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)

(Stock Code: 1800)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS[Notes]

Revenue from continuing operations of the Group in 2018 amounted to RMB488,666 million, representing an increase of RMB28,599 million or 6.2% from RMB460,067 million in 2017.

Gross profit from continuing operations in 2018 amounted to RMB64,611 million, representing an increase of RMB4,174 million or 6.9% from RMB60,437 million in 2017.

Operating profit from continuing operations in 2018 amounted to RMB33,321 million, representing an increase of RMB1,553 million or 4.9% from RMB31,768 million in 2017.

Profit attributable to owners of the parent from continuing operations in 2018 amounted to RMB19,819 million, compared with RMB17,913 million in 2017.

Earnings per share for the year 2018 amounted to RMB1.16, as compared with RMB1.23 in 2017.

The value of new contracts in 2018 amounted to RMB890,873 million, representing an increase of 1.1% from RMB881,006 million in 2017.

As at 31 December 2018, the backlog for the Group was RMB1,689,738 million.

The Board has proposed a final dividend of RMB0.23077 per share (tax inclusive) for the year ended 31 December 2018, subject to Shareholders' approval.

Notes:

1. Upon the completion of the equity transfer of ZPMC on 27 December 2017, ZPMC was classified as a discontinued operation.
2. New contracts for the corresponding period of 2017 excluded the portion of ZPMC.
3. In calculating the amount of basic earnings per share, the interests/dividends with an aggregate amount of approximately RMB1,018 million shall be excluded from profits.

CHAIRMAN'S STATEMENT

In 2018, the Company encountered complex external environment. While under the strategic leadership of CCCG, the controlling shareholder of the Company, and the support of all minority shareholders, by remaining true to our original aspiration to promote reform and integrating into the overall situation to seek for development, the Company adhered to the general working guideline of making progress amidst stability and insisted on the strategy of "experts in five areas" and the positioning of "three roles" including "being responsible for government and economic and social development, taking deep participation in regional economic development and serving as a quality provider of government procurement of public services", thereby making steady progress in various works and achieving satisfactory results in terms of quality development.

Revenue of the Group was RMB488,666 million, representing an increase of 6.2%; profit attributable to owners of the parent amounted to RMB19,819 million; and earnings per share was RMB1.16. New contracts value amounted to RMB890,873 million, representing an increase of 1.1%. As at 31 December 2018, the backlog of the Group amounted to RMB1,689,738 million, which represented sufficient business reserve to provide strong support and guarantee for sustained and steady development of the Company.

Over the past year, by centering close around the core mission of quality development, the Company consolidated its foundation, optimized its layout, expanded the markets, adjusted the structure, promoted the reform, strengthened the management and enhanced the Party building and cohesion, making positive progress in the following aspects:

Firstly, the fulfillment of corporate responsibility was demonstrated in the execution of strategies. Our strategic projects represented by the Hainan Engineering Project, the Hong Kong-Zhuhai-Macao Bridge and the "Independence Avenue" in Papua New Guinea were successfully delivered and put into operation, while the participation in the "Belt and Road Initiative" achieved remarkable results, promoting regional development in the Beijing-Tianjin-Hebei Region, the Yangtze River Economic Zone and the Guangdong-Hong Kong-Macao Greater Bay Area to yield satisfactory results, and making solid progress in the "three critical missions" including the reduction of leverage and debt, etc.

Secondly, the Company maintained stable and positive development momentum, which was proven by the steady improvement in production and operation and continuous optimization of operation quality. Besides, the major indicators of the Company such as per capita profit and gross profit margin ranked the first among its peers in the industry for numerous years and the unique advantages remained at the leading position.

Thirdly, the in-depth reform was pushed forward in an orderly manner. With the support and understanding of all shareholders, the resolutions submitted to the shareholders' meetings, including profit distribution and connected transactions, were all reviewed and approved. The Company took a critical step in pilot reforms, achieved new results in professional integration, advanced special reforms smoothly, and continuously optimized the adaptive organization.

Fourthly, the Company made crucial breakthrough in transformation and upgrading, resulting in the accelerated adjustment of business structure, optimized market layout, and strengthened innovation leadership.

Fifthly, the Party building was developed to a higher level with special features more outstanding, the Party's leadership was strengthened and the officials were managed by the Party in a more scientific manner. The Party and the enterprises worked with integrity and in a more cohesive way.

As an important holding subsidiary of CCCG, the Company played a decisive role in the business performance of CCCG. In 2018, CCCG ranked the 91st in the Fortune Global 500. In the Operating Results Assessment of State-owned Enterprises conducted by the SASAC, CCCG has been rated as a Grade A enterprise for thirteen consecutive years. Meanwhile, CCCG has ranked the third in ENR's Top International Contractors for three consecutive years and remained the first among top international contractors in Asia and Chinese enterprises for twelve consecutive years.

The year of 2019 is the 70th anniversary of the founding of the People's Republic of China and will be a crucial year for the country to build a moderately prosperous society in all respects, and for the Company to become a world-class enterprise with global competitiveness. The Central Economic Work Conference has made an overall research and judgment on the current situations, on which it was pointed out that China's development still remained and would, in the long run, remain in an important period of strategic opportunities, showing a long-term positive prospect of development amid changes, downside and increased uncertainties. To this end, we will apprehend the profound connotation of the important period of strategic opportunities, hold onto the general working guideline of making progress amidst stability, shoulder the major tasks of in-depth reform and opening-up, and conform to the work requirement of "encouraging implementation with creativity". By making accurate judgment to foreseeable changes, responding properly to changes and taking the initiative to seek for changes, the Company will start a new chapter in the development of CCCC.

First of all, the Company shall be far-sighted to foresee changes and make accurate judgment of the development trend to take the initiative to seize the new opportunities brought by China's participation in global governance, promotion of quality development, comprehensive in-depth reforms and technological innovation.

Secondly, the Company shall stay focused and respond to changes properly. We shall remain true to our original aspiration to strengthen the stability of the Company, work hard to press ahead and enhance positive development momentum with pioneering spirit. Standing in the forefront of the times, we will never stop conquering difficulties in ideological emancipation, transformation and upgrading, reform and development, quality development and unexpected risks.

Thirdly, the Company shall actively take advantage of the development trend to seek for changes. In response of the changes in current situations and the requirements for corporate development, we will continue to exert our efforts in supply-side structural reform, strengthen stability of the Company with more forceful progress, and ensure further advancement of quality development of the Company with new ideological emancipation and actual performance of work.

In 2019, the Company will fully promote the quality development and persistently strive to be a world-class enterprise with global competitiveness. In respect of the operations, the Company plans to achieve a year-on-year growth rate no less than 8% in the value of new contracts and no less than 10% in revenue. In addition, the Company strives to further improve the operation quality, reduce asset-liability ratio and total interest-bearing liabilities, control the increase in cost expenses and administrative costs within reasonable range and ensure the increase in "two reserves" not exceeding the increase in revenue for the same period. As such, we will focus on fulfilling the work in the following five areas.

Firstly, we will strengthen our responsibility for national missions, and seek development by "integrating national strategies into development" as our overall strategic selection. We will, based on the improvement of infrastructure industry ecosystem, focus on three themes, namely, "transport, city and living", and make achievements in five areas, including "maritime", "bay", "urbanization", "Internet" and "livelihood", to highlight the responsibility of CCCC in implementing national strategic deployment.

Secondly, we will strive to achieve significant progress in multi-dimensional development, enhance strategic guidance, optimize resource allocation, improve investment capacity and level, and deepen innovation-driven development, to provide CCCC's plans for quality development in the new era.

Thirdly, we will further implement reform and forge ahead bravely, expedite the reform of more flexible and optimal regulation and control mechanism, effectively utilize the pillar and ballast functions of the Company in CCCG, to create a CCCC example for the deepening of reform of state-owned enterprises in all areas.

Fourthly, we will strengthen global development, actively align with global leading enterprises, accelerate the transformation from international CCCC to global CCCC in all areas, comprehensively prevent and control non-market risks, establish a long-term mechanism to avoid compliance risks, actively respond to safety risks on a people-oriented basis, to provide CCCC's support for China's involvement in global governance with its quality and coordinated development in overseas market.

Fifthly, we will enhance the leadership in Party building, properly carry out Party building practice with CCCC characteristics, highlight and enhance "six tasks in relation to strict Party self-governance", play a leading role in the new great work of Party building, to present CCCC's practice on fully improving Party building quality in state-owned enterprises at a new start point.

We are in a magnificent new era and standing at a new starting point of quality development of the Company. With high enthusiasm and spirit of innovation, we will stride forward to keep up with the times, continue to work hard to pursue the dream of becoming a world-class enterprise, and turn to a new chapter in the quality development of CCCC, thereby celebrating the 70th anniversary of the founding of the People's Republic of China with satisfactory performance results.

BUSINESS OVERVIEW

In 2018, with a commitment to the general principle of pursuing progress while ensuring stability, the Company focused on high quality development, adjusted industrial structure and changed development mode, hence achieved continuous improvement of operating results and a good operating quality as a whole.

