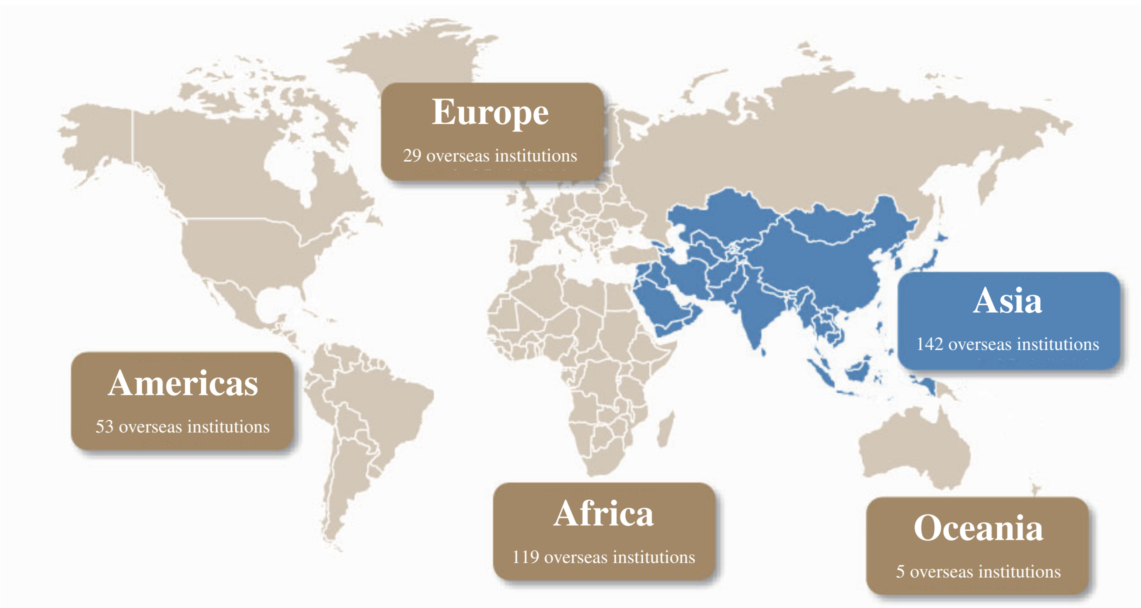
The Company is the world's largest port design and construction company. Driven by the advantages of smart port and shipping characteristics, it enhances its leadership in terms of the development of the port and shipping industry by leveraging the smart port and shipping industry alliance. It promotes the construction of industrial chain leader and drives the synergistic development of the industrial chain, to accelerate the building of an independent and controllable whole industrial 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 Company.

The Company is the world's largest road and bridge design and construction company, which has designed and constructed six of the top ten long-span bridges in the world, and realises 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 Company 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 Company 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 Company 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 Group 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, Asia, South America and Oceania. Several major railway projects have been completed or operated or are under construction, and the Group 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 Company 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 development stage currently.

The Company 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 Company 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.

The Guarantor is an important subsidiary of CCCG, which is under the supervision of central SASAC and is one of the largest central SOEs in infrastructure construction and design in the PRC by revenue according to ENR. In the Operating Results assessments of State-owned Enterprises conducted by the SASAC, CCCG has been rated as a Grade A enterprise for eighteen consecutive years and it ranked the first among Chinese enterprises in ENR's Top International Contractors for seventeen consecutive years. In 2023, CCCG ranked 3rd globally in ENR's Top International Contractors. In 2023, CCCG's rank in Fortune Global 500 Companies soared to the 63rd place, which is attributable to the continual increase of CCCG's comprehensive strength. As an important holding subsidiary of CCCG, 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. In addition, CCCG also owns ZPMC, the largest container crane manufacturer in the world. As at 31 December 2023, CCCG has 64 wholly-owned subsidiaries and established 348 institutions overseas and its footprint has reached 157 countries and regions around the world.



CCCG's Global Footprint

With its comprehensive brand portfolio covering brands that are renowned domestically and around the world, CCCG's business is focused on "big transportation" and "big transportation", covering areas of ports, roads and bridges, tunnelling, dredging, railway, airport and heavy machinery manufacturing as well as integrated urban development, urban landscape, urban transit, ecological development, waterway and marine development, finance and real estate development. As an important subsidiary of CCCG, leveraging on CCCG's scale and industry-leading positions, the Company believes that it enjoys a significant advantage in the industries that it operates in.

Actively Advance the Upgrading of "Company Internationalization" and Jointly Build the Belt and Road with High Quality.

In 2023, 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 transportation infrastructure and improve people's livelihood along the routes, actively contributed Chinese wisdom and Chinese solutions. General Secretary Xi Jinping recently replied to a letter from Kenyan students studying in China, highly praising the contribution of the Mombasa-Nairobi Railway and pointing out that the railway is a flagship project and a successful example of the joint efforts of China and Kenya in the Belt and Road Initiative.

The Company continued to deepen overseas reforms. Focusing on new milestones and missions of the Belt and Road, it has outlined the development approach for deepening reform of "Company Internationalization", setting ambitious goals, a clear roadmap and a feasible schedule, optimizing overseas operations and management structure and driving the high-quality development of overseas tertiary companies. The Company also continuously optimised the national organizational layout with "a tailored strategy for each country" and consistently achieved new successes with the overseas "four initiatives". High-end activities led market development. The Company successively visited the heads of 25 countries, including the Philippines and Malaysia, conducted nearly 100 high-level bilateral meetings, and meticulously organised 111 ambassadors and representatives of international organizations stationed in China to participate in the "Ambassadors to China Step into CCCC" event. During the 3rd "Belt and Road" International Cooperation Summit, it signed more than 19 cooperation agreements. The Company also participated with high quality in 12 international multilateral and bilateral events, including the Global Sustainable Transport Forum, the Hong Kong "Belt and Road" Summit, the China-ASEAN Expo, and the China-Arab States Expo, fully showcasing the comprehensive strength of the Company. The Company continuously strengthened risk prevention and control. In response to the coups in Niger and Gabon, the new round of the Israel-Palestine conflict, the public sentiment in the Philippines, and other incidents, timely and effective measures were taken to mitigate security risks. The Company participated deeply in the high-quality joint construction of "the Belt and Road". During the six months ended 30 June 2024, the value of new contracts of the Group with countries participating in the joint construction of the "Belt and Road" was US$20,729 million. The value of new contracts with the Middle East region amounted to US$4,803 million. Since the proposal of jointly building the "Belt and Road", the value of new contracts of the Group accumulated to US$255,487 million. A number of new contracts of major projects, such as NEOM, made the Saudi market a highlight. New contracts of various projects, including the project for the Clementi transfer station of the second phase of the Cross Island MRT Line in Singapore, marked the formation of the "Singaporean Model" with CCCC characteristics. In Algeria, Nigeria and other countries, the Group has achieved marketing results through continuous and unremitting efforts over the long term.

Continue to Optimise the Business Layout of "Big City" and Take on the Mantle of Steady Growth.

The Company upholds the philosophy of "building, operating, and developing cities". It seizes the opportunities presented by the "three major projects", including new urbanisation and affordable housing, construction of dual-use (for peacetime and emergencies) public infrastructure, and the redevelopment of urban villages, thereby deeply engaging in urban renewal and urban inspection actions. The Company has seized the market opportunity presented by the urban development shift from large-scale incremental construction to a focus on both the improvement and transformation of existing stocks and the structural adjustment of increments. It has established an upgrade mechanism guided by high-end design, breaking through the constraints of qualifications, performance, and talent, in order to create a high-quality life for urban and rural residents.

In the six months ended 30 June 2024, the Company fully optimised its business layout in "big city", accelerating the extension from municipal and housing construction to "front-end" and "back-end" services such as urban planning and design, and city operation. This approach has created a favourable situation where the urban business is characterised by "top-tier leadership, first-level support, and comprehensive coverage of specialised qualifications". The Company organised a special meeting on urban renewal. Its self-developed urban industrial big data platform achieved positive results during the implementation of several projects, including CCCC Sci-tech City. The first national specialised exhibition hall dedicated to urban renewal, the CCCC Urban Renewal Hall, has officially opened in Beijing.

In the six months ended 30 June 2024, the value of new contracts of the Company in "big city" business reached RMB385,500 million, representing a year-on-year increase of 18.4 per cent. Among them, major municipal projects such as the infrastructure construction project of 5G communication base stations in Guangdong Province and the comprehensive development project of the southern block of the Shuixi cluster, Sanjiangkou area, Ganzhou, Jiangxi Province have been newly signed, while the urban rail transit projects such as the construction general contracting for the phase I project of Chengdu Rail Transit Line 17 and the project of Fuzhou Rail Transit Line 2 have been steadily advanced. The registered capital of CCCC Urban Investment Holding Company Limited, a subsidiary of the Company, increased from RMB4,099 million to RMB10,000 million. This reflects the Company's judgment on the increments from the "three major projects" and the construction of urbanization, as well as the strategic determination to continuously create an "urban developer" identity. It focuses on comprehensive urban development as the fundamental business platform and development mainline, driving value creation through dual engines of urban operation and integration of industry with cities, with new investments concentrated in core cities and key regions.

Accelerate the Construction of Emerging Business Layout and Build New Quality Productive Forces with CCCC Characteristics

The Company actively participates in the digital transformation and upgrading of transportation infrastructure, enhancing both its technical strengths and innovative capabilities in the field of smart transportation. The Company has taken the lead in researching the digital transformation and upgrading plans for transportation infrastructure in several provinces, which have been selected as the first batch of the demonstration areas at digital transformation and upgrading of highway and waterway transportation infrastructure in multiple provinces, laying solid foundation for future development in the field of smart transportation. Making full use of the integrated and innovative role of "technological innovation + investment guidance + industrial development", the Company has established a green intelligent future transportation R&D center, where it conducts cutting-edge technology research in green intelligent future transportation, and undertakes major national, industry and its own R&D projects, so as to solve the key core technical issues in industry development, promote the cooperation among industry, university, research and application, accelerate the transformation and industrialization of scientific and technological achievements, and unblock the full life cycle construction chain from investment to construction and operation of smart transportation. This enhances the Company's capabilities in resource utilization, transformation, and aggregation in the field of smart transportation, accelerates the high-end, intelligent, and green transformation of the Company's transportation infrastructure, and helps cultivate and develop the Company's strategic emerging industries and new quality productive forces.

The Company continuously researches "bottleneck" technologies, and keeps making breakthroughs in equipment manufacturing. The "Beijing Capital" (首創號) tunnel boring machine, which was used in the construction of the No. 2 shaft of the Tianshan Shengli Tunnel project, is the world's first ultra-large diameter hard rock vertical boring machine and the first ultra-large diameter hard rock shaft boring machine that can operate under cold, high-altitude and great-depth conditions. The "The Canal" tunnel boring machine, which was used in the tunnel excavation construction of the east line of the Reconstruction Project of the Sixth Eastern Ring Road in Beijing, is the first domestically produced shield machine with a super large diameter of 16 meters, and also the largest diameter slurry balanced shield machine with completely independent intellectual property rights developed in China to date. Such equipment has successfully bored through the longest and largest dual-line shield tunnel in China to date. The "Zhenxing" tunnel boring machine, which successfully penetrated the most complex and difficult large diameter tunnel project of the Yangtze River－Nanjing Heyan Road River-crossing Tunnel, took the lead in competition with international similar products, solving the world's problem of "nine out of ten tunnels leak", and setting a global record of a hundred thousand square meters of tunnel without any water leakage. It was awarded the Special Prize for CCCC Science and Technology Advancement Awards in 2023, obtaining more than ten invention patents, and one national standard. The "Jakarta – Bandung High-Speed Railway No.1 Tunnel Shield Machine" was used for the construction of the No. 1 Tunnel of the Jakarta – Bandung High-Speed Railway, the first high-speed railway in the Southeast Asia region. It was the largest diameter shield machine exported overseas by China at that time, and also the largest diameter slurry pressure balanced shield machine in Southeast Asia at that time.

Be the "National Team" of Technological Innovation and Advance towards a World's Leading "Sci-Tech" Enterprise.

Focusing on its main responsibility and principal business, the Company attaches great importance to the key and core technologies as well as bottleneck problems. It follows the guidance of pilot projects of building national strength in transportation to continuously improve the technological innovation system, strengthen efforts to achieve breakthroughs in core technologies and build a cradle for original technology. 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.

Guided by the national strategic needs and industrial upgrading, the Company conducted technology research and the "National Key Laboratory of Green and Long-life Road Engineering in Extreme Environment (極端環境綠色長壽道路工程全國重點實驗室)" and the "National Key Laboratory of Safe and Long-life, Healthy Operation and Maintenance of Long Bridges (長大橋樑安全長壽與健康運維全國重點實驗室)" have been recognised by the Ministry of Science and Technology. The Company 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. The Company established the general research institute for strategy and innovation, which undertakes 15 key technological tasks for future industries. Furthermore, the Company owns 27 post-doctoral research centres and 4 academician research centres and has systematically nurtured a pool of scientific experts and a professional innovation team by leveraging on innovation platforms and the establishment of key scientific research projects and key engineering projects to create a "three-in-one" model integrating talents, teams and platforms to nurture scientific and technological talents team. Zhang Xigang (張喜剛), an academician of the Chinese Academy of Engineering, won the Bridge Award of the Mao Yisheng Science and Technology Award and the title of "100 Excellent Engineers by China Highway & Transportation Society", and Lin Ming (林鳴), an academician of the Chinese Academy of Engineering, won the Science and Technology Achievement Award of Ho Leung Ho Lee Foundation.

The Company overcomes a series of world-class technical issues in engineering projects regarding road construction and maintenance under complicated natural conditions, construction of expressway in high-cold permafrost regions, long-span bridge, long and large mountain tunnel, underwater tunnel, highway-railway bridge, offshore deep-water port, rapid island building in open seas, deep-water submerged tube tunnel, installation and construction of wind power infrastructure.

The core technology of super large diameter tunnel shield machine manufacturing breaks the foreign technology blockade, realises the domestication and industrialization of the whole machine, and is comparable to top-ranking enterprises of European and American markets. With the application of BIM and other new technologies, a large number of intelligent transportation infrastructures have been built, represented by the world's largest single fully automated terminal, Shanghai Yangshan Port Phase IV, and the national first intelligent expressway, Hangzhou-Shaoxing- Ningbo Expressway. Applied technologies including Beidou satellite and high-resolution remote sensing develop rapidly with a leading position in the domestic industry.

Over the years, the Company has been accumulatively awarded with 43 National Science and Technology Advancement Awards, 5 National Technological Invention Awards, 130 Luban Awards, 400 National Quality Project Awards (including 46 golden awards), 120 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 39 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 168 national standards and 537 industry standards that have been promulgated. It has a total of 34,343 granted patents. During the six months ended 30 June 2024, the Group's R&D cost was RMB9,905 million, accounting for 2.8% of the revenue, representing an increase of 0.2 percentage point as compared with the corresponding period of last year, and a number of "bottleneck" technologies have achieved breakthroughs. Six key tasks of the second phase of the 1025 Special Projects have been steadily advanced, achieving a number of milestone results such as super large diameter hydraulic cylinders and heavy-duty drive axles.

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. It should closely integrate with the development trend of science and technology, national strategy and security as well as market and field demand, stress value creation and highlight the mutual synergy between the innovation chain and the industrial chain so as to achieve the target of "focusing on priorities, consolidating advantages, addressing inadequacies and shoring up points of weakness". It will strive to make greater breakthroughs in "bottleneck" technology, in strengthening the country through transportation and manufacturing and other national strategic frontiers and in common key technologies, so as to firmly grasp the initiative of scientific and technological development. The Company should give full play to the national innovation platforms such as the "National Key Laboratory of Green and Long-life Road Engineering in Extreme Environment (極端環境綠色長壽道路工程全國重點實驗室)", and build itself into a source of cutting-edge technologies, a chain of independent innovation in science and technology, and a pool of academic and technological talents in this field. It will cultivate the original technologies, endeavour to enhance the technological capabilities related to strategic emerging industries, and stride towards the world's leading "Sci-tech" enterprise in an all-out effort.

Make New Achievements in Business Qualifications.

The Company obtains several extra-grade, grade A and comprehensive grade A qualifications for the main businesses. The Company has obtained a total of 63 extra-grade qualifications, including 18 extra-grade qualifications for general contracting of port and waterway engineering construction, 39 extra-grade qualifications for general contracting of highway project construction, 4 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 1,800 qualifications for major engineering construction, nearly 300 qualifications for engineering consulting, survey and design and 8 comprehensive grade A qualifications for engineering design among the engineering design qualifications. In the six months ended 30 June 2024, the Company obtained a total of 6 grade A and extra-grade qualifications, including 1 extra-grade qualification for general contracting of port and waterway engineering construction, 1 extra-grade qualification for general contracting of highway project construction.

Keep Improving the Market Value Management System and Continuously Enhance the Value Creation Capability of Listed Companies.

In the six months ended 30 June 2024, guided by the pilot reform of state-owned capital investment companies, the Company thoroughly implemented 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)", persisted in enhancing its capital, scientifically expanded financing channels, increased the proportion of direct financing, established interconnected circulation paths for capital, resources, and industries, and improved a service system that integrates industry and finance to promote industrial development through financing. The Company will continuously improve the quality of its controlling listed companies, strengthen the coordination of capital operations for holding listed companies, enhance equity management and market value assessment of the listed companies, actively leverage the platform of the listed companies, and support the development of the Company's core business through capital operations.

The first was to actively respond to the Shanghai Stock Exchange's initiative to carry out the special action of "Improving Quality, Increasing Efficiency and Enhancing Returns" for companies listed on Shanghai Stock Exchange. The Company has prepared and released the "2024 Action Plan of Improving Quality, Increasing Efficiency and Enhancing Returns (2024年提質增效重回報行動方案)", pursuant to which the Company will continue to focus on its main responsibilities and principal businesses and significantly improve the modernization level of its industrial system; accelerate the forward-looking layout of strategic emerging industries and future industries, and continue to increase the percentage of revenue and value added of strategic emerging industries; take various measures to solidify the Company's assets, and comprehensively push forward the enhancement of quality and increase in efficiency; establish a firm sense of return to Shareholders, and actively explore the promotion and implementation of measures to enhance market value management capabilities through multiple cash dividends and controlling Shareholder's increase in shareholding of the Company. The Company has stepped up its research on the intrinsic link between cash dividends and share prices, and assessed the impact of cash dividend ratio and dividend yield on the market value management of listed companies.

The second was to enhance the predictability of dividend distribution and increase investors' sense of gain. The Company has issued the "Announcement in Relation to the Receipt of the Proposal from the Controlling Shareholder for the Distribution of Interim Dividend and the Implementation of the 2024 Action Plan of "Improving Quality, Increasing Efficiency and Enhancing Returns" (關於收到控股股東提議實施中期分紅暨落實2024年度「提質增效重回報」行動方案的公告)", and has formulated and implemented the 2024 Interim Dividend Distribution Plan in accordance with the conditions for profit distribution. In accordance with the latest work spirit of the SASAC and the China Securities Regulatory Commission, the Company has taken the initiative to respond to the guidance requirements of the new "Nine Articles of the State Council" on "enhancing the stability, continuity and predictability of dividend distribution, and promoting dividend distribution for multiple times in a year, pre-dividend distribution, and dividend distribution before the Chinese New Year". The Company has comprehensively considered the characteristics of its industry, competitive landscape, business model, the stage of development, profitability, capital needs and assessment and other factors. Overcoming the macro-environment and industry pressures, the Company has also considered to boost the market's confidence in the Company's Share price and increase the investors' sense of gain through the interim dividend and formed a specific proposal in light of the actual situation, which was considered and approved by the Board at the 38th meeting of the fifth session of the Board on 30 August 2024, subject to the consideration and approval of the general meeting.

The third was to continue to optimize and increase its assets and funds, and effectively "solidifies the assets". The Company formulated the "2024 Special Work Plan for Optimization and Increase of Assets and Funds (2024年資產資金優化提升專項工作方案)" to systematically sort out the financial assets held by the Company, and dispose of them within a reasonable price range by taking into account their financial status, dividends and stock price performance. The proceeds thereof will be used to replenish the working capital for production and operation related to the Company's principal businesses.

The fourth was to continue to track the performance of REITs market and take the opportunity to carry out asset revitalization by fund raising expansion. The Company comprehensively sorted out the assets available for fund raising expansion, formed a list of reserve assets, continuously tracked and studied the policy guidance, the investment and financing situation of the public REITs capital market and the current situation of internal asset operation, consolidated the valuation and compliance of such assets, and proposed to carry out asset revitalization through platform expansion at an opportune time to ensure the smooth issuance of products and maximize the economic benefits of financing.

The fifth was to actively expand diversified fund business and promote the transformation and upgrading of emerging industries. The Company actively expanded diversified fund business, cooperating with banks, insurance companies and other organizations to set up funds, accelerate the fund business layout and invest in traditional infrastructure projects with existing funds. The Company is promoting the construction of various types of funds for strategic emerging industry segments, helping the development of infrastructure industry and the transformation and upgrading of emerging industries.

The sixth was to proactively plan for a market value management system. The Company thoroughly implemented the decisions and arrangements of the CPC Central Committee and the State Council, earnestly put into practice the "Opinions of the State Council on Further Improving the Quality of Listed Companies" and the requirements of the three-year action plan for the reform of state-owned enterprises (SOEs), and continuously pushed forward the specialized work of enhancing the quality of listed central SOEs. The Company will actively study the relevant regulations of the SASAC, and in conjunction with the actual situation of the Company, implement the requirements of the SASAC regarding the market value management work of listed companies owned by central SOEs.

BUSINESS STRATEGIES

The development strategy of the Group is closely aligned with that of CCCG and emphasizes steadfastly adhering to high-quality development. The Group is committed to the "1-2-3-4-5-6" overall development strategy, unwavering in its mission to become stronger, better and bigger, and determined to build a world-class enterprise:

- **One – One Enhancement**: Striving to ensure that the Group's development always progresses in the right direction, guiding the enterprise towards high-quality development.

- **Two – Focusing on "Two Majors, Two Preferences, Two Foundations"**: The focus is on "big city and big city", i.e., major transportation and urban development opportunities. The Group will give its preference to overseas business expansion and projects in rivers, lakes and seas, and build a strong foundation of talent and technology.

- **Three – Concentrating on "Three Key Areas"**: The Group will focus on key projects, important regions and major markets to enhance its market operation efficiency and quality.

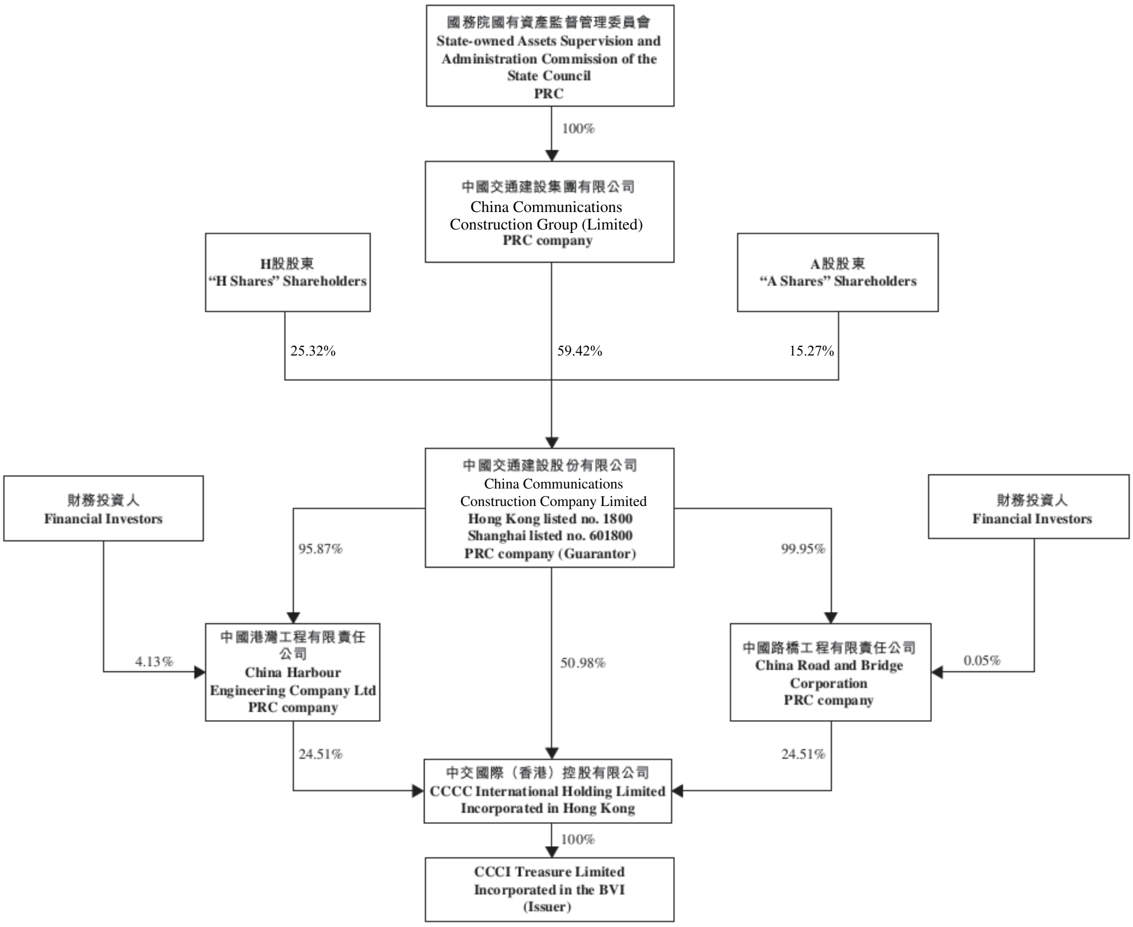
- **Four – Adhering to the "Four Doings"**: This follows the development philosophy of being world-oriented, focusing on construction, highlighting main businesses and specialising in professional fields. Efforts will be made to strengthen investments, expand engineering projects, solidify assets and optimise capital to enhance the Group's core competitiveness.

- **Five – Promoting the "Five Businesses of CCCC"**: Transitioning to the "Three-Core, Five-Business" strategy leverages the Group's core advantages, i.e., its core strengths, core businesses and core technology. The "five businesses" include strengthening the foundation of its business as engineering contractors, enhancing its business experience as investment operators, addressing its development shortcomings as urban developers, improving its manufacturing capabilities as equipment manufacturers and establishing itself as a model for ecological development.

- **Six – Accelerating the Sixisations**: The "Sixisations" refer to internationalisation, marketisation, professionalisation, regionalisation, standardisation, and informatization. The Group aims to accelerate the establishment of modern enterprise systems through these "Sixisations."

CORPORATE STRUCTURE

The following chart illustrates the relationship between the Issuer, the Guarantor and CCCG as at the date of this Offering Circular:



PRINCIPAL PRODUCTS AND SERVICES

The Group mainly operates the following businesses:

- ***Infrastructure construction***, the traditional and core business of the Group. The scope of the Group's 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 in the PRC and abroad;

- ***Infrastructure design***, the scope of the Group's 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; and

- ***Dredging***, the scope of the Group's 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.

Over the last several years, the Company continued to consolidate its traditional market share domestically while actively exploring and expanding emerging markets across different business segments. The Company considers diversification of its business to be one of its unique strengths. As different business segments of its business (e.g., infrastructure construction and dredging) have different business cycles, the Company believes that its service offerings have enhanced its overall risk resilience. The Company has steadily improved its business structure and increased its investment efficiency and quality.

The following table sets forth the contributions by each of the Group's business segments in terms of revenue and as a percentage of its total revenue before elimination of inter-segment sales and unallocated profits for the periods indicated:

	Year Ended 31 December											
	2021[1]				2022				2023			
	Revenue	% of the total revenue	Gross profit	% of the total gross profit	Revenue	% of the total revenue	Gross profit	% of the total gross profit	Revenue	% of the total revenue	Gross profit	% of the total gross profit
	(RMB in millions)											
Infrastructure construction	608,593	85.3	68,706	81.7	634,246	84.1	67,237	80.4	667,802	84.7	77,179	81.7
Infrastructure design	47,595	6.7	8,488	10.1	50,279	6.7	8,281	9.9	47,302	6.0	8,731	9.2
Dredging	42,973	6.0	5,825	6.9	51,017	6.8	6,904	8.2	53,506	6.8	7,136	7.6
Other businesses	14,601	2.0	1,055	1.3	18,225	2.4	1,289	1.5	19,328	2.5	1,413	1.5
Inter-segment elimination and unallocated profit/(costs)	(30,977)	–	450	–	(34,683)	–	(19)	–	(32,292)	–	69	–
Total	**682,785**	**100**	**84,524**	**100**	**719,084**	**100**	**83,692**	**100**	**755,646**	**100**	**94,528**	**100**

	Six Months Ended 30 June							
	2023				2024			
	Revenue	% of the total revenue	Gross profit	% of the total gross profit	Revenue	% of the total revenue	Gross profit	% of the total gross profit
	(RMB in millions, except per centages)							
Infrastructure construction	327,822	85.5	33,379	83.6	318,681	85.2	34,118	81.9
Infrastructure design	19,352	5.1	3,315	8.3	17,342	4.6	3,230	7.8
Dredging	26,059	6.8	2,660	6.7	26,894	7.2	3,177	7.6
Other businesses	9,943	2.6	560	1.4	11,177	3.0	1,106	2.7
Inter-segment elimination and unallocated profit/(costs)	(17,831)	–	(5)	–	(18,084)	–	(35)	–
Total	**365,345**	**100**	**39,909**	**100**	**356,010**	**100**	**41,596**	**100**

Note:

(1) Other businesses comprise manufacturing, sales of material, fund investments and the rest of the business in the former manufacture of heavy machinery business segment following the disposal of ZPMC.

Infrastructure construction

Overview

The Group is a globally leading infrastructure construction company: it is the world's largest port, road and bridge design and construction company as well as the largest integrated highway construction service provider in China.

During the six months ended 30 June 2024, the value of new infrastructure construction contracts entered into by the Group amounted to RMB863,378 million, representing a year-on-year increase of 9.4%. The value of new contracts from overseas markets amounted to RMB191,391 million. Wherein, the confirmed value of contracts from infrastructure and other investment projects was RMB58,613 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB54,330 million. As at 30 June 2024, the backlog of the Company amounted to RMB3,013,780 million. Categorized by project type and location, the value of new contracts in terms of port construction, road and bridge construction, railway construction, urban construction and overseas projects amounted to RMB45,895 million, RMB140,914 million, RMB12,749 million, RMB472,429 million and RMB191,391 million, representing 5.3%, 16.3%, 1.5%, 54.7% and 22.2% of the total value of new infrastructure construction contracts, respectively.

In 2023, the value of new infrastructure construction contracts entered into by the Group amounted to RMB1,558,482 million, representing a 14.0 per cent compared against 2022. The value of new contracts from overseas markets amounted to RMB295,126 million. Wherein, the confirmed value of contracts from infrastructure and other investment projects was RMB208,197 million, and the value of construction and installation contracts to be undertaken by the Company was estimated to be RMB149,257 million. As at 31 December 2023, the backlog of the Group for its infrastructure construction business amounted to RMB2,987,922 million. Categorised by project type and location, the value of new contracts in terms of port construction, road and bridge construction, railway construction, urban construction and overseas projects amounted to RMB84,523 million, RMB349,005 million, RMB36,919 million, RMB792,908 million and RMB295,126 million, representing 6 per cent., 22 per cent., 2 per cent., 51 per cent. and 19 per cent. of the total value of new infrastructure construction contracts, respectively. In 2021, 2022 and 2023, revenue generated from the Group's infrastructure construction operations before elimination of inter-segment sales and unallocated profits was RMB608,593 million, RMB634,246 million and RMB667,802 million, respectively, accounting for 85.3 per cent., 84.1 per cent. and 84.7 per cent., respectively, of its total revenue before elimination of inter-segment sales and unallocated profits. In 2021, 2022 and 2023, gross profit generated from the Group's infrastructure construction operations before elimination of inter-segment sales and unallocated profits was RMB68,706 million, RMB67,237 million and RMB77,179 million, respectively, accounting for 81.7 per cent., 80.4 per cent. and 81.7 per cent., respectively, of its total gross profit before elimination of inter-segment sales and unallocated profits.

The following table sets forth the Group's new contract value for its infrastructure construction operations for 2021, 2022 and 2023, as well as the six months ended 30 June 2023 and 2024, by each type of construction project:

	Year Ended 31 December					
	2021[1]		2022		2023	
		% of total infrastructure construction		% of total infrastructure construction		% of total infrastructure construction
	(RMB in millions)					
Port construction	48,143	4.3	76,700	5.6	84,523	5.4
Road and bridge construction	310,877	27.6	357,875	26.2	349,005	22.4
Railway construction	25,006	2.2	44,873	3.3	36,919	2.4
Urban construction	531,983	47.3	678,981	49.7	792,908	50.9
Overseas projects	209,359	18.6	208,641	15.3	295,126	18.9
Total infrastructure construction	**1,125,368**	**100**	**1,367,070**	**100**	**1,558,482**	**100**

	Six Months Ended 30 June			
	2023		2024	
		% of total infrastructure construction		% of total infrastructure construction
	(RMB in millions)			
Port construction	43,862	5.6	45,895	5.3
Road and bridge construction	205,866	26.1	140,914	16.3
Railway construction	18,995	2.4	12,749	1.5
Urban construction	387,840	49.1	472,429	54.7
Overseas projects	132,701	16.8	191,391	22.2
Total infrastructure construction	**789,265**	**100**	**863,378**	**100**

Note:

(1) The Group's new contract value for its infrastructure construction operations for the years ended 31 December 206 has been adjusted to exclude the heavy-machinery manufacturing business.

Port construction business

The Group is the largest port construction enterprise in China, having undertaken a majority of medium and large port terminals since the founding of the PRC. Relying on the development of modern industrial chain leadership and the establishment of an intelligent port and maritime industry alliance, and following the business layout in strategic regions, the Company deeply got involved in Beijing-Tianjin-Hebei, the Yangtze River Delta, Guangdong, Hong Kong and Macao and other key regions, focused on major projects, and successfully completed the main works of the Pinglu Canal, Phase I Engineering Project of Breakwater of Xiaomo International Logistic Port in Shen-Shan Special Cooperation Zone, Guangdong Province, Phase I Project of Luoqi Operation Area, Main City Port Area, Chongqing Port and other key projects. For the six months ended 30 June 2024, the value of new contracts of the Company for port construction projects in Chinese Mainland amounted to RMB45,895 million, representing a year-on-year increase of 4.6 per cent., and accounting for 5 per cent. of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects was RMB1,788 million, and the value of construction and installation contracts to be undertaken by the Company was estimated to be RMB1,182 million.

Road and bridge construction business

As the largest road and bridge construction enterprise in the world, the Group enjoys remarkable technical and scale advantages in construction of expressways, high-grade highways as well as river-crossing and sea-crossing bridges, and is the market leader in the same industry in China. The road business of the Group realizes a consulting service industry pattern of infrastructure sector with full lifecycle and whole-process integration, covering from single industry chain to whole industry chain (planning, feasibility study, investment and financing, survey and design, project construction, operation and maintenance, and asset disposal).

The Group has actively participated in the design and/or development of some of the most complex road and bridge construction projects in the world. The Group has designed or constructed 5 of the world's top 10 cable-stay bridges, 7 of the top 10 suspension bridges, 8 of the top 10 mountain-and-canyon bridges and 9 of the top 10 sea-crossing bridges.

For the six months ended 30 June 2024, 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 urbanization reconstruction, smart transportation and "transportation + new energy", and has engaged in the construction of a number of high-quality highway projects such as the General Contracting Project of Nanning Second Ring Expressway in Guangxi Province, the Project of Mianchi-Xichuan Expressway of Henan Province (Xichuan – Border between Henan and Hubei Provinces Section), the Main Construction Project for the Reconstruction and Expansion of the He'ao to Shenzhen Airport Section of the Shenyang-Haikou National Expressway and the Construction General Contracting for Project of Baiguo – Nanyue Expressway (including Hengshan Branch Line) in Hunan Province.

For the six months ended 30 June 2024, the value of new contracts of the Company for road and bridge construction projects in Chinese Mainland reached RMB140,914 million, representing a year-on-year decrease of 31.6 per cent., and accounting for 16 per cent. of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects amount to RMB34,503 million, and the value of construction and installation contracts to be undertaken by the Company was estimated to be RMB35,161 million.

Railway construction business

The Group is one of the largest railway construction enterprises in China. It sticks to the strategic target of becoming a first-class rail transportation comprehensive service provider with leading technology, advanced management and outstanding quality. The Group has successfully entered into international railway construction markets, including in Africa and Southeast Asia, and several major railway projects have been completed or operated or are under construction, with the brand of "CCCC Railway" showing significant influence in the international market.

For the six months ended 30 June 2024, 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 the excavation of main tunnel of Yigong Tunnel, the longest railway tunnel in China had commenced. The Company has formed a full industry chain layout of rail transportation business around design and consult, construction, equipment manufacturing, operation and maintenance. Relying on the Company's industrial advantages in highways and airports, the Company innovated to build "rail+" integrated urban operation solutions. The Company firmly implemented the national strategy of strengthening the country through transportation and successfully signed new contracts for the construction projects such as the Project of Section 3 of Pre-Station of Jiangsu Section of Weifang-Suqian High-speed Railway in Suqian, Jiangsu Province and Construction Lump-sum Contracting for Project of the Pearl River Delta Hub Airport to Provincial Boundary Section of Shenzhen-Nanning High-speed Railway (Section SNSG-2), polishing the brand of "CCCC Railway".

For the six months ended 30 June 2024, China promoted the railway construction in a scientific and orderly manner with an investment on fixed assets of national railway field of RMB337,300 million, representing a year-on-year increase of 9.6 per cent.. According to statistics, a total of 76 railway projects were successfully tendered nationwide, with a total bidding amount of RMB151,773 million. In terms of the value of contracts awarded, the Company's market share amounted to 6 per cent., ranking third in the industry and first among non-railway sectors. The value of new contracts of the Company for railway construction projects in Chinese Mainland amounted to RMB12,749 million, accounting for 2 per cent. of that of the infrastructure construction business.