The value of new contracts entered into by the Group amounted to RMB890,873 million, representing a year-on-year increase of 1.1%. As at 31 December 2018, the backlog of the Group amounted to RMB1,689,738 million.

The value of new contracts from overseas markets of the Group amounted to RMB159,013 million (equivalent to approximately USD23,532 million), representing 18% of the Group's new contract value and a year-on-year decrease of 26.0% (mainly due to higher base in the corresponding period of last year arising from the Malaysia East Coast Rail Link Project, otherwise representing a year-on-year increase of 12.0%). Of which, 16 projects were entered into with each new contract value over USD300 million and a total contract value of USD12,991 million, accounting for 55% of total value of all overseas new contracts of the Group. According to statistics, as of 31 December 2018, the Company conducted its business in 139 countries and regions, of which a total of 850 foreign contracting engineering projects were under construction, with a total contract amount of approximately USD109,300 million.

The confirmed value of contracts from PPP investment projects of the Group amounted to RMB152,325 million (wherein: the confirmed contract value of share-participation projects on a shareholding pro-rata basis amounted to RMB37,951 million), accounting for 17% of the value of new contracts of the Group, representing a year-on-year decrease of 18.8%; the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB239,714 million.

I. BUSINESS REVIEW AND MARKET STRATEGIES

(I) Domestic Market

In 2018, the economy of China maintained an overall stable development with progress, with a year-on-year growth of 6.6% in GDP, and major indicators were kept within an appropriate range. Fixed assets investment in infrastructure achieved a year-on-year increase of 3.8%, but growth rate dropped significantly as compared with that of the previous year. Wherein, investment in road transport business increased by 8.2%, investment in public facility management business increased by 2.5%, while investment in railway transport business decreased by 5.1%. In the first half, subject to the joint effects of policies on thorough inspection of PPP projects, implementation of financial regulation, tightened regulation on local debt and increased efforts in environmental protection, overall growth rate of investment slowed down; in particular, significant decrease in growth rate of infrastructure investment was observed. In the second half, the government introduced several supporting measures in response to the above: on one hand, exerting greater efforts in improving the weak links in infrastructure investment, issuing special guiding opinions and requiring prevention of radical ups and downs in infrastructure investment, therefore the approvals of infrastructure investment projects in many regions increased significantly; on the other hand, urging local government to expedite the issuance and use of special bonds of local government of RMB1.35 trillion in the year, which has effectively mitigated the issue of insufficient source of funds for upfront infrastructure investment. Since October, growth rate of infrastructure investment started to rebound. In particular, as it was proposed to maintain efforts in improving weak links in infrastructure area at the Central Economic Work Conference at the end of December, the market is expected to rebound for infrastructure investment gradually.

In 2018, with a commitment to the general principle of pursuing progress while ensuring stability and connotative development, the Company achieved stable operations with improvement. As traditional businesses were faced by a grim situation, the Company improved planning and guiding, promoted operations, kept exploring market stock profoundly, consolidated the foundation for development, seized opportunities in "improving weak links" in infrastructure and regional strategic channels as well as port integration, and strived to be a fast follower and a first mover. In addition, the Company achieved improvement in the capacity expansion and efficiency of emerging business and made breakthroughs in rail transit, comprehensive management of river basins and city-related business. In the year, the Company successfully completed a number of projects of great historical significance, including Hainan Project and the construction of Hong Kong-Zhuhai-Macau Bridge. Moreover, the Company, by leveraging its whole industry chain advantage, boosted the coordinated development for the Beijing-Tianjin-Hebei Region, the development of the Yangtze River Economic Belt, and the construction of Guangdong-Hong Kong-Macau Greater Bay Area and coordinated development in other regions. The Company performed its responsibilities in light of implementing the concept of green development, made contributions to building a beautiful China, promoted the implementation of improvement projects of Yongding River, Jin Jiang River, Tuojiang River, etc., and shouldered the responsibility as a pillar of a great power in respect of developing China into a transport power as well as a maritime power, and building a green China.

(II) Overseas Market

In 2018, the Company was committed to jointly deepening the construction and development of the "Belt and Road", promoting the development of the community with shared future for mankind, building an open world economy, preserving China's plans, including the multilateral trading system. China's plans have been widely welcomed by the international community. The trend of economic globalization was irreversible. However, economic globalization hit turbulence, multilateralism received negative impact, international financial market was volatile and Sino-US trade friction was tough and changeable. Uncertainties and risks in international context were increasingly exacerbated.

In 2018, the Company highlighted the power of CCCC as a contributor to global development with win-win actions. The Company was committed to promoting reform precisely and delicately, promoting the construction of the "Belt and Road" in both substance and depth, driving high-dimensional development through high-end connection and high-end operation, and proposed "China's Plans" and made "China's Voice" at major diplomatic and business events of the State, such as the Beijing summit meeting of Sino-African Cooperation Forum and the First China International Import Expo (CIIE). The Company was committed to the completion and handing over of several representative projects, including Love-Connection Bridge, Wealth Road, Development Port, Happiness City, the China-Maldives Friendship Bridge, and "Independence Avenue" in Papua New Guinea, and contributed the power of CCCC to the smooth of the global traffic map and local economic and social development. The Company has ranked the third in ENR's Top International Contractors for three consecutive years, remained the largest international engineering contractor in Asia and ranked the first among the Chinese enterprises for twelve consecutive years, made the "Name Cards of China" famous, such as Road of China, Bridge of China, Port of China, Island of China, City of China and Equipment of China, and redefined the connotation of Infrastructure of China.

(III) Business Summary

1. Infrastructure Construction Business

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

In 2018, the value of new infrastructure construction contracts entered into by the Group amounted to RMB770,994 million, representing a year-on-year decrease of 1.5%. Wherein, the value of new contracts from overseas markets amounted to RMB151,032 million (equivalent to approximately USD22,351 million); the confirmed value of new contracts from PPP investment projects amounted to RMB142,697 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB225,714 million. As at 31 December 2018, the backlog amounted to RMB1,526,365 million.

Categorised by project type and location, the value of new contracts in terms of port construction, road and bridge construction, railway construction, municipal and environmental projects, etc., and overseas projects amounted to RMB27,284 million, RMB317,534 million, RMB8,678 million, RMB266,466 million and RMB151,032 million, representing 4%, 40%, 1%, 35% and 20% of the total value of new infrastructure construction contracts, respectively.

(1) Port Construction

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

In 2018, the value of new contracts of the Group for port construction projects in Mainland China amounted to RMB27,284 million, representing a year-on-year decrease of 8.1%, and accounting for 4% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from PPP investment projects amounted to RMB4,212 million. The decrease in the value of new contracts was mainly attributable to the shrinkage of demands from traditional market.

From January to November 2018, according to the data announced by the Ministry of Transport, fixed assets investment in coastal and inland transportation construction completed amounted to approximately RMB106,092 million, representing a year-on-year decrease of 4.6%. Adversely affected by the port construction demand being close to saturation, industrial overcapacity, insufficient investment of local governments and other factors, overall growth potential of the market was limited, the investment in the traditional water transportation construction market continued to decrease at a lower rate, while the investment scale of inland water transportation achieved a slight increase.

With deeper initiation of the Yangtze River Economic Zone strategy and publication of "The Opinion on Comprehensively Promoting the Development of Green Transport", integration of domestic ports was continued, and inland waterways were developed at a higher speed. The inland waterway transport construction market and the market of projects for comprehensive treatment of river basins with the aim of development of green transport and serving the construction of a traffic power will provide new growth points for traditional water transportation construction.

(2) Road and Bridge Construction

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

In 2018, the value of new contracts of the Group for road and bridge construction projects in Mainland China reached RMB317,534 million, representing a year-on-year increase of 6.5%, and accounting for 40% of that of the infrastructure construction business. Wherein, the confirmed value of new contracts from PPP investment projects amounted to RMB68,134 million. The increase in the value of new contracts was mainly attributable to the Company's steady shares in the traditional market, and the stimulation of investment projects by virtue of PPP mode.

From January to November 2018, according to the data published by the Ministry of Transport, the fixed assets investment in road transport construction amounted to approximately RMB1,986,733 million, representing a year-on-year increase of 0.2%. In the first half, adversely affected by leverage reduction and cleanup of the PPP project pool, the progress in the implementation of road projects slowed down. In the second half, as the State issued policies on improving weak links in infrastructure construction for the purpose of preventing radical ups and downs in infrastructure investment, in conjunction with "China Western Development", "Regional Economic Development Hotspots" and "the Thirteenth Five-Year Plan for the Development of Modern Integrated Transport System", investment in the development of Central and Western China and the construction of road transport hub increased and the construction of a traffic power proceeded steadily.

In 2018, the Company promoted the construction of several local expressways and highways along major provincial boundaries providing important support for major national strategies, including Project of Qingshuiyi – Kushui Section of G312 Line, Project of Luanchuan – Shuanglong Section of Zhengzhou – Xixia Expressway and Yunnan Section of Zhenxiong – Hezhang Expressway, through thorough exploration, consolidating the dominant position of traditional business and effectively utilizing its whole industry chain advantage.

(3) Railway Construction

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

In 2018, the value of new contracts of the Group for railway construction projects in Mainland China reached RMB8,678 million, representing a year-on-year decrease of 44.0%, and accounting for 1% of that of the infrastructure construction business. Wherein, the confirmed value of new contracts from PPP investment projects amounted to RMB400 million.

Looking ahead, focusing on Central and Western China, the State will expedite significant progress in the construction of "Eight Vertical and Eight Horizontal" Trunk Network Project of high-speed railway, expand regional connect line railways and further improve railway trunk network. As stated in the 2019 Report on the Work of the Government, fixed assets investment in railway of RMB800,000 million were planned to be completed in 2019, intensity and scale of fixed assets investment in railway will be maintained, and new railways of 6,800 kilometers will be put into operation, including 3,200 kilometers of high-speed railways.

(4) Municipal and Environmental Projects, etc.

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

In 2018, the value of new contracts of the Group for municipal and environmental projects, etc. in Mainland China reached RMB266,466 million, representing a year-on-year increase of 15.4%, and accounting for 35% of that of the infrastructure construction business. The confirmed value of contracts from PPP investment projects was RMB56,307 million.

In 2018, according to the data published by the National Bureau of Statistics, the investment in water resources, environment and public facilities management business grew by 3.3%. Wherein, fixed assets investment in ecological protection and environmental improvement increased by 43.0%. Weak areas including ecological restoration and coastal protection, as supported by policies, provided new growth points for the industry. In addition, with the accelerated urbanization process in China, demands for infrastructure of urban rail transit was on the rise, dominated by metro lines and light rails by category, and supplemented by other systems, featuring a diversified development pattern.

Centering on "thoroughly exploring cities, operating cities and serving cities", and by coordinating with the strategies of Beautiful China and Healthy China, the Company optimized business thinking and business model, and snatched market shares in various areas, including urban comprehensive development, urban public utility operation, ecological protection and cultural tourism, leisure and health, and started business in cities and high quality development of water environment business. After Urumchi and Chengdu Metro, the Company accessed Hangzhou and Guangzhou metro markets based on the construction of whole metro lines, hence steadily increased its market shares. The Company has been awarded with major municipal projects, including Yancheng City Expressway Network Phase III Project and Tongren City Underground Utility Tunnel, and obtained significant effects in urban deployment. In addition, the Company also have been awarded with sewage treatment and ecological water system projects in Shanghai, Wuhan, Hebei, etc. and achieved sound development in emerging business.

(5) Overseas Projects

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

In 2018, the value of new contracts of the Group for overseas projects in the infrastructure construction business amounted to RMB151,032 million (equivalent to approximately USD22,351 million), representing a year-on-year decrease of 27.7% (mainly due to higher base in the corresponding period of last year arising from the Malaysia East Coast Rail Link Project; otherwise, a year-on-year increase of 11.1% would be recorded), and accounting for 20% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from PPP investment projects amounted to RMB13,643 million. In addition, 16 projects were entered into with each new contract value over USD300 million and a total contract value of USD12,991 million, accounting for 55% of total value of all overseas new contracts of the Group.

Categorised by project type, the value of overseas new infrastructure construction contracts for roads and bridges, railways, municipal, ports, housing and other projects accounted for 42%, 16%, 15%, 12% and 15% of the value of new contracts for overseas projects, respectively.

Categorised by project location, the value of new infrastructure construction contracts for Africa, Southeast Asia, Oceania, Hong Kong/Macau/Taiwan, South America and other regions accounted for 28%, 28%, 28%, 6%, 2% and 8% of the value of new contracts for overseas projects, respectively.

In 2018, being market-oriented, the Company made an overall arrangement, consolidated market shares of spot exchange projects, explored and developed emerging project areas, and achieved remarkable results. The singing of contract for Section II in Serbia of Hungary-Serbia Railway significantly increased the Company's shares in railway market of Serbia. The Project of the Fourth Largest Bridge over the Panama Canal completed by the Company has become the largest single government spot exchange project awarded to a Chinese enterprise in America so far. The Investment Project for Comprehensive Utilization of Water Resources in Petorca awarded to the Company has become the first franchise project awarded to the Company in Chile, and filled the gaps of the Company in the field of overseas comprehensive utilization of water resources. The Company has made its presence in up to 139 countries all over the world after entering the markets in Croatia, East Timor, Georgia and Dominica and other countries in the year.

In 2018, the Company systematically organized and comprehensively improved its whole set of overseas development system, and issued and implemented 14 systems on the overall guiding and overall planning of overseas business and regulation in overseas regions, such as the Administrative Measures for Overseas Segment. The Company revised the Administrative Measures for the Implementation of Overseas Projects, and focused on improving performance credit evaluation system and risk prevention and control mechanism of overseas projects, and improved lifetime management of projects. The Company issued the Administrative Measures for Supervision over Occupational Health, Safety and Environmental Protection for Overseas Projects of CCCC, and firmly established the concept of overseas "general safety". The Company kept consolidating the foundation for overseas work safety through the combined measures of strengthening organizational leadership, enhancing identification and addressing of hidden hazards, and implementing education and training, and kept improving its emergency response capability, leading to a steady and good picture of overseas work safety.

2. *Infrastructure Design Business*

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

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

In terms of the railway infrastructure design business, the Group has entered the market during the "Eleventh Five-Year Plan" period. In 2018, the Company obtained the only one A-Grade qualification in design outside the railway system through merger and acquisition and achieved remarkable results.

In 2018, the value of new contracts of the Group in infrastructure design business reached RMB49,087 million, representing a year-on-year increase of 30.8%. Wherein, the value of new contracts from overseas markets amounted to RMB2,473 million (equivalent to approximately USD366 million); the confirmed value of new contracts from PPP investment projects amounted to RMB2,660 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB2,984 million. As at 31 December 2018, the backlog amounted to RMB77,171 million.

Categorised by project type, the value of new contracts for survey and design, project supervision, EPC contracting and other projects (including PPP projects) amounted to RMB8,841 million, RMB1,153 million, RMB21,990 million and RMB17,103 million, representing 18%, 2%, 45% and 35% of the total value of new infrastructure design contracts, respectively, as compared with 28%, 2%, 51% and 19%, respectively recorded for the corresponding period of 2017.

In 2018, adversely affected by the port construction demand being close to saturation, industrial overcapacity, demand of coastal port construction market was still at a low level; inland waterway construction confronted some protracted problems; port design business of the Company was transformed towards emerging areas, including water environment improvement and sponge city; the Company has undertaken the Water System Connection and Ecological Management Engineering in Urban Areas of Xiangyang City, the Comprehensive Improvement Engineering of Reservoir Banks of Trunk Stream of Yangtze River in the Three Gorges Reservoir Region and other projects. Number of highway and bridge survey and design projects remained stable as compared with that for the corresponding period of previous year. The deepening of the implementation of Beijing-Tianjin-Hebei Transportation Integration, the Guangdong-Hong Kong-Macao Greater Bay Area and the Integrated Transportation Development of Yangtze River Delta brought about new market opportunities.

3. Dredging Business

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

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

In 2018, the value of new contracts of the Group in dredging business reached RMB56,983 million, representing a year-on-year increase of 17.5%. Wherein, the value of new contracts from overseas markets amounted to RMB5,318 million (equivalent to approximately USD787 million); the confirmed value of new contracts from PPP investment projects amounted to RMB6,968 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB11,016 million. As at 31 December 2018, the backlog amounted to RMB79,312 million.

In 2018, according to the vessel purchase plan, one large vessel was newly constructed with special purpose to serve in the Group's dredger fleets. As at 31 December 2018, the Group's dredging capacity amounted to approximately 786 million cubic meters under standard operating conditions.

Subject to the upgrading of environmental policies and the implementation of strict control over sea reclamation by the State, the dredging and reclamation business was significantly affected. Faced with pressure and difficulties, the Company exerted greater efforts in researching policies on emerging business, focused on current business status, analyzed competition situation and guided the direction of transformation. On one hand, the Company thoroughly explored traditional business, consolidated its dominant position, increased market stock and led in properly conducting pre-bid planning of large projects. The Company signed the contracts for the Infrastructure Construction Project of Qiandao Central Commercial Complex of Zhoushan, the Soft Foundation Treatment Project of East Taizhou New Area in Zhejiang and other large projects. Shares in domestic coastal dredging and reclamation market remained at approximately 70%. On the other hand, the Company actively developed emerging business and gradually increased market increment. Being market-oriented, the Company seized the opportunity of inland waterway development, deepened the implementation of environmental business as guided by the concept of "environment +", steadily promoted the implementation of the Environment Improvement Project of "Five Major River Basins", tracked the implementation of the "Dong River – Wanrong River" Comprehensive Riverway Improvement Project in Jishou City, Hunan Province, Comprehensive Improvement Project of Banks of Yu River in Guigang City, Guangxi Province, etc. The transformation of business structure from traditional dredging and reclamation to river basin improvement was materialized. In addition, the Company strived to fulfill overseas development strategy and completed adjustment, transformation and upgrading of overseas regional central structure. The value of contracts from overseas dredging business exceeded RMB5,000 million, accounting for approximately 10% of the value of new contracts from the business.