Urban construction

The Group actively participated in urban construction for building construction, comprehensive urban development and urban rail transit extensively, with considerable influence in the market. Meanwhile, the Group accelerated the layout of emerging industries, such as ecological and environmental protection, urban water environment treatment, etc., and endeavoured to cultivate new growth points. The Group signed a number of large urban complex projects such as Haikou Henggou Village Urban Renewal, one of the first batch of pilot projects for urban renewal in Haikou city, and projects for the renovation of villages in Fengxi community, Huaxin town, Qingpu district, Shanghai.

For the six months ended 30 June 2024, 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 the Urban Renewal Project in Jingshuang District, Shapingba District, Chongqing, and the "Yuancheng Zhigu" Comprehensive Development Project in Liangzhu New City, Hangzhou. Our district development model has been refined, and our business scale has been growing. Focusing on the needs of people's livelihood and taking up its corporate responsibility, the Group has signed resettlement housing projects in Hubei, Chengdu and Fujian, and promoted renovation and expansion projects in Jiangsu and Guangzhou, so as to deepen and expand in the field of livelihood housing construction. The Company entered areas with high technology such as complex urban transportation, smart transportation and smart city. The Company implemented projects including the EPC Project of Intelligent Agriculture Demonstration Base (Phase I) in Yang County, Hanzhong City, Shaanxi Province, the Parking Building Project in Lijia District and Jiuquhe District of Chongqing Smart Parking and Central Industry and Research Park of International Leading and Innovative Smart Digital Facility Agricultural Plant Factory in Chengdu to improve the urban modernization and build livable, resilient and smart cities. The Company is committed to building a beautiful China and has participated in watershed management and sewage treatment projects in Shandong, Sichuan and other places. Focusing on the carbon peaking and carbon neutrality target and building a professional platform of "CCCC Offshore Wind Power (中交海風)", the Company achieved a value of new contracts of RMB10,733 million in the first half of the year, and signed new projects in Hainan, Fujian and other provinces. The Company has obtained a number of national leading offshore construction and operation and maintenance technologies, and has initially realized the scale effect of emerging businesses.

For the six months ended 30 June 2024, the value of new contracts of the Company for urban construction projects in Chinese Mainland reached RMB472,429 million, representing a year-on-year increase of 21.8 per cent., and accounting for 55 per cent. of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects was RMB22,322 million, and the value of construction and installation contracts to be undertaken by the Company was estimated to be RMB17,988 million. Categorized by project type, the value of new contracts for building construction, municipal engineering, water conservancy, urban rail transit, comprehensive urban development, offshore wind power, ecological and environmental protection and other projects accounted for 44 per cent., 17 per cent., 5 per cent., 5 per cent., 3 per cent., 2 per cent., 2 per cent. and 22 per cent., respectively, of the value of new contracts for urban construction projects.

Overseas construction business

The Company'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 significant competitive edge in the market. Based on a global perspective and taking advantage of its main business, the Company actively coped with and served national strategies, took the third "Belt and Road Summit" as an opportunity to give full play to its advantages in the fields of "big city", "big transportation", as well as "rivers, lakes and seas", and made every effort to promote the interconnection of transportation infrastructure and improvement of people's livelihood along the routes, actively contributed Chinese wisdom and Chinese solutions.

In the six months ended 30 June 2024, the Company won the bids for the project of Ndayane New Port in Senegal, the expansion project of the mining terminal at the port of Annaba in Algeria, the EPCIC project for the natural gas pipeline in the Samalaju in Sarawak, Malaysia, the locomotive expansion project in Queensland, Australia, and the northwest water treatment center project in Sydney, Australia. The Kenya Mombasa-Nairobi Railway has been operating safely for 7 years, with an average of 6.4 passenger trains and 15 freight trains running daily, and has accumulatively sent 12.86 million passengers and 32.87 million tons of goods. The construction of the four power systems of the East Coast Rail Link in Malaysia project was officially launched, the control engineering project of the Ruma expressway in Serbia, being the longest tunnel under construction in Serbia, has achieved a breakthrough of over 3,000 meters in footage of a single tunnel, the main structure of Quay No. 1 at the Chancay Port project in Peru was successfully completed, and the largest traffic diversion in the history of Bogotá was completed for the Bogotá Metro Line 1 project.

For the six months ended 30 June 2024, the Company continued to deepen its overseas upgrading and solidify its distinctive advantages in high-quality development. **Determined to serve and obey the major national strategies.** It thoroughly implemented eight actions for high-quality co-development of the "Belt and Road" Initiative and actively practiced the "three major global initiatives". High-quality resources were inclined towards key countries and regions, focusing on promoting key points and bottlenecks along the "Belt and Road" as well as overseas major cooperation projects with key attention from national leaders. The Company coordinated the advancement of major projects such as the East Coast Rail Link in Malaysia and the Colombo Port City project in Sri Lanka, and conducted in-depth research on the "six corridors and six channels serving multiple countries and ports" three-dimensional interconnection network. It fulfilled social responsibilities with a high standard and established its overseas image through the construction of a number of "small and beautiful" projects. **Deeply promoted the upgrading of the "Company Internationalization".** The Company promoted the upgrading of the "Company Internationalization", further integrated the back-office management organizations of key countries, conducted in-depth studies on the operation and assessment mechanism for the establishment of the "O" and completed the establishment of "O" organizations in the third batch of countries as soon as possible. The platform companies continued to consolidate lean management and improved control capabilities through informatization and digitization. The Company has thoroughly studied the trend of global value chain restructuring, increased the layout of upstream and downstream extension of the global industrial chain of the Company, accelerated the layout of new fields and new tracks, and promoted the "going global" of China's standards and technologies in the advantageous fields of highways, bridges, railways, ports and other areas, so as to provide a solid foundation for the enhancement of the Company's competitiveness in overseas markets.

For the six months ended 30 June 2024, the value of new contracts of the Company for overseas projects in the infrastructure construction business amounted to RMB191,391 million (equivalent to approximately USD27,152 million), representing a year-on-year increase of 44.2 per cent., and accounting for 22 per cent. of that of the infrastructure construction business. Categorized by project type, the value of new contracts for roads and bridges, urban construction, ports, urban rail transit, railways and others accounted for 25 per cent., 20 per cent., 17 per cent., 15 per cent., 11 per cent. and 12 per cent. of that of the overseas projects, respectively.

Categorized by project location, the value of new contracts for Africa, Asia (excluding Hong Kong, Macau and Taiwan), Oceania, Europe, Latin America, as well as Hong Kong, Macau and Taiwan and other regions accounted for 31 per cent., 30 per cent., 20 per cent., 9 per cent., 5 per cent. and 5 per cent. of that of the overseas projects, respectively.

Subcontractors and project partners

In the domestic market, the Group generally submits tenders for projects on its own to act as the turnkey contractor, as it is able to execute such projects with its own resources as an integrated construction company. However, the Group may outsource to independent third-party subcontractors to provide certain services that the Group is unable to or do not generally provide.

Terms of the master contract are typically reflected in the Group's contracts with subcontractors. The Group and its subcontractors are generally jointly liable with regard to work safety on a subcontract. In selecting independent third-party subcontractors, the Group considers factors such as past cooperation experience and its evaluation of their performance. It requires the same standards of work to be performed by subcontractors as it would expect of work done by its own subsidiaries, and has therefore adopted stringent evaluation criteria to review the qualifications of those subcontractors considered for retention. In order to ensure the quality of the subcontractor, the Group implements strict controls to monitor the quality, performance and credit history of each subcontractor and to supervise its performance through the construction process. In addition, as the Group is generally ultimately liable to project owners for the entire construction project, it maintains close supervision over its subcontractors' performance to ensure quality of work done. The Group regularly reviews and updates its list of preferred subcontractors and also maintains long and close relationships with reliable subcontractors through training programs and technical cooperation arrangements.

In the overseas market, the Group generally submits tenders for overseas projects either on its own or with project partners.

Seasonality

The Group's construction business is subject to seasonality, mainly due to the vast territory of the PRC and the different climate conditions of various regions in which the Group operates. It typically records higher revenues between July and December relative to revenues recorded between January and June. The Group attributes this seasonality to the effect of the winter months (generally from January to March) on its construction operations in the northern part of the PRC, as well as the effect of the Chinese New Year during which some of its projects and construction are halted. As a result, the Group may experience cost increases or delays in progress when conducting its business operations during particular seasons.

Raw materials and suppliers

Raw materials used by the Group for infrastructure construction include steel, cement, explosives, waterproofing materials, admixtures and track materials. By entering into long-term purchase agreements or strategic alliances with suppliers, the Group believes that it has maintained stable relationships with its main suppliers of raw materials, which has enabled it to secure reliable supplies of raw materials used in infrastructure construction. As the Group conducts logistics and materials supply businesses and the raw materials it purchases are commodities generally available in the market, the Group anticipates that it will not be difficult to procure sufficient raw materials. However, the Group aims to optimise operational efficiency by directing all purchases of equipment and raw materials to be made through a centralised procurement system, so as to reduce its procurement costs, ensure consistent quality of raw materials and increase its rate of return.

Marketing and customer relationships

The Group's largest customers of its domestic construction operations are primarily business entities set up and managed by central and local governments. The largest customers of its overseas construction operations are primarily governmental and semi-official entities.

With integrated capacity and strong reputation, the Group maintains close relationships with its customers. It works closely with professional institutions and consulting companies to obtain significant project information and potential business opportunities. It also designates specific personnel to observe public bidding announcements of significant construction projects.

Infrastructure design

As the world's largest port design and construction enterprise, as well as the world's leading highway, bridge and tunnel design enterprise, the Group enjoys remarkable competitive edges in related business fields. During the reporting period, the Company's design business had successfully listed by reorganization, and CCCC Design & Consulting Group Co., Ltd. (600720.SH) was officially listed on 28 December 2023, making it the first case of a market-based backdoor listing among SOEs on the A-share market, the first project to split and list through a restructuring under the comprehensive registration-based system for both A+H shares, and the first case involving the listing through the restructuring of multiple target assets. After the completion of asset swap, the preliminary professional integration of CCCG's design segment was completed, and CCCC Design became the largest listed company in China engaged in design business. The Company believes that CCCC Design will have a leading role in the industry chain, vigorously expanding the high-end markets and aiding the growth and upgrade of the Group's business.

For the six months ended 30 June 2024, the Company continued to strengthen the role of ballast stone of traditional infrastructure design business, focusing on integrated and multi-dimensional transportation networks and large-scale integrated projects, and marching steadfastly in the field of large transportation and big cities; strengthened the leading role of the front-end of the design consulting, and closely surrounded the industrial pattern formed by the national strategy and the new growth points, increased high-end planning, and led by scientific and technological innovations, explored the synergistic joint efforts of the whole industry chain, and fully developed the comprehensive advantages of the whole industry to promote the landing of large projects. In the construction of the Pinglu Canal (平陸運河), the Company fully participated in the hubs, waterways, bridges and other relevant projects with an integrated solution, and played an important role in the planning and implementation of such projects. **In terms of water transportation business,** the Company focused on "carbon peaking and carbon neutrality target", and successfully signed new projects including the EPC Project of Wharf Engineering of LNG Receiving Station Project of Jiangsu Huadian Ganyu and the Design, Procurement and Construction General Contracting Projects of New Energy Project Phase I in Haizhou, Lianyungang, Jiangsu around the construction of new energy ports to promote the green transformation of energy structure. The Company focused on the market opportunities in upgrading and reconstruction of seaports and improvement of inland waterways, and newly signed the projects including the EPC Project of Reconstruction of Huxi Waterway (Upstream Lake Section) of Beijing – Hangzhou Canal, and the Design, Procurement and Construction General Contracting Projects of Wharf of Ethylene External Light Hydrocarbon Raw Material Supporting Project in Nangang, Tianjin, 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 projects, such as the Design, Procurement and Construction General Contracting Projects of Reconstructions of New Youth Avenue (Wuxing Avenue – Qufu Road Bridge Section) in Hangzhou, and the Feasibility Research/Preliminary Design and Construction Drawings Design Project of Songxian–Neixiang Expressway/Tongbai-Dengzhou Expressway in Nanyang, Henan. In response to the national strategy of rural revitalization, the Company signed contracts for rural road construction, such as the Construction Projects for Efficient Improvement of Rural Revitalization Capacity in Zhaoyuan County, Daqing City, Heilongjiang Province, to expand its sinking market share. **In terms of urban business,** the Company continued to root in cities, cultivate cities and operate cities, and signed contracts for urban development projects such as the Design, Procurement and Construction General Contracting Projects for Development of Jiangyin Port Economic Zone (Lan Yuan Area) in Fujian Province, and the Design, Procurement and Construction General Contracting Projects for Constructions of Water Supply and Sewage Treatment – Water Supply Pipeline and Supporting Facilities of Shale Gas Comprehensive Utilisation and Circular Economy Industrial Park of Weiyuan Economic Development Zone in Neijiang City, Sichuan Province. **In terms of emerging industries,** the Company continued to build the "CCCC Offshore Wind Power" brand and carried out offshore wind power survey, supervision and consulting in Yantai, Shantou, Dongying and other places in China.

For the six months ended 30 June 2024, the value of new contracts of the Company in infrastructure design business reached RMB32,656 million, representing a year-on-year increase of 21.9 per cent., which was mainly attributable to the increase in EPC projects for port terminals and inland waterways. Wherein, the value of new contracts from overseas markets amounted to RMB1,413 million (equivalent to approximately USD200 million). As at 30 June 2024, the backlog of the Company amounted to RMB185,017 million.

Categorized by project type, the value of new contracts for EPC general contracting, survey and design and other projects amounted to RMB21,850 million and RMB10,806 million, representing 67 per cent. and 33 per cent. of the value of new contracts for infrastructure design business, respectively.

Dredging

Overview

The Group is the largest dredging enterprise in the world and won the bidding for the Dongting Lake Ecological Restoration Pilot Project.

For the six months ended 30 June 2024, the Company focused on its strengths and promoted the operation of major projects, winning bids for a series of key projects such as the Da Xiao Deng, Meishan Port, Xiaoyangshan Port and Huanghua Port, and making breakthroughs in the areas at lake and reservoir desilting, inland waterways, water conservancy projects and other areas at restructuring.

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 water source protection, watershed water ecological restoration, soil pollution treatment and remediation, ecological restoration of mines and the marine ecological protection and restoration.

For the six months ended 30 June 2024, the value of new contracts of the Company in dredging business reached RMB59,683 million, representing a year-on-year decrease of 4.1 per cent.. Wherein, the value of new contracts from overseas markets amounted to RMB2,601 million. As at 30 June 2024, the backlog of the Company amounted to RMB306,302 million.

Equipment

The Company 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. In 2023, the Company continued to optimise 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 Company 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.

BACKLOG AND NEW CONTRACTS

Backlog

Backlog refers to the Group's estimate of the contract value of work that remains to be completed as at a certain date. The contract value of a project represents the amount that the Group expects to receive under the terms of the contract assuming the contract is performed in accordance with its terms. The Group's backlog as at 31 December 2021, 2022 and 2023 and 30 June 2024 amounted to RMB3,128,254 million, RMB3,388,325 million, RMB3,450,659 million and RMB3,536,243 million, respectively. Backlog is not a measure defined by generally accepted accounting principles and may not be indicative of the Group's future operating results.

The following table sets out the aggregate value of projects in the backlog of the Group's infrastructure construction, infrastructure design, dredging and other businesses as at the dates indicated:

	As at 31 December						As at 30 June	
	2021		2022		2023		2024	
	Amount	% of total value	Amount	% of total value	Amount	% of total value	Amount	% of total value
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Infrastructure construction business	2,780,828	88.89	3,028,916	89.39	2,987,922	86.59	3,013,780	85.23
Infrastructure design business	152,473	4.87	148,112	4.37	154,256	4.47	185,017	5.23
Dredging business	185,941	5.94	204,832	6.05	278,577	8.07	306,302	8.66
Other businesses	9,012	0.29	6,465	0.19	29,904	0.87	31,144	0.88
Total	**3,128,254**	**100.00**	**3,388,325**	**100.00**	**3,450,659**	**100.00**	**3,536,243**	**100.00**

New Contracts

New contracts represent the contract value of new contracts entered into by the Group for a certain period. New contracts are not a measure defined by generally accepted accounting principles. The Company believes that its solid relationships with its customers, as well as the growth in its overseas business as a result of its implementation of the "Go Global" strategy and the Belt and Road Initiative, ensured stable growth in the orders.

The following table sets out the aggregate value of new contracts of the Group's infrastructure construction, infrastructure design, dredging and other operations for the periods indicated:

	Year Ended 31 December					
	2021		2022		2023	
	Amount	% of total value	Amount	% of total value	Amount	% of total value
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Infrastructure construction	1,125,368	88.76	1,367,070	88.64	1,558,482	88.89
Infrastructure design	44,508	3.51	54,899	3.56	55,972	3.19
Dredging	87,301	6.89	106,654	6.92	119,193	6.80
Other businesses	10,735	0.85	13,633	0.88	19,568	1.12
Total	**1,267,912**	**100.00**	**1,542,256**	**100.00**	**1,753,215**	**100.00**

	Six Months Ended 30 June			
	2023		2024	
	Amount	% of total infrastructure construction	Amount	% of total infrastructure construction
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*
Infrastructure construction	789,265	89.01	863,378	89.85
Infrastructure design	26,787	3.02	32,656	3.40
Dredging	62,240	7.02	59,683	6.21
Other businesses	8,402	0.95	5,150	0.54
Total	**886,693**	**100**	**960,867**	**100**

In 2021, 2022 and 2023, the aggregate value of new contracts of the Group's all business from overseas markets were RMB215,978 million, RMB216,782 million and RMB319,746 million, respectively, representing 17.0 per cent., 14.1 per cent. and 18.2 per cent. of the aggregate value of new contracts during the same period, and a CAGR of 14.0 per cent. For the six months ended 30 June 2024, the aggregate value of new contracts of the Group's all business from overseas markets were RMB196,065 million, representing a year-on-year increase of 38.9%.

RESEARCH AND DEVELOPMENT

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 optimise 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 12 innovation platforms at national level, 87 innovation platforms at provincial level and 31 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 27 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 calibres with its resources on talents, teams and platforms. In 2023, the Company led the preparation of 3 national standards, 16 industrial standards and 89 company-level construction methods.

Over the years, the Company has been accumulatively awarded with 43 National Science and Technology Advancement Awards, 5 Technological Invention Awards, 130 Luban Awards, 400 National Quality Project Awards (including 46 golden awards), 120 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 39 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 168 national standards and 537 industry standards that have been promulgated, and had a total of 34,343 authorised patents. The Company has developed more than 30 projects for the first time. The core equipment such as new-generation port machinery and automatic wharf, ultra-large diameter shield machine, "Tiankun" dredger, etc. broke the foreign technology monopoly, and the independent controllable level and localization rate of key core equipment such as port machinery, marine engineering and shield machine greatly increased. In 2023, the company tackled five "bottleneck" technologies such as heavy-duty drive axle of port machinery, main bearing of shield machine and dredging control software, and successfully carried out six special research tasks in Phase II of "1025".

As at 31 December 2023, the Group had 17,570 employees that are R&D related, of which 2.1 per cent. held PhD degrees, 39.3 per cent. held master's degrees, 55.3 per cent. held bachelor degrees, 2.7 per cent. held associate degrees and 0.7 per cent. held high-school degrees or lower.

Looking forward, the Group is committed to developing the transportation infrastructure business in the PRC and overseas and will focus on developing and innovating new technologies for infrastructure construction and design as well as high-end, high value-added marine engineering equipment. It will also optimise its investment, evaluation, incentive, training, and performance review systems and cultivate the innovative skills of its managerial, research and development, and technical personnel.

The total expenditure on research and development of the Group for the year ended 31 December 2023 amounted to RMB27,707 million, accounting for 3.7 per cent. of the revenue. For the six months ended 30 June 2024, the research and development of the Group was RMB9,905 million, accounting for 2.8 per cent. of the revenue, representing an increase of 0.2 percentage point as compared with the corresponding period of the last year.

ESG Development

The Group has refined and formulated "three goals" based on its own actual situation, i.e., a significant reduction in carbon emissions in key business areas by 2025, a peak in infrastructure construction by 2030, and the comprehensive achievement of carbon neutrality development goals by 2060. Driven by formulation and optimisation of low-carbon standard systems, the Group has improved its green management system and mechanism. In 2023, the Group continues to accelerate the industrial transformation and upgrading, optimise the layout of strategic emerging industries, condense the combined force of regional operation, accelerate the layout of expansion tracks for the businesses of "new industries, new formats, and new modes", cultivate strategic emerging industries and future industries, and explore and form a green development mode and construction scheme with more demonstration significance and more promotion value.

In general, the Group implements the new development concept, adheres to the corporate vision of "make the world more connected, the city more liveable and the life more beautiful", advocates the enterprise spirit of "Transportation integrates the world; the builder's field is boundless", persists in "building an internationally competitive world-class enterprise in terms of science and technology, management and quality orientation", and makes efforts to become a respected company that "reassures investors, satisfies customers, trusts relevant stakeholders, comforts operators, provides happiness for employees, and enjoys wide social praise". In long-term practice, the Company explores to form a "vision driven" social responsibility governance approach, holds ESG practices through "responsibility promoted, brand driven" method, and continuously builds the "Build Your Future Dream" global responsibility brand. The Company actively contributes to rural revitalisation, emergency rescue, disaster relief and education assistance and livelihood and cultural exchange projects abroad. And community construction, public welfare charity and volunteer services are important areas of responsibility for the Company. The Company also holds equal, diversified and inclusive attitudes in attracting talents.

In terms of the Group's overseas compliance system, it implements a "1+7+N" compliance system, which entails 1) a Compliance Code of Conduct for Overseas Employees of CCCC; 2) an institutional process including 7 high-risk links of overseas compliance, including third-party agency, procurement, bidding, contract, entertainment, donation and sponsorship, and cash payment; and 3) a supporting system including the Overseas Compliance Management Measures and overseas compliance investigation.

The Group's ESG practice has received wide-ranging honours and recognitions. For instance, in 2022, the Group won the "2022 Asia (ex-Japan) Executive Team" award from Institutional Investor. In 2023, the Group ranked 36th among CCTV headquarters 2023 "Chinese ESG Listed Company Pioneer 100" (first among construction industry). In 2023, it also won the Shanghai Stock Exchange "Listed Company Information Disclosure Class A Evaluation" for 10 consecutive years; the Wind ESG rating "A"; "China Charity Award", the highest award of Chinese government in charity field; and "2023 Responsibility Bellwether Award-Responsible Enterprise Award" issued by China Social Responsibility Hundred People Forum. In the same year, the Group was included in SASAC's the "Central Enterprises Responsibility Management • Pioneer 30 Index".

SAFETY, ENVIRONMENTAL PROTECTION AND QUALITY CONTROL

The Group has established and implemented a set of integrated safety, environmental protection and quality control internal procedures based on the applicable PRC regulations, international ISO9001:2000 and ISO14001:1996 standards and domestic GB/T1800:2001 standards. The Group's evaluation procedures set out, among others, the standard of quality, safety and environmental protection to be attained, the roles and responsibilities of various departments and staff members, the procedures and activities to be monitored by management and the measures to be adopted in order to attain the designated standards.

The Group endeavours to ensure a high level of quality in the management and performance of its contracts and projects, and each principal operating subsidiary of the Group has established a Quality Management Department, which regularly conducts checks to ensure product quality and strict observance of and compliance with relevant construction and production standards. The head office and each principal operating subsidiary of the Group have also established their own Safety, Health and Environmental Protection Departments, which are responsible for supervising and regulating labour, safety and health conditions and monitoring compliance with statutory environmental protection regulations relating to air, water, noise and solid waste pollution. The Group imposes safety and anti-pollution measures, as well as regular internal safety and environmental inspections, at all stages of its operations in order to minimise the possibility of work-related accidents and injuries. It also monitors the safety and environmental protection aspects of its subcontractors' operations. As the Group believes that safe practices are essential to ensure employee safety, it conducts regular safety training sessions and provides safety education to employees. Although the Group has stringent safety measures in place, its construction operations involve inherent occupational risks. There is no guarantee that any safety-related incidents will not have an adverse impact on its reputation, corporate image and results of operations.

The Group also has strictly implemented international conventions and domestic laws in relation to air pollution, including the Environmental Protection Law, the Measures for Supervision and Administration of Energy Conservation and Ecological Environment Protection by Central Enterprises (《中央企業節約能源與生態環境保護監督管理辦法》), and has strictly controlled the emission in the production process, and strengthened the environmental monitoring capability building. The Group has strictly implemented relevant national energy-saving and emission reduction policies and standards, and continuously promoted energy-saving and emission reduction work, low-energy, pollution-free and high-efficiency technology, equipment and products. In addition, the Group vigorously carried out the activity of "establishing the green grassroots", implemented "Four Savings and Environmental Protection" (energy, land, water and materials saving and environmental protection) for construction projects and promoted the in-depth implementation of energy conservation and emission reduction work. The Group insists on integrating energy conservation and environmental protection work into the whole process of its production, operation management and project construction. For further strengthening the rooftop design relating to energy conservation and environmental protection, the Company issued the Standard Framework and Guideline of Production Safety, Quality Supervision, and Energy Conservation and Environmental Protection Supervision of CCCC both in Chinese and English, which is comprised of 4 major categories, i.e. basic standards, management standards, working standards and operating standards, with its contents covering the energy conservation and environmental protection work in all business fields of the Company, thereby putting the concept of green development into practice throughout the whole process of planning, design, construction, operation and maintenance of transportation infrastructure.

INTELLECTUAL PROPERTY RIGHTS

The Group relies on patents, copyrights, trademarks and contractual rights to protect its intellectual property rights. The intellectual property rights are critical to the Group's businesses. Over the years, the Group has been awarded 43 National Science and Technology Advancement Awards, 5 National Technological Invention Awards, 130 Luban Awards, 400 National Quality Project Awards (including 46 golden awards), 120 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 39 Chinese Outstanding Patent Awards. The Group continuously submits patent applications for products and technologies that it has developed. It also possesses unregistered trade secrets, technologies, know-hows, processes and other intellectual property rights. As at the date of this Offering Circular, the Group did not suffer any material infringement of intellectual property by other parties and, to the best of its knowledge, has not violated any intellectual property rights of any third parties nor was the Guarantor a party to any material litigation brought by any third party due to infringement of intellectual property rights.

EMPLOYEES

In 2023, the Group had approximately 145,000 employees in service. As at the date of this Offering Circular, there are no material disruptions to the Group's operations due to labour disputes which would have a material adverse effect on the Group's business or financial condition.

The Group links employees' remuneration with their performance, as well as the Group's annual budget. The remuneration of the employees includes wages, performance bonus and allowance. In accordance with applicable PRC regulations, the employees of the Group are also entitled to pensions, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds as well as other fringe benefits for current and retired employees provided by the Group. As at 30 June 2024, the Group's retirement benefit obligations amounted to RMB102 million.

INSURANCE

Pursuant to the general practice in the industry, the Group is required to obtain fire, liability or other property insurance for the property, equipment or inventory in relation to its major businesses, and is required to obtain construction project all-risk insurance for most of the construction projects it undertakes. Such policies generally cover the entire contract period, including the maintenance period following completion of the project. The Group purchases pension, medical, unemployment, workplace injury and maternity insurances and makes housing fund contributions for its employees pursuant to the relevant PRC laws and regulations.

LEGAL PROCEEDINGS

Save as disclosed in this Offering Circular, the Group is not involved in any material legal proceedings, claims or disputes currently existing or pending against the Group that may have a material adverse effect on the Group's business or financial condition as at the date of this Offering Circular.

BOARD OF DIRECTORS

The members of the Guarantor's board of directors as at the date of this Offering Circular are as follows:

Name	Position
WANG Tongzhou	Executive Director and Chairman
WANG Haihuai	Executive Director and president
LIU Xiang	Executive Director
LIU Hui	Independent Non-executive Director
CHAN Wing Tak Kevin	Independent Non-executive Director
WU Guangqi	Independent Non-executive Director
ZHOU Xiaowen	Independent Non-executive Director

The biographies of the members of the Guarantor's board of directors as at the date of this Offering Circular are as follows:

Mr. WANG Tongzhou, born in 1965, Chinese nationality, is the secretary of the Party Committee, the executive Director and the chairman of the Board of the Guarantor. He also serves as the secretary of the Party Committee and the chairman of CCCG. Mr. Wang has extensive operational and management experience and over 30 years of industry 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 secretary of the Party Committee, the chairman of the board and the general manager of China Nonferrous Metal Mining (Group) Co., Ltd., the secretary of the Party Committee and the chairman of the board 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 Guarantor. 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 Guarantor since October 2020.

Mr. WANG Haihuai, born in 1968, Chinese nationality, is the deputy secretary of the Party Committee, the executive Director and president of the Guarantor and also serves as a deputy secretary of the Party Committee, a director and the general manager of CCCG. Mr. Wang joined the Guarantor in 1991 and has extensive operational and management experience and over 30 years of industry 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 Guarantor, the vice president of the Guarantor, 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 Guarantor since April 2021, and as the executive Director of the Guarantor since June 2021.

Mr. LIU Xiang, born in 1968, Chinese nationality, is the deputy secretary of the Party Committee, the executive Director of the Guarantor 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 and over 30 years of industry experience. 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 Guarantor since June 2021.

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 Guarantor 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 Guarantor 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 Guarantor 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 China State Railway Group Co., Ltd. ("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 Guarantor since February 2022.

SUPERVISORY COMMITTEE

The members of the Guarantor's supervisory committee as at the date of this Offering Circular are as follows:

Name	Position
WANG Yongbin	Chairman of the Supervisory Committee
LU Yaojun	Supervisor
YANG Xiangyang	Supervisor

The biographies of the members of the Guarantor's supervisory committee as at the date of this Offering Circular are as follows:

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 Guarantor. 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 Guarantor 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 Guarantor since September 2006, and as the chairman of the Supervisory Committee of the Guarantor 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 Guarantor. He also serves as the general manager of the investment management department of CCCG, the director of CCCC Capital Holdings Limited (中交資本控股有限公司) and the vice chairman of Capital Expressway Development Co., Ltd. (首都高速公路發展有限公司). Mr. Lu joined the Guarantor 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 Guarantor. 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 Guarantor since November 2021.

Mr. YANG Xiangyang, born in 1971, Chinese nationality, is currently a staff representative Supervisor, the vice chairman of union federation, the director of the office of union federation and the chairman of labor union for organs of the Guarantor. Mr. Yang joined the Guarantor in 1995 and has extensive management experience. He held positions as the head of the marketing planning department, the head of the comprehensive affairs office, the assistant to the general manager, a director, a deputy general manager, a general manager (legal representative), the vice chairman, the secretary of the Party Committee and the chairman of CCCC Xi'an Road Construction Machinery Co., Ltd.* (中交西安築路機械有限公司). Mr. Yang graduated from Chang'an University (formerly known as Xi'an University of Highway Traffics (西安公路交通大學)) with a bachelor's degree in engineering majoring in manufacturing of machinery and equipment* (機械製造工藝與設備專業), and subsequently obtained a master's degree in mechanical engineering from Chang'an University, and he is a professorate senior engineer. Mr. Yang has been serving as a staff representative Supervisor of the Guarantor since January 2024.

SENIOR MANAGEMENT

The members of the Guarantor's senior management as at the date of this Offering Circular are as follows:

Name	Position
Mr. WANG Jian	Vice President
Mr. YANG Zhichao	Vice president
Mr. SUN Liqiang	Vice President
Mr. LIU Zhengchang	Chief Financial Officer

The biographies of the members of the Guarantor's senior management as at the date of this Offering Circular are as follows:

Mr. WANG Jian, born in 1964, with Chinese nationality, is a member of the Party Committee and a vice president of the Guarantor. He also serves as a member of the Party Committee and the deputy general manager of CCCG. Mr. Wang joined the Company in 2004 and has rich operational and management experience and over 30 years of industry 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 Guarantor. 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 Guarantor since December 2016.

Mr. YANG Zhichao, born in 1981, with Chinese nationality, is currently a member of the Party Committee and the vice president of the Guarantor. Mr. Yang joined the Guarantor in 2003 and has extensive operational and management experience. Mr. Yang has over 20 years of industry 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 secretary of the Party Committee and the chairman of the board of directors 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 Guarantor; 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 Guarantor since August 2021.

Mr. SUN Liqiang, born in 1969, Chinese nationality, is currently the vice president and the chief safety officer of the Guarantor. He also serves as the general manager of the international direct operation business division, the deputy secretary of the Party Committee and the general manager of the international engineering branch of the Guarantor, as well as the assistant to general manager of CCCG. Mr. Sun joined the Guarantor in 1991 and has extensive operational and management experience. Mr. Sun has over 30 years of industry experience. He has successively served as the director of the construction technology division under the overseas project management department of China Road and Bridge Corporation* (中國路橋工程有限責任公司) ("CRBC"), the deputy general manager of Sana'a Office, the general manager of Equatorial Guinea Office, the general manager of engineering management department, the deputy general manager of CRBC; the deputy commander and the executive commander of the headquarter of the Mombasa-Nairobi Railway Project of the Guarantor, the executive general manager of the overseas business department, the executive general manager of the international engineering branch, the general manager of road, bridge and rail transportation department, the general manager of project management department and the general manager of the production and operation management department, the general manager of the international direct operation business division, the secretary of the Party Committee and the general manager of the international engineering branch of the Guarantor; the assistant to general manager of CCCG, the general manager of the international direct operation business division as well as the deputy secretary of the Party Committee and the general manager of the international engineering branch of the Guarantor. Mr. Sun obtained a bachelor's degree in engineering with a major in bridge from Xi'an Highway Institute, and subsequently obtained a master's degree of engineering in project management from Chinese Academy of Sciences. He is a professorate senior engineer. Mr. Sun has been serving as the vice president of the Guarantor since September 2023.

Mr. LIU Zhengchang, born in 1968, is currently the chief financial officer of the Guarantor. He also serves as the member of the standing committee of the Party Committee and the chief accountant of CCCG, and a supervisor of China Railway Construction Corporation Limited ("CRCC"). Mr. Liu has extensive experience in enterprise economic management, financial management and internal audit. Mr. Liu has over 30 years of industry experience. He once served as the director of the audit department and the head of the finance department of China Railway 19th Bureau Group Co., Ltd., a member of the Party Committee, the deputy general manager and the chief accountant of China Railway 15th Bureau Group Co., Ltd., as well as a member of the Party Committee, the deputy general manager and the chief accountant of China Railway 16th Bureau Group Co., Ltd. He has successively served as the chief of the audit and supervision bureau; a supervisor of the supervisory committee; a supervisor, the chief auditor, chief of the audit and supervision bureau; a supervisor, the chief auditor and general manager of the audit and supervision department of CRCC since May 2016. He has served as the member of the standing committee of the Party Committee and the chief accountant of CCCG since December 2023. Mr. Liu graduated from Dongbei University of Finance and Economics majoring in business administration, and obtained his master's degree in business administration. He is a senior accountant and was elected as a member of the national training programme for leaders in the accounting profession. Mr. Liu has been serving as the chief financial officer of the Guarantor since January 2024.

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations.

PRC CURRENCY CONTROLS

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. In July 2009, the PRC commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, 27 July 2011 and 3 February 2012 respectively, the PRC government promulgated the *Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades* (關於擴 大跨境貿易人民幣結算試點有關問題的通知), the *Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement* (關於擴大跨境貿易人民幣結算地區的通知) and the *Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods* (關於出口貨物貿易人民幣結算企業管理有關問題的通知) (together as "Circulars"). Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods without obtaining the approval as previously required, provided that the relevant provincial government has submitted to PBOC, jointly with the Ministry of Finance, the PRC Ministry of Commerce, General Administration of Customs, the SAT and China Banking Regulatory Commission (the "Six Authorities") a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the "Supervision List").

On 5 July 2013, the PBOC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "2013 PBOC Circular"), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

The Circulars and the 2013 PBOC Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circulars and the 2013 PBOC Circular and impose conditions for settlement of current account items.

On 5 January 2018, the People's Bank of China promulgated the *Notice on Further Improving Policies of Cross-Border RMB Business to Promote Trade and Investment Facilitation* (中國人民銀行關於進一步完 善人民幣跨境業務政策促進貿易投資便利化的通知), which supports enterprises to use RMB in crossborder settlement and for the investment income such as profits and dividends legally obtained by overseas investors in China, banks shall review relevant materials as required before processing cross-border RMB settlement and ensure free remittance of profits of foreign investors in accordance with the law.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement for capital account items were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties were also generally required to make capital account payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

On 10 May 2013, SAFE promulgated the *Provisions on the Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors* (外國投資者境內直接投資外匯管理規定) (the "SAFE Provisions"), which became effective on 13 May 2013. According to the SAFE Provisions, foreign investors can use cross-border Renminbi (including Renminbi inside and outside the PRC held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident within the total investment amount approved by the competent authorities (for example, MOFCOM and/or its local counterparts as well as financial regulators). Capital account transactions in Renminbi must generally follow the current foreign exchange control regime applicable to foreign currencies.

Under current rules promulgated by SAFE, foreign debts borrowed and the foreign security provided by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign security regime. Furthermore, according to the 2013 PBOC Circular, upon enforcement of foreign security in Renminbi provided by onshore non-financial enterprises, PRC banks may provide Renminbi settlement services (i.e. remittance of enforcement proceeds) directly, which seems to indicate that SAFE approval for enforcement (which would be required in the case of the external guarantees in foreign currencies) is no longer required. However, SAFE has not amended its positions under the current applicable rules, nor has it issued any regulations to confirm the positions in the 2013 PBOC Circular. SAFE may promulgate further rules or regulations to make it clear regarding how SAFE will deal with this issue in practice.

The SAFE Provisions have been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

NDRC REGISTRATION AND REPORT IN RELATION TO FOREIGN DEBTS MANAGEMENT

On 14 September 2015, the NDRC issued the Notice of the National Development and Reform Commission on Pushing Forth Administrative Reform for Filing and Registration for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)), which has been replaced by the NDRC Measures published on 5 January 2023 and effective on 10 February 2023. The NDRC Measures apply to medium and long-term foreign debts with a maturity of more than one year that are borrowed from overseas by enterprises within the territory of the PRC and by overseas enterprises or branches controlled by aforementioned PRC enterprises, denominated in local or foreign currency, and of which principal is repaid with payment of interest as agreed. For the purpose of the NDRC Measures, the forms of foreign debts include but are not limited to senior bonds, perpetual bonds, capital bonds, medium-term notes, convertible bonds, exchangeable bonds, financial leasing, and commercial loans. Before borrowing any foreign debt, the NDRC Measures require that a Certificate of Review and Registration shall be obtained from the NDRC by the PRC enterprises borrowing foreign debt, and such certificate shall be valid for one year from the date of issuance and be automatically invalidated upon expiry.