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

1. Infrastructure Construction Business

Port Construction

No.	Contract Name	Contract Value
1	PPP Project for Phase I of First Batch of Works for New Operation Area in Chongqing Port	2,454
2	Project of No.11 and 12 Universal Berths and Barge Berths in Xinsha Port Area of Guangzhou Port	1,146
3	Navigation Channel Renovation Project of the Beijing – Hangzhou Grand Canal (Babao Navigation Lock Section)	1,121
4	Combination Project for the Embankment from Waiwenwu Polder Dyke to Xiasha in National Highway 228 of Changle, Fujian	941
5	Lot IV of Civil Works for Main Project of Minjiang River Qianwei Section Navigation-power Junction in Sichuan	743

Road and Bridge Construction

No.	Contract Name	Contract Value
1	BOT Project of Guiyang – Huangping Highway	8,570
2	Turnkey Project for Luanchuan – Shuanglong Section of Zhengzhou – Xixia Expressway	4,509
3	PPP Project of Yuliangzhou Section of East-West Axis Road in Xiangyang City	4,348
4	PPP Project of Chongxian – Laoyuhang Connect Line (Overhead) Highway Engineering in Hangzhou City	4,302
5	Project of Sonid Right Banner-Huade Section of Sonid Right Banner-Zhangjiakou Link for Erenhot-Guangzhou Expressway	3,845

Railway Construction

No.	Contract Name	Contract Value
1	Project of Lot RLTJ-2 of Rizhao-Linyi Section of New South Shandong High Speed Railway	1,942
2	Lot YTZQ-6 of Newly-built Yancheng-Nantong Railway Station Project	1,485
3	Pre-station Project of the New Intercity Railway Between Beijing and Xiong'an	1,479
4	Contracting Project for East Ring Road Pre-station Project of New Chongqing Railway Hub	880
5	Civil Construction Project of S1 Line Phase I of Municipal Railway in Taizhou, Zhejiang	654

Municipal and Environmental Projects, etc.

No.	Contract Name	Contract Value
1	City-Industry Integration PPP Project for High Speed Rail Metropolitan, Wenzhou	11,993
2	PPP Project of Chengdu Metro Line 17 Phase I Engineering	7,027
3	PPP Project for Road and Bridge Works and Supporting Works for Zhongshan East Road, Shantou	5,774
4	Comprehensive Development Project of Chentang District, Tianjin City	4,621
5	PPP Project for Integrated City Development and Operation of Zhongshan (Shiqi) Headquarters Economic Zone, Guangdong Province	3,990

Overseas Projects

No.	Contract Name	Contract Value
1	Hong Kong's Integrated Waste Management Facility Phase I	27,198
2	BOT Project of Phnom Penh-Sihanoukville Expressway in Cambodia	13,643
3	Preliminary Works of West Gate Tunnel in Melbourne, Australia	12,526
4	Subway Tunnel and Platform Project in Melbourne, Australia	8,116
5	Phase I of Lekki Deep Water Port Project in Lagos Free Trade Zone in Nigeria	7,095

2. Infrastructure Design Business

No.	Contract Name	Contract Value
1	"Upgrade from Class 3 to Class 2" EPC Project of Jining-Taierzhuang Waterway of Beijing-Hangzhou Canal	2,381
2	EPC Project of Baisha Expressway in Danzhou, Hainan Province	2,176
3	Reconstruction EPC Project of Huxi Waterway (Two-stage Dam to Jiangsu-Shandong Boundary) of Beijing – Hangzhou Canal in Jining City	1,064
4	EPC Project of Wharf for LNG Emergency Peak-shaving Station in Shenzhen City	789
5	EPC Project of Shaxi Mega Bridge over Zhongxian, Youxi – Lixin, Jianning of Putian – Yanling Expressway	700

3. Dredging Business

No.	Contract Name	Contract Value
1	EPC Project of Koln Container Port in Panama	2,256
2	PPP Project of Painted Surface Treatment and Soft Foundation Treatment in East New District, Taizhou, Zhejiang	1,405
3	Lot 2A of Land Formation Engineering of Emerging Marine Industry Base in Shenzhen City	1,340
4	Lot II of PPP Project of Ecological Water System Construction Engineering in Gongyi City, Henan Province	1,196
5	South Harbour Basin Waterway Project in North Operation Area of Lanshan Harbour Area of Rizhao Port	960

IV. TECHNOLOGY INNOVATION

Technology innovation is a requisite to the development trend and is critical to the future of enterprises. For many years, the Company has insisted on innovation-driven development. In 2018, R&D costs of the Company amounted to RMB9,663 million, accounting for 2.0% of the Company's revenue, representing an increase of 0.9 percentage point, as compared with that of five years ago. In recent years, the Company improved its technology innovation capacity in an all-round way; the supporting effects of technology innovation increased dramatically, and the development led by technology innovation became prominent. In 2018, the Company achieved new breakthroughs in technology innovation again, mainly reflected in the following aspects:

Firstly, construction of innovation platforms proceeded steadily, with the two R&D centers newly added, two R&D centers evaluated and one key laboratory awarded with the title of "Top Ten Innovation Platforms" of transportation industry, which demonstrated the further improvement in the innovation capacity of the Company.

Secondly, R&D projects were conducted precisely and effectively aiming at cutting-edge and key generic technologies. A number of major technology R&D projects and national technology support projects have been implemented, including the Technology Research and Application (Phase I) of Intelligent Bridges, Key Technology Research on Intelligent Transportation and Green Ecology in Xiong'an New Area, such that the Company's ability in achieving major scientific and technological breakthroughs has been improved significantly.

Thirdly, great progress was made in international technology exchange and practical cooperation. The Company has become a member of the Strategic Advisory Committee of the International Alliance for Architectural Intelligence, and this was the first time for the council of this alliance to include company representatives from China in its decision making since its establishment. The Company joined hands with LafargeHolcim Group of France and Sika Group of Switzerland, to conduct international innovation activities in the world and this was also the first time for a Chinese enterprise to conduct similar innovation activities in the world.

Fourthly, new achievements have been made in creating intellectual properties. Two international standards for dredgers compiled by the Company as a chief editor have been approved by the International Organization for Standardization and have been issued for implementation. The Company has been awarded with 4 National Prizes for Progress in Science and Technology, 1 Technological Invention Award, 6 Zhan Tianyou Awards, and 182 provincial and ministerial technology awards. The Company participated in the compilation of 9 national standards and 25 industry standards that have been promulgated, engaged in the translation and compilation work of 23 industry standards and promulgated 3 enterprise technological standards. The Company has been awarded with 1,712 patents, 220 software copyrights and 84 provincial and ministerial construction methods.

V. FINANCIAL INNOVATION

In 2018, the Company strengthened innovation in fund investment and financing under the backdrop that PPP projects were subject to comprehensive inspection and financial regulation became stricter. By introducing strategic partners including China PPP Fund, Social Security Fund and China Life, the Company attracted cumulative capital of RMB17,100 million during the year, which boosted a project investment of over RMB50,000 million. The Company also signed the Cooperation Agreement on Risk Compensation Mechanism with total value of RMB50,000 million, therefore further expanding financing channels for PPP projects.

The Company coordinately promoted asset-backed securitisation business to optimise financial structure. In a bid to revitalise stock assets and decrease inventories and accounts receivable, the Company selected four entities to promote pilot programme of off-balance-sheet asset-backed securitisation, which succeeded in issuing five off-balance-sheet asset-backed securitisation products with a total scale of approximately RMB5,559 million, in which, the senior issue coupon rate recorded the lowest level among the coupon rate of similar products. CCCC Dredging issued corporate bonds of RMB4,000 million, with the coupon rate 10.5% lower than the interest rate quoted by banks for the same period.

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

(1) Completed and Accepted Projects during the Reporting Period

Total number of projects	N/A
Total value of projects	192,699

		Number	Contract Value
Categorised by region	Domestic	N/A	151,275
	Overseas	N/A	41,424
Categorised by business type	Infrastructure construction	300	177,220
	Infrastructure design	1,411	7,730
	Dredging	111	5,901
	Others	N/A	1,848

(2) Projects Under Construction During the Reporting Period

Total number of projects	N/A
Total value of projects	3,596,828

		Number	Contract Value
Categorised by region	Domestic	N/A	2,791,662
	Overseas	N/A	805,166
Categorised by business type	Infrastructure construction	8,780	3,184,188
	Infrastructure design	21,590	200,620
	Dredging	1,671	197,038
	Others	N/A	14,982

Note: The Company received a letter from Malaysia Rail Link SDN BHD, the employer, which required an immediate suspension of the ECRL Project until further instructions. The Company has suspended all works under the Contract in respect of the ECRL Project as required upon the receipt of the letter from the employer. Meanwhile, the Company will take initiative to protect its legitimate rights and interests as a general contractor for design and construction pursuant to the contractual terms. According to the operating budget, the suspension of the ECRL Project will not have a significant impact on the Company's operating performance in 2018.