Apart from the foregoing pre-issuance requirement, the NDRC Measures prescribe post-issuance report requirements as following: (i) report information on foreign debt within 10 business days after each borrowing; (ii) report on the status of the foreign debt within 10 working days after the expiration of the relevant Certificate of Review and Registration; and (iii) report information on the use of proceeds raised from foreign debt, the repayment of principal with the payment of interest, plans and arrangements, and major business indicators, etc., within 5 working days prior to the end of January and the end of July each year. In addition, in case of any major event that may affect the normal performance of debt obligations, enterprises shall promptly report relevant information and take risk control measures to prevent the spill- over of onshore default risks and cross default risks. With respect to conduct in violation of the NDRC Measures, legal liability and consequences for enterprises borrowing foreign debt have been stipulated in the NDRC Measures. If any enterprise borrows foreign debt in violation of the NDRC Measures, the NDRC will take disciplinary actions such as holding an interview and issuing a public warning against the relevant enterprise and its principal liable person. If any application documents to apply for foreign debt approval submitted by enterprises contains any concealment, false record, misleading statement, or material omission, the NDRC will issue a warning to relevant enterprise and its principal liable person. If NDRC approval is obtained by concealment, deception, bribery, or any other improper means, such approval will be revoked. For any enterprise failing to comply with reporting requirements under the NDRC Measures, the NDRC will order such enterprise to take rectification actions within a prescribed time limit; and if the circumstances are severe or the enterprise fails to take rectification action within the prescribed time limit, give a warning to the relevant enterprise and its principal liable person. Furthermore, conducts in violation of the NDRC Measures committed by enterprises will be publicized on, among others, the Credit China (信用中國) website and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

CROSS-BORDER SECURITY REGULATIONS

On 12 May 2014, the SAFE promulgated the Notice concerning the *Foreign Exchange Administration on Cross-Border Guarantee* (國家外匯管理局關於發布《跨境擔保外匯管理規定》的通知) and the relating implementation guidelines (collectively the "New Regulations"). The New Regulations, which came into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of significant changes, including (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration or filing for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) ("NBWD"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor;

- Wai Bao Nei Dai (外保內貸) ("WBND"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor;

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall register (by submitting an application document package) the relevant security/guarantee with the local branch of SAFE within 15 working days after its execution (or 15 working days after the date of any change to the security). The funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. Upon enforcement, the onshore security. provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by an onshore entity in the PRC. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC laws.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Securities and the Trust Deed. The Guarantor's obligations in respect of the Securities and the Trust Deed are contained in the Deeds of Guarantee.

The Deeds of Guarantee will be executed by the Guarantor on or before the Issue Date. Under the New Regulations, the Deeds of Guarantee do not require any pre-approval by SAFE and is binding and effective upon execution.

The Guarantor is required to submit the Deeds of Guarantee to the Beijing Branch of SAFE for registration within 15 working days after its execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee of the Securities.

Under the New Regulations, the Beijing Branch of SAFE will go through a procedural review (as opposed to a substantive approval process) of the Guarantor's application for registration. Upon completion of the review, the Beijing Branch of SAFE will issue a registration notice or record to the Guarantor to confirm the completion of the registration. The Guarantor has been advised by its PRC legal advisors that there are no foreseeable substantial obstacles to the completion of the registration so long as all relevant documents have been duly submitted to SAFE.

Under the New Regulations:

- non-registration does not render the Guarantee of the Securities ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame of 15 working days, and

- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor upon enforcement under the Guarantee of the Securities) as domestic banks may require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of the Guarantee of the Securities itself.

REGULATION OF THE INFRASTRUCTURE CONSTRUCTION INDUSTRY IN THE PRC

The traditional and core business of the Group is its infrastructure construction business, and the major laws, regulations and normative documents on infrastructure construction in the PRC include:

- Pursuant to the *Construction Law of the People's Republic of China* (中華人民共和國建築法), which was promulgated by the Standing Committee of the National People's Congress on 1 November 1997 and recently amended on 23 April 2019 and the *Law of the People's Republic of China on Tendering and Bidding* (中華人民共和國招標投標法), which was promulgated by the Standing Committee of the National People's Congress on 30 August 1999 and recently amended enforced on 28 December 2017, the tendering and bidding process must be carried out for the following projects within the territory of China: (1) projects concerning large-scale infrastructure, public utilities and social public interests and public security; (2) projects using all or part of state-owned funds for investment or financed by state; and (3) projects using loans or aid funds provided by international organisations or foreign governments. Tendering and bidding activities for the contracting construction works shall follow the principles of openness, fairness and equal competition to select contractors on the basis of merit;

- Pursuant to the *Construction Law of the People's Republic of China and the Regulations on Administration of Qualifications of Enterprises in Construction Industry* (建築業企業資質管理規定), which was promulgated by the Ministry of Construction on 6 October 1995 and recently amended on 22 December 2018 by the Ministry of Housing and Urban-Rural Development of the PRC, construction enterprises shall apply for the qualifications for enterprises in construction industry on basis of their owned assets, staff, completed works and achievements, technical equipment and other required conditions, and may only engage in construction activities within the scope of their licenses of qualifications after obtaining the certificate of qualifications for enterprises in construction industry upon being examined to have satisfied such conditions. For example, some qualifications are licensed by the Ministry of Housing and Urban-Rural Development of the PRC, including top-level qualifications and A-level qualifications in the qualifications level of general contractors, A-level contracting professional qualifications for highways, water transport, water conservation, railway and civil aviation and B-level professional contracting qualifications for railway and civil aviation in the professional contracting qualifications level, and A-level professional contracting qualifications for several industries and specialties;

- Pursuant to the *Foreign Trade Law of the People's Republic of China* (中華人民共和國對外貿易法), which was promulgated by the Standing Committee of the National People's Congress on 12 May 1994 and recently amended on 30 December 2022, and the *Regulations on Administration for Contracting Foreign Projects* (對外承包工程管理條例), which was promulgated by the State Council on 21 July 2008 and recently amended on 1 March 2017, China takes measures to encourage foreign trade operators to explore the international market and develop foreign trade by adopting various forms of foreign investment, foreign engineering contracting and foreign labor service cooperation. The operation qualifications license system shall be carried out for the business of construction project contracting. The competent department of commerce under the State Council is responsible for the supervision and management of foreign contracted projects nationwide;

- Pursuant to the *Measures for the Administration of Qualification Certificates for Foreign Labor Service Cooperation* (對外勞務合作經營資格證書管理辦法), which was promulgated by the Ministry of Commerce on 2 September 2004 and the *Interim Measures for Administration of Overseas Labor Service Dispatching under Contracted Foreign Projects* (對外承包工程項下外派勞務管理暫行辦法), which was promulgated by the PRC Ministry of Commerce enforced on 10 January 2006, enterprises shall only engage in foreign labor service cooperation upon obtaining the Qualification Certificate for Foreign Labor Service Cooperation issued by the PRC Ministry of Commerce. The general contractor (the entity which signed the overseas project contract) shall provide the labor service assigned abroad under an overseas contractual project, or it shall contract out partial project along with the labor service assigned abroad thereunder to a subcontractor with business qualifications for overseas contractual projects by concluding a subcontract; and

- Pursuant to the *Work Safety Law of the People's Republic of China* (中華人民共和國安全生產法), which was promulgated by the Standing Committee of the National People's Congress on 29 June 2002 and wan recently amended on 10 June 2021), the *Regulations on Administration of Work Safety of Construction Projects* (建設工程安全生產管理條例), which was promulgated by the State Council on 24 November 2003), the *Regulations on Work Safety License* (安全生產許可證條例), which was promulgated by the State Council on 13 January 2004 and was recently amended on 29 July 2014 and the *Regulations on Administration of Work Safety License for Construction Enterprises* (建築施工企業安全生產許可證管理規定), which was promulgated by the Ministry of Construction on 5 July 2004 and recently amended on 22 January 2015 by the Ministry of Housing and Urban-Rural Development of the PRC, enterprises engaging in infrastructure construction may only engage in production activities upon obtaining a work safety license. Competent departments of housing and urban-rural construction under the State Council is responsible for supervising and guiding the issuance and management of work safety licenses for construction enterprises nationwide. A construction enterprise shall have relevant work safety conditions in order to obtain a work safety license, including but not limited to establishing a sound work safety responsibility system, formulating comprehensive work safety regulations and operating rules; ensuring the necessary investment funds for the enterprise work safety; setting up a work safety management institution and equipped with full-time work safety management personnel according to the relevant state regulations, etc.

ENVIRONMENTAL PROTECTION LAWS

The Ministry of Ecology and Environment of the PRC is responsible for the overall supervision and management of environmental protection in the PRC. All manufacturers in the PRC must comply with environmental laws and regulations including the *Environmental Protection Law of the PRC* (中華人民共和國環境保護法) (promulgated by the Standing Committee of the National People's Congress on 26 December 1989, recently amended on 24 April 2014), *Prevention and Control of Environmental Noise Pollution Law of the PRC* (中華人民共和國噪聲污染防治法) (promulgated by the Standing Committee of the National People's Congress on 24 December 2021), *Prevention and Control of Water Pollution Law of the PRC* (中華人民共和國水污染防治法) (promulgated by the Standing Committee of the National People's Congress on 11 May 1984, recently amended on 27 June 2017), *Prevention and Control of Air Pollution Law of the PRC* (中華人民共和國大氣污染防治法) (promulgated by the Standing Committee of the National People's Congress on 5 September 1987, recently amended on 26 October 2018) and *Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC* (中華人民共和國固體廢物污染環境防治法) (promulgated by the Standing Committee of the National People's Congress on 30 October 1995, recently amended on 29 April 2020), and relevant environmental regulations such as provisions regarding the treatment and disposal of pollutants and sewage, discharge of polluted fumes and the prevention of industrial pollution. Depending on the circumstances and the seriousness of the violation of the environmental regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of warning, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties. The relevant local authorities may apply to the court for compulsory enforcement of environmental compliance. The persons or entities in violation of the applicable laws and regulations may also be liable to pay damages to the victims and/or result in criminal liability.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any person acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds.

Persons considering the purchase of the Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Bonds.

BVI TAXATION

The Issuer, as a BVI business company incorporated under the BVI Business Companies Act, 2004 (the "Act"), as amended, of the BVI, is exempt from all provisions of the Income Tax Ordinance (as amended) of the British Virgin Islands.

Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Bonds by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

All instruments relating to transactions in respect of the Bonds are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer do not hold an interest in real estate in the British Virgin Islands.

PRC TAXATION

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non PRC Holders in this section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of China shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside PRC. As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, holders of the Bonds will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer shall withhold income tax from the payments of interest in respect of the Bonds for any non PRC enterprise Holder. However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions.

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate up to 10 per cent. on the payments of interest made by it under the Guarantee to non PRC resident enterprise Holders as such payments of interest will be regarded as being derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non PRC resident enterprise Holders. Repayment of the principal will not be subject to PRC withholding tax.

Non PRC Holders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of the Bonds consummated outside mainland China between non PRC Holders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non PRC enterprise Holders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10 per cent. of PRC withholding tax.

No PRC stamp duty will be imposed on non PRC Holders either upon the issue or transfer (for so long as the register of Holders is maintained outside the PRC and the issuance and the sale of the Bonds is made outside the PRC) of a Bonds.

HONG KONG TAXATION

Withholding Tax

Under existing Hong Kong law, no withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "Inland Revenue Ordinance"), as it is currently applied in the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong;

(ii) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance);

(iii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

(iv) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Bonds may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sums are revenue in nature and have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to profits tax.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112) of Hong Kong (the "Amendment Ordinance") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced distribution on the Bonds and gains from the sale, disposal or redemption of Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong are regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Bonds for so long as the register of holders of the Bonds is maintained outside Hong Kong or the Bonds continue to be denominated in RMB and cannot to any extent be redeemed in Hong Kong dollars.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 17 October 2024 (the "Subscription Agreement"), pursuant to which and subject to certain conditions contained therein, the Issuer and the Guarantor have jointly and severally agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds at an issue price of 100.0 per cent. of their principal amount as set forth opposite their names in the following table below.

	Principal Amount of the Bonds
	(CNY)
CLSA Limited	484,000,000
Huatai Financial Holdings (Hong Kong) Limited	484,000,000
BOCI Asia Limited	484,000,000
DBS Bank Ltd.	484,000,000
Agricultural Bank of China Limited Hong Kong Branch	88,000,000
Industrial and Commercial Bank of China (Asia) Limited	88,000,000
Haitong International Securities Company Limited	88,000,000
Total	**2,200,000,000**

The Issuer and the Guarantor have jointly and severally agreed with the Joint Lead Managers in the Subscription Agreement that, other than any debt securities issued pursuant to the NDRC Pre-Issuance Registration Certificate, from the date of the Subscription Agreement to (and including) the date falling 7 days after the Issue Date, none of the Issuer, the Guarantor nor any of their respective subsidiaries shall, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld), make any announcements of, or any issue or offer of, or mandate any other party to arrange any issue or offer of debt securities (other than the Bonds) outside the PRC to the public or through a private placement or otherwise in connection with which the Issuer, the Guarantor or any member of the Group is the borrower, debtor, issuer, guarantor, obligor or provider of credit enhancement, directly or on their behalf. Each of the Issuer and the Guarantor has jointly and severally represented and warranted that, as at the date of this Offering Circular and during the 30-day period referred to above, it has not mandated and will not mandate any other party to arrange any issue or offering of debt or similar hybrid securities (other than the Bonds) outside the PRC in connection with which it is the borrower, debtor, issuer, guarantor, obligor or provider of credit enhancement.

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally Indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with the Issuer, the Guarantor or any member of the Group and/or their respective subsidiaries and affiliates, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor or any member of the Group and/or their respective subsidiaries and affiliates in the ordinary course of their business.

The Joint Lead Managers or their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

The distribution of this Offering Circular, or any offering material, and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular, or any offering material, are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the relevant Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Joint Lead Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: ProjectLCXIII@clsa.com, debt.syndicate@bocigroup.com, DCMOmnibus@dbs.com, abchk.dcm@abchina.com and dcm@htisec.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The relevant Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Managers with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Joint Lead Managers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "Person"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) - (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "SSI List"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "EU Annexes"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military- Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

SELLING RESTRICTIONS TO THE OFFERING

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses, distributes this Offering Circular or any other offering material relating to the Bonds. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not, save as disclosed in this Offering Circular, impose any obligations on the Issuer, the Guarantor or the Joint Lead Managers.

If a jurisdiction requires that the offering of the Bonds be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of that Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering of the Bonds shall be deemed to be made by that Joint Lead Manager or its affiliate on behalf of the Issuer in such jurisdiction.

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager has represented, warranted and undertaken that (i) it has not offered or sold, and will not offer or sell, any Bonds or Guarantee: (A) as part of their distribution, at any time; and (B) otherwise, until 40 days after the completion of the distribution of Bonds, only in accordance with Rule 903 of Regulation S under the Securities Act; (ii) neither it nor any of its affiliates (including any person acting on behalf of the Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts (as defined in Regulation S under the Securities Act) with respect to the Bonds and the Guarantee; (iii) it and its affiliates have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act; and (iv) at or prior to confirmation of sale of the Bonds, it will have sent to each distributor, manager or person receiving a selling concession, fee or other remuneration which purchases Bonds from it during the distribution compliance period a confirmation or notice in substantially the following form: "The securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of Bonds, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act.".

Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

Only Non-U.S. Persons outside the United States are eligible to receive the Offering Circular. Recipients of this Offering Circular are reminded to ensure that they are not engaging in a prohibited transaction under the Executive Order and associated subsequent guidance or the CMIC Sanctions Regulation. Each offeree of the Bonds, by accepting delivery of this Offering Circular, agrees to the foregoing and is deemed to have represented to the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective directors, advisors and affiliates that (i) such offeree and any customers it represents are Non-U.S. Persons outside the United States and therefore not (a) a U.S. Person as defined in the Executive Order or the CMIC Sanctions Regulation as any "United States citizen, permanent resident alien, entity organised under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States", or a U.S. Person as defined in the Securities Act or (b) engaging the Joint Lead Managers, the Trustee or any Agent to enter into any transactions for or on behalf of any U.S. Person and (ii) in respect of each transaction that any Joint Lead Manager or any of its subsidiaries/affiliates enters into with such offeree or any customer it represents, any of their respective subsidiaries/affiliates, any of their respective parent companies or any of their subsidiaries/affiliates which relates to this Offering Circular or any Bond, such transaction shall not involve the participation of, or otherwise facilitate dealings with, any U.S. Person that is not authorised by the Executive Order or the CMIC Sanctions Regulation.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or

(b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO") and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a ("prospectus") as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32 of the Laws of Hong Kong) (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to ("professional investors") as defined in the SFO and any rules made under the SFO.

The People's Republic of China

Each Joint Lead Manager has represented, warranted and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") and, accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

British Virgin Islands

Each Joint Lead Manager has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands law.

This Offering Circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

GENERAL INFORMATION

1. **Clearing Systems.** The Bonds have been accepted for clearance by the CMU under CMU Instrument Number BOAKFB24088. The Common Code number of the Bonds is 288656738 and the International Securities Identification Number ("ISIN") of the Bonds is HK0001051124.

2. **Legal Entity Identifier.** The Legal Entity Identifier code of the Issuer is 222100QYJA4A1WYR6697.

3. **Authorisations.** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the sole director of the Issuer passed on 16 October 2024. The Guarantor has obtained all consents, approvals and authorisations in connection with the giving of the Guarantee and the performance of its obligations under the Trust Deed and the Agency Agreement. The giving of the Guarantee was approved by the board of the Guarantor on 29 February 2024.

4. **No Material Adverse Change.** Except as disclosed in this Offering Circular, there has been no material adverse change since 30 June 2024 (in the case of the Guarantor) or the date of incorporation (in the case of the Issuer), in the condition (financial or otherwise), financial or trading position, prospects or results of operations of the Issuer, the Guarantor or the Group.

5. **Litigation.** From time to time, the Issuer, Guarantor and other members of the Group may be involved in litigation or other disputes that arise in the ordinary course of business. Save as disclosed in this Offering Circular, the Group is not involved in any legal proceedings, claims or disputes currently existing or pending against the Group that may have a material adverse effect on the Group's business or financial condition or are material in the context of the issue and offering of the Bonds as at the date of this Offering Circular.

6. **Listing of Bonds.** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 25 October 2024.

7. **Available Documents.** Copies of (i) the Issuer's and the Guarantor's constitutional documents, (ii) the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2022 and 2023 and the interim condensed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2024, (iii) the Deed of Guarantee, (iv) the Trust Deed, and (v) the Agency Agreement relating to the Bonds (**provided that** items (i) – (ii) have been provided to the Trustee or the CMU Lodging and Paying Agent, as the case may be) in physical form will be available for inspection from the Issue Date upon prior written request and satisfactory proof of holding and identity at the principal office of the Trustee and at the specified office of the CMU Lodging and Paying Agent, at all reasonable times during normal business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time), from Monday to Friday excluding public holidays), so long as any Bonds is outstanding.

8. **Independent Auditors.** The Guarantor's consolidated financial statements as at and for the years ended 31 December 2022 and 2023, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young, the independent auditors of the Guarantor. The Guarantor's interim condensed consolidated financial statements as at and for the six months ended 30 June 2024, which are included elsewhere in this Offering Circular, have been reviewed by Ernst & Young, the independent auditors of the Guarantor.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited interim condensed consolidated financial information of the Guarantor as at and for the six months ended 30 June 2024

Audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2023

Audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2022

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

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

To the Board of Directors of China Communications Construction Company Limited
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 62 to 128, which comprises the interim condensed consolidated statement of financial position of China Communications Construction Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2024 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
30 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June **2024** **Unaudited** ***RMB million***	 2023 Unaudited (Restated) *RMB million*
Revenue	*4*	**356,010**	365,345
Cost of sales		**(314,414)**	(325,436)
Gross profit		**41,596**	39,909
Other income	*4*	**3,046**	2,730
Other (losses)/gains, net	*4*	**(210)**	439
Selling and marketing expenses		**(1,399)**	(973)
Administrative expenses		**(18,910)**	(18,365)
Impairment losses on financial and contract assets, net		**(2,173)**	(2,865)
Other expenses		**(1,423)**	(1,131)
Operating profit		**20,527**	19,744
Finance income	*6*	**10,696**	11,046
Finance costs, net	*7*	**(11,649)**	(11,503)
Share of profits and losses of:			
– Joint ventures		**(896)**	(715)
– Associates		**291**	218
Profit before tax	*5*	**18,969**	18,790
Income tax expense	*8*	**(3,814)**	(3,224)
Profit for the period		**15,155**	15,566
Attributable to:			
– Owners of the parent		**12,022**	12,413
– Non-controlling interests		**3,133**	3,153
		15,155	15,566
Earnings per share attributable to ordinary equity holders of the parent	*10*		
Basic		**RMB0.70**	RMB0.73
Diluted		**RMB0.70**	RMB0.73

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
		(Restated)
	RMB million	*RMB million*
Profit for the period	**15,155**	15,566
Other comprehensive income/(losses)		
Other comprehensive income/(losses) that will not be reclassified to profit or loss in subsequent periods, net of tax:		
Actuarial loss on retirement benefit obligations, net of tax	**(20)**	(4)
Share of other comprehensive income of joint ventures and associates	**7**	2
Changes in fair value of equity investments designated at fair value through other comprehensive income/(losses), net of tax	**2,577**	(1,095)
Net other comprehensive income/(losses) that will not be reclassified to profit or loss in subsequent periods	**2,564**	(1,097)
Other comprehensive (losses)/income that may be reclassified to profit or loss in subsequent periods, net of tax:		
Cash flow hedges, net of tax	**2**	2
Share of other comprehensive (losses)/income of joint ventures and associates	**(293)**	6
Exchange differences on translation of foreign operations	**(506)**	1,674
Net other comprehensive (losses)/income that may be reclassified to profit or loss in subsequent periods	**(797)**	1,682
Other comprehensive income for the period, net of tax	**1,767**	585
Total comprehensive income for the period	**16,922**	16,151
Attributable to:		
– Owners of the parent	**13,791**	12,925
– Non-controlling interests	**3,131**	3,226
	16,922	16,151

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	**30 June 2024 Unaudited RMB million**	31 December 2023 Audited (Restated) RMB million
Non-current assets			
Property, plant and equipment	11	**76,795**	75,124
Investment properties		**10,338**	9,583
Right-of-use assets		**20,263**	20,353
Intangible assets	12	**213,952**	200,563
Investments in joint ventures		**59,383**	59,671
Investments in associates		**54,867**	53,801
Financial assets at fair value through profit or loss	13	**26,901**	27,316
Derivative financial instruments		**335**	413
Debt investments at amortised cost		**1,230**	1,240
Equity investments designated at fair value through other comprehensive income	14	**24,940**	21,425
Contract assets	16	**300,815**	282,355
Trade and other receivables	17	**273,019**	236,179
Deferred tax assets		**10,222**	10,117
Total non-current assets		**1,073,060**	998,140
Current assets			
Inventories	15	**96,511**	88,021
Contract assets	16	**220,247**	170,257
Trade and other receivables	17	**345,848**	302,241
Financial assets at fair value through profit or loss	13	**628**	838
Restricted bank deposits and time deposits with an initial term of over three months	18	**8,702**	10,730
Cash and cash equivalents	18	**119,852**	110,252
		791,788	682,339
Assets of a disposal group classified as held for sale		**2**	3,902
Total current assets		**791,790**	686,241
Current liabilities			
Trade and other payables	19	**620,847**	564,402
Contract liabilities	20	**69,597**	73,483
Derivative financial instruments		**2**	5
Tax payable		**6,791**	9,662
Interest-bearing bank and other borrowings	21	**181,670**	111,912
Retirement benefit obligations		**102**	102
		879,009	759,566
Liabilities directly associated with the assets classified as held for sale		**–**	2,688
Total current liabilities		**879,009**	762,254
Net current liabilities		**(87,219)**	(76,013)
Total assets less current liabilities		**985,841**	922,127

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 Unaudited RMB million	31 December 2023 Audited (Restated) RMB million
Total assets less current liabilities		**985,841**	922,127
Non-current liabilities			
Trade and other payables	*19*	**58,343**	53,121
Interest-bearing bank and other borrowings	*21*	**445,683**	399,714
Deferred income		**1,612**	1,633
Deferred tax liabilities		**6,107**	4,379
Retirement benefit obligations		**877**	907
Provisions		**3,520**	3,203
Total non-current liabilities		**516,142**	462,957
Net assets		**469,699**	459,170
Equity			
Equity attributable to owners of the parent			
Share capital		**16,279**	16,264
Share premium		**20,109**	20,049
Treasury shares		**(597)**	(522)
Financial instruments classified as equity		**35,000**	35,000
Reserves		**238,274**	230,961
		309,065	301,752
Non-controlling interests		**160,634**	157,418
Total equity		**469,699**	459,170

Wang Tongzhou
Director

Wang Haihuai
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

		Attributable to owners of the parent								
	Notes	Share capital Unaudited *RMB million*	Share premium Unaudited *RMB million*	Treasury shares Unaudited *RMB million*	Financial instruments classified as equity[1] Unaudited *RMB million*	Other reserves (note 22) Unaudited *RMB million*	Retained earnings Unaudited *RMB million*	Total Unaudited *RMB million*	Non-controlling interests[2] Unaudited *RMB million*	Total equity Unaudited *RMB million*
As at 31 December 2023 (audited)		**16,264**	**20,049**	**(522)**	**35,000**	**49,721**	**181,222**	**301,734**	**157,390**	**459,124**
Business combination under common control		–	–	–	–	10	8	18	28	46
As at 1 January 2024 (restated)		**16,264**	**20,049**	**(522)**	**35,000**	**49,731**	**181,230**	**301,752**	**157,418**	**459,170**
Profit for the period		–	–	–	–	–	12,022	12,022	3,133	15,155
Other comprehensive income/(losses) for the period:										
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	–	2,576	–	2,576	1	2,577
Cash flow hedges, net of tax		–	–	–	–	2	–	2	–	2
Share of other comprehensive income of joint ventures and associates		–	–	–	–	(286)	–	(286)	–	(286)
Actuarial loss on retirement benefit obligations, net of tax		–	–	–	–	(20)	–	(20)	–	(20)
Exchange differences on translation of foreign operations		–	–	–	–	(503)	–	(503)	(3)	(506)
Total comprehensive income for the period		–	–	–	–	1,769	12,022	13,791	3,131	16,922
Final 2023 dividend declared		–	–	–	–	–	(4,762)	(4,762)	–	(4,762)
Interest on perpetual securities		–	–	–	–	–	(1,153)	(1,153)	(118)	(1,271)
Share-based payment		–	–	–	–	122	–	122	–	122
Grant of restricted stock shares		16	67	–	–	–	–	83	–	83
Forfeited restricted stock shares		(1)	(7)	8	–	–	–	–	–	–
Restricted stock repurchase obligation		–	–	(83)	–	–	–	(83)	–	(83)
Dividends to non-controlling shareholders		–	–	–	–	–	–	–	(525)	(525)
Capital contribution from shareholders		–	–	–	–	–	–	–	593	593
Withdrawal of capital by non-controlling shareholders		–	–	–	–	–	–	–	(2,549)	(2,549)
Business combination under common control		–	–	–	–	(35)	–	(35)	35	–
Share of other reserves of joint ventures and associates		–	–	–	–	4	–	4	–	4
Issue of perpetual securities		–	–	–	–	–	–	–	9,220	9,220
Redemption of perpetual securities		–	–	–	–	–	–	–	(6,547)	(6,547)
Transaction with non-controlling interests	22	–	–	–	–	(654)	–	(654)	(24)	(678)
Transfer to general reserve	22	–	–	–	–	731	(731)	–	–	–
Transfer to safety production reserve	22	–	–	–	–	623	(623)	–	–	–
As at 30 June 2024		**16,279**	**20,109**	**(597)**	**35,000**	**52,291***	**185,983***	**309,065**	**160,634**	**469,699**

* As at 30 June 2024, these reserve accounts comprise the consolidated reserves of RMB238,274 million (31 December 2023: RMB230,961 million) in the interim condensed consolidated statement of financial position.

(1) As of 30 June 2024, perpetual securities of RMB35,000 million (2023: RMB35,000 million) issued by the Company were classified as equity in the interim condensed consolidated financial information. During the period, interest distribution on these perpetual securities by the Company totalled RMB1,153 million.

(2) As of 30 June 2024, perpetual securities of RMB89,330 million (2023: RMB85,436 million) issued by subsidiaries of the Company were classified as non-controlling interests in the interim condensed consolidated financial information. During the period, interest distribution on these perpetual securities by the Group totalled RMB118 million.

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

		Attributable to owners of the parent								
	Notes	Share capital Unaudited *RMB million*	Share premium Unaudited *RMB million*	Treasury shares Unaudited *RMB million*	Financial instruments classified as equity Unaudited *RMB million*	Other reserves (note 22) Unaudited *RMB million*	Retained earnings Unaudited *RMB million*	Total Unaudited *RMB million*	Non-controlling interests Unaudited *RMB million*	Total equity Unaudited *RMB million*
As at 31 December 2022 (audited)		16,166	19,625	–	37,988	44,339	163,860	281,978	144,198	426,176
Business combination under common control		–	–	–	–	(188)	721	533	815	1,348
Effect of adoption of amendments to IAS 12		–	–	–	–	–	1	1	–	1
As at 1 January 2023 (restated)		16,166	19,625	–	37,988	44,151	164,582	282,512	145,013	427,525
Profit for the period(restated)		–	–	–	–	–	12,413	12,413	3,153	15,566
Other comprehensive income/(losses) for the period:										
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	–	(1,090)	–	(1,090)	(5)	(1,095)
Cash flow hedges, net of tax		–	–	–	–	2	–	2	–	2
Share of other comprehensive loss of joint ventures and associates		–	–	–	–	8	–	8	–	8
Actuarial income on retirement benefit obligations, net of tax		–	–	–	–	(5)	–	(5)	1	(4)
Exchange differences on translation of foreign operations		–	–	–	–	1,597	–	1,597	77	1,674
Total comprehensive income for the period (restated)		–	–	–	–	512	12,413	12,925	3,226	16,151
Final 2022 dividend declared		–	–	–	–	–	(3,509)	(3,509)	–	(3,509)
Interest on perpetual securities		–	–	–	–	–	(1,301)	(1,301)	(1,678)	(2,979)
Share-based payment		–	–	–	–	36	–	36	–	36
Grant of restricted stock shares		98	424	–	–	–	–	522	–	522
Restricted stock repurchase obligation		–	–	(522)	–	–	–	(522)	–	(522)
Dividends to non-controlling shareholders		–	–	–	–	–	–	–	(270)	(270)
Capital contribution from shareholders		–	–	–	–	–	–	–	1,427	1,427
Withdrawal of capital by non-controlling shareholders		–	–	–	–	–	–	–	(132)	(132)
Business combination under common control		–	–	–	–	(88)	–	(88)	–	(88)
Acquisition of subsidiaries		–	–	–	–	–	–	–	99	99
Disposal of subsidiaries		–	–	–	–	–	–	–	(14)	(14)
Issue of perpetual securities		–	–	–	–	–	–	–	9,570	9,570
Redemption of perpetual securities		–	–	–	–	–	–	–	(8,256)	(8,256)
Transaction with non-controlling interests	*22*	–	–	–	–	(38)	–	(38)	(44)	(82)
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	*22*	–	–	–	–	(49)	49	–	–	–
Transfer to general reserve	*22*	–	–	–	–	409	(409)	–	–	–
Transfer to safety production reserve	*22*	–	–	–	–	946	(946)	–	–	–
As at 30 June 2023 (unaudited and restated)		16,264	20,049	(522)	37,988	45,879	170,879	290,537	148,941	439,478

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June **2024** **Unaudited** ***RMB million***	 2023 Unaudited (Restated) *RMB million*
Cash flows from operating activities			
Profit before tax		**18,969**	18,790
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties	*5*	**4,116**	4,274
– Depreciation of right-of-use assets	*5*	**827**	645
– Amortisation of intangible assets	*5*	**1,683**	1,503
– Gains on disposal of items of property, plant and equipment, intangible assets and other long-term assets	*4*	**(48)**	(331)
– Fair value losses on financial assets at fair value through profit or loss	*4*	**65**	499
– Fair value losses on derivative financial instruments	*4*	**32**	69
– Gains on disposal of financial assets at fair value through profit or loss	*4*	**(22)**	(16)
– Gains on disposal of subsidiaries	*4*	**(31)**	(134)
– Dividend income from financial assets at fair value through profit or loss	*4*	**(199)**	(113)
– Dividend income from equity investments designated at fair value through other comprehensive income	*4*	**(938)**	(839)
– Other income from investing activities		**(77)**	(48)
– Share of losses of joint ventures and associates		**605**	497
– Write-down/reversal of inventories to net realisable value		**18**	(6)
– Provision for impairment of financial and contract assets, net	*5*	**2,173**	2,865
– Interest income	*6*	**(10,696)**	(11,046)
– Interest expenses	*7*	**10,913**	10,051
– Equity-settled share-based payment		**122**	36
– Net foreign exchange gains on borrowings	*7*	**(119)**	419
		27,393	27,115
Increase in inventories		**(8,825)**	(11,659)
Decrease/(increase) in restricted bank deposits		**1,116**	(221)
Increase in contract assets, trade and other receivables		**(145,363)**	(147,352)
Increase in trade and other payables		**51,867**	69,583
(Decrease)/increase in contract liabilities		**(3,879)**	6,107
Decrease in retirement benefit obligations		**(30)**	(47)
Increase/(decrease) in provisions		**317**	(17)
Decrease in deferred income		**(21)**	(35)
Cash used in operations		**(77,425)**	(56,526)
Interest income from operating activities		**10,024**	10,893
Income tax paid		**(6,760)**	(3,949)
Net cash flows used in operating activities		**(74,161)**	(49,582)

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June 2024 Unaudited RMB million	2023 Unaudited (Restated) RMB million
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(3,365)**	(5,937)
Additions to right-of-use assets		**(25)**	(354)
Purchases of investment properties		**(648)**	(29)
Purchases of intangible assets		**(6,328)**	(9,653)
Proceeds from disposal of items of property, plant and equipment		**314**	156
Proceeds from disposal of right-of-use assets		**12**	271
Proceeds from disposal of investment properties		**15**	2
Proceeds from disposal of intangible assets		**69**	2
Investments in associates		**(855)**	(2,645)
Investments in joint ventures		**(2,595)**	(3,036)
Acquisition of subsidiaries	*24*	**(3)**	(396)
Asset acquisition	*24*	**(788)**	–
Disposal of subsidiaries	*25*	**1,145**	(94)
Other combination changes		**(7)**	–
Disposal of joint ventures and associates		**276**	1,161
Purchases of equity investments designated at fair value through other comprehensive income		**(241)**	(860)
Purchases of financial assets at fair value through profit or loss		**(10,828)**	(10,031)
Purchases of debt investments		**(20)**	–
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**–**	132
Proceeds from disposal of financial assets at fair value through profit or loss		**11,641**	3,207
Loans to joint ventures, associates and third parties		**(7,646)**	(8,221)
Repayment of loans from joint ventures, associates and third parties		**1,344**	1,597
Interest received		**124**	20
Changes in time deposits with an initial term of over three months		**911**	187
Cash consideration received for concession assets		**1,202**	758
Dividends received		**610**	740
Proceeds from other investing activities		**78**	124
Net cash flows used in investing activities		**(15,608)**	(32,899)

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

		For the six months ended 30 June	
		2024	2023
		Unaudited	Unaudited
			(Restated)
	Notes	***RMB million***	*RMB million*
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		**593**	1,427
Withdrawal of capital contribution by non-controlling interests		**(2,549)**	–
Dividends paid to non-controlling shareholders		**(803)**	(317)
Proceeds from perpetual securities		**9,220**	9,570
Interest paid for perpetual securities		**(1,407)**	(1,475)
Redemption of perpetual securities		**(6,547)**	(8,256)
Proceeds from bank and other borrowings		**231,205**	225,219
Repayment of bank and other borrowings		**(118,301)**	(84,037)
Interest paid for bank and other borrowings		**(11,090)**	(10,695)
Transaction with non-controlling interests		**(383)**	(214)
Stock repurchase		**(8)**	–
Cash paid for business combination under common control		**–**	(88)
Proceeds from issue of shares		**83**	522
Lease payments		**(808)**	(832)
Net cash flows generated from financing activities		**99,205**	130,824
Net increase in cash and cash equivalents		**9,436**	48,343
Cash and cash equivalents at beginning of period (Included held for sale-cash and cash equivalents)	*18*	**110,406**	104,782
Effect of foreign exchange rate changes, net		**10**	337
Cash and cash equivalents at end of period	*18*	**119,852**	153,462

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.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim condensed consolidated financial information is presented in Renminbi ("RMB"), and all values are rounded to the nearest million except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(a) 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. Since the Group has no significant sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have significant impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

    The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have significant impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have significant supplier finance arrangements, the amendments did not have significant impact on the interim condensed consolidated financial information.

3. 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, railways, municipal and environmental engineering and others (the "Construction")

(b) infrastructuredesign 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 11), investment properties, right-of-use assets and intangible assets (note 12).