(3) Investment Projects

In 2018, the market was gloomy at the beginning and then recovered as the State controlled local debts, rolled out new investment regulations and cleaned up PPP projects, but the State relaxed policies at the end of the year to accomplish the task of advancing infrastructure and improving weak links. Due to the control over implicit local government debts, projects with the mode of viability gap funding were sought after, and projects focusing on environmental protection, culture and tourism bloomed with the support of relevant policies.

With respect to operation and management, the Company strengthened policy study and training and took the lead among central enterprises to develop the PPP Business Plan, so as to enhance basic skill acquisition. To reinforce system construction, the Company consolidated the system base by launching investment business lifecycle planning, whole-process risk management, big data statistics and directly supervised project appraisal. It developed the first positive and negative list of PPP project and promoted the standard list-based management, which offered investment directions, controlled the investment base line, classified risks, clarified risk prevention roadmap and established a level-by-level reporting mechanism.

With respect to market expansion, investment played a bigger role in steering the high end and front end of market, and the Company signed strategic framework agreements with Zhejiang, Shandong and Shanxi provinces in relation to about 100 high-quality investment projects, thereby ensuring a stable growth. Taking a market-oriented approach, the Company took the initiative and made advance preparation to promote the preparatory work of major investment projects including Business District of Dalian New Airport and Jiangsu South Riverside High-Speed Railway. The Company consolidated its market position as "integrated city operator" by continuously optimising strategic, regional and segment layouts, with the traditional core business expanding coverage to major cities and regions and business scope reaching comprehensive management of rivers and lakes, black and odorous water treatment, ecological water system construction and other fields of environmental protection.

1. Investment Projects Newly Entered into

In 2018, the Company actively responded to the adjustment of regulation policies, reasonably managed investment schedules, adjusted investment strategies at appropriate time and implemented differentiated management. The confirmed value of contracts from PPP investment projects was RMB152,325 million. The value of construction and installation contracts to be undertaken was estimated to be RMB239,714 million, among which, the confirmed values of contracts from BOT projects, government paid projects and urban comprehensive development projects were RMB45,862 million, RMB98,456 million and RMB8,007 million respectively, accounting for 30%, 65% and 5% of that from PPP investment projects respectively.

2. Government Paid Projects and Urban Comprehensive Development Projects

The total value of contracts for government paid projects entered into by the Group amounted to RMB383,786 million, wherein, the accumulative completed investment amounted to RMB181,017 million, and projects with cumulatively RMB55,149 million have been recovered.

The total investment value of contracts for urban comprehensive development projects entered into by the Group was estimated to be RMB253,043 million, among which, RMB71,346 million of investment amount had been completed cumulatively, RMB51,191 million of sales amount had been realised and RMB39,546 million had been received by the Group.

3. Concession Projects

As at 31 December 2018, according to statistics (the consolidated items contracted and financed by the Group, and the latest statistics shall prevail if there was any change), the total investment amount of the Group's contracted BOT projects was estimated to be RMB399,902 million, wherein, the accumulative completed investment amounted to RMB203,009 million, and the uncompleted investment amounted to RMB196,893 million. 18 concession projects together with 12 share-participation projects had been put into operations, and the operating revenue of 2018 was RMB4,607 million.

(1) Investment Projects Newly Entered into (Unit: RMB Million)

No.	Project Name	Project Type	Total Investment Budget Estimate	Contract Value Confirmed according to Shareholding Ratio	Expected Construction and Installation Contract Value	Construction Period *(Year)*	Operating Project or Not	Consolidated or Not	Operation/ Toll Collection Period *(Year)*
1	Project of Phnom Penh-Port of Sihanoukville Expressway in Cambodia	BOT	13,643	13,643	12,042	4	Yes	Yes	50
2	City-Industry Integration Project for High Speed Rail Metropolitan, Wenzhou	PPP	19,988	11,993	14,070	5	No	Yes	12
3	Guiyang-Huangping Highway Project	BOT	21,974	8,570	15,985	3	Yes	No	30
4	Project of Chengdu Metro Line 17 Phase I Engineering	PPP	16,730	7,027	9,608	4	No	No	22

No.	Project Name	Project Type	Total Investment Budget Estimate	Contract Value Confirmed according to Shareholding Ratio	Expected Construction and Installation Contract Value	Construction Period *(Year)*	Operating Project or Not	Consolidated or Not	Operation/ Toll Collection Period *(Year)*
5	Project for Fangcheng-Tanghe Section of Jiaozuo-Tanghe Highway, Henan Province	BOT	7,788	7,009	4,336	3	Yes	Yes	30
6	Project for Road and Bridge Works and Supporting Works for Zhongshan East Road, Shantou, Guangdong Province	PPP	6,415	5,774	4,521	3	No	Yes	17
7	Comprehensive Development Project of Chentang District, Hexi District, Tianjin City	Comprehensive urban development	7,832	4,621	2,607	5	No	Yes	8
8	Project of Yuliangzhou Section of East-West Axis Road, Xiangyang City, Hubei Province	PPP	4,831	4,348	3,677	3	No	Yes	17
9	Project of Chongxian-Laoyuhang Connect Line, Yuhang District, Hangzhou City, Zhejiang Province	PPP	8,604	4,302	5,074	3	No	Yes	15
10	Comprehensive Environmental Renovation and Operation Project of Wubeishan Industrial Park in Jurong, Jiangsu Province	PPP	4,656	4,190	3,460	4	No	Yes	10
11	Project for Integrated City Development and Operation of Zhongshan (Shiqi) Headquarters Economic Zone, Guangdong Province	PPP	4,583	3,990	3,521	3	No	Yes	13
12	Section III of Jiading-Xihai Project in Qinghai Province	BOT	6,635	3,384	5,423	4	Yes	Yes	30
13	Expansion Construction Project of Yizheng Section of G328 National Highway in Jiangsu Province	PPP	3,637	3,273	2,601	3	No	Yes	12
14	Others	–	203,005	70,201	152,789	–	–	–	–
	Total		330,321	152,325	239,714				

(2) Concession Projects under Construction

No.	Project Name	Total Investment Budget Estimate	Contract Value Confirmed according to Shareholding Ratio	Investment Amount in 2018	Accumulated Investment Value
1	Lianzhou-Fogang Highway in Guangdong Province	23,106	23,106	4,661	6,469
2	Guigang-Long'an Highway in Guangxi Province	19,021	19,021	5,216	10,713
3	Taihangshan Highway Project in Hebei Province	47,000	14,570	–	Share participation
4	Project of Phnom Penh-Port of Sihanoukville Expressway in Cambodia	13,643	13,643	2	2
5	Kaiping-Yangchun Expressway Project in Guangdong Province	13,711	12,740	–	Share participation
6	CCCC Jiangyu Expressway in Guizhou	11,019	11,019	2,231	2,239
7	Jianhe-Rongjiang Section Project of Yanhe-Rongjiang Expressway in Guizhou Province	17,816	10,672	–	Share participation
8	Highways Project including Urumchi-Yuli Highway in Xinjiang	70,841	10,616	–	Share participation
9	Wenshan-Maguan Wenshan-Malipo Expressway	15,800	10,270	3,258	3,258
10	Project for Phase I of Urumchi Rail Transit Line 4	16,249	8,287	–	Share participation
11	West Line of Urumqi Ring Expressway in Xinjiang	15,300	7,803	62	62
12	Project for Fangcheng-Tanghe Section of Jiaozuo-Tanghe Highway, Henan Province	7,788	7,009	14	14
13	Libo-Rongjiang Expressway in Guizhou Province	10,480	6,288	–	Share participation
14	G575 Expressway in Xinjiang	6,017	6,017	599	2,043
15	Hechang Section of Sanhuan Expressway in Chongqing	10,077	5,139	2,727	5,718
16	Quanzhou Section of Quanzhou-Xiamen-Zhangzhou City Alliance Highway in Fujian Province	4,708	4,708	1,718	3,089
17	Hefei-Zongyang Section of G3W Dezhou-Shangrao Expressway in Anhui Province	9,228	4,522	–	Share participation
18	South Section of Ring Expressway in Wanzhou, Chongqing	4,151	4,151	42	42
19	Jiayu North Section of Wuhan-Shenzhen Expressway in Hubei Province	3,802	3,802	1,546	2,870
20	Others	135,507	34,164	5,011	6,629
	Total	455,264	217,547	27,087	43,148