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2024 and other segment information included in the unaudited interim condensed consolidated financial information are as follows:

	For the six months ended 30 June 2024					
	Construction	**Design**	**Dredging**	**Others**	**Eliminations**	**Total**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Total gross segment revenue	318,681	17,342	26,894	11,177	(18,084)	356,010
Intersegment sales	(7,637)	(1,491)	(1,792)	(7,164)	18,084	–
Revenue (note 4)	311,044	15,851	25,102	4,013	–	356,010
Segment results	17,138	1,300	1,773	491	(14)	20,688
Unallocated income						(161)
Operating profit						20,527
Finance income						10,696
Finance costs, net						(11,649)
Share of profits and losses of joint ventures and associates						(605)
Profit before tax						18,969
Income tax expense						(3,814)
Profit for the period						15,155
Other segment information						
Depreciation	3,683	274	553	433	–	4,943
Amortisation	1,576	91	7	9	–	1,683
Impairment losses on financial and contract assets, net	1,718	313	44	98	–	2,173
Capital expenditure	11,875	533	744	790	–	13,942

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2023 and other segment information included in the unaudited interim condensed consolidated financial information are as follows:

	For the six months ended 30 June 2023					
	Construction	Design	Dredging	Others	Eliminations	Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Total gross segment revenue	327,822	19,352	26,059	9,943	(17,831)	365,345
Intersegment sales	(5,670)	(2,888)	(2,052)	(7,221)	17,831	–
Revenue (note 4)	322,152	16,464	24,007	2,722	–	365,345
Segment results	16,516	1,663	1,228	370	(1)	19,776
Unallocated income						(32)
Operating profit						19,744
Finance income						11,046
Finance costs, net						(11,503)
Share of profits and losses of joint ventures and associates						(497)
Profit before tax						18,790
Income tax expense						(3,224)
Profit for the period						15,566
Other segment information						
Depreciation	3,876	228	507	308	–	4,919
Amortisation	1,451	30	20	2	–	1,503
Impairment losses on financial and contract assets, net	2,401	187	251	26	–	2,865
Capital expenditure	18,845	472	446	642	–	20,405

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The amounts provided to the President Office with respect to total assets and total liabilities are measured in a manner consistent with those of the interim condensed consolidated financial information. These assets and liabilities are presented based on the operating segments with which they are associated.

The segment assets and liabilities as at 30 June 2024 are as follows:

	As at 30 June 2024					
	Construction	**Design**	**Dredging**	**Others**	**Eliminations**	**Total**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Segment assets	**1,399,940**	**78,214**	**142,594**	**146,295**	**(98,011)**	**1,669,032**
Investments in joint ventures						**59,383**
Investments in associates						**54,867**
Other unallocated assets						**81,568**
Total assets						**1,864,850**
Segment liabilities	**586,942**	**41,104**	**75,447**	**25,249**	**(60,780)**	**667,962**
Unallocated liabilities						**727,189**
Total liabilities						**1,395,151**

The segment assets and liabilities as at 31 December 2023 are as follows:

	As at 31 December 2023					
	Construction	Design	Dredging	Others	Eliminations	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	1,282,412	74,277	130,097	117,098	(81,085)	1,522,799
Investments in joint ventures						59,671
Investments in associates						53,801
Other unallocated assets						48,110
Total assets						1,684,381
Segment liabilities	566,716	41,151	65,426	15,327	(48,777)	639,843
Unallocated liabilities						585,368
Total liabilities						1,225,211

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB million	*RMB million*
Chinese Mainland	**286,551**	309,081
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**69,459**	56,264
Total Revenue	**356,010**	365,345

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

(b) Non-current assets

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB million	*RMB million*
Chinese Mainland	**284,502**	269,116
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**50,086**	49,002
Total non-current assets	**334,588**	318,118

The non-current asset information above is based on the locations of the assets and excludes financial assets, investments in joint ventures and associates, deferred tax assets and contract assets.

Information about a major customer

No revenue derived from services or sales to a single customer accounted for 10% or more of the Group's revenue during the six months ended 30 June 2024 and 2023.

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2024

Segments	Construction Unaudited *RMB million*	Design Unaudited *RMB million*	Dredging Unaudited *RMB million*	Others Unaudited *RMB million*	Total Unaudited *RMB million*
Type of goods or services					
Infrastructure construction services	298,077	7,817	3,360	37	309,291
Infrastructure design services	345	7,894	322	–	8,561
Dredging and filling services	–	–	19,902	–	19,902
Others	12,622	140	1,518	3,976	18,256
Total	311,044	15,851	25,102	4,013	356,010
Geographical markets					
Chinese Mainland	246,181	15,079	21,343	3,948	286,551
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	64,863	772	3,759	65	69,459
Total	311,044	15,851	25,102	4,013	356,010
Timing of revenue recognition					
Services transferred over time	298,420	15,821	23,968	37	338,246
Services transferred at a point in time	4,248	–	–	–	4,248
Merchandise transferred at a point in time	8,376	30	1,134	3,976	13,516
Total	311,044	15,851	25,102	4,013	356,010

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the six months ended 30 June 2023

Segments	Construction Unaudited *RMB million*	Design Unaudited *RMB million*	Dredging Unaudited *RMB million*	Others Unaudited *RMB million*	Total Unaudited *RMB million*
Type of goods or services					
Infrastructure construction services	306,428	8,635	3,572	54	318,689
Infrastructure design services	617	7,596	270	–	8,483
Dredging and filling services	–	–	18,769	–	18,769
Others	15,107	233	1,396	2,668	19,404
Total	322,152	16,464	24,007	2,722	365,345
Geographical markets					
Chinese Mainland	270,032	15,542	21,070	2,437	309,081
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	52,120	922	2,937	285	56,264
Total	322,152	16,464	24,007	2,722	365,345
Timing of revenue recognition					
Services transferred over time	307,041	16,450	22,610	54	346,155
Services transferred at a point in time	4,504	–	–	–	4,504
Merchandise transferred at a point in time	10,607	14	1,397	2,668	14,686
Total	322,152	16,464	24,007	2,722	365,345

4. 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 six months ended 30 June 2024

Segments	**Construction Unaudited *RMB million***	**Design Unaudited *RMB million***	**Dredging Unaudited *RMB million***	**Others Unaudited *RMB million***	**Total Unaudited *RMB million***
Revenue from contracts with customers					
External customers	**311,044**	**15,851**	**25,102**	**4,013**	**356,010**
Intersegment sales	**7,637**	**1,491**	**1,792**	**7,164**	**18,084**
Intersegment adjustments and eliminations	**(7,637)**	**(1,491)**	**(1,792)**	**(7,164)**	**(18,084)**
Total	**311,044**	**15,851**	**25,102**	**4,013**	**356,010**

For the six months ended 30 June 2023

Segments	Construction Unaudited *RMB million*	Design Unaudited *RMB million*	Dredging Unaudited *RMB million*	Others Unaudited *RMB million*	Total Unaudited *RMB million*
Revenue from contracts with customers					
External customers	322,152	16,464	24,007	2,722	365,345
Intersegment sales	5,670	2,888	2,052	7,221	17,831
Intersegment adjustments and eliminations	(5,670)	(2,888)	(2,052)	(7,221)	(17,831)
Total	322,152	16,464	24,007	2,722	365,345

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

Other income

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB million	*RMB million*
Rental income	**398**	447
Revenue from consulting services	**234**	182
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	**937**	838
– Unlisted equity instruments	**1**	1
Government grants	**167**	243
Dividend income from financial assets at fair value through profit or loss	**199**	113
Income from sales of scraps	**255**	251
Others	**855**	655
Total other income	**3,046**	2,730

Other (losses)/gains, net

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB million	*RMB million*
Gains on disposal of items of property, plant and equipment	**37**	76
Gains on disposal of items of intangible assets and other long-term assets	**11**	255
Gains on disposal of subsidiaries	**31**	134
Fair value losses, net:		
– Financial assets at fair value through profit or loss	**(65)**	(499)
– Derivative financial instruments – transactions not qualifying as hedges	**(32)**	(69)
Foreign exchange differences, net	**343**	1,283
Gains on disposal of financial assets at fair value through profit or loss	**22**	16
Losses on derecognition of financial assets at amortised cost	**(557)**	(757)
Total other (losses)/gains, net	**(210)**	439

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB million	*RMB million*
Raw materials and consumables used*	**89,061**	94,703
Cost of goods sold	**5,449**	9,087
Subcontracting costs	**164,037**	167,374
Employee benefit expenses*:		
– Salaries, wages and bonuses	**16,890**	16,581
– Pension costs – defined contribution plans	**2,902**	2,536
– defined benefit plans	**8**	10
– Housing benefits	**1,553**	1,429
– Welfare, medical and other expenses	**8,746**	9,182
Total	**30,099**	29,738
Equipment and plant usage costs	**8,658**	7,342
Business tax and other taxes	**932**	785
Fuel and utilities	**3,145**	2,819
Research and development costs (including raw materials and consumables used, employee benefit expenses, depreciation and amortisation)	**9,855**	9,423
Maintenance costs	**2,030**	1,538
Depreciation of property, plant and equipment, investment properties and right-of-use assets*	**4,943**	4,919
Amortisation of intangible assets*	**1,683**	1,503
Impairment of financial and contract assets, net	**2,173**	2,865

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

6. FINANCE INCOME

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB million	*RMB million*
Interest income from:		
– Bank deposits	**542**	680
– Contract assets and receivables from Public-Private-Partnership ("PPP") contracts and primary land development contracts	**6,602**	6,407
– Loan receivables	**2,744**	2,419
– Others	**808**	1,540
Total	**10,696**	11,046

7. FINANCE COSTS, NET

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB million	*RMB million*
Total interest expense	**11,577**	11,149
Less: Interest capitalised	**664**	1,098
Net interest expense	**10,913**	10,051
Foreign exchange difference on borrowings, net	**(119)**	419
Others	**855**	1,033
Total	**11,649**	11,503

Interest capitalised

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB million	*RMB million*
Inventories	**259**	81
Concession assets	**279**	927
Construction in progress	**126**	90
Total	**664**	1,098

8. INCOME TAX

Most of the companies comprising the Group are subject to the PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (six months ended 30 June 2023: 25%) of the assessable income of each of these companies during the period 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% (six months ended 30 June 2023: 15%).

Taxation for other companies of the Group has been calculated based on the estimated assessable profit for the six months ended 30 June 2024 and 2023 at the appropriate rates of taxation prevailing in the jurisdictions in which these companies operate.

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

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited (Restated)
	RMB million	*RMB million*
Current income tax		
– PRC enterprise income tax	**3,063**	3,011
– Others	**826**	365
	3,889	3,376
Deferred income tax	**(75)**	(152)
Total tax charge for the period	**3,814**	3,224

The Company is within the scope of global minimum tax ("GMT") under the OECD Pillar Two model rules ("Pillar Two"). Subject to tax legislation enacting Pillar Two being passed in the jurisdictions where the Company and its subsidiaries operate, the Group is liable to pay a top-up tax for any deficiency between the minimum tax rate of 15% and the effective tax rate per jurisdiction. The Company has assessed the impact of Pillar Two and the impact is not significant.

9. DIVIDENDS

A dividend in respect of the year ended 31 December 2023 of RMB0.29256 (including tax) per ordinary share totalling RMB4,762 million was approved by the Company's shareholders in the annual general meeting on 17 June 2024. The dividend of A shares was distributed in cash on 10 July 2024, and the dividend of H shares was distributed in cash on 13 August 2024.

The above approval has triggered the mandatory clauses about the distribution of interest relating to perpetual securities issued by the Company, totalling RMB1,153 million.

The proposed interim dividend for the period is subject to the approval of the Company's shareholders at the 2024 first extraordinary general meeting ("EGM").

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

As mentioned in note 31, the Company granted restricted shares to certain employees in 2023 and the six months ended 30 June 2024, the restricted shares had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share is equal to the basic earning per share.

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited (Restated)
Profit attributable to ordinary equity holders of the parent *(RMB million)*	**12,022**	12,413
Less: Interest on perpetual securities *(RMB million) (i)*	**623**	687
Dividends on restricted stock shares *(RMB million)*	**32**	–
	11,367	11,726
Weighted average number of ordinary shares in issue *(million)*	**16,166**	16,166
Basic earnings per share	**RMB0.70**	RMB0.73

(i) The perpetual securities issued by the Company were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB623 million on the perpetual securities which has been accrued but not declared from 1 January 2024 to 30 June 2024 was deducted from earnings when calculating the basic earnings per share amount for the six months ended 30 June 2024.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings Unaudited *RMB million*	Machinery Unaudited *RMB million*	Vessels and vehicles Unaudited *RMB million*	Other equipment Unaudited *RMB million*	Construction in progress Unaudited *RMB million*	Total Unaudited *RMB million*
30 June 2024						
At 31 December 2023, net of accumulated depreciation and impairment	23,148	16,341	21,698	3,220	10,717	75,124
Additions	144	465	653	562	3,926	5,750
Disposal	(3)	(252)	(9)	(56)	–	(320)
Disposal of subsidiaries	–	–	(1)	–	–	(1)
Transfer	242	616	273	62	(1,193)	–
Transfer from investment properties	358	–	–	–	–	358
Transfer to investment properties	(108)	–	–	–	–	(108)
Transfer from inventories	53	2	–	–	49	104
Transfer to Intangible assets	–	–	–	–	(160)	(160)
Transfer to right-of-use asset	–	–	–	–	(15)	(15)
Depreciation provided during the period	(585)	(1,441)	(1,022)	(853)	–	(3,901)
Exchange realignment and others	7	(16)	2	(18)	(11)	(36)
At 30 June 2024, net of accumulated depreciation and impairment	23,256	15,715	21,594	2,917	13,313	76,795
At 30 June 2024						
Cost	30,717	40,565	49,057	17,349	13,461	151,149
Accumulated depreciation and impairment	(7,461)	(24,850)	(27,463)	(14,432)	(148)	(74,354)
Net carrying amount	23,256	15,715	21,594	2,917	13,313	76,795

11. 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 2023						
At 31 December 2022, net of accumulated depreciation and impairment	15,820	13,106	19,087	3,100	9,615	60,728
Additions	156	2,964	1,488	1,570	9,286	15,464
Capital contribution from non-controlling shareholders	123	–	–	–	–	123
Disposals	(17)	(670)	(296)	(140)	–	(1,123)
Business combination	4,968	2,637	60	351	317	8,333
Disposal of subsidiaries	–	(8)	(2)	–	–	(10)
Transfer	2,375	1,811	2,936	218	(7,340)	–
Transfer from investment properties	101	–	–	–	–	101
Transfer from inventories	393	–	–	–	185	578
Transfer to inventories	–	–	–	–	(931)	(931)
Transfer to Intangible assets	–	–	–	–	(36)	(36)
Transfer to right-of-use assets	–	–	–	–	(13)	(13)
Transfer to investment properties	(28)	–	–	–	(233)	(261)
Transfer from right-of-use asset	–	–	444	–	–	444
Transfer to assets of a disposal group classified as held for sale	(2)	(1)	(260)	(2)	–	(265)
Depreciation provided during the year	(767)	(3,505)	(1,767)	(1,832)	–	(7,871)
Impairment	–	–	–	–	(5)	(5)
Exchange realignment and others	28	5	8	(45)	(128)	(132)
At 31 December 2023, net of accumulated depreciation and impairment	23,150	16,339	21,698	3,220	10,717	75,124
At 31 December 2023						
Cost	29,967	40,915	48,448	17,120	10,739	147,189
Accumulated depreciation and impairment	(6,817)	(24,576)	(26,750)	(13,900)	(22)	(72,065)
Net carrying amount	23,150	16,339	21,698	3,220	10,717	75,124

As at 30 June 2024, the Group was in the process of applying for the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB2,709 million (31 December 2023: RMB2,434 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

As at 30 June 2024, certain bank and other borrowings were secured by property, plant and equipment, with a carrying amount of approximately RMB2,818 million (31 December 2023: RMB782 million) (note 27).

12. INTANGIBLE ASSETS

	Concession assets Unaudited *RMB million*	Goodwill Unaudited *RMB million*	Trademarks, patent, proprietary technologies and copyrights Unaudited *RMB million*	Computer software Unaudited *RMB million*	Others Unaudited *RMB million*	Total Unaudited *RMB million*
30 June 2024						
Cost at 1 January 2024, net of accumulated amortisation and impairment	188,176	5,455	1,413	724	4,795	200,563
Additions	5,955	–	–	19	752	6,726
Transfer from property, plant and equipment	–	–	–	4	156	160
Acquisition of assets	8,401	–	–	–	–	8,401
Disposal	(64)	–	–	(5)	–	(69)
Amortisation provided during the period	(1,458)	–	(26)	(127)	(72)	(1,683)
Exchange realignment	178	(86)	–	–	–	92
Others	–	–	(236)	(2)	–	(238)
At 30 June 2024	201,188	5,369	1,151	613	5,631	213,952
At 30 June 2024						
Cost	215,681	5,665	1,482	1,951	6,126	230,905
Accumulated amortisation and impairment	(14,493)	(296)	(331)	(1,338)	(495)	(16,953)
Net carrying amount	201,188	5,369	1,151	613	5,631	213,952

12. INTANGIBLE ASSETS (CONTINUED)

	Concession assets *RMB million*	Goodwill *RMB million*	Trademarks, patent, proprietary technologies and copyrights *RMB million*	Computer software *RMB million*	Others *RMB million*	Total *RMB million*
31 December 2023						
Cost at 1 January 2023, net of accumulated amortisation and impairment	212,291	5,182	1,153	501	416	219,543
Additions	20,830	–	44	411	3,259	24,544
Business combinations	11,651	330	291	9	1,142	13,423
Transfer from property, plant and equipment	–	–	–	3	33	36
Disposal of subsidiaries	(41,655)	–	–	–	–	(41,655)
Disposal	–	–	(20)	(7)	(2)	(29)
Amortisation provided during the period	(2,963)	–	(75)	(193)	(54)	(3,285)
Impairment during the year	–	(196)	–	–	–	(196)
Exchange realignment	457	139	20	–	1	617
Others	(12,435)	–	–	–	–	(12,435)
At 31 December 2023	188,176	5,455	1,413	724	4,795	200,563
At 31 December 2023						
Cost	201,214	5,751	1,718	1,940	5,217	215,840
Accumulated amortisation and impairment	(13,038)	(296)	(305)	(1,216)	(422)	(15,277)
Net carrying amount	188,176	5,455	1,413	724	4,795	200,563

12. INTANGIBLE ASSETS (CONTINUED)

As at 30 June 2024, concession assets represented assets under "Build-Operate-Transfer" service concession arrangements and mainly consisted of toll roads in Chinese Mainland. Certain concession projects have been put into operations, of which the net carrying amount was RMB176,064 million (2023: RMB168,207 million). The net carrying amount of concession assets of which the related projects were under construction was RMB25,124 million (2023: RMB19,969 million).

As at 30 June 2024, the Group recognised an accumulated impairment of RMB299 million (31 December 2023: RMB299 million), provided for concession assets in the infrastructure construction segment.

As at 30 June 2024, certain bank and other borrowings were secured by concession assets, with a carrying amount of approximately RMB166,916 million (31 December 2023: RMB129,813 million) (note 21(d) and note 27).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB million	*RMB million*
Listed equity investments *(note a)*	**474**	584
Unlisted investments		
– Investments in structured entities	**19,003**	20,776
– Unlisted equity investments	**4,903**	3,763
– Future purchase option *(note c)*	**2,995**	2,740
– Investments in assets-backed securities	**–**	37
– Wealth management products *(note b)*	**154**	254
	27,529	28,154
Less: Non-current portion		
Unlisted investments	**26,901**	27,316
Current portion	**628**	838

(a) The listed equity investments at 30 June 2024 were classified as financial assets at fair value through profit or loss as they were held for trading. The fair values of these investments were based on the quoted market prices at the end of the reporting period.

(b) The above wealth management products issued by banks in Chinese Mainland 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) The Group purchased future purchase options to buy back equity interests in certain companies it disposed of in prior years at a discounted price. As at 30 June 2024, the fair value of the future purchase options was RMB2,995 million (31 December 2023: RMB2,740 million).

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

	30 June 2024 Unaudited *RMB million*	31 December 2023 Audited *RMB million*
Listed equity instruments		
– China Merchants Bank Co., Ltd.	**14,455**	11,761
– China Merchants Securities Co., Ltd.	**3,823**	3,749
– Yutong Bus Co., Ltd.	**1,055**	542
– China Everbright Bank Co., Ltd.	**89**	82
– China Development Bank Financial Leasing Co., Ltd.	**190**	194
– CECEP Environmental Protection Equipment Co., Ltd.	**119**	147
– Beijing Originwater Technology Co., Ltd.	**54**	64
– Zhongtong Bus Holding Co., Ltd.	**49**	42
– Others	**168**	149
Subtotal	**20,002**	16,730
Unlisted equity instruments		
– Lunan High Speed Railway Co., Ltd.	**1,267**	1,267
– Shandong Zilin Expressway Co., Ltd.	**663**	663
– Shandong Jiwei Expressway Co., Ltd.	**346**	346
– Beijing CEDC Ltd.	**372**	372
– Shandong Expressway Jiqing Midline Highway Co., Ltd.	**242**	242
– Hunan Bainan Expressway Construction Development Co., Ltd.	**403**	403
– Jiangsu Xitai Tunnel Co., Ltd.	**287**	287
– Shandong Expressway Linteng Highway Co., Ltd.	**311**	159
– Shandong Expressway Qilin Highway Co., Ltd.	**164**	164
– Others	**883**	792
Subtotal	**4,938**	4,695
Total	**24,940**	21,425

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the six months ended 30 June 2024, the Group received dividends in a total amount of RMB938 million, mainly including RMB804 million, RMB69 million and RMB61 million from China Merchants Bank Co., Ltd., China Merchants Securities Co., Ltd. and Yutong Bus Co., Ltd., respectively.

15. INVENTORIES

	30 June 2024 Unaudited *RMB million*	31 December 2023 Audited *RMB million*
Raw materials	**18,055**	15,346
Work in progress	**1,936**	1,415
Properties under development	**56,418**	50,949
Completed properties held for sale	**18,395**	19,238
Finished goods	**1,328**	853
Others	**379**	220
	96,511	88,021

As at 30 June 2024, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amount of RMB29,299 million (31 December 2023: RMB18,199 million) were pledged to secure the Group's bank loans (note 21(d) and note 27).

16. CONTRACT ASSETS

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB million	*RMB million*
Contract assets arising from:		
Infrastructure construction	**488,323**	426,628
Infrastructure design	**14,998**	12,706
Dredging	**22,356**	17,120
Others	**164**	419
Subtotal	**525,841**	456,873
Impairment	**(4,779)**	(4,261)
Net carrying amount	**521,062**	452,612
Portion classified as non-current	**300,815**	282,355
Current portion	**220,247**	170,257

The movements in the loss allowance for impairment of contract assets are as follows:

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB million	*RMB million*
At beginning of period/year	**4,261**	3,349
Impairment losses, net	**620**	1,008
Others	**(102)**	(96)
At end of period/year	**4,779**	4,261

17. TRADE AND OTHER RECEIVABLES

	30 June 2024 Unaudited RMB million	31 December 2023 Audited RMB million
Trade and bills receivables *(note a)*	**164,276**	143,228
Impairment	**(24,745)**	(23,988)
Net carrying amount	**139,531**	119,240
Long-term receivables *(note b)*	**364,413**	308,864
Impairment	**(10,709)**	(10,342)
Net carrying amount	**353,704**	298,522
Other receivables:		
Prepayments	**30,936**	33,053
Deposits *(note c)*	**27,787**	26,700
Others	**74,431**	68,380
Subtotal	**133,154**	128,133
Impairment	**(7,522)**	(7,475)
Net carrying amount	**125,632**	120,658
Total	**618,867**	538,420
Portion classified as non-current		
Long-term receivables	**257,408**	221,715
Other receivables:		
Prepayments	**5,744**	5,982
Deposits	**2,371**	1,969
Others	**7,496**	6,513
Total non-current portion	**273,019**	236,179
Total current portion	**345,848**	302,241

17. 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:

	30 June 2024 **Unaudited** ***RMB million***	31 December 2023 Audited *RMB million*
Within 6 months	**79,695**	71,630
6 months to 1 year	**24,178**	13,188
1 year to 2 years	**16,213**	14,284
2 years to 3 years	**10,318**	11,390
Over 3 years	**9,127**	8,748
Total	**139,531**	119,240

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

	For the six months ended 30 June 2024 **Unaudited** ***RMB million***	Year ended 31 December 2023 Audited *RMB million*
At beginning of period/year	**23,988**	22,375
Impairment losses, net	**951**	3,268
Amount written off*	**(75)**	(1,161)
Others	**(119)**	(494)
At end of period/year	**24,745**	23,988

* As at 30 June 2024, an accumulated impairment of RMB73 million (2023: RMB616 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.

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Long-term receivables mainly represented amounts due from certain construction works with payment periods over one year.

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

(d) As at 30 June 2024, certain of the Group's outstanding trade and other receivables (excluding PPP projects) with a net carrying amount of approximately RMB52,255 million (31 December 2023: RMB42,288 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 RMB147,555 million (31 December 2023: RMB176,508 million) have been pledged to secure bank borrowings (note 21(d) and note 27).

18. CASH AND BANK BALANCES

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB million	*RMB million*
Restricted bank deposits *(note a)*	**6,003**	7,119
Time deposits with an initial term of over three months *(note b)*	**2,699**	3,611
Subtotal	**8,702**	10,730
Cash and cash equivalents *(note c)*	**119,852**	110,252
Total	**128,554**	120,982

(a) As at 30 June 2024 and 31 December 2023, 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.

(c) As at 31 December 2023, monetary funds in assets held for sale amounted to RMB154 million are classified as cash and cash equivalents.

18. 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 RMB93,860 million (31 December 2023: RMB84,045 million). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and 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 30 June 2024, less than 3% (31 December 2023: 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.

19. TRADE AND OTHER PAYABLES

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB million	*RMB million*
Trade and bills payables *(note a)*	**427,142**	391,835
Deposits from suppliers	**51,809**	45,775
Retentions	**62,317**	56,756
Deposits in CCCC Finance *(note b)*	**14,570**	13,530
Other taxes	**40,094**	39,566
Payroll and social security	**2,662**	2,762
Other borrowings *(note c)*	**25,293**	20,244
Accrued expenses and others	**55,303**	47,055
Total	**679,190**	617,523
Portion classified as non-current		
Retentions	**46,767**	43,131
Other borrowings	**5,384**	2,465
Other taxes	**451**	516
Others	**5,741**	7,009
Total non-current portion	**58,343**	53,121
Total current portion	**620,847**	564,402

19. 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:

	30 June 2024 **Unaudited** ***RMB million***	31 December 2023 Audited *RMB million*
Within 1 year	**371,962**	343,362
1 year to 2 years	**38,182**	33,762
2 years to 3 years	**9,343**	6,595
Over 3 years	**7,655**	8,116
Total	**427,142**	391,835

(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% (2023: 0.8%).

(c) As at 30 June 2024, the borrowings were secured by the Group's trade and other receivables, with interest rates ranging from 2.3% to 5.0%.

20. CONTRACT LIABILITIES

	30 June 2024 **Unaudited** ***RMB million***	31 December 2023 Audited *RMB million*
Short-term advances received from customers:		
Infrastructure construction	**58,748**	63,428
Infrastructure design	**5,662**	5,397
Dredging	**4,008**	3,973
Others	**1,179**	685
	69,597	73,483

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**30 June 2024 Unaudited *RMB million***	31 December 2023 Audited *RMB million*
Non-current			
Long-term bank borrowings			
– secured	*(d)*	**286,977**	266,124
– guaranteed	*(e)*	**14,155**	13,215
– unsecured or unguaranteed		**106,141**	88,290
Subtotal		**407,273**	367,629
Long-term other borrowings			
– secured	*(d)*	**186**	337
– guaranteed	*(e)*	**4,493**	3,993
– unsecured or unguaranteed		**617**	352
Subtotal		**5,296**	4,682
Corporate bonds		**19,026**	16,314
Non-public debt instruments		**12,295**	9,239
Lease liabilities		**1,793**	1,850
Total non-current borrowings		**445,683**	399,714
Current			
Current portion of long-term bank borrowings			
– secured	*(d)*	**32,244**	26,118
– guaranteed	*(e)*	**1,765**	2,134
– unsecured or unguaranteed		**18,332**	12,236
Subtotal		**52,341**	40,488
Short-term bank borrowings			
– secured	*(d)*	**5,902**	6,816
– guaranteed	*(e)*	**785**	296
– unsecured or unguaranteed		**73,484**	41,778
Subtotal		**80,171**	48,890

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

	Notes	**30 June 2024 Unaudited *RMB million***	31 December 2023 Audited *RMB million*
Current portion of long-term other borrowings			
– secured	*(d)*	**133**	517
– unsecured or unguaranteed		**97**	69
Subtotal		**230**	586
Short-term other borrowings			
– secured	*(d)*	**500**	–
– unsecured or unguaranteed		**281**	139
Subtotal		**781**	139
Corporate bonds		**2,581**	6,521
Debentures		**34,219**	6,030
Non-public debt instruments		**10,474**	8,332
Lease liabilities		**873**	926
Total current borrowings		**181,670**	111,912
Total borrowings		**627,353**	511,626

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

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

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB million	*RMB million*
Bank borrowings		
– Within one year or on demand	**132,512**	89,378
– In the second year	**56,659**	52,241
– In the third to fifth years, inclusive	**111,954**	97,762
– Beyond five years	**238,660**	217,626
Subtotal	**539,785**	457,007
Others, excluding lease liabilities		
– Within one year or on demand	**48,285**	21,608
– In the second year	**6,054**	5,965
– In the third to fifth years, inclusive	**25,544**	20,983
– Beyond five years	**5,019**	3,287
Subtotal	**84,902**	51,843
Total	**624,687**	508,850

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

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

	30 June 2024 **Unaudited** ***RMB million***	31 December 2023 Audited *RMB million*
Renminbi	**594,413**	481,310
United States dollar	**23,907**	23,850
Euro	**3,186**	3,159
Japanese yen	**278**	37
Hong Kong dollar	**91**	91
Others	**5,478**	3,179
Total	**627,353**	511,626

(c) Borrowings of the Group, excluding corporate bonds, debentures, non-public debt instruments, and lease liabilities, bore interest at effective rates ranging from 0.89% to 8.23% (2023: 0.89% to 8.09%) per annum at the end of the reporting period, and three overseas bank borrowing bore interest at a rate of 5.62% to 18.27%(2023: 9.38% to 18.00%).

(d) As at 30 June 2024 and 31 December 2023, these borrowings were secured by the Group's property, plant and equipment (note11), right-of-use assets, concession assets and trade receivables from PPP projects(note12, note17), inventories (note 15) and trade and other receivables (excluding PPP projects) (note 17).

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

22. OTHER RESERVES

	Capital reserve Unaudited *RMB million*	Statutory surplus reserve Unaudited *RMB million*	General reserve Unaudited *RMB million*	Retirement benefit obligation remeasurement reserve Unaudited *RMB million*	Investment revaluation reserve Unaudited *RMB million*	Hedging reserve Unaudited *RMB million*	Safety production reserve Unaudited *RMB million*	Exchange reserve Unaudited *RMB million*	Total Unaudited *RMB million*
At 31 December 2023	**22,058**	**11,285**	**873**	**(65)**	**10,418**	**(4)**	**4,851**	**305**	**49,721**
Business combination under common control	10	–	–	–	–	–	–	–	10
At 1 January 2024	**22,068**	**11,285**	**873**	**(65)**	**10,418**	**(4)**	**4,851**	**305**	**49,731**
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	2,576	–	–	–	2,576
Cash flow hedges, net of tax	–	–	–	–	–	2	–	–	2
Share of other comprehensive income of joint ventures and associates	–	–	–	–	(286)	–	–	–	(286)
Share of other reserves of joint ventures and associates	4	–	–	–	–	–	–	–	4
Actuarial loss on retirement benefit obligations, net of tax	–	–	–	(20)	–	–	–	–	(20)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(503)	(503)
Share-based payment	122	–	–	–	–	–	–	–	122
Business combination under common control	(35)	–	–	–	–	–	–	–	(35)
Transaction with non-controlling interests	(654)	–	–	–	–	–	–	–	(654)
Transfer to general reserve	–	–	731	–	–	–	–	–	731
Transfer to safety production reserve	–	–	–	–	–	–	623	–	623
At 30 June 2024	**21,505**	**11,285**	**1,604**	**(85)**	**12,708**	**(2)**	**5,474**	**(198)**	**52,291**

22. OTHER RESERVES (CONTINUED)

	Capital reserve Unaudited *RMB million*	Statutory surplus reserve Unaudited *RMB million*	General reserve Unaudited *RMB million*	Retirement benefit obligation remeasurement reserve Unaudited *RMB million*	Investment revaluation reserve Unaudited *RMB million*	Hedging reserve Unaudited *RMB million*	Safety production reserve Unaudited *RMB million*	Exchange reserve Unaudited *MB million*	Total Unaudited *RMB million*
At 31 December 2022	17,751	9,025	778	(64)	13,209	–	3,929	(289)	44,339
Business combination under common control	(195)	–	–	–	7	–	–	–	(188)
At 1 January 2023	17,556	9,025	778	(64)	13,216	–	3,929	(289)	44,151
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	(1,090)	–	–	–	(1,090)
Cash flow hedges, net of tax	–	–	–	–	–	2	–	–	2
Share of other comprehensive loss of joint ventures and associates	–	–	–	–	8	–	–	–	8
Actuarial loss on retirement benefit obligations, net of tax	–	–	–	(5)	–	–	–	–	(5)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	1,597	1,597
Share-based payment	36	–	–	–	–	–	–	–	36
Business combination under common control	(88)	–	–	–	–	–	–	–	(88)
Transaction with non-controlling interests	(38)	–	–	–	–	–	–	–	(38)
Transfer to general reserve	–	–	409	–	–	–	–	–	409
Transfer to safety production reserve	–	–	–	–	–	–	946	–	946
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	–	–	–	–	(49)	–	–	–	(49)
At 30 June 2023	17,466	9,025	1,187	(69)	12,085	2	4,875	1,308	45,879

23. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEE COMMITMENT

(i) Claims

(a) The Group has been named as 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 RMB4,151 million (31 December 2023: RMB2,894 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) As at 30 June 2024, the Group has acted as the guarantor for several borrowings of RMB3,504 million (31 December 2023: RMB3,714 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 30 June 2024, the outstanding balance of guarantees provided by the Group was approximately RMB4,633 million (31 December 2023: RMB4,462 million).

(iii) Liquidity support

(a) 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 30 June 2024, out of the ABS and ABN in issue with an aggregate amount of RMB62,803 million (31 December 2023: RMB72,543 million), RMB58,236 million (31 December 2023: RMB67,089 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.

As of 30 June 2024, no provision has been made for the above liquidity supports as management estimates the outflow of resources is not probable.

24. BUSINESS COMBINATIONS

(a) Acquisition of a subsidiary not under common control

In January 2024, the Group obtained control over Shenzhen Taixi Investment Development Co., Ltd. at a total consideration of RMB3 million. The Group has elected to measure the non-controlling interests in such company at the non-controlling interests' proportionate share of identifiable net assets of such company. Taking into account the cash and cash equivalents held by the Company at the acquisition date, the Group's net outflow of cash and cash equivalents included in cash flows from investing activities is RMB3 million.

Since the acquisition, the acquiree contributed nil to the Group's revenue and nil to the Group's profit for the period ended 30 June 2024.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period ended 30 June 2024 would have been RMB356,010 million and RMB15,155 million, respectively.

(b) Acquisition of a subsidiary under common control

China Communications (Xiamen) E-commerce Co., Ltd. ("China Communications E-commerce") is a subsidiary of China Communications Information Technology Group Co., Ltd., which is also controlled by CCCG. During the six months ended 30 June 2024, CCCC Materials Co., Ltd., a subsidiary of the Company, increased capital to China Communications E-commerce at a consideration of RMB113,180,798. Upon completion of the transaction, the Group held 57% equity interest in China Communications E-commerce and obtained control over it.

Since China Communications E-commerce 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 China Communications E-commerce are consolidated by the Group using the existing book values from the CCCG's 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 China Communications E-commerce 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.

24. BUSINESS COMBINATIONS (CONTINUED)

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

The carrying amount of China Communications E-commerce's assets and liabilities as at the merger date and 31 December 2023 were as follows:

	Merger date Book value *RMB million*	31 December 2023 Book value *RMB million*
Non-current assets	**39**	37
Current assets	**438**	146
Current liabilities	**(297)**	(118)
Non-current liabilities	**–**	–
Net assets	**180**	65
Non controlling interest	**64**	
Difference directly credited to equity	**3**	
Consideration	**113**	

24. BUSINESS COMBINATIONS (CONTINUED)

(c) Asset acquisition

During the six months ended 30 June 2024, the Group acquired the majority shareholdings previously held by third parties in Guizhou Zhongjiao Guiweng Expressway Co., Ltd. ("Guiweng") at a total cash consideration of RMB844 million and obtained control over the company. On an acquisition-by-acquisition basis, the Group determined that the acquisition to be asset acquisition instead of business acquisition since substantially all of the fair value of the gross assets acquired is concentrated on a single identifiable asset of the acquired company.

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

	For the six months ended 30 June 2024 ***RMB million***
Intangible assets	**8,401**
Other assets	**429**
Total liabilities	**(6,607)**
Fair value of identifiable net assets on acquisition date	**2,223**
Consideration	**2,223**
Satisfied by cash	**844**
Book value of the equity interests previously held by the Group	**1,379**

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

Cash paid for asset acquisition	**844**
Cash and bank balances of assets acquired	**56**
Net outflow of cash and cash equivalents in respect of asset acquisition	**788**

25. DISPOSAL OF SUBSIDIARIES

(a) The subsidiaries of the Company disposed of Ningxia Jiaotou Survey and Design Institute Co., Ltd., China Communications (Yantai) Environmental Dredging Co., Ltd., and China Communications (Baise) North Ring Expressway Investment and Construction Co., Ltd., at a total consideration of RMB1,460 million. Upon completion of these transactions, the Group no longer has control over these companies.

(b) The financial information of the subsidiary mentioned above disposed of by the Group during the period and as at the date of disposal, is as follows:

	As at the date of disposal Total Unaudited *RMB million*
Non-current assets	4,635
Current assets	4,326
Current liabilities	(3,573)
Non-current liabilities	(3,855)
	1,533
Non-controlling interests	–
	1,533
Gains on disposal of a subsidiary	31
Total consideration	1,564

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

	Total Unaudited *RMB million*
Cash received from disposal of the subsidiary in the current period	2
Cash and bank balances of the subsidiary disposed of	(154)
Cash received from disposal of subsidiaries in prior years	1,297
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	1,145

25. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c) During the six months ended 30 June 2024, the Company's subsidiary, Beijing North Huade Neoplan Bus Co., Ltd. ("Huade Neoplan Company"), went into bankruptcy liquidation due to its inability to pay off maturing debts and apparent lack of solvency, and was transferred to the administrator, Beijing Jintai Law Firm. As at the transfer date, the assets of Huade Neoplan Company were RMB116 million, liabilities were RMB900 million, and net liabilities were RMB784 million. Cash and cash equivalents of transferred assets were RMB7 million.

26. COMMITMENTS

(i) Capital expenditure commitments

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

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB million	*RMB million*
Intangible assets – concession assets	**52,340**	51,388
Property, plant and equipment	**1,357**	1,713
Others	**958**	–
Total	**54,655**	53,101

(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 2024, the maximum daily balance of loan services under the deposit services and loan services framework agreement is RMB43,617 million, the maximum daily balance of guarantee letter services under the guarantee letter services framework agreement is RMB7,014 million, and the maximum daily balance of bills issuance services and bonds subscription under the other credit services framework agreement is RMB1,946 million.

27. PLEDGE OF ASSETS

(a) As at 30 June 2024, the restricted deposits were RMB6,003 million (31 December 2023: RMB7,119 million).

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

	30 June 2024 **Unaudited** ***RMB million***	31 December 2023 Audited *RMB million*
Property, plant and equipment *(note 11)*	**2,818**	782
Right-of-use assets	**8,968**	9,015
Concession assets and trade receivables from PPP projects *(note 12, note 17)*	**314,470**	306,321
Inventories *(note 15)*	**29,299**	18,199
Contract assets and trade and other receivables (excluding PPP projects) *(note 17)*	**52,255**	42,288
Total	**407,810**	376,605

28. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB million	*RMB million*
Transactions with CCCG		
– Revenue from the provision of construction services and construction-related services	**2,100**	728
– Rental income	**1**	1
– Rental charges	**145**	148
– Interest expenses on deposits placed in CCCC Finance	**2**	21
– Loans to CCCG by CCCC Finance	**1,000**	3,000
– Interest income from loans provided by CCCC Finance	**32**	29
– Other borrowings from CCCG	**5,096**	3,034
Transactions with fellow subsidiaries		
– Revenue from the provision of construction services and construction-related services	**3,635**	5,304
– Revenue from the sale of goods	**355**	969
– Rental income	**27**	4
– Rental charges	**1**	–
– Interest expenses on deposits placed in CCCC Finance	**70**	26
– Purchase of goods and property, plant and equipment	**806**	1,578
– Subcontracting and service charges	**1,047**	880
– Loans to fellow subsidiaries by CCCC Finance	**1,240**	415
– Interest income from loans provided by CCCC Finance	**31**	6
– Factoring to fellow subsidiaries	**377**	372
– Interest income from factoring	**10**	16
– Finance lease loans to fellow subsidiaries	**550**	380
– Interest income from finance lease loans	**33**	35
– Interest expenses on loans	**2**	–

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following transactions with related parties during the period: (continued)

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB million	*RMB million*
Transactions with fellow subsidiaries' joint ventures and associates		
– Revenue from the provision of construction services and construction-related services	**200**	167
– Factoring to fellow subsidiaries' joint ventures and associates	**–**	80
– Interest income from factoring	**–**	4
– Finance lease loans to fellow subsidiaries' joint ventures and associates	**550**	–
– Interest income from finance lease loans	**–**	3
Transactions with joint ventures and associates		
– Revenue from the provision of construction services and construction-related services	**21,581**	28,739
– Revenue from the sale of goods	**43**	263
– Subcontracting and service charges	**416**	1,701
– Rental income	**46**	2
– Interest expenses on deposits placed in CCCC Finance	**18**	11
– Loans from joint ventures and associates	**2,709**	2,110
– Interest expenses on loans	**3**	5
– Loans to joint ventures and associates	**1,877**	2,767
– Interest income from other loans	**300**	151
– Interest income from loans by CCCC Finance	**–**	3
– Factoring to joint ventures and associates	**160**	131
– Interest income from factoring	**10**	14
– Interest income from finance lease loans	**64**	66
– Purchase of materials	**85**	–

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.

Shanghai Zhenhua Heavy Industries Co., Ltd. ("ZPMC") is an associate and also a fellow subsidiary of the Company. The transaction with ZPMC and its subsidiaries for the six months ended 30 June 2024 and 30 June 2023, and the outstanding balances with ZPMC and its subsidiaries as at 30 June 2024 and 31 December 2023 were included in the category of transactions and balances with fellow subsidiaries.

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Balances with related parties other than government-related entities:

	30 June 2024 Unaudited RMB million	31 December 2023 Audited RMB million
Trade and bills receivables due from		
– CCCG	**1,611**	478
– Fellow subsidiaries	**2,625**	2,716
– Joint ventures and associates	**9,405**	7,894
– Fellow subsidiaries' joint ventures	**31**	47
Subtotal	**13,672**	11,135
Long-term trade receivables due from		
– CCCG	**2,403**	2,030
– Fellow subsidiaries	**6,054**	6,273
– Joint ventures and associates	**26,355**	20,805
– Fellow subsidiaries' joint ventures	**181**	200
Subtotal	**34,993**	29,308
Prepayments to		
– Fellow subsidiaries	**321**	256
– Joint ventures and associates	**703**	615
– Fellow subsidiaries' joint ventures	**2**	4
Subtotal	**1,026**	875
Other receivables due from		
– CCCG	**1,556**	3,541
– Fellow subsidiaries	**4,219**	3,167
– Joint ventures and associates	**9,749**	11,033
– Fellow subsidiaries' joint ventures	**8**	8
Subtotal	**15,532**	17,749
Contract assets		
– CCCG	**328**	203
– Fellow subsidiaries	**2,538**	2,008
– Joint ventures and associates	**5,936**	5,764
– Fellow subsidiaries' joint ventures	**28**	61
Subtotal	**8,830**	8,036
Total	**74,053**	67,103

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (continued)

Balances with related parties other than government-related entities: (continued)

	30 June 2024 Unaudited *RMB million*	31 December 2023 Audited *RMB million*
Trade and bills payables due to		
– CCCG	**1**	–
– Fellow subsidiaries	**3,431**	4,221
– Joint ventures and associates	**653**	1,757
– Fellow subsidiaries' joint ventures	**7**	24
Subtotal	**4,092**	6,002
Long-term trade payables due to		
– Fellow subsidiaries	**2,718**	2,715
– Joint ventures and associates	**291**	364
– Fellow subsidiaries' joint ventures	**–**	7
Subtotal	**3,009**	3,086
Contract liabilities		
– CCCG	**413**	81
– Fellow subsidiaries	**483**	521
– Joint ventures and associates	**5,650**	6,093
– Fellow subsidiaries' joint ventures	**36**	36
Subtotal	**6,582**	6,731
Other payables		
– CCCG	**8,861**	1,713
– Fellow subsidiaries	**11,853**	10,184
– Joint ventures and associates	**4,354**	8,371
Subtotal	**25,068**	20,268
Lease liabilities		
– Fellow subsidiaries	**16**	–
– Joint ventures and associates	**2**	–
Subtotal	**18**	–
Total	**38,769**	36,087

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees with related parties

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB million	*RMB million*
Outstanding loan guarantees provided to		
– Joint ventures	**1,749**	1,952
– Associates	**1,755**	1,762
Total	**3,504**	3,714
Outstanding loan guarantees provided by CCCG	**9,204**	9,102

(d) Commitments with related parties

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB million	*RMB million*
Provision of construction services		
– CCCG	**5,999**	5,909
– Fellow subsidiaries	**15,696**	16,010
– Joint ventures and associates	**85,672**	83,389
– Fellow subsidiaries' joint ventures	**1,741**	489
Total	**109,108**	105,797
Purchase of services		
– Fellow subsidiaries	**9,726**	4,136
– Joint ventures and associates	**1,042**	1,196
Total	**10,768**	5,332

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Key management compensation

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Short-term employee benefits	**6,752**	5,470
Post-employment benefits	**560**	377
Total	**7,312**	5,847

During the period, in addition to the management compensation listed above, the fair value amortization of the restricted shares granted to key management amounted to RMB1,709,000 (30 June 2023: RMB376,000).

(f) Equity transactions with related parties

During the six months ended 30 June 2024, the Group contributed RMB792 million in total to share capitals of companies set up together with fellow subsidiaries of CCCG.

(g) Other transactions with related parties

(i) In 2024, the Group obtained control over China Communications E-commerce through a capital increase.

(ii) In 2024, the Group acquired the majority shareholdings previously held by third parties in Guiweng, a joint venture of the Group , at a total cash consideration of RMB844 million and obtained control over the company.

(iii) As of 30 June 2024, 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 RMB977 million (31 December 2023: RMB1,923 million).

(iv) In accordance with the financial services framework agreement between CCCC Finance and CCCG, in 2024, CCCC Finance provides financial services to CCCG and its subsidiaries: the maximum daily balance of loan services under the deposit services and loan services framework agreement is RMB43,617 million, the maximum daily balance of guarantee letter services under the guarantee letter services framework agreement is RMB7,014 million, and the maximum daily balance of bills issuance services and bonds subscription under the other credit services framework agreement is RMB1,946 million.

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Other transactions with related parties (continued)

(v) As of 30 June 2024, the outstanding balances of the bond investments in China Communications Real Estate Group Co., Ltd., held by CCCC Finance was RMB600 million and during the period, the interest of RMB14 million was accrued and recovered.

(vi) During the period, the Group signed agreements with ZPMC and CCCG Overseas Real Estate Pte. Ltd. to acquire 25.79% equity interest in CCCC South America Regional Company S.à.r.l.* (中國交建南部美洲區域公司), a subsidiary of CCCG, at a consideration of RMB288 million. Upon completion of the transaction, the Group held 100% equity interest in CCCC South America Regional Company S.à.r.l.

(vii) During the period, the Company's subsidiaries, CCCC Fourth Harbour Engineering Co., Ltd., CCCC Haosheng City Construction Development Co., Ltd.* (中交豪生城市建設發展有限公司), CCCC East China Investment Limited* (中交華東投資有限公司), CCCC Investment Co., Ltd. and CCCG Real Estate Corporation Limited* (中交地產股份有限公司), intended to reduce the capital of CCCC Huachuang Real Estate (Suzhou) Co., Ltd.* (中交華創地產(蘇州)有限公司) by a total of RMB750 million in the proportion of 10%:10%:10%:10%:60%. The transaction was completed in July 2024.

(viii) China Harbour Engineering Co., Ltd., a subsidiary of the Company, intends to jointly establish a project company in Botswana with China International Water & Electric Corp. and a local partner in Botswana in the proportion of 55%:30%:15% to invest in the construction and operation of the 100MW photovoltaic power station project in Jwaneng, Botswana. China Harbour Engineering Co., Ltd. holds a 55% equity interest in the project, with a capital contribution in cash of approximately US$11 million (equivalent to approximately RMB78 million), involving a one-off connected transaction amounting to approximately US$11 million. The above transaction has not yet been completed as at the date of approval of this interim condensed consolidated financial information.

29. 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:

30 June 2024

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
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial assets at fair value through profit or loss	–	–	27,529	–	27,529
Equity investments designated at fair value through other comprehensive income	–	24,940	–	–	24,940
Derivative financial instruments	–	–	335	–	335
Debt investments at amortised cost	–	–	–	1,230	1,230
Trade and other receivables excluding prepayments and other non-financial assets	772	–	–	587,159	587,931
Cash and bank balances	–	–	–	128,554	128,554
Total	772	24,940	27,864	716,943	770,519

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Unaudited	Unaudited	Unaudited
	RMB million	*RMB million*	*RMB million*
Borrowings (excluding lease liabilities)	–	649,980	649,980
Derivative financial instruments	2	–	2
Trade and bills payables *(note 19)*	–	427,142	427,142
Deposits from suppliers *(note 19)*	–	51,809	51,809
Retentions *(note 19)*	–	62,317	62,317
Deposits in CCCC Finance *(note 19)*	–	14,570	14,570
Financial liabilities included in other payables and accruals	–	55,171	55,171
Total	2	1,260,989	1,260,991

29. 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)

31 December 2023

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	–	–	28,154	–	28,154
Equity investments designated at fair value through other comprehensive income	–	21,425	–	–	21,425
Derivative financial instruments	–	–	413	–	413
Debt investments at amortised cost	–	–	–	1,240	1,240
Trade and other receivables excluding prepayments and other non-financial assets	961	–	–	504,406	505,367
Cash and bank balances	–	–	–	120,982	120,982
Total	961	21,425	28,567	626,628	677,581

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)	–	529,094	529,094
Derivative financial instruments	5	–	5
Trade and bills payables *(note 19)*	–	391,835	391,835
Deposits from suppliers *(note 19)*	–	45,775	45,775
Retentions *(note 19)*	–	56,756	56,756
Deposits in CCCC Finance *(note 19)*	–	13,530	13,530
Financial liabilities included in other payables and accruals	–	46,011	46,011
Total	5	1,083,001	1,083,006

30. 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	
	30 June 2024	31 December 2023	**30 June 2024**	31 December 2023
	Unaudited	Audited	**Unaudited**	Audited
	RMB million	*RMB million*	***RMB million***	*RMB million*
Financial liabilities				
Non-current				
Bank borrowings	**407,273**	367,629	**407,208**	367,564
Corporate bonds	**19,026**	16,314	**19,028**	16,419
Non-public debt instruments	**12,295**	9,239	**11,758**	8,903
Other borrowings (other than lease liabilities)	**5,296**	4,682	**5,391**	4,719
Total	**443,890**	397,864	**443,385**	397,605

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 (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 Group's own non-performance risk for interest-bearing bank and other borrowings (excluding lease liabilities) as at 30 June 2024 and 31 December 2023 was 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 flow, PBR (price/book ratio) of companies in same category and unit prices of comparable property.

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

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 30 June 2024, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value measurement categorised within level 3 adopts the discounted cash flow method. The unobservable inputs are weighted average capital costs and long-term growth rates.

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 Chinese Mainland. 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.

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

Fair value hierarchy

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

Assets and liabilities measured at fair value:

As at 30 June 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) Unaudited *RMB million*	Significant observable inputs (Level 2) Unaudited *RMB million*	Significant unobservable inputs (Level 3) Unaudited *RMB million*	Total Unaudited *RMB million*
Assets				
Bills receivable	–	772	–	772
Equity investments designated at fair value through other comprehensive income	20,002	–	4,938	24,940
Financial assets at fair value through profit or loss	628	175	26,726	27,529
Derivative financial instruments				
– Foreign exchange option	–	–	335	335
Total	20,630	947	31,999	53,576
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	2	–	2

30. 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 2023

	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	–	961	–	961
Equity investments designated at fair value through other comprehensive income	16,730	–	4,695	21,425
Financial assets at fair value through profit or loss	838	129	27,187	28,154
Derivative financial instruments				
– Interest rate swap	–	48	–	48
– Foreign exchange option	–	–	365	365
Total	17,568	1,138	32,247	50,953
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	5	–	5

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

	For the six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB million	*RMB million*
At 1 January	**32,247**	25,496
Total losses recognised in the statement of profit or loss included in other gains	**(96)**	(555)
Total gains recognised in other comprehensive income	**3**	–
Purchases	**2,797**	3,877
Disposal	**(2,952)**	(33)
At 30 June	**31,999**	28,785

During the period, 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 (six months ended 30 June 2023: Nil).

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2024

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Total**
	Unaudited	**Unaudited**	**Unaudited**
	RMB million	***RMB million***	***RMB million***
Bank borrowings	**–**	**407,208**	**407,208**
Corporate bonds	**4,000**	**15,028**	**19,028**
Non-public debt instruments	**–**	**11,758**	**11,758**
Other borrowings (other than lease liabilities)	**–**	**5,391**	**5,391**
Total	**4,000**	**439,385**	**443,385**

As at 31 December 2023

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Total
	RMB million	*RMB million*	*RMB million*
Bank borrowings	–	367,564	367,564
Corporate bonds	4,000	12,419	16,419
Non-public debt instruments	–	8,903	8,903
Other borrowings (other than lease liabilities)	–	4,719	4,719
Total	4,000	393,605	397,605

31. SHARE-BASED PAYMENT

On 27 April 2023, the Company's general meeting of shareholders approved the 2022 Restricted Stock Incentive Scheme (the "Scheme"). Subsequently, the Company approved the first grant under the Scheme, 97,950,000 restricted shares were granted to employees of the Group. On 5 June 2023, the Company completed the registration of the 97,950,000 restricted shares granted under the Scheme at the Shanghai branch of China Securities Depository and Clearing Co., Ltd.

On 26 January 2024, the Board of Directors of the Company approved the reserved grant under the Scheme. 16,700,000 restricted stock shares were granted to employees of the Group. On 21 February 2024, the Company completed the registration of the 16,450,000 restricted shares granted under the Scheme at the Shanghai branch of China Securities Depository and Clearing Co., Ltd.

The offer of the first grant and reserved grant of each incentive share was accepted upon payment of RMB5.33 and RMB5.06 for each incentive share by the grantee. The unlocking dates of the incentive shares are the first trading day after 24 months, 36 months and 48 months from the date of share registration. Upon meeting the performance conditions stipulated in the Scheme, 34%, 33% and 33% of the incentive shares shall be unlocked respectively.

Both of the first grant and reserved grant are share-based payment of equity-settled transactions. The fair value of the shares granted was valued by reference to the market prices of the Company's shares at the grant date. The fair value of the restricted shares granted during the period was RMB629 million (RMB: 6.42 each) and RMB57 million (RMB: 3.45 each) on the first and reserved grant date, of which the Group recognised a share-based payment expense of RMB122 million (six months ended 30 June 2023: RMB36 million) during the six months ended 30 June 2024.

For the six months ended 30 June 2024 (Unaudited)

Date of grant *(based on IFRS 2)*	**As at 1 January 2024** *(number of shares)*	**Granted during the period** *(number of shares)*	**Forfeited during the period** *(number of shares)*	**Exercisable as at the end of period** *(number of shares)*
27 April 2023	96,950,000	–	(1,500,000)	95,450,000
26 January 2024	–	16,700,000	(250,000)	16,450,000

For the six months ended 30 June 2023 (Unaudited)

Date of grant *(based on IFRS 2)*	**As at 1 January 2023** *(number of shares)*	**Granted during the period** *(number of shares)*	**Forfeited during the period** *(number of shares)*	**Exercisable as at the end of period** *(number of shares)*
27 April 2023	97,950,000	–	–	97,950,000

32. CAPITAL RISK MANAGEMENT

The Group's objectives for 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.

	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB million	*RMB million*
Total borrowings *(note 21)*	**627,353**	511,626
Less: Cash and cash equivalents *(note 18)*	**119,852**	110,406
Net debt	**507,501**	401,220
Total equity	**469,699**	459,170
Total capital	**977,200**	860,390
Gearing ratio	**51.9%**	46.6%

The gearing ratio as at 30 June 2024 increased by 5.3% compared with that at the end of 2023.

33. EVENTS AFTER THE REPORTING PERIOD

On 30 August 2024, the board of directors of the Company has proposed a interim dividend totalling approximately RMB2,280 million is to be distributed to shareholders, subject to approval by the Shareholders at the forthcoming EGM. Such interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

In June 2022, the Company's joint venture, Sanya Phoenix Island International Cruise Terminal Development Co., Ltd.* (三亞鳳凰島國際郵輪港發展有限公司), entered into a bankruptcy reorganisation procedure due to its inability to repay due debts and insolvency. In December 2022, the Intermediate People's Court of Sanya, Hainan Province ruled that Sanya Phoenix Island International Cruise Terminal Development Co., Ltd. and its subsidiaries Sanya Phoenix Island Development Co., Ltd.* (三亞鳳凰島發展有限公司) and Sanya Phoenix Island Real Estate Co., Ltd.* (三亞鳳凰島置業有限公司) should be substantially merged and reorganised. On 18 January 2024, the Intermediate People's Court of Sanya, Hainan Province ruled to approve the substantial merger and reorganisation plan of the Sanya Phoenix Island International Cruise Terminal Development Co., Ltd., and its subsidiaries (the "Reorganisation Plan"). According to the Reorganization Plan, the restructuring entity will transfer all assets, business, personnel, debts remaining to be settled included in the scope of audit and valuation to the newly established new cruise terminal company, and the new cruise terminal company's equity interests will be used for sale and setting debts to investors, in order to pay for the reorganization costs and pay all kinds of debts. The Company's unsecured claims to the restructuring entity will be converted into the equity of the new cruise terminal company, and it will be served as capital injection into the new cruise terminal company by the Company as a restructuring investor. As of the date of approval of this interim condensed consolidated financial information, the Reorganisation Plan is still in the process of implementation.

On 8 August 2024 and 19 August 2024, CCCI Treasure Limited, a subsidiary of the Company, has completed the issuance of three-year guaranteed green bonds guaranteed by the Company with principal amounts of RMB21 billion (with interest rate of 2.90% per annual) and RMB28 billion (with interest rate of 2.88% per annual), respectively. And the bonds were listed on the Stock Exchange of Hong Kong Limited on 9 August 2024 and 20 August 2024 respectively.

34. COMPARATIVE AMOUNTS

Due to the acquisition of a subsidiary under common control as mentioned in note 24(b), the comparative information has been restated.

35. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 was approved for issue by the Board of Directors on 30 August 2024.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

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

To the shareholders of China Communications Construction Company Limited

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

OPINION

We have audited the consolidated financial statements of China Communications Construction Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 120 to 252, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 2.5, 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 2.5, 3, 25 and 26 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 2.5, 3 and 18 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 2023. 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
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB million	2022 RMB million (Restated)
Revenue	4, 5	755,646	719,084
Cost of sales		(661,118)	(635,392)
Gross profit		94,528	83,692
Other income	5	5,568	5,363
Other (losses)/gains, net	5	(325)	3,404
Selling and marketing expenses		(2,543)	(2,019)
Administrative expenses		(47,588)	(44,139)
Impairment losses on financial assets and contract assets, net		(7,901)	(9,735)
Other expenses		(2,784)	(2,564)
Operating profit		38,955	34,002
Finance income	7	23,896	21,320
Finance costs, net	8	(24,310)	(21,911)
Share of profits and losses of:			
– Joint ventures		(1,409)	(666)
– Associates		406	343
Profit before tax	6	37,538	33,088
Income tax expense	11	(6,397)	(7,117)
Profit for the year		31,141	25,971
Attributable to:			
– Owners of the parent		24,734	20,226
– Non-controlling interests		6,407	5,745
		31,141	25,971
Earnings per share attributable to ordinary equity holders of the parent	14		
Basic		RMB1.45	RMB1.15
Diluted		RMB1.45	RMB1.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 RMB million	2022 RMB million (Restated)
Profit for the year	**31,141**	25,971
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	**(2)**	–
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 losses, net of tax	**(2,734)**	(4,825)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(2,736)**	(4,824)
Other comprehensive income/(losses) that may be reclassified to profit or loss in subsequent periods, net of tax:		
Cash flow hedges, net of tax	**(4)**	(10)
Share of other comprehensive income of joint ventures and associates	**24**	338
Exchange differences on translation of foreign operations	**617**	3,091
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**637**	3,419
Other comprehensive losses for the year, net of tax	**(2,099)**	(1,405)
Total comprehensive income for the year	**29,042**	24,566
Attributable to:		
– Owners of the parent	**22,618**	18,643
– Non-controlling interests	**6,424**	5,923
	29,042	24,566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB million	2022 RMB million (Restated)
Non-current assets			
Property, plant and equipment	15	75,102	60,705
Investment properties	16	9,583	10,633
Right-of-use assets	17(a)	20,353	18,274
Intangible assets	18	200,548	219,538
Investments in joint ventures	19	59,671	51,731
Investments in associates	20	53,820	47,588
Financial assets at fair value through profit or loss	21	27,316	21,489
Derivative financial instruments	27	413	681
Debt investments at amortised cost		1,240	1,629
Equity investments designated at fair value through other comprehensive income	22	21,425	24,127
Contract assets	25	282,355	242,716
Trade and other receivables	26	236,179	190,188
Deferred tax assets	32	10,117	7,849
Total non-current assets		998,122	897,148
Current assets			
Inventories	24	88,021	78,263
Contract assets	25	170,257	150,555
Trade and other receivables	26	302,189	275,982
Financial assets at fair value through profit or loss	21	838	1,300
Debt investments at amortised cost		–	135
Derivative financial instruments	27	–	7
Restricted bank deposits and time deposits with an initial term of over three months	28	10,729	9,660
Cash and cash equivalents	28	110,204	103,663
		682,238	619,565
Assets of a disposal group classified as held for sale	12	3,902	–
Total current assets		686,140	619,565
Current liabilities			
Trade and other payables	29	564,336	485,138
Contract liabilities	30	73,476	77,420
Derivative financial instruments	27	5	7
Tax payable		9,662	8,010
Interest-bearing bank and other borrowings	31	111,912	93,704
Retirement benefit obligations	33	102	101
		759,493	664,380
Liabilities directly associated with the assets classified as held for sale	12	2,688	–
Total current liabilities		762,181	664,380
Net current liabilities		(76,041)	(44,815)
Total assets less current liabilities		922,081	852,333

Continued/…

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB million	2022 RMB million (Restated)
Total assets less current liabilities		**922,081**	852,333
Non-current liabilities			
Trade and other payables	29	**53,121**	41,989
Interest-bearing bank and other borrowings	31	**399,714**	372,646
Deferred income		**1,633**	1,718
Deferred tax liabilities	32	**4,379**	4,476
Retirement benefit obligations	33	**907**	847
Provision	34	**3,203**	3,165
Total non-current liabilities		**462,957**	424,841
Net assets		**459,124**	427,492
Equity			
Equity attributable to owners of the parent			
Share capital	35	**16,264**	16,166
Share premium	35	**20,049**	19,625
Treasury shares		**(522)**	–
Financial instruments classified as equity	37	**35,000**	37,988
Reserves	38	**230,943**	208,721
		301,734	282,500
Non-controlling interests		**157,390**	144,992
Total equity		**459,124**	427,492

Wang Tongzhou
Director

Wang Haihuai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Notes	Attributable to owners of the parent								
		Share capital RMB million	Treasury shares RMB million	Share premium RMB million	Financial instruments classified as equity[(1)] RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests[(2)] RMB million	Total equity RMB million
At 31 December 2022		16,166	-	19,625	37,988	44,339	163,860	281,978	144,198	426,176
Business combination under common control		-	-	-	-	(199)	720	521	794	1,315
Effect of adoption of amendments to IAS 12 (note 2.2(c))		-	-	-	-	-	1	1	-	1
At 1 January 2023 (Restated)		16,166	-	19,625	37,988	44,140*	164,581*	282,500	144,992	427,492
Profit for the year		-	-	-	-	-	24,734	24,734	6,407	31,141
Other comprehensive income/(losses) for the year:										
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	-	-	(2,729)	-	(2,729)	(5)	(2,734)
Cash flow hedges, net of tax		-	-	-	-	(4)	-	(4)	-	(4)
Share of other comprehensive income of joint ventures and associates		-	-	-	-	24	-	24	-	24
Actuarial losses on retirement benefit obligations, net of tax		-	-	-	-	(1)	-	(1)	(1)	(2)
Exchange differences on translation of foreign operations		-	-	-	-	594	-	594	23	617
Total comprehensive income for the year		-	-	-	-	(2,116)	24,734	22,618	6,424	29,042
Final 2022 dividend declared		-	-	-	-	-	(3,509)	(3,509)	-	(3,509)
Interest distribution on perpetual securities [(1)(2)]		-	-	-	-	-	(1,393)	(1,393)	(3,842)	(5,235)
Share-based payment	36	-	-	-	-	146	-	146	-	146
Grant of restricted shares		98	-	424	-	-	-	522	-	522
Restricted shares repurchase obligation		-	(522)	-	-	-	-	(522)	-	(522)
Dividends to non-controlling shareholders		-	-	-	-	-	-	-	(2,713)	(2,713)
Share of other reserves of joint ventures and associates		-	-	-	-	4	-	4	-	4
Shares repurchased		-	-	-	-	-	-	-	(916)	(916)
Withdrawal of capital by non- controlling shareholders		-	-	-	-	-	-	-	(2,011)	(2,011)
Capital contribution from non- controlling shareholders		-	-	-	-	-	-	-	4,636	4,636
Spin-off and separate listing of three subsidiaries		-	-	-	-	4,929	-	4,929	7,373	12,302
Business combination under common control	42(b)	-	-	-	-	(88)	-	(88)	-	(88)
Acquisition of subsidiaries	42(a)	-	-	-	-	-	-	-	106	106
Disposal of subsidiaries	43	-	-	-	-	-	-	-	(2,027)	(2,027)
Issue of perpetual securities		-	-	-	3,000	(15)	-	2,985	30,963	33,948
Redemption of perpetual securities		-	-	-	(5,988)	-	-	(5,988)	(25,824)	(31,812)
Transaction with non-controlling interests		-	-	-	-	(463)	(7)	(470)	229	(241)
Transfer to statutory surplus reserve	38(a)	-	-	-	-	2,260	(2,260)	-	-	-
Transfer from general reserve	38(b)	-	-	-	-	95	(95)	-	-	-
Transfer to safety production reserve	38(c)	-	-	-	-	922	(922)	-	-	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income		-	-	-	-	(93)	93	-	-	-
At 31 December 2023		16,264	(522)	20,049	35,000	49,721*	181,222*	301,734	157,390	459,124

* As at 31 December 2023, these reserve accounts comprise the consolidated reserves of RMB230,943 million (2022: RMB208,721 million (restated)) in the consolidated statement of financial position.

(1) As of 31 December 2023, perpetual securities of RMB35,000 million (2022: RMB37,988 million(restated)) issued by the Company were classified as equity in the consolidated financial statements. During the year, interest distribution on these perpetual securities by the Company totaled RMB1,393 million.

(2) As of 31 December 2023, perpetual securities of RMB85,436 million (2022: RMB81,052 million (restated)) issued by subsidiaries of the Company were classified as non-controlling interests in the consolidated financial statements. During the year, interest distribution on these perpetual securities by the subsidiaries of the Company totalled RMB3,842 million.

Continued/…

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	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
		Attributable to owners of the parent							
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		–	–	–	413	543	956	713	1,669
Effect of adoption of amendments to IAS 12 (note 2.2(c))		–	–	–	–	1	1	–	1
At 1 January 2022 (Restated)		16,166	19,625	33,959	40,528	151,029	261,307	131,717	393,024
Profit for the year (Restated)		–	–	–	–	20,226	20,226	5,745	25,971
Other comprehensive income/(losses) for the year:									
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	(4,836)	–	(4,836)	11	(4,825)
Cash flow hedges, net of tax		–	–	–	(10)	–	(10)	–	(10)
Share of other comprehensive income of joint ventures and associates		–	–	–	339	–	339	–	339
Actuarial losses 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 (Restated)		–	–	–	(1,583)	20,226	18,643	5,923	24,566
Final 2021 dividend declared		–	–	–	–	(3,293)	(3,293)	–	(3,293)
Interest distribution on perpetual securities		–	–	–	–	(1,622)	(1,622)	(3,530)	(5,152)
Dividends to non-controlling shareholders		–	–	–	–	–	–	(1,952)	(1,952)
Share of other reserves of joint ventures and associates		–	–	–	(36)	–	(36)	(35)	(71)
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		–	–	–	(243)	–	(243)	–	(243)
Spin-off and separate listing of three subsidiaries		–	–	–	(510)	–	(510)	–	(510)
Acquisition of subsidiaries		–	–	–	–	–	–	89	89
Disposal of subsidiaries	*43*	–	–	–	–	–	–	(741)	(741)
Issue 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	*38(a)*	–	–	–	743	(743)	–	–	–
Transfer from general reserve	*38(b)*	–	–	–	141	(141)	–	–	–
Transfer to safety production reserve	*38(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		–	–	–	(1)	–	(1)	–	(1)
At 31 December 2022 (Restated)		16,166	19,625	37,988	44,140*	164,581*	282,500	144,992	427,492

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB million	2022 RMB million (Restated)
Cash flows from operating activities			
Profit before tax		**37,538**	33,088
Adjustments for:			
– Depreciation of property, plant and equipment, investment properties	6	**8,334**	9,269
– Depreciation of right-of-use assets	6	**1,434**	1,268
– Amortisation of intangible assets	6	**3,285**	2,918
– Gains on disposal of items of property, plant and equipment, intangible assets and other long-term assets	5	**(511)**	(1,385)
– Gains on disposal of joint ventures and associates	5	**(7)**	(79)
– Fair value losses on financial assets at fair value through profit or loss	5	**770**	169
– Fair value losses/(gains) on derivative financial instruments	5	**278**	(34)
– Gains on disposal of financial assets at fair value through profit or loss	5	**(10)**	(118)
– Gains on disposal of subsidiaries	5	**(518)**	(2,710)
– Dividend income from financial assets at fair value through profit or loss	5	**(284)**	(241)
– Dividend income from equity investments designated at fair value through other comprehensive income	5	**(873)**	(880)
– Other income from investing activities		**(288)**	(167)
– Share of losses of joint ventures and associates, net	19, 20	**1,003**	323
– Write-down of inventories to net realisable value	6	**254**	201
– Provision for impairment of financial assets and contract assets, net	6	**7,901**	9,735
– Provision for impairment of property, plant and equipment	15	**5**	79
– Provision for impairment of associates and joint ventures	19, 20	**248**	1
– Provision for impairment of goodwill	18	**196**	50
– Interest income	7	**(23,896)**	(21,320)
– Interest expenses	8	**21,809**	20,345
– Equity-settled share-based payment		**146**	–
– Net foreign exchange losses on borrowings	8	**437**	30
		57,251	50,542
Increase in inventories		**(8,164)**	(5,390)
Increase in trade and other receivables		**(110,508)**	(95,280)
Increase in contract assets		**(13,177)**	(17,168)
Increase in restricted bank deposits		**(1,540)**	(205)
Increase in trade and other payables		**75,562**	58,417
Decrease in contract liabilities		**(3,851)**	(3,147)
Increase/(decrease) in retirement benefit obligations		**60**	(114)
Increase/(decrease) in provision		**38**	(521)
(Decrease)/increase in deferred income		**(85)**	126
Cash used in operations		**(4,414)**	(12,740)
Interest income from operating activities		**22,669**	20,804
Income tax paid		**(6,181)**	(6,925)
Net cash flows from operating activities		**12,074**	1,139

Continued/…

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB million	2022 RMB million (Restated)
Net cash flows from operating activities		**12,074**	1,139
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(14,517)**	(13,059)
Purchases of investment properties		**(29)**	(5)
Additions to right-of-use assets		**(906)**	(598)
Purchases of intangible assets		**(23,505)**	(20,506)
Proceeds from disposal of items of property, plant and equipment		**1,102**	1,987
Proceeds from disposal of right-of-use assets		**436**	58
Proceeds from disposal of investment properties		**3**	134
Proceeds from disposal of intangible assets		**28**	14
Business combination	*42*	**553**	115
Asset acquisition		**–**	(2,721)
Investments in associates		**(5,454)**	(4,421)
Investments in joint ventures		**(6,821)**	(6,822)
Disposal of subsidiaries	*43*	**5,088**	9,054
Disposal of joint ventures and associates		**750**	841
Purchases of equity investments designated at fair value through other comprehensive income		**(1,284)**	(960)
Purchases of financial assets at fair value through profit or loss		**(20,869)**	(28,825)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**420**	587
Proceeds from disposal of financial assets at fair value through profit or loss		**15,187**	20,958
Purchases of debt instruments		**–**	(1,094)
Loans to joint ventures, associates and third parties		**(17,894)**	(12,110)
Repayment of loans from joint ventures, associates and third parties		**6,540**	7,986
Interest received		**308**	451
Changes in time deposits with an initial term of over three months		**471**	(639)
Cash consideration from operation of concession assets		**1,420**	289
Dividends received		**2,605**	1,561
Proceeds from other investment activity		**483**	798
Net cash flows used in investing activities		**(55,885)**	(46,927)
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		**3,923**	16,642
Withdrawal of capital contribution by non-controlling interests		**(2,927)**	(112)
Dividends paid to non-controlling shareholders		**(2,344)**	(1,844)
Dividends paid to equity holders of the parent		**(3,509)**	(3,293)
Proceeds from issue of perpetual securities		**33,963**	43,303
Interest paid for perpetual securities		**(4,922)**	(4,734)
Redemption of perpetual securities		**(31,937)**	(37,990)
Proceeds from bank and other borrowings		**378,956**	293,280
Repayments of bank and other borrowings		**(296,300)**	(228,905)
Interest paid for bank and other borrowings		**(23,054)**	(22,258)
Transaction with non-controlling interests		**(155)**	(74)
Cash paid for business combination under common control		**(88)**	(220)
Increase in an amount due to the ultimate holding company		**522**	–
Principal portion of lease payments		**(1,796)**	(1,163)
Net cash flows from financing activities		**50,332**	52,632
Net increase in cash and cash equivalents		**6,521**	6,844
Cash and cash equivalents at beginning of year	*28*	**103,663**	96,121
Effect of foreign exchange rate changes, net		**174**	698
Subtotal		**110,358**	103,663
Less: held for sale-cash and cash equivalents		**154**	–
Cash and cash equivalents at end of year	*28*	**110,204**	103,663

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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	70.00%	–	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	100.00%	–	Infrastructure design
CCCC Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB750	100.00%	–	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	100.00%	–	Infrastructure design
CCCC Second Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB428	100.00%	–	Infrastructure design
CCCC Third Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB731	100.00%	–	Infrastructure design
CCCC Fourth Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB630	100.00%	–	Infrastructure design
China Infrastructure Maintenance Group Co., Ltd.	PRC	Limited liability company	RMB1,314	54.32%	45.68%	Infrastructure design
CCCC Dredging (Group) Co., Ltd. ("CCCC Dredging")	PRC	Limited liability company	RMB11,775	99.90%	0.10%	Dredging
CCCC Investment Co., Ltd.	PRC	Limited liability company	RMB12,500	100.00%	–	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	100.00%	–	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	55.00%	–	Maintenance and design of port machinery
CCCC Mechanical & Electrical Engineering Co., Ltd.	PRC	Limited liability company	RMB833	60.00%	40.00%	Infrastructure construction
China Communications Materials & Equipment Co., Ltd.	PRC	Limited liability company	RMB1,734	100.00%	–	Trading of construction materials and equipment

Continued/…

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital *(in million)*	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
CCCC Finance	PRC	Limited liability company	RMB7,000	95.00%	–	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	100.00%	–	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	RMB10,000	91.94%	–	Investment holding
CCCC Tianhe Machinery and Equipment Manufacturing Co., Ltd	PRC	Limited liability company	RMB1,277	81.52%	11.74%	Machinery and equipment manufacturing
CCCC Changjiang Construction and Development Group Co., Ltd.	PRC	Limited liability company	RMB2,667	41.24%	33.74%	Infrastructure design
CCCC South China Construction and Development Co., Ltd.	PRC	Limited liability company	RMB623	100.00%	–	Infrastructure construction
CCCC Design Consulting Group Co., Ltd.	PRC	Limited liability company	RMB2,062	53.88%	–	Infrastructure design
Gansu Qilianshan Cement Group Co., Ltd.	PRC	Limited liability company	RMB1,200	85.00%	–	Cement sales
CCCC (Tianjin) Rail Transit Investment and Construction Co., Ltd	PRC	Limited liability company	RMB4,267	44.51%	7.04%	Infrastructure construction
Forsea Holdings PTE. Ltd.	Singapore	Limited liability company	USD1	100%	–	Infrastructure construction

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. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("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. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.5. 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 2023. 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 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 the related assets (including goodwill) liabilities, any non-controlling interest and the exchange reserve; and recognises the fair value of any investment retained and 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 RMB76,041 million as at 31 December 2023. Having considered the Group's cash flow projections for the year ending 31 December 2024, including the Group's cash position, 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 its financial obligations in full as they fall due for the coming 12 months. Accordingly, these financial statements have been prepared on a going concern basis.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to IAS 1 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 IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.5 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction 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.