(3) Concession Projects in Operation Period

No.	Project Name	Accumulated Investment Value	Operating Revenue During the Year	Toll Collection Rights Period *(Year)*	Completed Toll Collection Rights Period *(Year)*
1	New Songming-Kunming Expressway, Xuanwei-Qujing Expressway, and Mengzi-Wenshan-Yanshan Expressway in Yunnan Province	31,022	716	30	1
2	Daozhen-Weng'an Expressway in Guizhou Province	26,327	629	30	3
3	Jiangkou-Weng'an Expressway in Guizhou Province	16,064	679	30	3
4	Tongzhou-Daxing Section Project of the Capital Region Ring Expressway	9,807	73	25	0.5
5	Yanhe-Dejiang Expressway in Guizhou Province	10,673	91	30	3
6	Guiyang-Qianxi Expressway in Guizhou Province	9,439	488	30	3
7	Hubei Jiatong Section Project of Wuhan-Shenzhen Expressway in Hubei Province	9,085	62	30	2
8	Zhongxian-Wanzhou Expressway in Chongqing	7,791	66	30	2
9	Guiyang-Duyun Expressway in Guizhou Province	7,502	767	30	8
10	Yongchuan-Jiangjin Expressway in Chongqing	6,001	66	30	4
11	Jiulongpo-Yongchuan Highway in Chongqing	5,403	154	30	1
12	Zhuankou Yangtze River Bridge Project in Wuhan, Hubei Province	5,084	316	30	1
13	South-North Highway in Jamaica	4,972	190	50	3
14	Xianning-Tongshan Expressway in Hubei Province	3,107	82	30	5
15	Qingxi Bridge and Connecting Line in Guangdong Province	2,484	39	25	0.3
16	Yicheng-Houma Expressway in Shanxi Province	2,398	149	30	11
17	Malong Connecting Line of Xuanwei-Qujing Expressway in Yunnan Province	2,115	12	30	1
18	Qingshuihe-Dafanpu Section of National Highway G109 in Inner Mongolia Autonomous Region	587	28	26	10
19	Fengdu-Zhongxian Expressway in Chongqing	Share participation	–	30	2
20	Youyang-Yanhe Expressway in Chongqing	Share participation	–	30	3
21	Wangjiang-Qianjiang Expressway in Anhui Province	Share participation	–	25	3
22	Tongliang-Yongchuan Expressway in Chongqing	Share participation	–	30	3

No.	Project Name	Accumulated Investment Value	Operating Revenue During the Year	Toll Collection Rights Period *(Year)*	Completed Toll Collection Rights Period *(Year)*
23	Chongqing Wanzhou-Sichuan Dazhou, Wanzhou-Hubei Lichuan Expressways	Share participation	–	30	4
24	Tongliang-Hechuan Expressway in Chongqing	Share participation	–	30	4
25	Fengdu-Fuling Expressway in Chongqing	Share participation	–	30	5
26	Fengdu-Shizhu Expressway in Chongqing	Share participation	–	30	5
27	Foshan-Guangming Expressway in Guangdong Province	Share participation	–	27	10
28	Yulin-Jiaxian Expressway in Shaanxi Province	Share participation	–	30	5
29	Guiyang-Weng'an Expressway in Guizhou Province	Share participation	–	30	3
30	Tongcheng-Jieshang Expressway in Hubei Province	Share participation	–	30	4
	Total	159,861	4,607		

VI. BUSINESS PROSPECT

While China is in the critical stage of restructuring and transformation, the long-term structural contradiction remains acute, and the economy is exposed to downturn pressure. The Central Economic Work Conference set the "six stabilities" as the focus of macro control, rolled out moderate monetary policy and proactive fiscal policy, and made targeted leverage stability and structured de-leveraging as the key task of financial regulation. From a long-term perspective, the country is still and, over a long run, will stay in the period of strategic opportunity, and infrastructure investment is still an important engine of steady growth. In the second half of 2018, a range of policies and measures were announced in succession to boost infrastructure investment and stabilise development; therefore, the focus of infrastructure will shift to inter-city high speed rail, urban rail transit, logistics, municipal facilities, 5G, artificial intelligence, industrial internet and other new infrastructure construction. In the meantime, the country will significantly expand the scale of local government special debts to support key infrastructure projects, increase supply of project land and sea, and offer greater support in environmental impact assessment and other aspects. The transport infrastructure will embrace golden opportunities to improve the weak links.

In the international market, the global economy sees a slower growth, which will lead to the return of trade protectionism and increasing chances of disorderly fluctuations in the financial market. Countries around the globe will show further imbalance in economic growth, inflation, monetary policies and financial market development, and there will be greater risks and uncertainties. However, as the expectations about interest hike announced by the Federal Reserve weakened, emerging economies will be subject to less pressure on capital outflow and currency depreciation in 2019 and will make more infrastructure investment plans. The Second Belt and Road Forum for International Cooperation is approaching and may become an important catalyst of overseas projects.

The Company makes prudential judgement about profound changes in external and internal environment, and predicts that the year of 2019 will show the following market trends: China will make greater efforts to improve infrastructure weak links, due to which, investment and construction of transport infrastructure will be in a large scale. National strategies including Western Development, Beijing-Tianjin-Hebei Coordinated Development, Yangtze River Delta Integration and Guangdong-Hong Kong-Macau Greater Bay Area will be promoted further, and there will be great regional development potential. Investments will thrive as "highway approval authority" will be delegated. Railway construction will be the pioneer of improving weak links, and projects will make great progress. Approval of urban rail transit will be streamlined, which will lead to another round of development opportunities. The ecology and environment market will take up more share in the market as the "Beautiful China" strategy advances. The scale of local government special debts will be expanded, and more financing channels will be developed, which will help transport construction out of financing difficulties. The country will improve policies and service system to support the "going global" strategy, and will strengthen multilateral and bilateral cooperation, connectivity and "Belt and Road" construction, which will bring more market development opportunities.

Faced with complicated domestic and international contexts, the Company will continue to insist on the strategy of "experts in five areas" based on the position of "three roles", and continue to consolidate and maintain its leading position in traditional business, including port, highway and bridge. In addition, the Company will exert greater efforts in developing and fully enter emerging markets, including rail transit, river basin improvement and airport construction. The Company will seize opportunities, prevent and control risks and proceed steadily, improve investment business, and expedite preferential, high quality and coordinated development of overseas business, so as to move towards a world-class enterprise with global competitiveness.

VII. BUSINESS PLAN

In 2018, according to statistics, the value of new contracts entered into by the Group amounted to RMB890,873 million, accomplishing 94% of our goal, of which the value realized from PPP investment projects amounted to RMB152,325 million, accomplishing 102% of our goal. The revenue from continuing operations amounted to RMB488,666 million, accomplishing 100% of our goal.

The Group plans to achieve a year-on-year growth rate no less than 8% in the value of new contracts for the year of 2019, of which the value of PPP investment projects amounted to RMB150,000 million, and the planned growth rate of revenue is no less than 10%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

On 18 July 2017, the Group entered into equity transfer agreements with CCCG, pursuant to which the Group has conditionally agreed to sell and CCCG and CCCG HK have conditionally agreed to acquire an aggregate of 1,316,649,346 ordinary share of ZPMC which represented 29.99% of the total issued share capital of ZPMC. The disposal of ZPMC has been completed on 27 December 2017, and ZPMC was classified as a discontinued operation. Upon completion of this transfer, the Group holds 16.24% equity interest in ZPMC. The comparative statement of profit or loss in 2017 has excluded the influence from ZPMC.

For the year 2018, revenue of the Group from continuing operations increased by 6.2% to RMB488,666 million, among which revenue from external customers attributed to the regions other than PRC amounted to RMB95,177 million, representing a year-on-year decrease of 10.2%. Infrastructure construction business, infrastructure design business, dredging business and other businesses accounted for 85.0%, 6.2%, 6.4% and 2.4% of the total revenue from continuing operations in 2018, respectively.

Gross profit from continuing operations in 2018 amounted to RMB64,611 million, representing an increase of 6.9% from RMB60,437 million in 2017. Gross profit from infrastructure construction business, infrastructure design business, dredging business and other businesses increased by 6.5%, 4.2%, 5.6% and 102.3% respectively from 2017. Gross profit margin for infrastructure construction business, infrastructure design business, dredging business and other businesses in 2018 were 12.1%, 20.9%, 14.4% and 9.1%, respectively, as compared with 12.0%, 23.5%, 13.1% and 5.8% in 2017.

Mainly as a result of the growth in gross profit, operating profit from continuing operations in 2018 amounted to RMB33,321 million, representing an increase of 4.9%, from RMB31,768 million in 2017. Operating profit from infrastructure construction business, infrastructure design business and other businesses increased by 7.3%, 9.4% and 1,308.0%, respectively from 2017, while operating profit from dredging business decreased by 36.0% from 2017.