Prior the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax assets and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. With cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interest at that date. The quantitative impact on the financial statements is summarised below.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

(c) (continued)

Impact on the consolidated statement of financial position:

	Note	Increase/(decrease) As at 31 December 2023 RMB million	As at 31 December 2022 RMB million	As at 1 January 2022 RMB million
Assets				
Deferred tax assets	*(i)*	**8**	1	1
Total non-current assets		**8**	1	1
Total assets		**8**	1	1
Net assets		**8**	1	1
Equity				
Retained profits (included in reserves)		**8**	1	1
Equity attributable to owners of the parent		**8**	1	1
Total equity		**8**	1	1

Note (i): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the consolidated statement of comprehensive income:

	Increase/(decrease) For the year ended 31 December 2023 RMB million	2022 RMB million
Income tax expense	**(7)**	(1)
Profit for the year	**7**	1
Attributable to:		
Owners of the parent	**7**	1
Total comprehensive income for the year	**7**	1
Attributable to:		
Owners of the parent	**7**	1

The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has not yet applied the temporary exception during the current year because most of the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group is in the process of assessing the potential exposure arising from Pillar Two legislation based on the information available for the financial year ended 31 December 2023. Based on the assessment carried out so far, the Group has identified certain countries where the Pillar Two effective tax rates are likely to be lower than 15%. Quantitative information to indicate potential exposure to Pillar Two income taxes is currently not known or reasonably estimable.

2.3 Prior period restatement

In addition to the adoption of amendments to IAS 12, the Group acquired a subsidiary from China Communications Real Estate Group Co., LTD., China Real Estate Development Group Limited, and China Real Estate Co., LTD. Since these subsidiaries and the Group are both under common control of CCCG before and after the acquisition, the acquisition constitutes a business combination under common control, which is mentioned in note 42(b) to the financial statements.

Based on the Group's shareholding in subsidiaries (i.e., CCCC Highway Consultants Co., Ltd., CCCC First Highway Consultants Co., Ltd. and CCCC Second Highway Consultants Co., Ltd.) (collectively called the "Three Highway Institutes"), the Group realized the spin-off and listing of the design segment through the asset swap and the issuance of shares to purchase assets for reorganization and integration ("Asset swap").

Before the Asset swap, China Urban & Rural Holding Group Limited ("CURH") wholly-owned China Northeast Municipal Engineering Design & Research Institute Co., Ltd., China Southwest Municipal Engineering Design & Research Institute Co., Ltd. and CCCC Urban Energy Research and Design Institute Co. Ltd (collectively called the "Three Municipal Institutes"). In the terms of Asset swap, the Group together with CURH exchange the Three Highway Institutes and the Three Municipal Institutes for Gansu Qilianshan Cement Group Ltd. ("Qilianshan Cement"). The parent of Qilianshan Cement ("Qilianshan") issued share to the Group and CURH for fair value difference between swapping asset. Upon such reorganization, the Group directly holds 53.88% equity of the Qilianshan and 85% equity of Qilianshan Cement. The Qilianshan holds 100% equity of the Three Highway Institutes and the Three Municipal Institutes. Therefore, the Group indirectly holds 53.88% equity of the Three Highway Institutes and the Three Municipal Institutes.

Since the Three Municipal Institutes and the Group are both under common control of CCCG before and after the completion of the Asset swap, the acquisition constitutes a business combination under common control, which is mentioned in note 42(c) to the financial statements.

Business combinations arising from transfers of interests in entities that are under the control of the ultimate shareholder that controls the Group are accounted for as if the acquisitions had occurred at the beginning of the earliest date presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the acquired entities' financial statements.

Upon transfer of interest in an entity to another entity that is under the control of the ultimate shareholder that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

Due to adoption of amendments to IAS 12 and the acquisition of subsidiaries under common control, the opening balances as at 1 January 2022 and the comparative information for the year ended 31 December 2022 and as of 31 December 2022 have been restated in the consolidated financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Prior period restatement (continued)

Restated consolidated statements of comprehensive income for the years ended 31 December 2022:

	Before restatement	Effect of business combinations under common control	Effect of application of amendments to IAS 12	After restatement
	RMB million	*RMB million*	*RMB million*	*RMB million*
Profit for the year	25,706	264	1	25,971
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	3,419	–	–	3,419
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(4,850)	26	–	(4,824)
Total comprehensive income for the year	24,275	290	1	24,566
Attributable to:				
Owners of the parent	18,469	173	1	18,643
Non-controlling interests	5,806	117	–	5,923

Restated consolidated statements of financial position as at 31 December 2022:

	Before restatement	Effect of business combinations under common control	Effect of application of amendments to IAS 12	After restatement
	RMB million	*RMB million*	*RMB million*	*RMB million*
Total non-current assets	895,087	2,060	1	897,148
Total current assets	616,263	3,302	–	619,565
Total current liabilities	661,353	3,027	–	664,380
Total non-current liabilities	423,821	1,020	–	424,841
Equity attributable to owners of the parent	281,978	521	1	282,500
Non-controlling interests	144,198	794	–	144,992
Total equity	426,176	1,315	1	427,492

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following revised IFRSs, which have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*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*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

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

Amendments to IFRS 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 constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. 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.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application 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 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material 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 has 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. ACCOUNTING POLICIES (CONTINUED)

2.5 Material 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 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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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. ACCOUNTING POLICIES (CONTINUED)

2.5 Material 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. ACCOUNTING POLICIES (CONTINUED)

2.5 Material 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, investment properties and non-current assets/a disposal group classified as held for sale), 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. ACCOUNTING POLICIES (CONTINUED)

2.5 Material 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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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 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 is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment, investment properties and intangible assets 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. 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. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

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.

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 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. ACCOUNTING POLICIES (CONTINUED)

2.5 Material 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.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material 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, 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 the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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. ACCOUNTING POLICIES (CONTINUED)

2.5 Material 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. ACCOUNTING POLICIES (CONTINUED)

2.5 Material 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 IFRS 9. 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. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing 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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

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.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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 initially 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, except that deferred tax is not recognised for the Pillar Two income taxes.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

Income tax (continued)

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 does not give rise to equal taxable and deductible temporary differences; 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 does not give rise to equal taxable and deductible temporary differences; 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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

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.

(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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(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.

(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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, 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. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

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.

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 transfer to the customer of the goods or services to which the asset related. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by the quoted price on the grant date in the active market, further details of which are given in note 36 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding scheme is reflected as additional share dilution in the computation of earnings per share.

Other 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 ("Chinese Mainland") 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 Chinese Mainland. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries of fixed sums and length of service.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

Other employee benefits (continued)

(b) Other post-employment obligations

The Group provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Housing funds

All full-time employees of the Group in Chinese Mainland 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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Material accounting policies (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the 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 reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve 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.

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 2.5 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 23.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

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 37.

Determining whether an arrangement contains a lease

The Group entered into general equipment lease arrangements in some construction projects. According to these lease arrangements, there is no identified asset or the supplier has substantive substitution rights for the general equipment. Thus, these general equipment lease arrangements do not contain a lease, and the Group take them as service acceptance.

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.

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 2.5.

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 2023, the Group recognised an accumulated impairment of RMB299 million (2022: RMB299 million) to profit or loss for concession assets. Further details are disclosed in note 18.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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 48 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 2023, the Group recognised an accumulated impairment of RMB296 million (2022: RMB100 million) to profit or loss for goodwill. Details of the impairment test for goodwill are disclosed in note 18.

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

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's contract assets, trade receivables and long-term receivables is disclosed in note 25 and note 26 to the financial statements.

Infrastructure construction and design services

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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 32.

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 33.

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 15.

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 15), investment properties (note 16), right-of-use assets (note 17(a)) and intangible assets (note 18).

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2023 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2023					
	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Total gross segment revenue	667,802	47,302	53,506	19,328	(32,292)	755,646
Intersegment sales	(9,884)	(6,673)	(353)	(15,382)	32,292	–
Revenue *(note 5)*	657,918	40,629	53,153	3,946	–	755,646
Segment results	34,061	3,660	2,505	209	18	40,453
Unallocated loss						(1,498)
Operating profit						38,955
Finance income						23,896
Finance costs, net						(24,310)
Share of profits and losses of joint ventures and associates						(1,003)
Profit before tax						37,538
Income tax expense						(6,397)
Profit for the year						31,141
Other segment information						
Depreciation	7,255	457	1,295	761	–	9,768
Amortisation	3,130	117	27	11	–	3,285
Write-down of inventories	209	–	–	45	–	254
Impairment of property, plant and equipment	5	–	–	–	–	5
Impairment of intangible assets	–	–	–	196	–	196
Impairment of investments in joint ventures	248	–	–	–	–	248
Impairment losses on financial assets and contract assets, net	5,779	1,086	803	233	–	7,901
Capital expenditure	37,741	1,319	2,737	1,089	–	42,886

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	50,279	51,017	18,225	(34,683)	719,084
Intersegment sales	(8,892)	(9,912)	(985)	(14,894)	34,683	–
Revenue *(note 5)*	625,354	40,367	50,032	3,331	–	719,084
Segment results	28,183	3,776	2,415	240	27	34,641
Unallocated loss						(639)
Operating profit						34,002
Finance income						21,320
Finance costs, net						(21,911)
Share of profits and losses of joint ventures and associates						(323)
Profit before tax						33,088
Income tax expense						(7,117)
Profit for the year						25,971
Other segment information						
Depreciation	8,144	592	1,252	549	–	10,537
Amortisation	2,799	79	36	4	–	2,918
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 right-of-use assets	–	3	–	–	–	3
Impairment of investments in joint ventures	1	–	–	–	–	1
Impairment losses on financial assets and contract assets, net	7,669	1,050	688	328	–	9,735
Capital expenditure	35,409	989	1,703	781	–	38,882

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 as at 31 December 2023 are as follows:

	As at 31 December 2023					
	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Segment assets	1,282,412	74,277	130,097	116,915	(81,021)	1,522,680
Investments in joint ventures						59,671
Investments in associates						53,820
Other unallocated assets						48,091
Total assets						1,684,262
Segment liabilities	566,716	41,151	65,426	15,209	(48,732)	639,770
Unallocated liabilities						585,368
Total liabilities						1,225,138

The segment assets and liabilities as at 31 December 2022 are as follows:

	As at 31 December 2022					
	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Segment assets	1,178,160	66,597	118,617	109,327	(99,909)	1,372,792
Investments in joint ventures						51,731
Investments in associates						47,588
Other unallocated assets						44,602
Total assets						1,516,713
Segment liabilities	503,436	39,623	53,182	9,638	(62,511)	543,368
Unallocated liabilities						545,853
Total liabilities						1,089,221

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2023 *RMB million*	2022 *RMB million*
Chinese Mainland	**639,710**	620,706
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**115,936**	98,378
Total Revenue	**755,646**	719,084

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

(b) Non-current assets

	2023 *RMB million*	2022 *RMB million*
Chinese Mainland	**269,079**	275,914
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**49,002**	45,299
Total non-current assets	**318,081**	321,213

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 2023 and 2022.

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Total RMB million
Type of goods or services					
Infrastructure construction services	632,137	21,277	7,273	297	660,984
Infrastructure design services	1,403	18,548	617	–	20,568
Dredging and filling services	–	–	41,580	–	41,580
Others	24,378	804	3,683	3,649	32,514
Total revenue from contracts with customers	657,918	40,629	53,153	3,946	755,646
Geographical markets					
Chinese Mainland	550,081	38,761	47,034	3,834	639,710
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	107,837	1,868	6,119	112	115,936
Total revenue from contracts with customers	657,918	40,629	53,153	3,946	755,646
Timing of revenue recognition					
Services transferred over time	633,532	40,580	49,473	297	723,882
Services transferred at a point in time	8,171	–	–	–	8,171
Merchandise transferred at a point in time	16,215	49	3,680	3,649	23,593
Total revenue from contracts with customers	657,918	40,629	53,153	3,946	755,646

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 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	22,522	7,238	63	624,821
Infrastructure design services	556	17,242	598	–	18,396
Dredging and filling services	–	–	38,580	–	38,580
Others	29,800	603	3,616	3,268	37,287
Total revenue from contracts with customers	625,354	40,367	50,032	3,331	719,084
Geographical markets					
Chinese Mainland	533,554	38,915	45,376	2,861	620,706
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	91,800	1,452	4,656	470	98,378
Total revenue from contracts with customers	625,354	40,367	50,032	3,331	719,084
Timing of revenue recognition					
Services transferred over time	595,551	40,331	46,416	63	682,361
Services transferred at a point in time	7,634	–	–	–	7,634
Merchandise transferred at a point in time	22,169	36	3,616	3,268	29,089
Total revenue from contracts with customers	625,354	40,367	50,032	3,331	719,084

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 2023

Segments	**Construction** *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Revenue from contracts with customers					
External customers	**657,918**	**40,629**	**53,153**	**3,946**	**755,646**
Intersegment sales	**9,884**	**6,673**	**353**	**15,382**	**32,292**
Intersegment adjustments and eliminations	**(9,884)**	**(6,673)**	**(353)**	**(15,382)**	**(32,292)**
Total revenue from contracts with customers	**657,918**	**40,629**	**53,153**	**3,946**	**755,646**

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	40,367	50,032	3,331	719,084
Intersegment sales	8,892	9,912	985	14,894	34,683
Intersegment adjustments and eliminations	(8,892)	(9,912)	(985)	(14,894)	(34,683)
Total revenue from contracts with customers	625,354	40,367	50,032	3,331	719,084

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.

	2023 **RMB Million**	2022 RMB million
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction	**23,666**	33,300
Design	**1,841**	1,914
Dredging	**999**	1,077
Others	**868**	209
Total	**27,374**	36,500

(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

	2023 RMB million	2022 RMB million
Rental income	962	1,072
Revenue from consulting services	659	553
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	850	863
– Unlisted equity instruments	23	17
Government grants	614	739
Dividend income from financial assets at fair value through profit or loss	284	241
Income from sale of scraps	513	288
Interest income on debt investments at amortised cost	169	69
Others	1,494	1,521
Total other income	5,568	5,363

Other (losses)/gains, net

	2023 RMB million	2022 RMB million
Gains on disposal of items of property, plant and equipment	61	666
Gains on disposal of items of intangible assets and other long-term assets	450	719
Gains on disposal of subsidiaries *(note 43(ii))*	518	2,710
Gains on disposal of joint ventures and associates	7	79
Fair value (losses)/gains, net		
– Financial assets at fair value through profit or loss	(770)	(169)
– Derivative financial instruments – transactions not qualifying as hedges	(278)	34
Foreign exchange difference, net	1,550	1,802
Gains on disposal of financial assets at fair value through profit or loss	10	118
Losses on derecognition of contract assets and financial assets at amortised cost	(1,873)	(2,555)
Total other (losses)/gains, net	(325)	3,404

6. PROFIT BEFORE TAX

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

	Notes	2023 RMB million	2022 RMB million
Raw materials and consumables used*		**230,060**	219,569
Cost of goods sold		**11,528**	21,381
Subcontracting costs		**303,415**	284,715
Employee benefit expenses*:			
– Salaries, wages and bonuses		**37,938**	36,073
– Pension costs – defined contribution plans		**5,957**	5,392
– defined benefit plans		**29**	23
– Housing benefits		**3,154**	2,827
– Welfare, medical and other expenses		**17,423**	16,610
Total		**64,501**	60,925
Equipment and plant usage costs		**16,705**	14,266
Lease payments not included in the measurement of lease liabilities (included in cost of sales)		**1,797**	2,031
Lease payments not included in the measurement of lease liabilities (included in administrative expenses)		**2**	7
Business tax and other taxes		**1,912**	1,738
Fuel		**3,866**	4,271
Utilities		**2,153**	1,887
Maintenance costs		**2,481**	1,768
Research and development costs (including raw materials and consumables used, employee benefit expenses, depreciation and amortisation)		**27,316**	23,475
Depreciation of property, plant and equipment*	15	**7,870**	8,919
Depreciation of investment properties*	16	**464**	350
Depreciation of right-of-use assets*	17(a)	**1,434**	1,268
Amortisation of intangible assets*	18	**3,285**	2,918
Auditors' remuneration		**28**	28
Write-down of inventories to net realisable value		**254**	201
Impairment losses on financial assets and contract assets, net	25, 26	**7,901**	9,735
Impairment losses on right-of-use assets	17(a)	**–**	3

* 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

	2023 RMB million	2022 RMB million
Interest income from:		
– Bank deposits	**1,256**	1,094
– Deposits in The People's Bank of China and interbank placement	**318**	229
– Contract assets and receivables from Public-Private-Partnership("PPP") contracts and primary land development contracts	**14,842**	12,508
– Loan receivables	**5,164**	4,817
– Others	**2,316**	2,672
Total	**23,896**	21,320

8. FINANCE COSTS, NET

An analysis of finance costs is as follows:

	2023 **RMB million**	2022 *RMB million*
Interests on:		
– Bank borrowings	**21,254**	20,193
– Other borrowings	**215**	201
– Corporate bonds	**812**	830
– Debentures	**670**	461
– Non-public debt instruments	**467**	492
– Lease liabilities	**232**	122
Subtotal	**23,650**	22,299
Less: Interest capitalised	**1,841**	1,954
Net interest expense	**21,809**	20,345
Foreign exchange difference on borrowings, net	**437**	30
Others	**2,064**	1,536
Total	**24,310**	21,911

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 3.74% (2022: 4.13%) 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:

	2023 **RMB million**	2022 *RMB million*
Inventories	**691**	403
Concession assets	**994**	1,478
Construction in progress	**156**	73
	1,841	1,954

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:

	2023	2022
	RMB'000	*RMB'000*
Fees	**257**	347
Other emoluments:		
Salaries, allowances and benefits in kind	**2,066**	2,729
Performance related bonuses	**3,021**	4,606
Pension scheme contributions	**399**	435
Subtotal	**5,486**	7,770
Total fees and other emoluments	**5,743**	8,117

(a) Independent non-executive directors

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

	2023	2022
	RMB'000	*RMB'000*
Mr. Huang Long	**–**	30
Mr. Zheng Changhong	**–**	30
Mr. Ngai Wai Fung	**–**	54
Mr. Liu Hui	**55**	50
Mr. Chan Wing Tak Kevin	**92**	83
Mr. Zhou Xiaowen	**55**	50
Mr. Wu Guangqi	**55**	50
Total	**257**	347

There were no other emoluments payable to the independent non-executive directors during the year (2022: 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*
2023				
Executive directors				
Mr. Wang Tongzhou	273	639	63	975
Mr. Wang Haihuai *(Chief executive)*	273	639	63	975
Mr. Liu Xiang	251	466	63	780
Mr. Sun Ziyu *(i)*	94	133	21	248
Subtotal	891	1,877	210	2,978
Non-executive director				
Mr. Mi Shuhua	–	–	–	–
Subtotal	–	–	–	–
Supervisors				
Mr. Wang Yongbin	353	255	63	671
Mr. Yao Yanmin	293	418	63	774
Mr. Lu Yaojun	529	471	63	1,063
Subtotal	1,175	1,144	189	2,508
Total	2,066	3,021	399	5,486

(i) Mr. Sun Ziyu retired as the executive director on 26 April 2023.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

	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	212	264	47	523
Subtotal	1,022	3,469	221	4,712
Non-executive directors				
Mr. Liu Maoxun	10	–	40	50
Mr. Mi Shuhua	–	–	–	–
Subtotal	10	–	40	50
Supervisors				
Mr. Wang Yongbin	510	498	58	1,066
Mr. Yao Yanmin	573	347	58	978
Mr. Lu Yaojun	614	292	58	964
Subtotal	1,697	1,137	174	3,008
Total	2,729	4,606	435	7,770

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:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**1,975**	2,247
Performance related bonuses	**8,651**	10,381
Pension scheme contributions	**842**	752
Total	**11,468**	13,380

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

	Number of employees	
	2023	2022
HK$2,000,000 to HK$2,500,000 (equivalent to approximately RMB1,812,400 to RMB2,265,500)	**3**	–
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,265,501 to RMB2,718,600)	**2**	3
HK$3,000,001 to HK$3,500,000 (equivalent to approximately RMB2,718,601 to RMB3,171,700)	**–**	1
HK$3,500,001 to HK$4,000,000 (equivalent to approximately RMB3,171,701 to RMB3,624,800)	**–**	1
Total	**5**	5

11. INCOME TAX

Most of the companies comprising the Group are subject to the PRC enterprise income tax, which was provided based on the statutory income tax rate of 25% (2022: 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% (2022: 15%).

Taxation for other companies of the Group has been calculated based on the estimated assessable profit for the years ended 31 December 2023 and 31 December 2022 at the appropriate rates of taxation prevailing in the jurisdictions in which these companies operate.

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

	2023 *RMB million*	2022 *RMB million* (Restated)
Current		
– PRC enterprise income tax	**6,709**	6,966
– Elsewhere	**1,071**	1,073
Total Current	**7,780**	8,039
Deferred *(note 32)*	**(1,383)**	(922)
Total tax charge for the year	**6,397**	7,117

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory tax 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:

	2023		2022	
	RMB million	**%**	*RMB million* (Restated)	%
Profit before tax	**37,538**		33,088	
Tax at PRC statutory tax rate of 25%	**9,385**	**25.0**	8,272	25.0
Land appreciation tax in the PRC	**193**	**0.5**	643	1.9
Profits and losses attributable to joint ventures and associates	**251**	**0.7**	81	0.2
Income not subject to tax	**(589)**	**(1.6)**	(260)	(0.8)
Additional tax concession on research and development costs	**(1,681)**	**(4.5)**	(1,093)	(3.3)
Expenses not deductible for tax	**255**	**0.7**	81	0.2
Temporary differences utilised from previous periods	**(197)**	**(0.6)**	(5)	(0.1)
Temporary differences not recognised	**189**	**0.5**	412	1.2
Tax losses utilised from previous periods	**(109)**	**(0.3)**	(105)	(0.3)
Tax losses not recognised	**848**	**2.3**	1,067	3.2
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(1,964)**	**(5.2)**	(1,688)	(5.1)
Adjustments in respect of current income tax of previous years	**67**	**0.2**	(18)	(0.1)
Others	**(251)**	**(0.7)**	(270)	(0.8)
Tax charge at the Group's effective rate	**6,397**	**17.0**	7,117	21.5

The share of tax attributable to joint ventures and associates amounting to approximately RMB433 million (2022: RMB266 million) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

12. HELD-FOR-SALE CATEGORY

	Book value	Fair value	Estimated disposal costs	Estimated disposal time
Disposal of a subsidiary CCCC TDC Yantai Environmental Protection Dredging Co. Ltd. *(a)*	1,212	1,242	–	2024
– Assets of a disposal group classified as held for sale	3,900			
– Liabilities directly associated with the assets classified as held for sale	(2,688)			
Others	2	2	–	2024
Total	1,214	1,244		
Assets of a disposal group classified as held for sale	3,902			
Liabilities directly associated with the assets classified as held for sale	(2,688)			

(a) On 13 March 2023, CCCC Dredging announced the decision of its board of directors to dispose of CCCC TDC Yantai Environmental Protection Dredging Co. Ltd. ("Yantai Environmental"). The decision was approved by its ultimate holding company. Yantai Environmental engages in the manufacture and sale of electronic products. The disposal of Yantai Environmental would be completed in January 2024, final negotiations for the sale were in progress and Yantai Environmental was classified as a disposal group held for sale.

The major classes of assets and liabilities of Yantai Environmental classified as held for sale as at 31 December 2023 are as follows:

	2023 ***RMB million***
Assets	
Property, plant and equipment	**265**
Right-of-use assets	**55**
Deferred tax assets	**17**
Inventories	**60**
Contract assets	**1,087**
Trade and other receivables	**2,262**
Cash and cash equivalents	**154**
Assets of a disposal group classified as held for sale	**3,900**
Liabilities	
Trade and other payables	**(2,612)**
Contract liabilities	**(51)**
Tax payable	**(20)**
Interest-bearing bank and other borrowings	**(1)**
Retirement benefit obligations	**(4)**
Liabilities directly associated with the assets classified as held for sale	**(2,688)**

13. DIVIDENDS

	2023 **RMB million**	2022 RMB million
Proposed final dividend of RMB0.29253 per ordinary share (2022: RMB0.21707)	**4,762**	3,509

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("AGM").

14. 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 (2022: 16,165,711,425) in issue during the year.

As disclosed in note 36, the Company granted restricted shares to certain employees in 2023, the restricted shares had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share is equal to the basic earning per share.

The calculation of basic earnings per share is based on:

	2023	2022
Profit attributable to ordinary equity holders of the parent *(RMB million)*	**24,734**	20,226
Less: Interest on perpetual securities *(RMB million) (i)*	**1,327**	1,559
Total	**23,407**	18,667
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(million)*	**16,166**	16,166
Basic earnings per share	**RMB1.45**	RMB1.15

(i) The perpetual securities issued by the Company were classified as equity instruments with deferrable accumulative interest. Interest of RMB1,327 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 2023.

15. 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 2023						
At 31 December 2022, net of accumulated depreciation and impairment	15,796	13,108	19,087	3,099	9,615	60,705
Additions	156	2,964	1,488	1,572	9,286	15,466
Acquisition from debt restructuring	123	–	–	–	–	123
Disposals	(17)	(670)	(296)	(140)	–	(1,123)
Business combination	4,968	2,637	60	351	317	8,333
Disposal of subsidiaries	–	(8)	(2)	–	–	(10)
Transfer	2,375	1,811	2,936	218	(7,340)	–
Transfer from investment properties	101	–	–	–	–	101
Transfer from inventories	393	–	–	–	185	578
Transfer to inventories	–	–	–	–	(931)	(931)
Transfer to Intangible assets	–	–	–	–	(36)	(36)
Transfer to right-of-use assets	–	–	–	–	(13)	(13)
Transfer to investment properties	(28)	–	–	–	(233)	(261)
Transfer from right-of-use asset	–	–	444	–	–	444
Transfer to assets of a disposal group classified as held for sale	(2)	(1)	(260)	(2)	–	(265)
Depreciation provided during the year	(766)	(3,505)	(1,767)	(1,832)	–	(7,870)
Impairment	–	–	–	–	(5)	(5)
Exchange realignment and others	26	5	8	(45)	(128)	(134)
At 31 December 2023, net of accumulated depreciation and impairment	23,125	16,341	21,698	3,221	10,717	75,102
At 31 December 2023						
Cost	29,934	40,917	48,448	17,120	10,739	147,158
Accumulated depreciation and impairment	(6,809)	(24,576)	(26,750)	(13,899)	(22)	(72,056)
Net carrying amount	23,125	16,341	21,698	3,221	10,717	75,102

15. 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 2022						
At 31 December 2021, net of accumulated depreciation and impairment	14,863	13,748	17,970	3,756	11,407	61,744
Additions	485	2,446	1,831	1,838	5,322	11,922
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	1,551	543	1,356	244	(3,694)	–
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	(907)	(3,393)	(2,146)	(2,473)	–	(8,919)
Impairment	–	(77)	–	(2)	–	(79)
Exchange realignment and others	29	82	133	(42)	(38)	164
At 31 December 2022, net of accumulated depreciation and impairment	15,796	13,108	19,087	3,099	9,615	60,705
At 31 December 2022						
Cost	21,832	36,002	45,016	16,813	9,620	129,283
Accumulated depreciation and impairment	(6,036)	(22,894)	(25,929)	(13,714)	(5)	(68,578)
Net carrying amount	15,796	13,108	19,087	3,099	9,615	60,705

As at 31 December 2023, the Group was in the process of applying for the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB2,434 million (2022: RMB1,928 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

As at 31 December 2023, certain bank and other borrowings were secured by property, plant and equipment, with a carrying amount of approximately RMB782 million (31 December 2022: Nil) (note 44(b)).

16. INVESTMENT PROPERTIES

	2023 **RMB million**	2022 *RMB million*
Carrying amount at 1 January	**10,633**	6,702
Additions	**29**	4
Transfer from property, plant and equipment	**261**	4,336
Transfer from inventories	**302**	423
Business combination	**9**	64
Transfer to property, plant and equipment	**(101)**	(297)
Transfer to inventories	**(107)**	(89)
Disposals	**(3)**	(134)
Disposal of subsidiaries	**(988)**	(86)
Depreciation provided during the year	**(464)**	(350)
Exchange realignment	**12**	60
Carrying amount at 31 December	**9,583**	10,633
Cost	**11,315**	12,372
Accumulated depreciation and impairment	**(1,732)**	(1,739)
	9,583	10,633
Fair value at 31 December *(a)*	**17,354**	17,958

16. INVESTMENT PROPERTIES (CONTINUED)

(a) As at 31 December 2023, 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 Chinese Mainland as at 31 December 2023 and 31 December 2022 was determined using income approach and market comparison approach.

	Valuation techniques	**Significant unobservable/ observable inputs**	**Fair value at 31 December 2023** *RMB million*	Fair value at 31 December 2022 *RMB million*
Investment properties located in Chinese Mainland	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.	**15,060**	15,214
The rest of the investment properties located in Chinese Mainland	Market comparison approach: with reference to comparable market transactions	Comparable price in the market	**723**	1,086
Investment properties located outside Chinese Mainland	Market comparison approach: with reference to comparable market transactions	Comparable price in the market	**826**	850
Investment properties located outside Chinese Mainland	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.	**745**	808
			17,354	17,958

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties as at 31 December 2023 using significant unobservable inputs (Level 3):

Valuation techniques	**Significant unobservable inputs**	**Range 2023**	Range 2022
Income approach (2022: Income approach)	Discount rate	**3.0%-12.0%**	3.0%-12.0%
	Average monthly rental (per square meter)	**RMB3-RMB510 per square meter**	RMB3-RMB522 per square meter

16. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (continued)

There were no transfers between Level 1 and Level 2 and into or out of Level 3 during the year (2022: Nil).

(a) The investment properties are leased to third parties under operating leases, further details of which are included in note 17 to the financial statements.

As at 31 December 2023, the Group was in the process of applying for the ownership certificates for certain properties with an aggregate carrying amount of approximately RMB357 million (31 December 2022: RMB633 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

17. 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 2023							
At 31 December 2022, net of accumulated depreciation	15,404	2,220	444	123	22	61	18,274
Additions	906	1,293	45	483	86	44	2,857
Transfer from property, plant and equipment	13	–	–	–	–	–	13
Business combinations	1,339	4	–	–	–	–	1,343
Transfer from inventories	92	–	–	–	–	–	92
Depreciation charge	(255)	(939)	(53)	(104)	(71)	(12)	(1,434)
Transfer to property, plant and equipment	–	–	(444)	–	–	–	(444)
Transfer to inventories	(359)	–	–	–	–	–	(359)
Transfer to assets of a disposal group classified as held for sale	(54)	(1)	–	–	–	–	(55)
Disposal, retirement, and others	141	(81)	21	(19)	2	2	66
At 31 December 2023	17,227	2,496	13	483	39	95	20,353

17. 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 2022							
At 31 December 2021, net of accumulated depreciation	14,385	2,053	509	174	233	63	17,417
Additions	672	924	2	50	25	6	1,679
Capital contribution from non-controlling shareholders	21	–	–	–	–	–	21
Transfer from property, plant and equipment	17	–	–	–	–	–	17
Business combinations	15	3	–	–	–	–	18
Transferred from inventories	49	–	–	–	–	–	49
Depreciation charge	(228)	(878)	(45)	(84)	(25)	(8)	(1,268)
Transfer to property, plant and equipment	–	–	–	(29)	–	–	(29)
Impairment	(3)	–	–	–	–	–	(3)
Disposal of subsidiaries	(4)	–	–	–	–	–	(4)
Disposal, retirement, or others	480	118	(22)	12	(211)	–	377
At 31 December 2022	15,404	2,220	444	123	22	61	18,274

As at 31 December 2023, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB9,015 million (31 December 2022: RMB8,764 million) were pledged to secure general banking facilities granted to the Group (notes 31(e) and 44(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:

	2023 Lease liabilities *RMB million*	2022 Lease liabilities *RMB million*
Carrying amount at 1 January	**2,386**	2,658
New leases	**1,831**	775
Interest expense	**232**	122
Payments	**(1,673)**	(1,169)
Carrying amount at 31 December	**2,776**	2,386
Analysed into:		
Current portion	**926**	801
Non-current portion	**1,850**	1,585

The maturity analysis of lease liabilities is disclosed in note 49(c) to the consolidated financial statements.

17. LEASES (CONTINUED)

The Group as a lessee (continued)

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

	2023 **RMB million**	2022 RMB million
Interest on lease liabilities	**232**	122
Depreciation charge of right-of-use assets	**1,434**	1,268
Expense relating to short-term leases (included in cost of sales)	**1,795**	2,026
Expense relating to leases of low-value assets (included in administrative expenses)	**2**	7
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	**2**	5
Total amount recognised in profit or loss	**3,465**	3,428

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 40(c) and 49(c), respectively, to the consolidated financial statements.

The Group as a lessor

(a) Operating lease

The Group leases its investment properties (note 16) and property, plant and equipment (note 15) consisting of certain of commercial and industrial properties in Chinese Mainland 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 RMB962 million (2022: RMB1,072 million).

As at 31 December 2023, 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 2022, net of accumulated depreciation and impairment	891	631	1,522
Additions	571	198	769
Lease expiration	(55)	(235)	(290)
Depreciation	(232)	(60)	(292)
At 31 December 2023, net of accumulated depreciation and impairment	1,175	534	1,709

17. LEASES (CONTINUED)

The Group as a lessor (continued)

(a) Operating lease (continued)

At 31 December 2023, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 *RMB million*	2022 *RMB million*
Within 1 year	**592**	600
1 year to 2 years	**385**	453
2 years to 3 years	**228**	343
3 years to 4 years	**152**	207
4 years to 5 years	**193**	128
Over 5 years	**181**	350
Total	**1,731**	2,081

(b) Finance lease

Financing income from net lease investment was RMB2,734 million (2022: RMB2,414 million).

At 31 December 2023, the Group had contracted with lessees for the following future undiscounted lease payments under non-cancellable finance leases are as follows:

	2023 *RMB million*	2022 *RMB million*
Lease payments receivables		
– Within 1 year	**21,477**	16,598
– 1 year to 2 years	**17,089**	13,855
– 2 years to 3 years	**8,805**	8,377
– 3 years to 4 years	**2,653**	3,601
– 4 years to 5 years	**1,041**	2,023
– Over 5 years	**548**	1,154
Subtotal	**51,613**	45,608
Less: Unearned finance lease income	**4,184**	5,585
Net investment in the lease	**47,429**	40,023

18. 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 2023						
Cost at 1 January 2023, net of accumulated amortisation and impairment	**212,291**	**5,182**	**1,153**	**498**	**414**	**219,538**
Additions	**20,830**	**–**	**44**	**406**	**3,254**	**24,534**
Business combinations	**11,651**	**330**	**291**	**9**	**1,142**	**13,423**
Transfer from property, plant and equipment	**–**	**–**	**–**	**3**	**33**	**36**
Disposal of subsidiaries *(note 43)*	**(41,655)**	**–**	**–**	**–**	**–**	**(41,655)**
Disposal	**–**	**–**	**(20)**	**(7)**	**(2)**	**(29)**
Amortisation provided during the year	**(2,963)**	**–**	**(75)**	**(193)**	**(54)**	**(3,285)**
Impairment written off during the year	**–**	**(196)**	**–**	**–**	**–**	**(196)**
Exchange realignment	**457**	**139**	**20**	**–**	**1**	**617**
Others	**(12,435)**	**–**	**–**	**–**	**–**	**(12,435)**
At 31 December 2023	**188,176**	**5,455**	**1,413**	**716**	**4,788**	**200,548**
At 31 December 2023						
Cost	**201,214**	**5,751**	**1,718**	**1,933**	**5,210**	**215,826**
Accumulated amortisation and impairment	**(13,038)**	**(296)**	**(305)**	**(1,217)**	**(422)**	**(15,278)**
Net carrying amount	**188,176**	**5,455**	**1,413**	**716**	**4,788**	**200,548**
31 December 2022						
Cost at 1 January 2022, net of accumulated amortisation and impairment	222,097	5,120	1,138	406	340	229,101
Additions	24,815	–	49	295	118	25,277
Transfer from property, plant and equipment	–	–	–	7	–	7
Business combinations	–	18	–	–	–	18
Asset acquisition	7,696	–	–	–	–	7,696
Disposal of subsidiaries *(note 43)*	(34,605)	–	–	(1)	–	(34,606)
Disposal	–	–	–	(14)	–	(14)
Amortisation provided during the year	(2,645)	–	(34)	(195)	(44)	(2,918)
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	498	414	219,538
At 31 December 2022						
Cost	223,353	5,282	1,455	1,550	782	232,422
Accumulated amortisation and impairment	(11,062)	(100)	(302)	(1,052)	(368)	(12,884)
Net carrying amount	212,291	5,182	1,153	498	414	219,538

18. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2023, the net carrying amount of concession assets consisted of RMB168,207 million (2022: RMB175,141 million) under operation and RMB19,969 million (2022: RMB37,150 million) under construction, respectively.

As at 31 December 2023, the Group recognised an accumulated impairment of RMB299 million (2022: RMB299 million), based on the impairment tests for concession assets in the infrastructure construction segment.

As at 31 December 2023, certain bank and other borrowings were secured by concession assets with a total carrying amount of approximately RMB129,813 million (2022: RMB146,235 million) (notes 31(e) and 44(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:

	2023 ***RMB million***	2022 *RMB million*
John Holland CGU *(i)*	**4,756**	4,617
Concremat CGU *(i)*	**252**	252
F&G CGU *(i)*	**–**	195
Other CGUs	**447**	118
Total	**5,455**	5,182

(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. For the John Holland CGU, the key assumptions is set out below:

	2023 **John** **Holland**	2022 John Holland
Terminal growth rate [(1)]	**2%**	2%
Before tax discount rate [(2)]	**11.1%**	12.9%

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

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

As at 31 December 2023, the Group recognised an accumulated impairment of RMB296 million (2022: RMB100 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 2023 and 2022.

19. INVESTMENTS IN JOINT VENTURES

	2023 RMB million	2022 RMB million
At 1 January	**51,731**	44,577
Additions	**6,821**	6,822
Disposals	**(489)**	(744)
Share of profits or losses, net	**(1,409)**	(666)
Dividend distribution	**(464)**	(616)
Initial recognition of fair value of interests in joint ventures arising from disposal of subsidiaries	**4,229**	2,321
Conversion into subsidiaries resulting from increase in equity interests in joint ventures	**(652)**	(166)
Share of other comprehensive income of joint ventures	**(10)**	(22)
Impairment	**(248)**	(1)
Others	**162**	226
At 31 December	**59,671**	51,731

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:

	2023 RMB million	2022 RMB million
Share of the joint ventures' losses for the year	**(1,409)**	(666)
Share of the joint ventures' other comprehensive loss	**(10)**	(22)
Share of the joint ventures' total comprehensive loss	**(1,419)**	(688)
Aggregate carrying amount of the Group's investments in the joint ventures	**59,671**	51,731

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 46(b) and 46(c) to the financial statements.

As at 31 December 2023, approximately 9.18% of the aggregate carrying amount of the Group's investments in the joint ventures was directly held by the Company.

20. INVESTMENTS IN ASSOCIATES

	2023 RMB million	2022 RMB million
At 1 January	**47,588**	40,772
Additions	**5,940**	5,442
Disposals	**(255)**	(18)
Share of profits, net	**406**	343
Dividend distribution	**(535)**	(285)
Initial recognition of fair value of interests in associates arising from disposal of subsidiaries	**584**	978
Share of other comprehensive income of associates	**34**	360
Others	**58**	(4)
At 31 December	**53,820**	47,588

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	Chinese Mainland	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 2023, approximately 23.84% of the aggregate carrying amount of the Group's investments in the associates was directly held by the Company.

20. 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:

	2023 ***RMB million***	2022 *RMB million*
Non-current assets	**39,354**	39,366
Current assets	**45,511**	38,847
Total assets	**84,865**	78,213
Current liabilities	**(48,199)**	(36,351)
Non-current liabilities	**(17,799)**	(23,740)
Total liabilities	**(65,998)**	(60,091)
Non-controlling interests	**(3,110)**	(2,954)
Perpetual securities	**(500)**	(500)
Equity attributable to ordinary equity holders of the parent	**15,257**	14,668
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	**2,512**	2,421
Goodwill on acquisition (less cumulative impairment)	**1,911**	1,911
Carrying amount of the investment	**4,423**	4,332
Revenue	**32,933**	30,183
Profit attributable to owners of the parent	**520**	376
Other comprehensive loss attributable to owners of the parent	**34**	94
Total comprehensive income for the year attributable to owners of the parent	**554**	470
Dividend received	**–**	43

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2023 *RMB million*	2022 *RMB million*
Share of the associates' profit for the year	**322**	281
Share of the associates' other comprehensive income	**28**	345
Share of the associates' total comprehensive income	**350**	626
Aggregate carrying amount of the Group's investments in the associates	**49,397**	43,256

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 46 (b) and 46(c) to the financial statements.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 *RMB million*	2022 *RMB million*
Listed equity investments *(note a)*	**584**	993
Unlisted investments		
– Investments in structured entities *(note 23)*	**20,776**	17,257
– Unlisted equity investments	**3,763**	2,084
– Future purchase option *(note c)*	**2,740**	2,118
– Investments in assets-backed securities *(note 23)*	**37**	30
– Wealth management products *(note b)*	**254**	307
Subtotal	**28,154**	22,789
Less: Non-current portion		
Unlisted investments	**27,316**	21,489
Total current portion	**838**	1,300

(a) The listed equity investments at 31 December 2023 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 Chinese Mainland 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) The Group purchased future purchase options to buy back equity interests in certain companies it disposed of in prior years at a discounted price. As at 31 December 2023, the fair value of the future purchase options was RMB2,740 million (2022: RMB2,118 million).

22. 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:

	2023 **RMB million**	2022 RMB million
Listed equity instruments		
– China Merchants Bank Co., Ltd.	**11,761**	15,752
– China Merchants Securities Co., Ltd.	**3,749**	3,655
– Yutong Bus Co., Ltd.	**542**	307
– China Everbright Bank Co., Ltd.	**82**	229
– China Development Bank Financial Leasing Co., Ltd.	**194**	146
– CECEP Environmental Protection Equipment Co., Ltd.	**147**	146
– Bank of Communications Co., Ltd.	**–**	143
– Zhongtong Bus Holding Co., Ltd.	**42**	56
– Others	**213**	269
Subtotal	**16,730**	20,703
Unlisted equity instruments		
– Lunan High Speed Railway Co., Ltd.	**1,267**	1,298
– Shandong Zilin Expressway Co., Ltd.	**663**	194
– Shandong Jiwei Expressway Co., Ltd.	**346**	346
– Beijing CEDC Ltd.	**372**	321
– Shandong Expressway Jiqing Midline Highway Co., Ltd.	**242**	242
– Hunan Bainan Expressway Construction Development Co., Ltd.	**403**	173
– Jiangsu Xitai Tunnel Co., Ltd.	**287**	149
– Shanghai Kerry Oils & Grains Industries Co., Ltd.	**28**	48
– Others	**1,087**	653
Subtotal	**4,695**	3,424
Total	**21,425**	24,127

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 2023, 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 RMB404 million (2022: RMB175 million) at the time of sale and the Group realised a gain of RMB121 million (2022: RMB86 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 2023, the Group recognised dividends in a total amount of RMB892 million (2022: RMB874 million), including RMB19 million relating to equity investments derecognised during the reporting period and RMB873 million (2022: RMB874 million) relating to equity investments held at the end of the reporting period, respectively.

23. 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 2023, 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:

	2023		2022	
	Carrying amount	**Maximum exposure to loss**	Carrying amount	Maximum exposure to loss
	RMB million	***RMB million***	*RMB million*	*RMB million*
Investments in structured entities	**20,776**	**20,776**	17,257	17,257
Investments in asset-backed securities	**37**	**37**	30	30
Total	**20,813**	**20,813**	17,287	17,287

In 2023, the Group received management fees, commission and performance fees amounting to RMB82 million (2022: RMB38 million) from unconsolidated structured entities sponsored by the Group.

As disclosed in notes 26(f) and 41(iii)(b), the Group has entered into agreements with certain financial institutions to establish ABS and ABN arrangements. As at 31 December 2023, in addition to the liquidity support provided by the Group as disclosed, the Group has invested asset-backed securities with an aggregated amount of RMB37 million (2022: RMB30 million). The directors of the Company evaluate that the position of subordinated tranches invested is low, and therefore determined not to consolidate these ABS and ABN.

As at 31 December 2023, except for those disclosed and note 41(iii), there were no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities (2022: Nil).

24. INVENTORIES

	2023 RMB million	2022 RMB million
Raw materials	**15,346**	16,819
Work in progress	**1,415**	884
Properties under development *(note a)*	**50,949**	51,086
Completed properties held for sale *(note b)*	**19,238**	7,515
Finished goods	**853**	1,433
Others	**220**	526
Total	**88,021**	78,263

At 31 December 2023, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amount of RMB18,199 million (2022: RMB10,184 million) were pledged to secure the Group's bank loans (notes 31(e) and 44(b)).

(a) Properties under development comprise:

	2023 RMB million	2022 RMB million
Land use rights	**33,826**	29,845
Construction cost	**13,865**	18,181
Finance costs capitalised	**3,258**	3,060
Total	**50,949**	51,086

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 RMB11,667 million (2022: RMB5,365 million). The remaining amount is expected to be recovered within one year.

25. CONTRACT ASSETS

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 2023 and 2022 was mainly resulted from the increase in the ongoing provision of construction and dredging services at the end of each of the years.

	31 December 2023 *RMB million*	31 December 2022 *RMB million*	1 January 2022 *RMB million*
Contract assets arising from:			
Infrastructure construction	**426,628**	370,597	295,073
Infrastructure design	**12,706**	12,241	9,266
Dredging	**17,120**	13,574	27,123
Others	**419**	208	5
Subtotal	**456,873**	396,620	331,467
Impairment	**(4,261)**	(3,349)	(3,022)
Net carrying amount	**452,612**	393,271	328,445
Portion classified as non-current	**282,355**	242,716	198,395
Current portion	**170,257**	150,555	130,050

During the year ended 31 December 2023, RMB4,261 million (2022: RMB3,349 million) was recognised as an allowance for expected credit losses on contract assets.

As at 31 December 2023, 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 are as follows:

	2023 *RMB million*	2022 *RMB million*
At beginning of year	**3,349**	3,022
Impairment losses, net	**1,008**	504
Others	**(96)**	(177)
At end of year	**4,261**	3,349

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

25. CONTRACT ASSETS (CONTINUED)

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

	2023	2022
Expected credit loss rate	**0.85%**	0.78%
Gross carrying amount *(RMB million)*	**454,864**	395,571
Expected credit losses *(RMB million)*	**3,847**	3,083

26. TRADE AND OTHER RECEIVABLES

	2023 *RMB million*	2022 *RMB million*
Trade and bills receivables *(note a)*	**143,180**	133,504
Impairment	**(23,987)**	(22,375)
Net carrying amount	**119,193**	111,129
Long-term receivables *(note b)*	**308,864**	253,776
Impairment	**(10,295)**	(8,123)
Net carrying amount	**298,569**	245,653
Other receivables:		
Prepayments	**33,053**	34,869
Deposits *(note d)*	**26,700**	27,431
Others	**68,374**	52,314
Subtotal	**128,127**	114,614
Impairment *(note c)*	**(7,521)**	(5,226)
Net carrying amount	**120,606**	109,388
Total	**538,368**	466,170
Portion classified as non-current		
Long-term receivables	**221,762**	176,550
Other receivables:		
Prepayments	**5,982**	5,938
Deposits	**1,922**	1,576
Others	**6,513**	6,124
Total non-current portion	**236,179**	190,188
Total current portion	**302,189**	275,982

26. 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:

	2023 RMB million	2022 RMB million
Within 6 months	71,583	63,564
6 months to 1 year	13,188	9,781
1 year to 2 years	14,284	22,389
2 years to 3 years	11,390	6,206
Over 3 years	8,748	9,189
Total	119,193	111,129

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

	2023 RMB million	2022 RMB million
At beginning of year	22,375	17,795
Impairment losses, net	3,268	5,447
Disposal of subsidiaries	–	(62)
Amount written off*	(1,161)	(1,027)
Others	(495)	222
At end of year	23,987	22,375

* During the year ended 31 December 2023, an accumulated impairment of RMB616 million (2022: RMB1,003 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.

26. 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 2023

	Less than 1 year	1 to 2 years	2 to 3 years	Ageing 3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	**1.42%**	**14.98%**	**24.87%**	**40.93%**	**55.16%**	**87.57%**	**13.88%**
Gross carrying amount *(RMB million)*	**85,850**	**16,385**	**14,686**	**5,824**	**4,369**	**7,496**	**134,610**
Expected credit losses *(RMB million)*	**(1,221)**	**(2,454)**	**(3,653)**	**(2,384)**	**(2,410)**	**(6,564)**	**(18,686)**

As at 31 December 2022

	Less than 1 year	1 to 2 years	2 to 3 years	Ageing 3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	1.32%	13.82%	25.85%	35.88%	58.38%	82.68%	12.74%
Gross carrying amount *(RMB million)*	73,825	25,610	8,034	5,582	3,700	5,896	122,647
Expected credit losses *(RMB million)*	(974)	(3,539)	(2,077)	(2,003)	(2,160)	(4,875)	(15,628)

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 2023, the accumulated individual loss allowance was RMB5,301 million (31 December 2022: RMB6,747 million) with a carrying amount before loss allowance of RMB8,570 million (31 December 2022: RMB10,857 million).

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Long-term receivables mainly represented amounts due from certain construction works with payment periods over one year.

	31 December 2023	31 December 2022	1 January 2022
	RMB million	*RMB million*	*RMB million*
Long-term receivables arising from:			
Infrastructure construction	**280,536**	228,134	201,001
Infrastructure design	**9,439**	8,343	8,002
Dredging	**17,941**	16,903	16,731
Others	**948**	396	665
Subtotal	**308,864**	253,776	226,399
Impairment	**(10,295)**	(8,123)	(5,842)
Net carrying amount	**298,569**	245,653	220,557
Portion classified as non-current	**221,762**	176,550	160,686
Current portion	**76,807**	69,103	59,871

During the year ended 31 December 2023, RMB1,434 million (2022: RMB2,440 million) was recognised as an allowance for expected credit losses on long-term receivables.

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

	2023	2022
	RMB million	*RMB million*
At beginning of year	**8,123**	5,842
Impairment losses, net	**1,434**	2,440
Amount written off	**(179)**	(215)
Others	**917**	56
At end of year	**10,295**	8,123

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 long term receivables are based on those of the trade receivables as long term receivables and the trade receivables are from the same customer bases. The provision rates of 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.

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) (continued)

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

	2023	2022
Expected credit loss rate	**0.99%**	1.13%
Gross carrying amount *(RMB million)*	**292,026**	244,875
Expected credit losses *(RMB million)*	**2,891**	2,761

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

	2023 ***RMB million***	2022 *RMB million*
At beginning of year	**5,226**	3,919
Impairment losses, net	**2,191**	1,344
Disposal of subsidiaries	**–**	(33)
Amount written off	**(7)**	(14)
Others	**111**	10
At end of year	**7,521**	5,226

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:

	2023	2022
Expected credit loss rate	**3.70%**	2.95%
Gross carrying amount *(RMB million)*	**123,032**	111,161
Expected credit losses *(RMB million)*	**4,558**	3,281

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

(e) As at 31 December 2023, trade receivables of RMB66,523 million (2022: RMB51,804 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 2023, the relevant outstanding contract assets, trade receivables and long-term receivables under the ABS and ABN amounted to RMB34,152 million (2022: RMB34,880 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 2023, the Group transferred a portion of its trade receivables to a special purpose entity, which issued asset-backed securities to investors. The Group assumed the credit risk of the transferred trade receivables by subscribing to subordinated asset-backed securities. Receivables transferred under the arrangement but not yet settled were RMB560 million (31 December 2022: RMB1,995 million). As the Group retained a significant portion of the risk and return related to the relevant trade receivables, the Group did not derecognize the related trade receivables.

(h) The Group entered into accounts receivable factoring arrangements with certain financial institutions and transferred certain accounts receivable to financial institutions. Under this arrangement, if the accounts receivable debtor delays payment and the Group is required to repay the money, the Group retains virtually all of the risks and rewards on the ownership of the financial asset and does not terminate recognition of the financial asset. After the transfer, the Group no longer reserves the right to use it, including the right to sell, transfer or pledge it to other third parties. As at 31 December 2023, trade receivables transferred under the arrangement but not yet settled were RMB3,808 million (31 December 2022: Nil) and long-term receivables transferred under the arrangement but not yet settled were RMB5,734 million.

(i) As at 31 December 2023, outstanding bills receivable of RMB401 million (2022: RMB405 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 2023, outstanding bills receivable of RMB686 million (2022: RMB458 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.

(j) As at 31 December 2023, certain of the Group's outstanding trade and other receivables(excluding PPP projects) with a net carrying amount of approximately RMB42,288 million (2022: RMB37,910 million) were pledged to secure general banking facilities and other borrowings, and certain of the Group's outstanding trade receivables from PPP projects with a net carrying amount of approximately RMB176,508 million (2022:RMB138,678 million) have been pledged to secure bank borrowings (notes 31(e), 29(c) and 44(b)).

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 Assets RMB million	2023 Liabilities RMB million	2022 Assets RMB million	2022 Liabilities RMB million
Forward currency contracts				
– Cash flow hedges	–	5	7	7
Interest rate swap	48	–	62	–
Foreign exchange option	365	–	619	–
Total	413	5	688	7
Portion classified as non-current:				
Interest rate swap	48	–	62	–
Foreign exchange option	365	–	619	–
Current portion	–	5	7	7

28. CASH AND BANK BALANCES

	2023 RMB million	2022 RMB million
Restricted bank deposits *(note a)*	7,119	5,579
Time deposits with an initial term of over three months *(note b)*	3,610	4,081
Subtotal	10,729	9,660
Cash and cash equivalents *(note c)*	110,204	103,663
Total	120,933	113,323

(a) As at 31 December 2023, 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.

(c) Monetary funds in assets held for sale amounted to RMB154 million are classified as cash and cash equivalents.

28. 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 RMB83,997 million (2022: RMB76,673 million). The RMB is not freely convertible into other currencies, however, under Chinese Mainland'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 2023, less than 3% (2022: 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.

29. TRADE AND OTHER PAYABLES

	2023 ***RMB million***	2022 *RMB million*
Trade and bills payables *(note a)*	**391,789**	353,164
Deposits from suppliers	**45,775**	43,056
Retentions	**56,756**	47,365
Deposits in CCCC Finance *(note b)*	**13,530**	11,078
Other taxes	**39,565**	34,520
Payroll and social security	**2,762**	2,310
Other borrowings *(note c)*	**20,244**	3,802
Accrued expenses and others	**47,036**	31,832
Total	**617,457**	527,127
Portion classified as non-current		
Retentions	**43,131**	36,247
Other borrowings	**2,465**	31
Other taxes	**516**	328
Others	**7,009**	5,383
Total non-current portion	**53,121**	41,989
Total current portion	**564,336**	485,138

29. 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:

	2023 **RMB million**	2022 RMB million
Within 1 year	**343,316**	321,250
1 year to 2 years	**33,762**	18,641
2 years to 3 years	**6,595**	5,912
Over 3 years	**8,116**	7,361
Total	**391,789**	353,164

(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% (2022: 0.8%).

(c) As at 31 December 2023, the borrowings were secured by the Group's trade and other receivables, the borrowings interest ranging approximately from 2.82% to 5.75%.

30. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	December 31 2023 **RMB million**	December 31 2022 RMB million	January 1 2022 RMB million
Contract liabilities arising from:			
Infrastructure construction	**63,428**	66,267	70,612
Infrastructure design	**5,397**	6,689	6,008
Dredging	**3,973**	3,432	3,238
Others	**678**	1,032	1,046
Total	**73,476**	77,420	80,904

Contract liabilities mainly include short-term advances received to render construction, design and dredging services. The increase in the book value of contract liabilities this year is mainly due to the settlement period and time point agreed upon by the owner according to the contract. The decrease in contract liabilities this period is mainly due to the project meeting the revenue recognition conditions and carrying forward advance payment for engineering and sales.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2023 RMB million	2022 RMB million
Non-current			
Long-term bank borrowings			
– secured	*(e)*	**266,124**	257,606
– guaranteed	*(f)*	**13,215**	14,453
– unsecured or unguaranteed		**88,290**	68,235
Subtotal		**367,629**	340,294
Long-term other borrowings			
– secured	*(e)*	**337**	819
– guaranteed	*(f)*	**3,993**	2,370
– unsecured or unguaranteed		**352**	1,068
Subtotal		**4,682**	4,257
Corporate bonds		**16,314**	14,558
Non-public debt instruments		**9,239**	11,952
Lease liabilities	*17(b)*	**1,850**	1,585
Total non-current borrowings		**399,714**	372,646
Current			
Current portion of long-term bank borrowings			
– secured	*(e)*	**26,118**	15,650
– guaranteed	*(f)*	**2,134**	5,361
– unsecured or unguaranteed		**12,236**	18,491
Subtotal		**40,488**	39,502
Short-term bank borrowings			
– secured	*(e)*	**6,816**	11,125
– guaranteed	*(f)*	**296**	196
– unsecured or unguaranteed		**41,778**	24,299
Subtotal		**48,890**	35,620
Current portion of long-term other borrowings			
– secured	*(e)*	**517**	587
– guaranteed	*(f)*	**–**	150
– unsecured or unguaranteed		**69**	343
Subtotal		**586**	1,080
Short-term other borrowings			
– secured	*(e)*	**–**	–
– unsecured or unguaranteed		**139**	409
Subtotal		**139**	409
Corporate bonds		**6,521**	5,588
Debentures		**6,030**	8,532
Non-public debt instruments		**8,332**	2,172
Lease liabilities	*17(b)*	**926**	801
Total current borrowings		**111,912**	93,704
Total borrowings		**511,626**	466,350

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

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

	2023 RMB million	2022 RMB million
Bank borrowings		
– Within one year or on demand	89,378	75,122
– In the second year	52,241	40,299
– In the third to fifth years, inclusive	97,762	75,240
– Beyond five years	217,626	224,755
Subtotal	457,007	415,416
Others, excluding lease liabilities		
– Within one year or on demand	21,608	17,781
– In the second year	5,965	9,250
– In the third to fifth years, inclusive	20,983	18,665
– Beyond five years	3,287	2,852
Subtotal	51,843	48,548
Total	508,850	463,964

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

	2023 RMB million	2022 RMB million
Renminbi	481,310	435,073
United States dollar	23,850	26,176
Euro	3,159	3,038
Japanese yen	37	41
Hong Kong dollar	91	241
Others	3,179	1,781
Total	511,626	466,350

(c) An Analysis of the carrying amounts of borrowings by the type of interest rate is as follows:

	2023 RMB million	2022 RMB million
Fixed interest rate	149,387	138,632
Variable interest rate	362,239	327,718
Total	511,626	466,350

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

(d) Borrowings of the Group, excluding corporate bonds, debentures, non-public debt instruments, and lease liabilities, bore interest at effective rates ranging from 0.89% to 8.09% (2022: 0.30% to 7.50%) per annum at the end of the reporting period, and two overseas bank borrowing bore interest ranging from 9.38% to 18.00% (2022: 9.38% to 16.70%).

(e) As at 31 December 2023 and 2022, the borrowings were secured by the Group's property, plant and equipment (note 15), right-of-use assets (note 17(a)), concession assets and trade receivables from PPP projects (note 18, note26), inventories (note 24) and trade and other receivables (excluding PPP projects) (note 26).

(f) Guaranteed borrowings were guaranteed by certain subsidiaries of the Company.

32. 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

	2023			
	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*
31 December 2022	2,339	1,965	5,105	9,409
Effect of adoption of amendments to IAS12 *(note 2.2(c))*	–	–	92	92
At 1 January 2023 (Restated)	2,339	1,965	5,197	9,501
Charged to profit or loss during the year *(note 11)*	–	15	1,693	1,708
Credited to other comprehensive income	(654)	–	(31)	(685)
Business combinations	(1)	–	(56)	(57)
Disposal of subsidiaries	–	–	(180)	(180)
Transfer to tax payable upon the disposal of equity investments designated at fair value through other comprehensive income	–	–	–	–
Exchange differences	73	–	107	180
At 31 December 2023	1,757	1,980	6,730	10,467

32. DEFERRED TAX (CONTINUED)

Deferred tax assets

	2023				
	Impairment of financial assets and contract assets *RMB million*	Tax losses *RMB million*	Discount on long-term receivables *RMB million*	Others *RMB million*	Total *RMB million*
31 December 2022	**5,844**	**3,495**	**368**	**3,074**	**12,781**
Effect of adoption of amendments to IAS12 *(note 2.2(c))*	**–**	**–**	**–**	**93**	**93**
At 1 January 2023 (Restated)	**5,844**	**3,495**	**368**	**3,167**	**12,874**
Credited to profit or loss during the year *(note 11)*	**1,213**	**768**	**86**	**1,024**	**3,091**
Credited/(Charged) to other comprehensive income	**(6)**	**(20)**	**–**	**230**	**204**
Business combinations	**55**	**–**	**–**	**29**	**84**
Disposal of subsidiaries	**15**	**119**	**–**	**8**	**142**
Exchange differences	**(47)**	**(157)**	**(2)**	**16**	**(190)**
At 31 December 2023	**7,074**	**4,205**	**452**	**4,474**	**16,205**

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*
31 December 2021	4,908	1,947	4,338	11,193
Effect of adoption of amendments to IAS12 *(note 2.2(c))*	–	–	43	43
At 1 January 2022 (Restated)	4,908	1,947	4,381	11,236
Charged to profit or loss during the year (Restated) *(note 11)*	–	18	714	732
Credited to other comprehensive income	(1,342)	–	–	(1,342)
Business combinations	–	–	(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 (Restated)	2,339	1,965	5,197	9,501

32. DEFERRED TAX (CONTINUED)

Deferred tax assets

	2022				
	Impairment of financial assets and contract assets *RMB million*	Tax losses *RMB million*	Discount on long-term receivables *RMB million*	Others *RMB million*	Total *RMB million*
31 December 2021	4,331	2,883	316	3,498	11,028
Effect of adoption of amendments to IAS12 *(note 2.2(c))*	–	–	–	44	44
At 1 January 2022	4,331	2,883	316	3,542	11,072
Credited/(Charged) to profit or loss during the year (restated) *(note 11)*	1,493	596	15	(450)	1,654
Credited to other comprehensive income	–	–	–	149	149
Business combinations	11	7	–	–	18
Disposal of subsidiaries	(17)	(1)	(7)	–	(25)
Exchange differences	26	10	44	(74)	6
At 31 December 2022 (Restated)	5,844	3,495	368	3,167	12,874

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:

	2023		2022	
	Deferred tax assets ***RMB million***	**Deferred tax liabilities** ***RMB million***	Deferred tax assets *RMB million* (Restated)	Deferred tax liabilities *RMB million* (Restated)
The gross balance	**16,205**	**10,467**	12,874	9,501
Offsetting	**(6,088)**	**(6,088)**	(5,025)	(5,025)
Total	**10,117**	**4,379**	7,849	4,476

The Group has have not been recognised in respect of these losses amounting to RMB27,710 million (2022: RMB27,498 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 2023, the Group's unrecognized deductible provisional difference for deferred tax assets was RMB9,544 million (2022: RMB9,577million) 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.

32. DEFERRED TAX (CONTINUED)

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

	2023 ***RMB million***	2022 *RMB million*
Tax losses	**27,710**	27,498
Deductible provisional difference	**9,544**	9,577

The above tax losses of RMB119 million are available indefinitely and RMB27,591 million are available within 1 to 5 years for offsetting against future taxable profits of the companies in which the losses arose.

33. RETIREMENT BENEFIT OBLIGATIONS

The Group provided supplementary pension subsidies and medical benefits to its retired or early retired employees in Chinese Mainland 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:

	2023 ***RMB million***	2022 *RMB million*
Present value of defined benefit obligations	**1,009**	948
Portion classified as current portion	**102**	101
Non-current portion	**907**	847

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

	2023 ***RMB million***	2022 *RMB million*
At 1 January	**948**	1,062
Past service cost	**5**	(4)
Interest cost	**24**	27
Subtotal	**977**	1,085
Remeasurements		
– Gains from changes in financial assumptions	**14**	–
– Experience gains	**(12)**	–
Subtotal	**979**	1,085
Payments	**(187)**	(137)
Business combinations	**221**	–
Liabilities held for sale *(note 12)*	**(4)**	–
At 31 December	**1,009**	948

33. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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:

	2023	2022
Discount rate	**2.50%**	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	
	2023	2022
	RMB million	*RMB million*
Discount rate:		
– 0.25% increase	**(14)**	(12)
– 0.25% decrease	**14**	12
Medical cost growth rate:		
– 1.00% increase	**9**	8
– 1.00% decrease	**(8)**	(7)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the retirement benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the retirement benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

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

	2023	2022
	RMB million	*RMB million*
Within 1 year	**102**	101
1 year to 2 years	**119**	116
2 years to 5 years	**284**	285
Over 5 years	**685**	626
Total	**1,190**	1,128

The average duration of the defined benefit plan obligation at the end of the reporting period was 7 years (2022: 6 years).

34. PROVISIONS

	Provision for foreseeable losses on contract assets *RMB million*	Repair funds *RMB million*	Pending lawsuits *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2023	**1,608**	**1,448**	**45**	**64**	**3,165**
Additional provisions	**497**	**333**	**84**	**77**	**991**
Business combination	**-**	**-**	**-**	**49**	**49**
Utilised/reversed during the year	**(891)**	**(43)**	**-**	**(29)**	**(963)**
Disposal of subsidiaries	**-**	**(39)**	**-**	**-**	**(39)**
At 31 December 2023	**1,214**	**1,699**	**129**	**161**	**3,203**
Non-current portion	**1,214**	**1,699**	**129**	**161**	**3,203**

	Provision for foreseeable losses on contract assets *RMB million*	Repair funds *RMB million*	Pending lawsuits *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2022	2,162	1,348	96	80	3,686
Additional provisions	426	278	29	7	740
Utilised/reversed during the year	(980)	(178)	(80)	(23)	(1,261)
At 31 December 2022	1,608	1,448	45	64	3,165
Non-current portion	1,608	1,448	45	64	3,165

35. SHARE CAPITAL AND PREMIUM

	2023 *RMB million*	2022 *RMB million*
Issued and fully paid:		
11,845,185,425 (2022: 11,747,235,425) A shares of RMB1.00 each	**11,845**	11,747
4,418,476,000 (2022: 4,418,476,000) H shares of RMB1.00 each	**4,419**	4,419
Total	**16,264**	16,166

During the year of 2023, CCCG, the parent company, increased its shareholding of H shares in the Company by 31,971,000 H shares. Prior to the increase of shareholding, CCCG held 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. Subsequent to the increase of shareholding, CCCG holds 9,672,003,604 shares of the Company (including 9,374,616,604 A shares and 297,387,000 H shares), representing approximately 59.47% of the total issued shares of the Company.

35. SHARE CAPITAL AND PREMIUM (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital *RMB million*
At 1 January 2022	16,165,711,425	16,166
At 31 December 2022 and 1 January 2023	16,165,711,425	16,166
Issue of restricted shares *(Note (a))*	97,950,000	98
At 31 December 2023	**16,263,661,425**	**16,264**

Note (a):

During the year of 2023, CCCC, the Company, granted 97,950,000 restricted shares to its employees in the Group.

36. SHARE-BASED PAYMENTS

On 27 April 2023, the Company's general meeting of shareholders approved the 2022 Restricted Shares Incentive Scheme (the "Scheme"). Subsequently, out of the 115,550,000 restricted shares approved under the Scheme, 97,950,000 restricted shares were granted to employees of the Group. On 5 June 2023, the Company completed the registration of the 97,950,000 restricted shares granted under the Scheme at the Shanghai branch of China Securities Depository and Clearing Co., Ltd.

The offer of a grant of restricted share may be accepted from the date of offer, upon payment of a nominal consideration of RMB5.33 for each restricted share by the grantee. The unlocking dates of the incentive shares are the first trading day after the expiry of the 24 months, 36 months and 48 months of the registration date. If performance conditions stipulated in the Scheme are satisfied, 34%, 33% and 33% of the restricted shares shall be unlocked respectively for each restricted share by the grantee.

The Group accounts for the Scheme as an equity settled plan. The fair value of the shares granted was valued by reference to the market prices of the Company's shares at the grant date. The fair value of the restricted shares granted during the year was RMB629 million (RMB:6.42 each), of which the Group recognized a share-based payment expense of RMB146 million (2022: nil) during the year ended 31 December 2023.

Particulars and movements of the incentive shares under the scheme：

Date of grant (based on IFRS 2)	**As at 1 January 2023**	**Granted during the year *(number of shares)***	**Forfeited during the year *(number of shares)***	**Exercisable as at the end of year *(number of shares)***
27 April 2023	**–**	**97,950,000**	**(1,000,000)**	**96,950,000**

37. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY

	2023 RMB million	2022 RMB million
Perpetual securities	**35,000**	37,988

a) Renewable medium-term notes

As approved by NAFMII, one tranche of renewable medium-term note was issued by the Company in 2022, with a nominal value of RMB2,000 million. There is no maturity date for the renewable medium-term note and the holders have no right to receive a return of principal. The initial interest rates of the 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 the renewable medium-term note, 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 renewable medium-term note is 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.

b) Renewable corporate bonds

As approved by CSRC, three tranches of renewable corporate bonds were issued by the Company in 2021. The first tranche has a nominal value of RMB1,500 million, and the initial interest rate of this tranche of bonds were 3.3% for type one and 3.6% 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 tranche has a nominal value of RMB2,000 million, and the initial interest rate of this tranche of bonds were 3.18% for type one and 3.53% 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 third tranche have a nominal value of RMB500 million. The initial interest rate of this tranche of bond was 3.14% per annum, which will be reset once in every three years since the issuance date. 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 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 tranche has 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.

37. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY (CONTINUED)

b) Renewable corporate bonds (continued)

As approved by the CSRC, two tranches of renewable corporate bonds were issued by the Company in 2023. The first tranche has a nominal value of RMB1,000 million, and the initial interest rate of this tranche of bonds was 3.10% per annum, which will be reset once in every two years since the issuance date. The second tranche has a nominal value of RMB2,000 million, and the initial interest rate of this tranche of bonds were 3.03% for type one and 3.13% for type two per annum, which will be reset once in every two years for type one and three years for type two 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. The first contract has a nominal value of RMB6,000 million, the initial interest rate of this contract was 4.80%, 4.72% and 4.77% per annum, which will be reset once three years after ten years of the issuance date. The second contract has a nominal value of RMB4,000 million, the initial interest rate of this contract was 4.69% per annum, which will be reset once three years after ten years of the issuance date. There is no maturity date for these contracts and the investors have no right to receive a return or principal. 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.

38. RESERVES

	Capital reserve *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 2022	17,751	9,025	778	(64)	13,209	-	3,929	(289)	163,860	208,199
Business combination under common control	(206)	-	-	-	7	-	-	-	720	521
Accounting policy exchange	-	-	-	-	-	-	-	-	1	1
At 1 January 2023	17,545	9,025	778	(64)	13,216	-	3,929	(289)	164,581	208,721
Profit for the year	-	-	-	-	-	-	-	-	24,734	24,734
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	(2,729)	-	-	-	-	(2,729)
Cash flow hedges, net of tax	-	-	-	-	-	(4)	-	-	-	(4)
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	24	-	-	-	-	24
Share of other reserves of joint ventures and associates	4	-	-	-	-	-	-	-	-	4
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	(1)	-	-	-	-	-	(1)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	594	-	594
Issuance of perpetual securities	(15)	-	-	-	-	-	-	-	-	(15)
Final 2022 dividend declared	-	-	-	-	-	-	-	-	(3,509)	(3,509)
Share based payment	146									146
Business combination under common control	(88)	-	-	-	-	-	-	-	-	(88)
Spin-off and separate listing of three subsidiaries	4,929	-	-	-	-	-	-	-	-	4,929
Transaction with non-controlling interests	(463)	-	-	-	-	-	-	-	(7)	(470)
Interest on perpetual securities	-	-	-	-	-	-	-	-	(1,393)	(1,393)
Transfer to statutory surplus reserve (a)	-	2,260	-	-	-	-	-	-	(2,260)	-
Transfer to general reserve (b)	-	-	95	-	-	-	-	-	(95)	-
Transfer to safety production reserve (c)	-	-	-	-	-	-	922	-	(922)	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(93)	-	-	-	93	-
At 31 December 2023	22,058	11,285	873	(65)	10,418	(4)	4,851	305	181,222	230,943

38. RESERVES (CONTINUED)

	Capital reserve *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	420	–	–	–	(7)	–	–	–	543	956
Accounting policy exchange	–	–	–	–	–	–	–	–	1	1
At 1 January 2022	14,109	8,282	637	(63)	17,799	10	2,968	(3,214)	151,029	191,557
Profit for the year	–	–	–	–	–	–	–	–	20,226	20,226
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	(4,836)	–	–	–	–	(4,836)
Cash flow hedges, net of tax	–	–	–	–	–	(10)	–	–	–	(10)
Share of other comprehensive loss of joint ventures and associates	–	–	–	–	339	–	–	–	–	339
Actuarial loss on retirement benefit obligations, net of tax	–	–	–	(1)	–	–	–	–	–	(1)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	2,925	–	2,925
Share of other reserves of joint ventures and associates	(36)	–	–	–	–	–	–	–	–	(36)
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	(243)	–	–	–	–	–	–	–	–	(243)
Spin-off and separate listing of three subsidiaries	(510)	–	–	–	–	–	–	–	–	(510)
Transaction with non-controlling interests	(79)	–	–	–	–	–	–	–	–	(79)
Interest on perpetual securities	–	–	–	–	–	–	–	–	(1,622)	(1,622)
Transfer to statutory surplus reserve (a)	–	743	–	–	–	–	–	–	(743)	–
Transfer from 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	(1)	–	–	–	–	–	–	–	–	(1)
At 31 December 2022	17,545	9,025	778	(64)	13,216	–	3,929	(289)	164,581	208,721

38. 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 2023, the board of directors proposed an appropriation of 10% (2022: 10%) of the Company's profit after tax, as determined under PRC GAAP, of RMB2,260 million (2022: RMB743 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 2023 amounted to RMB873 million (2022: RMB778 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.