For the year 2018, profit attributable to owners of the parent amounted to RMB19,819 million, compared with RMB20,943 million in 2017. For the year 2018, earnings per share of the Group was RMB1.16, compared with RMB1.23 in 2017.

The following is a comparison of financial results between the years ended 31 December 2018 and 2017.

Consolidated Results of Continuing Operations

Revenue

Revenue in 2018 increased by 6.2% to RMB488,666 million from RMB460,067 million in 2017. Revenue from infrastructure construction business, infrastructure design business, and other businesses amounted to RMB431,817 million, RMB31,557 million, and RMB12,402 million (all before elimination of inter-segment transactions), respectively representing a year-on-year growth rate of 5.3%, 17.0%, and 29.9%. Revenue from dredging business amounted to RMB32,796 million (before elimination of inter-segment transactions and unallocated cost), representing a year-on-year decrease of 3.8%. Revenue from external customers attributed to the regions other than PRC amounted to RMB95,177 million, representing 19.5% of total revenue.

Cost of Sales and Gross Profit

Cost of sales in 2018 amounted to RMB424,055 million, representing an increase of 6.1%, from RMB399,630 million in 2017. Cost of sales from infrastructure construction business, infrastructure design business, and other businesses amounted to RMB379,413 million, RMB24,949 million and RMB11,275 million (all before elimination of inter-segment transactions) respectively, representing an increase of 5.2%, 21.0% and 25.4%, respectively. Cost of sales from dredging business slightly decreased to RMB28,079 million from RMB29,641 million in 2017.

Cost of sales consisted mainly of subcontracting costs, cost of raw materials and consumables used, employee benefit expenses, cost of goods sold and minimum lease payments under operating leases. For the year 2018, raw materials and consumables used, employee benefit expenses and cost of goods sold increased by 14.3%, 3.3%, and 45.0%, respectively, while the cost of minimum lease payments under operating leases and subcontracting cost decreased by 1.8% and 0.1%, respectively.

As a result of the increase in both revenue and cost of sales in 2018, gross profit in 2018 amounted to RMB64,611 million, representing an increase of 6.9% from RMB60,437 million in 2017. Gross profit from infrastructure construction business, infrastructure design business, dredging business and other businesses increased by 6.5%, 4.2%, 5.6% and 102.3%, respectively, from the corresponding period of 2017. Gross profit margin increased to 13.2% in 2018 from 13.1% in 2017. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business and other businesses were 12.1%, 20.9%, 14.4% and 9.1%, respectively, as compared with 12.0%, 23.5%, 13.1% and 5.8% in the corresponding period of 2017.

Administrative Expenses

Administrative expenses including impairment losses on financial and contract assets in 2018 amounted to RMB34,553 million, representing an increase of 5.8% from RMB32,647 million in 2017.

Operating Profit

Operating profit in 2018 amounted to RMB33,321 million, representing an increase of 4.9% from RMB31,768 million in 2017. The increase was mainly due to the increase in gross profit.

For the year 2018, operating profit from infrastructure construction business, infrastructure design business and other businesses increased by 7.3%, 9.4% and 1,308.0% (all before elimination of inter-segment transactions and unallocated cost), respectively from 2017; operating profit from dredging businesses decreased by 36.0% (before elimination of inter-segment transactions and unallocated cost) from 2017.

Operating profit margin decreased to 6.8% in 2018 from 6.9% in 2017.

Finance Income

Finance income in 2018 amounted to RMB5,314 million, representing an increase of 73.0% from RMB3,071 million in 2017. The increase was mainly due to the increase of interest income.

Finance Costs, Net

Net finance costs in 2018 amounted to RMB12,660 million, representing an increase of 13.3% from RMB11,176 million in 2017. The increase was mainly due to the increase in total borrowings.

Share of Profit of Joint Ventures

Share of profit of joint ventures in 2018 amounted to RMB168 million, as compared with a loss of RMB294 million in 2017. The profit was mainly due to the increase profit of a joint ventures.

Share of Loss of Associates

Share of loss of associates in 2018 amounted to RMB97 million, as compared with a profit of RMB282 million in 2017.

Profit before Income Tax

Profit before income tax in 2018 amounted to RMB26,046 million, representing an increase of 10.1% from RMB23,651 million in 2017.

Income Tax Expense

Income tax expense in 2018 amounted to RMB5,608 million, representing an increase of 9.8% from RMB5,109 million in 2017. Effective tax rate for the Group in 2018 decreased to 21.4% from 21.6% in 2017.

Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests in 2018 amounted to RMB619 million compared to RMB783 million in 2017.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent in 2018 amounted to RMB19,819 million, compared with RMB20,943 million in 2017; while profit attributable to owners of the parent from continuing operations in 2018 amounted to RMB19,819 million, compared with RMB17,913 million in 2017.

Profit margin with respect to profit attributable to owners of the parent decreased to 4.1% in 2018 from 4.6% in 2017.

Discussion of Segment Continuing Operations

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for the years ended 31 December 2018 and 2017.

Business	Revenue Year ended 31 December		Gross Profit Year ended 31 December		Gross Profit Margin Year ended 31 December		Operating Profit/(loss) [1] Year ended 31 December		Operating Profit Margin Year ended 31 December	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(RMB million)	*(RMB million)*	***(RMB million)***	*(RMB million)*	***(%)***	*(%)*	***(RMB million)***	*(RMB million)*	***(%)***	*(%)*
Infrastructure Construction	**431,817**	410,014	**52,404**	49,211	**12.1**	12.0	**27,726**	25,846	**6.4**	6.3
% of total	**85.0**	85.3	**80.8**	81.2	**–**	–	**82.5**	81.4	**–**	–
Infrastructure Design	**31,557**	26,965	**6,608**	6,342	**20.9**	23.5	**3,510**	3,207	**11.1**	11.9
% of total	**6.2**	5.6	**10.2**	10.5	**–**	–	**10.4**	10.1	**–**	–
Dredging	**32,796**	34,108	**4,717**	4,467	**14.4**	13.1	**1,769**	2,766	**5.4**	8.1
% of total	**6.4**	7.1	**7.3**	7.4	**–**	–	**5.3**	8.7	**–**	–
Other businesses	**12,402**	9,546	**1,127**	557	**9.1**	5.8	**604**	(50)	**4.9**	(0.5)
% of total	**2.4**	2.0	**1.7**	0.9	**–**	–	**1.8**	(0.2)	**–**	–
Subtotal	**508,572**	480,633	**64,856**	60,577	**–**	–	**33,609**	31,769	**–**	–
Intersegment elimination and unallocated profit/(costs)	**(19,906)**	(20,566)	**(245)**	(140)	**–**	–	**(288)**	(1)	**–**	–
Total	**488,666**	460,067	**64,611**	60,437	**13.2**	13.1	**33,321**	31,768	**6.8**	6.9

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

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the years ended 31 December 2018 and 2017.

	Years ended 31 December	
	2018	2017
	(RMB million)	*(RMB million)*
Revenue	**431,817**	410,014
Cost of sales	**(379,413)**	(360,803)
Gross profit	**52,404**	49,211
Selling and marketing expenses	**(433)**	(253)
Administrative expenses	**(26,699)**	(24,759)
Other income, net	**2,454**	1,647
Segment result	**27,726**	25,846
Depreciation and amortisation	**8,198**	7,178

Revenue. Revenue from the infrastructure construction business in 2018 was RMB431,817 million, representing an increase of 5.3% from RMB410,014 million in 2017. This growth was primarily attributable to the increase of construction contract generated from PPP investment projects.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2018 was RMB379,413 million, representing an increase of 5.2% from RMB360,803 million in 2017. Cost of sales as a percentage of revenue slightly decreased to 87.9% in 2018 from 88.0% in 2017.

Gross profit from the infrastructure construction business in 2018 increased by 6.5% to RMB52,404 million from RMB49,211 million in 2017. Gross profit margin slightly increased to 12.1% in 2018 from 12.0% in 2017.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2018 were RMB433 million, as compared with RMB253 million in 2017.

Administrative expenses. Administrative expenses including impairment losses on financial and contract assets for the infrastructure construction business were RMB26,699 million in 2018, representing an increase of 7.8% from RMB24,759 million in 2017. The increase was mainly attributable to the increase in research and development cost. Administrative expenses including impairment losses on financial and contract assets as a percentage of revenue increased to 6.2% in 2018 from 6.0% in 2017.

Other income, net. Other net income for the infrastructure construction business increased to RMB2,454 million in 2018 from RMB1,647 million in 2017, mainly attributable to the gain in foreign exchange.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2018 was RMB27,726 million, representing an increase of 7.3% from RMB25,846 million in 2017. Segment result margin slightly increased to 6.4% in 2018 from 6.3% in 2017.

Infrastructure Design Business

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

The following table sets out the principal profit and loss information for infrastructure design business for the years ended 31 December 2018 and 2017.