39. 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:

	2023 (%)	2022 (%)
CCCC (Beijing) One-term Equity Investment Fund LLP	**40.00**	40.00
CCCC First Highway Engineering Group Co., Ltd.	**25.19**	25.19
CCCC Second Highway Engineering Co., Ltd.	**34.84**	34.84
CCCC Construction Group Co., Ltd.	**28.80**	28.80
CCCC First Harbour Engineering Co., Ltd.	**17.61**	17.61
CCCC Second Harbour Engineering Co., Ltd.	**28.50**	28.50
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**	28.92
CCCC Urban Investment Holding Co., Ltd.	**8.06**	9.51
CCCC (Tianjin) Rail Transit Investment and Construction Co., Ltd.	**48.45**	45.41
CCCC Design Consulting Group Co., Ltd.	**46.12**	N/A
Gansu Qilianshan Cement Group Co., Ltd.	**15**	N/A

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

	2023 RMB million	2022 RMB million (Restated)
CCCC (Beijing) One-term Equity Investment Fund LLP	**11**	1
CCCC First Highway Engineering Group Co., Ltd.	**348**	148
CCCC Second Highway Engineering Co., Ltd.	**200**	200
CCCC Construction Group Co., Ltd.	**281**	230
CCCC First Harbour Engineering Co., Ltd.	**225**	173
CCCC Second Harbour Engineering Co., Ltd.	**385**	287
CCCC Third Harbour Engineering Co., Ltd.	**87**	87
CCCC Forth Harbour Engineering Co., Ltd.	**174**	174
Road & Bridge International Co., Ltd.	**274**	230
CCCC Urban Investment Holding Co., Ltd.	**101**	101
CCCC Design Consulting Group Co., Ltd.	**314**	N/A
Gansu Qilianshan Cement Group Co., Ltd.	**(19)**	N/A

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

Dividends distributed to non-controlling interests:

	2023 ***RMB million***	2022 *RMB million* (Restated)
CCCC (Beijing) One-term Equity Investment Fund LLP	**42**	–
CCCC First Highway Engineering Group Co., Ltd.	**311**	145
CCCC Second Highway Engineering Co., Ltd.	**199**	173
CCCC Construction Group Co., Ltd.	**282**	195
CCCC First Harbour Engineering Co., Ltd.	**226**	155
CCCC Second Harbour Engineering Co., Ltd.	**392**	234
CCCC Third Harbour Engineering Co., Ltd.	**87**	87
CCCC Forth Harbour Engineering Co., Ltd.	**174**	174
Road & Bridge International Co., Ltd.	**282**	191
CCCC Urban Investment Holding Co., Ltd.	**101**	66

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

	2023 ***RMB million***	2022 RMB million (Restated)
CCCC (Beijing) One-term Equity Investment Fund LLP	**3,739**	3,770
CCCC First Highway Engineering Group Co., Ltd.	**4,111**	4,074
CCCC Second Highway Engineering Co., Ltd.	**2,498**	2,497
CCCC Construction Group Co., Ltd.	**2,874**	2,875
CCCC First Harbour Engineering Co., Ltd.	**2,463**	2,470
CCCC Second Harbour Engineering Co., Ltd.	**4,895**	4,913
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.	**3,488**	3,496
CCCC Urban Investment Holding Co., Ltd. *(note a)*	**1,313**	1,001
CCCC (Tianjin) Rail Transit Investment and Construction Co., Ltd.	**2,068**	1,570
CCCC Design Consulting Group Co., Ltd.	**5,979**	N/A
Gansu Qilianshan Cement Group Co., Ltd.	**2,311**	N/A

(a) In 2023, the Company has made capital contributions of RMB3,886 million in total to CCCC Urban Investment Holding Co., Ltd.. As of 31 December 2023, the Company has made completed cash contributions totalling RMB3,000 million and non-cash contributions totalling RMB886 million. Upon completion of the capital contribution, the accumulated balance of non-controlling interests of CCCC Urban Investment Holding Co., Ltd. was increased by RMB312 million.

39. 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:

2023	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 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*	CCCC (Tianjin) Rail Transit Investment and Construction Co., Ltd *RMB million*	CCCC Design Consulting Group Co., Ltd. *RMB million*	Gansu Qilianshan Cement Group Co., Ltd. *RMB million*
Revenue	-	130,175	73,619	43,131	54,009	88,151	50,249	50,345	54,977	12,337	-	13,369	6,958
Profit for the year	27	2,711	2,301	1,487	1,543	2,228	831	3,409	2,593	2,584	-	1,795	659
Total comprehensive income	27	2,710	2,328	1,484	1,552	2,227	871	3,228	2,580	2,572	-	1,756	659
Current assets	-	83,602	33,123	34,946	42,696	81,058	43,114	28,167	33,146	35,420	28	17,871	2,510
Non-current assets	9,439	129,643	55,101	49,951	44,911	60,696	42,336	58,158	56,117	34,702	12,359	9,621	9,587
Current liabilities	65	114,934	49,626	49,715	53,191	86,193	55,836	42,209	44,770	24,926	1,952	11,649	3,003
Non-current liabilities	-	56,492	18,449	15,325	13,126	24,918	12,452	15,837	20,061	20,995	6,167	3,046	257
Net cash flows (used in)/generated from operating activities	-	1,970	4,584	103	2,377	1,562	3,814	5,055	542	1,307	(2,141)	10	1,919
Net cash flows (used in)/generated from investing activities	42	(25,050)	(4,447)	(4,263)	(4,301)	(3,730)	(2,113)	(6,243)	(7,862)	(13,221)	-	(112)	(585)
Net cash flows (used in)/generated from financing activities	(42)	23,402	855	4,595	2,466	(199)	(681)	1,307	8,956	12,174	2,119	(2,082)	(179)
Exchange gains on cash and cash equivalents	-	2	(4)	(6)	-	(7)	10	(26)	(1)	-	-	6	-
Net increase/(decrease) in cash and cash equivalents	-	324	988	429	542	(2,374)	1,030	93	1,635	260	(22)	(2,178)	1,155

39. 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)

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 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*	CCCC (Tianjin) Rail Transit Investment and Construction Co., Ltd *RMB million*
Revenue	–	131,136	67,438	48,359	54,490	87,909	47,885	45,665	53,141	10,666	170
Profit for the year	2	2,122	1,894	1,884	792	1,999	706	2,820	2,141	2,358	–
Total comprehensive income	2	2,093	1,925	1,874	840	1,933	654	2,829	2,119	2,358	–
Current assets	–	73,054	33,037	33,376	38,565	81,089	37,260	23,893	26,920	26,736	51
Non-current assets	9,439	123,756	48,581	41,567	42,351	56,343	37,200	49,743	49,316	25,826	9,131
Current liabilities	50	98,313	46,684	41,464	49,030	86,759	46,607	32,423	38,399	24,531	1,952
Non-current liabilities	–	57,435	16,048	14,635	11,574	20,947	11,197	15,131	16,654	9,804	6,167
Net cash flows (used in)/generated from operating activities	–	2,915	4,290	(2,162)	2,955	5,702	2,608	5,974	891	2,321	(2,504)
Net cash flows (used in)/generated from investing activities	–	(20,612)	(4,064)	(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	3,982	(1,524)	1,712	971	(672)	5,408	1,587	2,483
Exchange gains on cash and cash equivalents	–	4	3	7	29	17	4	24	1	–	–
Net increase/ (decrease) in cash and cash equivalents	–	1,607	495	810	1,726	2,242	1,100	1,719	656	(358)	(21)

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

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

	2023 *RMB million*	2022 *RMB million*
Increase in right-of-use assets	**1,951**	1,007
Bank acceptance bills endorsed settlement of trade and other payables	**1,117**	1,493

(b) Changes in liabilities arising from financing activities

2023	**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 2022	424,965	2,386	20,146	8,532	14,124	2,096	472,249
Changes from financing cash flows	57,830	(1,673)	1,838	(3,161)	2,970	(10,775)	47,029
New leases	–	1,821	–	–	–	–	1,821
Foreign exchange movement	437	–	–	–	–	–	437
Declared dividends	–	–	–	–	–	11,457	11,457
Interest expense	21,469	232	812	670	467	–	23,650
Increase arising from business combinations	11,897	10	-	–	-	–	11,907
Decrease arising from disposal of subsidiaries	(39,750)	–	–	–	-	(3)	(39,753)
Others	5,809	–	39	(11)	10	–	5,847
At 31 December 2023	482,657	2,776	22,835	6,030	17,571	2,775	534,644

(c) Total cash outflow for leases

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

	2023 *RMB million*	2022 *RMB million*
Within operating activities	**1,797**	1,963
Within investing activities	**906**	598
Within financing activities	**1,796**	1,163
Total	**4,499**	3,724

41. 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 RMB2,894 million (31 December 2022: RMB2,554 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 RMB3,714 million (31 December 2022: RMB3,378 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 2023, the outstanding balance of guarantees provided by the Group was approximately RMB4,462 million (31 December 2022: RMB3,815 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 2023, the outstanding balance of rent payable by Changchun Public Transportation (Group) Co., Ltd. to Huaxia Financial Leasing Co., Ltd. was RMB48 million (31 December 2022: RMB97 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 2023, out of the ABS and ABN in issue with an aggregate amount of RMB72,543 million (31 December 2022: RMB59,390 million), RMB67,089 million (31 December 2022: RMB54,284 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.

As of 31 December 2023, no provision has been made for the above liquidity supports as management estimates the outflow of resources is not probable.

42. BUSINESS COMBINATIONS

(a) Acquisition of subsidiaries not under common control

During the year ended 31 December 2023, the Group obtained control over several companies from certain independent third parties, at a total consideration of RMB6,602 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.

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	16,480
Current assets	2,933
Current liabilities	(1,324)
Non-current liabilities	(11,711)
Total identifiable net assets at fair value	6,378
Non-controlling interests	106
Goodwill on acquisition	330
Consideration	6,602
Less: Fair value of initial equity interests in these companies at acquisition date	1,605
Satisfied by cash	2,330
Satisfied by non-cash	2,667

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

	2023 ***RMB million***
Cash consideration	**(2,330)**
Cash and bank balances acquired	**2,883**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**553**

Since the acquisition, the acquirees contributed RMB67 million to the Group's revenue and caused a income of RMB12 million to the Group's profit for the year ended 31 December 2023.

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 RMB756,268 million and RMB31,198 million, respectively.

42. BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of a subsidiary under common control

On 31 May 2023, the Group acquired an 80% interest in Zhongjiao Dingxin Equity Investment Management Co., Ltd ("Zhongjiao Dingxin") from China Communications Real Estate Group Co., Ltd, China Real Estate Development Group Limited and China Real Estate Co., Ltd.

Since Zhongjiao Dingxin 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 Zhongjiao Dingxin are consolidated by the Group using the existing book values from the CCCG's 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 Zhongjiao Dingxin 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.

The book values of Zhongjiao Dingxi's assets and liabilities as at Merger date and 31 December 2022 were as follows:

	Merger date Book value *RMB million*	**31 December 2022 Book value** *RMB million*
Non-current assets	12	12
Current assets	110	119
Current liabilities	(3)	(11)
Non-current liabilities	(6)	(7)
Net assets	113	113
Non controlling interest	(23)	
Difference directly credited to equity	(2)	
Cash consideration	88	

42. BUSINESS COMBINATIONS (CONTINUED)

(c) Asset swap

As disclosed in note 2.3, the control over Qilianshan Cement and the Qilianshan constitutes business combinations not under common control.

The book values of the Three Municipal Institutes, and fair values of Qilianshan Cement as well as the Qilianshan as at Combination date were as follows:

	Total *RMB million*	**Combination date book values** *RMB million*	**Combination date fair values** *RMB million*
Non-current assets	14,128	2,567	11,561
Current assets	10,383	3,550	6,833
Current liabilities	(9,047)	(3,174)	(5,873)
Non-current liabilities	(1,931)	(1,631)	(300)
Net assets	13,533	1,312	12,221
Non-controlling interest	(2,998)		
Difference directly credited to equity	(214)		
Consideration	10,321		

43. DISPOSAL OF SUBSIDIARIES

(i) Information about the subsidiaries being disposed of:

In 2023, the Group disposed of the risks and rewards of an 80% equity interest in China Communications (Xinghua) Port Development Co., Ltd. ("Xinhua Port") to SWGF-CCCC asset-backed securities plan established and managed by Shenwan Hongyuan Securities Co. Ltd. After the disposal, the Group also lost its power to direct the relevant activities of Xinhua Port. As a result, upon the disposal, the Group lost control over Xinhua Port.

The Group and Xiaogan Urban Construction Investment Company ("Xiaogan Urban") are the only two shareholders of Xiaogan Jinhuai Culture Media Co., Ltd. ("Xiaogan Jinhuai "), Xiaogan Jinhuai has entered the operation period, in view of the operational experience of Xiaogan Urban in city facilities, the two shareholders agreed that Xiaogan Urban to lead Xiaogan Jinhuai's management affairs, and in 2023 revised the articles of association and replaced the directors dispatched personnel. As at 31 December 2023, the group no longer has control over Xiaogan Jinhuai.

In addition, the Company disposed of certain subsidiaries such as CCCC Qingyuan Investment and Development Co., Ltd., Hunan Zhongjiao Linlian High-speed Development and Investment Co., Ltd., and Guizhou Zhongjiao Deyu Expressway Co., Ltd. through equity transfer transactions. upon the disposals, the Group lost control over these companies.

During the year, the Company disposed of these subsidiaries for a total disposal consideration of RMB6,572 million.

43. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

	2023 Total *RMB million*	2022 Total *RMB million*
Non-current assets	**57,490**	38,307
– Intangible assets *(note 18)*	**41,655**	34,606
Current assets	**3,089**	6,322
Current liabilities	**(5,591)**	(11,813)
Non-current liabilities	**(41,720)**	(22,829)
Subtotal	**13,268**	9,987
Non-controlling interests	**(2,027)**	(741)
Subtotal	**11,241**	9,246
Gains on disposal of subsidiaries *(note 5)*	**518**	2,710
Total considerations	**11,759**	11,956
Represented by:		
Fair values of residual interests in joint ventures	**4,183**	2,320
Fair values of residual interests in associates	**584**	978
Financial assets at fair value through profit or loss	**420**	1,663
Consideration	**6,572**	6,995
Total	**11,759**	11,956

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

	2023 *RMB million*	2022 *RMB million*
Cash received from disposal of subsidiaries in current year	**3,578**	6,328
Cash and bank balances of subsidiaries disposed of	**(850)**	(1,591)
Cash received from disposal of subsidiaries in prior years	**1,438**	4,317
Cash received from equity transfer proceeds received in advance this year	**922**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**5,088**	9,054

44. PLEDGE OF ASSETS

(a) At 31 December 2023, the restricted deposits were RMB7,119 million (2022: RMB5,579 million).

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

	2023 **RMB million**	2022 *RMB million*
Property, plant and equipment *(note 15)*	**782**	–
Right-of-use assets *(note 17(a))*	**9,015**	8,764
Concession assets and trade receivables from PPP projects *(note 18, note 26)*	**306,321**	284,913
Inventories *(note 24)*	**18,199**	10,184
Trade and other receivables (excluding PPP projects) *(note 26)*	**42,288**	37,910
Total	**376,605**	341,771

45 COMMITMENTS

(i) Capital expenditure commitments

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

	2023 **RMB million**	2022 *RMB million*
Intangible assets – concession assets	**51,388**	84,425
Property, plant and equipment	**1,713**	2,335
Total	**53,101**	86,760

(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 2023, the maximum daily balance of loan services under the deposit services and loan services framework agreement is RMB29,078 million, the maximum daily balance of guarantee letter services under the guarantee letter services framework agreement is RMB5,010 million, and the maximum daily balance of bills issuance services and bonds subscription under the other credit services framework agreement is RMB1,372 million.

46. 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:

	2023 *RMB million*	2022 *RMB million*
Transactions with CCCG		
– Revenue from the provision of construction services and construction-related services	**3,416**	2,053
– Rental income	**3**	1
– Rental charges	**296**	289
– Interest expenses on deposits placed in CCCC Finance	**28**	31
– Loans to CCCG by CCCC Finance	**3,000**	300
– Interest income from loans provided by CCCC Finance	**84**	6
– Other borrowings from CCCG	**3,961**	307
– Interest expenses on loans	**39**	4
Transactions with fellow subsidiaries		
– Revenue from the provision of construction and construction-related services	**10,593**	11,342
– Revenue from sale of goods	**831**	1,172
– Rental income	**30**	12
– Interest expenses on deposits placed in CCCC Finance	**60**	75
– Loans from fellow subsidiaries	**100**	191
– Interest expenses on loans	**5**	–
– Purchases of materials	**2,889**	1,531
– Subcontracting and service charges	**3,095**	2,949
– Rental charges	**36**	1
– Loans to fellow subsidiaries by CCCC Finance	**1,395**	1,180
– Interest income from loans provided by CCCC Finance	**24**	18
– Factoring to fellow subsidiaries	**440**	340
– Interest income from factoring	**20**	52
– Finance lease loans to fellow subsidiaries	**699**	1,040
– Interest income from finance lease loans	**69**	109

46. 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)

	2023 RMB million	2022 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	5	1
– Factoring to fellow subsidiaries' joint ventures and associates	320	320
– Interest income from factoring	8	8
– Revenue from the provision of construction and construction-related services	573	307
– Revenue from sale of goods	–	2
Transactions with joint ventures and associates		
– Revenue from the provision of construction and construction-related services	59,815	73,140
– Revenue from sale of goods	48	483
– Purchases of materials	530	265
– Subcontracting and service charges	2,344	902
– Rental income	45	19
– Interest expense on deposits placed in CCCC Finance	30	19
– Loans from joint ventures and associates	7,673	10,644
– Interest expenses on loans	47	31
– Loans to a joint venture by CCCC Finance	–	182
– Interest income from loans by CCCC Finance	7	7
– Loans to joint ventures and associates	6,514	7,301
– Interest income from other loans	573	559
– Factoring to joint ventures and associates	131	70
– Interest income from factoring	21	29
– Finance lease loans to joint ventures and associates	92	127
– Interest income from finance lease loans	135	152

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 2023 and 2022, and the outstanding balances with ZPMC and its subsidiaries as at 31 December 2023 and 31 December 2022 were included in the category of transactions and balances with fellow subsidiaries.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

Balances with related parties other than government-related entities:

	2023 RMB million	2022 RMB million
Trade and bills receivables due from		
– CCCG	**478**	409
– Fellow subsidiaries	**2,716**	3,293
– Joint ventures and associates	**7,894**	5,729
– Fellow subsidiaries' joint ventures	**47**	54
Subtotal	**11,135**	9,485
Long-term trade receivables due from		
– CCCG	**2,030**	1,793
– Fellow subsidiaries	**6,273**	5,580
– Joint ventures and associates	**20,805**	19,355
– Fellow subsidiaries' joint ventures	**200**	418
Subtotal	**29,308**	27,146
Prepayments to		
– Fellow subsidiaries	**256**	665
– Joint ventures and associates	**615**	156
– Fellow subsidiaries' joint ventures	**4**	1
Subtotal	**875**	822
Other receivables due from*		
– CCCG	**3,541**	475
– Fellow subsidiaries	**3,167**	1,543
– Joint ventures and associates	**11,033**	10,611
– Fellow subsidiaries' joint ventures	**8**	8
Subtotal	**17,749**	12,637
Contract assets		
– CCCG	**203**	190
– Fellow subsidiaries	**2,008**	1,866
– Joint ventures and associates	**5,764**	5,118
– Fellow subsidiaries' joint ventures	**61**	51
Subtotal	**8,036**	7,225
Total	**67,103**	57,315

* 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.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2023 *RMB million*	2022 *RMB million*
Trade and bills payables due to		
– Fellow subsidiaries	**4,221**	2,764
– Joint ventures and associates	**1,757**	1,514
– Fellow subsidiaries' joint ventures	**24**	17
Subtotal	**6,002**	4,295
Long-term trade payables due to		
– CCCG	**–**	60
– Fellow subsidiaries	**2,715**	2,822
– Joint ventures and associates	**364**	315
– Fellow subsidiaries' joint ventures	**7**	25
Subtotal	**3,086**	3,222
Contract liabilities		
– CCCG	**81**	62
– Fellow subsidiaries	**521**	565
– Joint ventures and associates	**6,093**	6,995
– Fellow subsidiaries' joint ventures	**36**	19
Subtotal	**6,731**	7,641
Other payables*		
– CCCG	**1,713**	941
– Fellow subsidiaries	**10,184**	9,141
– Joint ventures and associates	**8,371**	5,786
Subtotal	**20,268**	15,868
Total	**36,087**	31,026

* Including deposits from related parties

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees with related parties:

	2023 RMB million	2022 RMB million
Outstanding loan guarantees provided to		
– Joint ventures	1,952	1,629
– Associates	1,762	1,749
Total	3,714	3,378
Outstanding guarantees provided by CCCG	9,102	9,101

(d) Commitments with related parties:

	2023 RMB million	2022 RMB million
Provision of construction services		
– CCCG	5,909	2,369
– Fellow subsidiaries	16,010	18,265
– Joint ventures and associates	83,389	106,950
– Fellow subsidiaries' joint ventures	489	890
Total	105,797	128,474
Purchase of services and goods		
– Fellow subsidiaries	4,136	2,479
– Joint ventures and associates	1,196	33
Total	5,332	2,512

(e) Key management compensation:

	2023 RMB'000	2022 RMB'000
Short term employee benefits	11,036	17,539
Post-employment benefits	659	797
Total	11,695	18,336

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Equity transactions with related parties

During the year ended 31 December 2023, the Group contributed RMB393 million in total to share capitals of companies set up together with fellow subsidiaries of CCCG.

(g) Other transactions with related parties

a) During the year, the Group acquired an 80% equity interest in Zhongjiao Dingxin, a subsidiary of CCCG, at a consideration of RMB88 million from China Communications Real Estate Group Co., Ltd, China Real Estate Development Group Limited and China Real Estate Co., Ltd. Upon completion of the transaction, the Group holds 80% of the equity interest in Zhongjiao Dingxin.

b) During the year, the Company spined off and listed its subsidiaries, namely CCCC Highway Consultants Co., Ltd., CCCC First Highway Consultants Co., Ltd. and CCCC Second Highway Consultants Co., Ltd. ("Three Highway Institutes"), and China Urban-Rural spined off and listed its subsidiaries ("Three Municipal Institutes") by reorganization with Gansu Qilianshan Cement Group Co., Ltd. ("Qilianshan"). Upon completion of the spin-off and reorganization, three highway institutes and the three municipal institutes have become the wholly-owned subsidiaries of Qilianshan, and the Company has become the controlling shareholder of Qilianshan holding approximately 53.88% equity interests in Qilianshan.

c) As of 31 December 2023, 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 RMB998 million (31 December 2022: RMB1,840 million).

d) In accordance with the financial services framework agreement between CCCC Finance and CCCG, CCCC Finance provides financial services to CCCG and its subsidiaries. In 2023, the maximum daily balance of loan services under the deposit services and loan services framework agreement is RMB29,078 million, the maximum daily balance of guarantee letter services under the guarantee letter services framework agreement is RMB5,010 million, and the maximum daily balance of bills issuance services and bonds subscription under the other credit services framework agreement is RMB1,372 million.

e) As of 31 December 2023, the outstanding balances of the bond investments in China Communications Real Estate Group Co., Ltd, held by CCCC Finance was RMB600 million and during the year, the interest of RMB29 million was accrued and recovered.

f) During the year, CCCC Third Harbor Engineering Co., Ltd., one of CCCC's subsidiary, withdrew its capital contribution by RMB147 million in China Communications Real Estate Zhoushan Development Co., Ltd. ("Zhoushan Development"), which is a joint venture of the Group with 49% equity interest and is under the ultimate control of CCCG.

g) During the year, Hong Kong Zhenhua, one of CCCC's subsidiary, acquired 17.25% equity in Overseas Real Estate USA held by CCCC Overseas Real Estate Co., Ltd. at a delivery price of RMB495 million. Upon completion of the transaction, the proportion of equity held by the Group in Overseas Real Estate USA increased from 77.90% to 95.15%.

h) During the year, CCCC Leasing, a subsidiary of the Company, increased its share capital from RMB5,700 million to RMB9,000 million through the conversion of share premium and reserves, and cash. CCCC Capital, ZPMC, Chuwa Bussan, CCCI, CACC, RB Investment and CCCC Leasing entered into the capital increase agreement. As CACC and ZPMC are subsidiaries of CCCG, the capital increase constitutes a connected transaction of the Company. Upon completion of the transaction, CCCC Leasing will be owned as to 90.2% from 91% by the Company through its subsidiaries CCCC Capital, Chuwa Bussan, CCCI and RB Investment.

47. 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:

2023

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Debt investments *RMB million*	Equity investments *RMB million*	Held for trading *RMB million*	cost *RMB million*	*RMB million*
Financial assets at fair value through profit or loss	–	–	28,154	–	28,154
Equity investments designated at fair value through other comprehensive income	–	21,425	–	–	21,425
Derivative financial instruments	–	–	413	–	413
Debt investments at amortised cost	–	–	–	1,240	1,240
Trade and other receivables excluding prepayments and other non-financial assets	961	–	–	505,315	506,276
Cash and bank balances	–	–	–	120,933	120,933
Total	961	21,425	28,567	627,488	678,441

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)	–	529,094	529,094
Derivative financial instruments	5	–	5
Trade and bills payables *(note 29)*	–	391,789	391,789
Deposits from suppliers *(note 29)*	–	45,775	45,775
Retentions *(note 29)*	–	56,756	56,756
Deposits in CCCC Finance *(note 29)*	–	13,530	13,530
Financial liabilities included in other payables and accruals	–	45,992	45,992
Total	5	1,082,936	1,082,941

47. 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)

2022

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	Financial assets at amortised cost	
	Debt investments	Equity investments	Held for trading	cost	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*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	–	24,127	–	–	24,127
Derivative financial instruments	–	–	688	–	688
Debt investments at amortised cost	–	–	–	1,764	1,764
Trade and other receivables excluding prepayments and other non-financial assets	1,755	–	–	404,255	406,010
Cash and bank balances	–	–	–	113,323	113,323
Total	1,755	24,127	23,477	519,342	568,701

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)	–	467,766	467,766
Derivative financial instruments	7	–	7
Trade and bills payables *(note 29)*	–	353,164	353,164
Deposits from suppliers *(note 29)*	–	43,056	43,056
Retentions *(note 29)*	–	47,365	47,365
Deposits in CCCC Finance *(note 29)*	–	11,078	11,078
Financial liabilities included in other payables and accruals	–	31,696	31,696
Total	7	954,125	954,132

48. 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	
	2023	2022	**2023**	2022
	RMB million	*RMB million*	***RMB million***	*RMB million*
Financial liabilities				
Non-current				
Bank borrowings	**367,629**	340,294	**367,564**	340,253
Corporate bonds	**16,314**	14,558	**16,419**	14,561
Non-public debt instruments	**9,239**	11,952	**8,903**	11,481
Other borrowings (other than lease liabilities)	**4,682**	4,257	**4,719**	4,235
Total	**397,864**	371,061	**397,605**	370,530

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 2023 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 2023, 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.

48. 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 Chinese Mainland. 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 2023

	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	–	961	–	961
Equity investments designated at fair value through other comprehensive income	16,730	–	4,695	21,425
Financial assets at fair value through profit or loss	838	129	27,187	28,154
Derivative financial instruments				
– Interest rate swap	–	48	–	48
– Foreign exchange option	–	–	365	365
Total	17,568	1,138	32,247	50,953
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	5	–	5

48. 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 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*
Assets				
Bills receivable	–	1,755	–	1,755
Equity investments designated at fair value through other comprehensive income	20,703	–	3,424	24,127
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
Total	22,003	1,824	25,532	49,359
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	7	–	7

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 (2022: Nil).

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

	2023 ***RMB million***	2022 *RMB million*
At 1 January	**25,532**	17,994
Total losses recognised in the consolidated statement of profit or loss included in other gains	**(963)**	(58)
Total losses recognised in other comprehensive income	**(14)**	(523)
Purchases	**9,387**	14,909
Disposals	**(1,695)**	(6,790)
At 31 December	**32,247**	25,532

48. 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 2023

	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	**–**	**367,564**	**–**	**367,564**
Corporate bonds	**4,000**	**12,419**	**–**	**16,419**
Non-public debt instruments	**–**	**8,903**	**–**	**8,903**
Other borrowings (other than lease liabilities)	**–**	**4,719**	**–**	**4,719**
Total	**4,000**	**393,605**	**–**	**397,605**

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	–	340,253	–	340,253
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
Total	4,000	366,530	–	370,530

49. 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 2023, the Group's aggregate net liabilities of RMB432 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 2023, 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 RMB224 million (2022: RMB563 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:

	2023	2022
Increase/decrease in quoted price in open markets	**10%**	10%

	2023 ***RMB million***	2022 *RMB million*
Impact on profit before tax for the year	**58**	99
Impact on equity (excluding retained profits)	**1,673**	2,070

49. 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 2023 and 2022, 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 2023 and 2022.

As at 31 December 2023, the Group's borrowings of approximately RMB315,954 million (31 December 2022: RMB281,850 million) were at variable rates. As at 31 December 2023, 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 RMB3,160 million (31 December 2022: RMB2,819 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 and derivative financial instruments represent the Group's maximum exposure to credit risk in relation to financial assets.

Maximum exposure and year-end staging as at 31 December 2023

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 2023

	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*	–	–	–	452,612	452,612
Trade and other receivables*	313,270	42,253	2,920	118,232	476,675
Debt investments at amortised cost	–	–	1,240	–	1,240
Restricted bank deposits and time deposits with an initial term of over three months					
– Not yet past due	10,729	–	–	–	10,729
Cash and cash equivalents					
– Not yet past due	110,204	–	–	–	110,204
Guarantees given to banks in connection with facilities granted to associates and joint ventures	3,714	–	–	–	3,714
Total	437,917	42,253	4,160	570,844	1,055,174

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

As at 31 December 2022

	12-month ECLs		Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Contract assets*	–	–	–	393,271	393,271
Trade and other receivables*	267,172	27,376	407	109,377	404,332
Debt investments at amortised cost	–	–	1,764	–	1,764
Restricted bank deposits and time deposits with an initial term of over three months					
– Not yet past due	9,660	–	–	–	9,660
Cash and cash equivalents					
– Not yet past due	103,663	–	–	–	103,663
Guarantees given to banks in connection with facilities granted to associates and joint ventures	3,378	–	–	–	3,378
Total	383,873	27,376	2,171	502,648	916,068

* 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 25 and note 26 to the financial statements, respectively.

As at 31 December 2023, 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 RMB10,051 million (2022: RMB7,068 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 26 to the consolidated financial statements.

49. 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 31.

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.

2023

	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)	**127,540**	**71,350**	**149,461**	**268,667**	**617,018**
Lease liabilities	**926**	**925**	**799**	**644**	**3,294**
Trade and other payables (excluding statutory and non-financial liabilities)	**521,573**	**42,465**	**8,168**	**2,254**	**574,460**
Net-settled derivative financial instruments	**5**	**–**	**–**	**–**	**5**
Total	**650,044**	**114,740**	**158,428**	**271,565**	**1,194,777**

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)	107,942	65,061	131,688	288,787	593,478
Lease liabilities	997	582	687	628	2,894
Trade and other payables (excluding statutory and non-financial liabilities)	448,587	31,339	8,819	1,501	490,246
Net-settled derivative financial instruments	7	–	–	–	7
Total	557,533	96,982	141,194	290,916	1,086,625

The Group's contractual amounts relating to loan guarantees and liquidity support are disclosed in note 41 of the consolidated financial statements.

Derivative financial instruments comprise forward currency contracts used by the Group to hedge the exposure to foreign currency risk.

49. 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 2023 *RMB million*	31 December 2022 *RMB million*
Total borrowings *(note 31)*	**511,626**	466,350
Less: Cash and cash equivalents *(note 28)*	**110,358**	103,663
Net debt	**401,268**	362,687
Total equity	**459,124**	427,492
Total capital	**860,392**	790,179
Gearing ratio	**46.6%**	45.9%

The Group's gearing ratio increases from 45.90% to 46.60% on 31 December 2023 as compared with the ratio as at 31 December 2022.

50. EVENT AFTER THE REPORTING PERIOD

On 28 March 2024, the board of directors of the Company resolved that a final dividend of RMB0.29253 per share, totalling approximately RMB4,762 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.

51. COMPARATIVE AMOUNTS

As stated in note 2.2(c) and note 2.3, due to adoption of amendments to IAS 12 and the acquisition of subsidiaries under common control as mentioned in note 42(b), the comparative information has been restated.

52. 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:

	2023 RMB million	2022 RMB million
Non-current assets		
Property, plant and equipment	171	132
Right-of-use assets	79	16
Investment properties	1,645	1,699
Intangible assets	636	400
Investments in subsidiaries	172,171	155,176
Investments in joint ventures	5,480	4,797
Investments in associates	12,832	11,395
Financial assets at fair value through profit or loss	799	537
Equity investments designated at fair value through other comprehensive income	5,609	7,507
Contract assets	1,478	2,487
Trade and other receivables	3,150	2,951
Loans to subsidiaries	427	427
Amounts due from subsidiaries	687	1,307
Total non-current assets	205,164	188,831
Current assets		
Inventories	488	471
Contract assets	7,369	5,951
Trade and other receivables	12,418	13,782
Loans to subsidiaries	3,564	18,711
Amounts due from subsidiaries	42,828	36,585
Restricted bank deposits	77	4
Cash and cash equivalents	23,269	17,782
Total current assets	90,013	93,286
Current liabilities		
Trade and other payables	6,350	4,092
Contract liabilities	3,429	6,326
Amounts due to subsidiaries	62,756	65,105
Tax payables	1,669	1,010
Interest-bearing bank and other borrowings	32,535	33,591
Retirement benefit obligations	2	2
Total current liabilities	106,741	110,126
Net current liabilities	(16,728)	(16,840)
Total assets less current liabilities	188,436	171,991

Continued/…

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

	2023 *RMB million*	2022 *RMB million*
Total assets less current liabilities	**188,436**	171,991
Non-current liabilities		
Trade and other payables	**186**	373
Deferred income	**5**	13
Amounts due to subsidiaries	**6,289**	6,088
Interest-bearing bank and other borrowings	**24,381**	20,819
Deferred tax liabilities	**570**	1,061
Retirement benefit obligations	**22**	23
Provisions	**4**	4
Total non-current liabilities	**31,457**	28,381
Net assets	**156,979**	143,610
Equity		
Share capital	**16,264**	16,166
Treasury shares	**(522)**	–
Share premium	**20,049**	19,625
Financial instruments classified as equity	**35,000**	37,988
Reserves *(note)*	**86,188**	69,831
Total equity	**156,979**	143,610

52. 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 2022	**21,754**	**9,573**	**62**	**5,412**	**(13)**	**33,043**	**69,831**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**22,595**	**22,595**
Changes in fair value of equity instruments designated at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**(1,424)**	**–**	**–**	**(1,424)**
Share of other comprehensive loss of joint ventures and associates	**–**	**–**	**–**	**5**	**–**	**–**	**5**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**39**	**–**	**39**
Equity trading	**(87)**	**–**	**–**	**–**	**–**	**–**	**(87)**
Issue of perpetual securities	**(15)**	**–**	**–**	**–**	**–**	**–**	**(15)**
Share based payment	**146**	**–**	**–**	**–**	**–**	**–**	**146**
Final 2022 dividend declared	**–**	**–**	**–**	**–**	**–**	**(3,509)**	**(3,509)**
Interest on perpetual securities	**–**	**–**	**–**	**–**	**–**	**(1,393)**	**(1,393)**
Transfer to statutory surplus reserve	**–**	**2,260**	**–**	**–**	**–**	**(2,260)**	**–**
At 31 December 2023	**21,798**	**11,833**	**62**	**3,993**	**26**	**48,476**	**86,188**

	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

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

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

To the shareholders of China Communications Construction Company Limited

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

OPINION

We have audited the consolidated financial statements of China Communications Construction Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 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

	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
		Attributable to owners of the parent							
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		Principal activities
				Direct	Indirect	
Unlisted						
China Harbour Engineering Co., Ltd. ("CHEC")	PRC and other regions	Limited liability company	RMB6,000	50.10%	49.90%	Infrastructure construction
China Road and Bridge Corporation ("CRBC")	PRC and other regions	Limited liability company	RMB6,000	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

Continued/…

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Communications Materials & Equipment Co., Ltd.	PRC	Limited liability company	RMB1,734	100%	–	Trading of construction materials and equipment
CCCC Finance	PRC	Limited liability company	RMB7,000	95%	–	Financial services
CCCC International Holding Limited ("CCCI")	Hong Kong	Limited liability company	HK$2,372	50.98%	49.02%	Investment holding
CCCC Capital Holdings Limited ("CCCC Capital")	PRC	Limited liability company	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	Range 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	**Maximum exposure to loss**	Carrying amount	Maximum exposure to loss
	RMB million	***RMB million***	*RMB million*	*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	2021
	RMB million	*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	2021
	RMB million	*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 *RMB million*	31 December 2021 *RMB million*	1 January 2021 *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 *RMB million*	2021 *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		2021	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	***RMB million***	*RMB million*	*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	2021
	RMB million	*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) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total 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			
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB million	*RMB million*	*RMB million*	*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		
	Stage 1	Stage 2	Stage 3	Simplified 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.

ISSUER

CCCI Treasure Limited
CCCC International Holding Limited c/o CCCI Treasure Limited
Room 2805, 28/F, Office Tower
Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

GUARANTOR

China Communications Construction Company Limited
No. 85, Deshengmenwai Street
Xicheng District
Beijing 100088
PRC

CMU LODGING AND PAYING AGENT, REGISTRAR AND TRANSFER AGENT

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

TRUSTEE

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

LEGAL ADVISERS

To the Issuer as to BVI law

Ogier
11th Floor, Central Tower
28 Queen's Road Central
Central, Hong Kong

To the Issuer and the Guarantor as to English and Hong Kong laws

Linklaters
11th Floor, Alexandra House
Chater Road
Hong Kong

To the Issuer and the Guarantor as to PRC law

Global Law Office
36th Floor, Shanghai One
ICC, No. 999
Middle Huai Hai Road, Xuhui District
Shanghai, PRC

To the Joint Lead Managers as to English and Hong Kong laws

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central, Hong Kong

To the Joint Lead Managers as to PRC law

Zhong Lun Law Firm
6/10/11/16/17F, Two IFC,
8 Century Avenue,
Pudong New Area, Shanghai

To the Trustee as to English law

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central, Hong Kong

AUDITORS TO THE GUARANTOR

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place 979 King's Road
Quarry Bay, Hong Kong