	Years ended 31 December	
	2018	2017
	(RMB million)	*(RMB million)*
Revenue	**31,557**	26,965
Cost of sales	**(24,949)**	(20,623)
Gross profit	**6,608**	6,342
Selling and marketing expenses	**(362)**	(332)
Administrative expenses	**(3,268)**	(2,943)
Other income, net	**532**	140
Segment result	**3,510**	3,207
Depreciation and amortisation	**274**	253

Revenue. Revenue from the infrastructure design business in 2018 was RMB31,557 million, representing an increase of 17.0% from RMB26,965 million in 2017. The increase in revenue was mainly due to the growing scale of comprehensive contracts.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2018 was RMB24,949 million, representing an increase of 21.0% from RMB20,623 million in 2017. Cost of sales as a percentage of revenue increased to 79.1% in 2018 from 76.5% in 2017.

Gross profit from the infrastructure design business in 2018 was RMB6,608 million, representing an increase of 4.2% as compared with RMB6,342 million in 2017. Gross profit margin decreased to 20.9% in 2018 from 23.5% in 2017, mainly attributable to the increased proportion of revenue generated from comprehensive contracts, which have lower gross profit margin.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2018 increased to RMB362 million from RMB332 million in 2017.

Administrative expenses. Administrative expenses including impairment losses on financial and contract assets for the infrastructure design business in 2018 were RMB3,268 million, representing an increase of 11.0% from RMB2,943 million in 2017. Administrative expenses including impairment losses on financial and contract assets as a percentage of revenue decreased to 10.4% in 2018 from 10.9% in 2017.

Other income, net. Other net income for the infrastructure design business in 2018 was RMB532 million, as compared with RMB140 million in 2017, mainly attributable to the gain from disposal of asset.

Segment result. As a result of the above, segment result for the infrastructure design business in 2018 was RMB3,510 million, representing an increase of 9.4% from RMB3,207 million in 2017. Segment result margin decreased to 11.1% in 2018 from 11.9% in 2017.

Dredging Business

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

The following table sets out the principal profit and loss information for the dredging business for the years ended 31 December 2018 and 2017.

	Years ended 31 December	
	2018	2017
	(RMB million)	*(RMB million)*
Revenue	**32,796**	34,108
Cost of sales	**(28,079)**	(29,641)
Gross profit	**4,717**	4,467
Selling and marketing expenses	**(128)**	(90)
Administrative expenses	**(3,295)**	(3,278)
Other income, net	**475**	1,667
Segment result	**1,769**	2,766
Depreciation and amortisation	**1,140**	1,073

Revenue. Revenue from the dredging business in 2018 was RMB32,796 million, representing a decrease of 3.8% from RMB34,108 million in 2017, primarily attributable to decreasing dredging activities.

Cost of sales and gross profit. Cost of sales for the dredging business in 2018 was RMB28,079 million, representing a decrease of 5.3% as compared with RMB29,641 million in 2017. Cost of sales as a percentage of revenue for the dredging business in 2018 decreased to 85.6% from 86.9% in 2017.

Gross profit from the dredging business in 2018 was RMB4,717 million, representing an increase of 5.6% from RMB4,467 million in 2017. Gross profit margin for the dredging business increased to 14.4% in 2018 from 13.1% in 2017, mainly attributable to certain projects with higher profit margin.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2018 were RMB128 million, as compared with RMB90 million in 2017.

Administrative expenses. Administrative expenses including impairment losses on financial and contract assets for the dredging business in 2018 were RMB3,295 million, representing a slightly increase of 0.5% from RMB3,278 million in 2017. Administrative expenses including impairment losses on financial and contract assets as a percentage of revenue increased to 10.0% in 2018 from 9.6% in 2017.

Other income, net. Other net income for the dredging business in 2018 decreased to RMB475 million from RMB1,667 million in 2017. The decrease is mainly attributable to the profit realized from the disposal of certain financial assets in 2017.

Segment result. As a result of the above, segment result for the dredging business in 2018 was RMB1,769 million, representing a decrease of 36.0% from RMB2,766 million in 2017, which mainly attributes to the decrease in other income. Segment result margin decreased to 5.4% in 2018 from 8.1% in 2017.

Other Businesses

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

The following table sets out the revenue, cost of sales and gross profit information for the other businesses for the years ended 31 December 2018 and 2017.

	Years ended 31 December	
	2018	2017
	(RMB million)	*(RMB million)*
Revenue	**12,402**	9,546
Cost of sales	**(11,275)**	(8,989)
Gross profit	**1,127**	557

Revenue. Revenue from the other businesses in 2018 was RMB12,402 million, representing an increase of 29.9% from RMB9,546 million in 2017. This increase was mainly due to sales of certain assets by subsidiaries in 2018.

Cost of sales and gross profit. Cost of sales for the other businesses in 2018 was RMB11,275 million, representing an increase of 25.4% from RMB8,989 million in 2017. Cost of sales as a percentage of revenue decreased to 90.9% in 2018 from 94.2% in 2017.

Gross profit from the other businesses in 2018 was RMB1,127 million, representing an increase of 102.3% from RMB557 million in 2017. This increase was due to the increase of revenue. Gross profit margin increased to 9.1% in 2018 from 5.8% in 2017.

Liquidity and Capital Resources

The Group's business requires a significant amount of working capital to finance the purchase of raw materials and to finance the engineering, construction and other work on projects before payment is received from clients. The Group historically met its working capital and other capital requirements principally from cash provided by operations, while financing the remainder of the Group's requirements primarily through borrowings. As at 31 December 2018, the Group had unutilised credit facilities in the amount of RMB903,100 million. The Group's access to financial markets since its public offering in Hong Kong Stock Exchange and Shanghai Stock Exchange has provided additional financing flexibility.

Cash Flow Data

The following table presents selected cash flow data from the Company's consolidated cash flow statements for the years ended 31 December 2018 and 2017.

	Years ended 31 December	
	2018	2017
	(RMB million)	*(RMB million)*
Net cash generated from operating activities	**9,098**	42,741
Net cash used in investing activities	**(50,312)**	(45,619)
Net cash generated from financing activities	**38,631**	24,309
Net increase in cash and cash equivalents	**(2,583)**	21,431
Cash and cash equivalents at beginning of year	**129,197**	108,720
Exchange losses on cash and cash equivalents	**799**	(954)
Cash and cash equivalents at end of year	**127,413**	129,197

Cash flow from operating activities

During the year 2018, net cash generated from operating activities decreased to RMB9,098 million from RMB42,741 million in 2017, primarily due to increase in trade and other receivables in 2018 and the one-off large portion of advance payment of certain large projects in 2017. During the year 2018, trade and other receivables increased by RMB67,480 million, as compared with the amount of increase of RMB35,176 million during 2017.

Cash flow from investing activities

Net cash used in investing activities in 2018 increased to RMB50,312 million from RMB45,619 million in 2017. The increase of 10.3% was primarily attributable to the increase in additional investments in associates, additional investments in joint ventures and additions to prepaid land lease payments respectively amounting to RMB4,882 million, RMB8,473 million and RMB2,256 million in 2018, as compared with RMB2,124 million, RMB5,740 million and RMB868 million in 2017.

Cash flow from financing activities

Net cash generated from financing activities in 2018 was RMB38,631 million, representing an increase of 58.9% from RMB24,309 million in 2017. The increase was primarily attributable to the increase in proceeds from financial instruments classified as equity and decrease in repayments of bank and other borrowings.

Capital Expenditure

The Group's capital expenditure principally comprises expenditure from investment in BOT projects, purchases of machinery, equipment and vessels, and the building of plants. The following table sets forth the Group's capital expenditure by business for the years ended 31 December 2018 and 2017.

	Years ended 31 December	
	2018	2017
	(RMB million)	*(RMB million)*
Infrastructure Construction Business	**37,835**	42,545
– BOT projects	**23,829**	34,173
Infrastructure Design Business	**524**	481
Dredging Business	**1,503**	1,654
Other	**926**	1,107
Total	**40,788**	45,787

Capital expenditure in 2018 was RMB40,788 million, as compared with RMB45,787 million in 2017. The decrease of 10.9% was primarily attributable to the decrease of capital expenditure in infrastructure construction business.

Working Capital

Trade and bills receivables and trade and bills payables

The following table sets forth the turnover of the Group's average trade and bills receivable and average trade and bills payable for the years ended 31 December 2018 and 2017.

	Years ended 31 December	
	2018	2017
	(Number of days)	*(Number of days)*
Turnover of average trade and bills receivables(1)	**59**	61
Turnover of average trade and bills payables(2)	**196**	183

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

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

The following table sets forth an ageing analysis of trade and bills receivables, net of provision, as at 31 December 2018 and 2017.

	As at 31 December	
	2018	2017
	(RMB million)	*(RMB million)*
Less than 6 months	**61,140**	47,570
6 months to 1 year	**9,417**	8,907
1 year to 2 years	**9,218**	7,838
2 years to 3 years	**3,950**	3,222
Over 3 years	**4,071**	1,769
Total	**87,796**	69,306

Management closely monitors the recovery of the Group's overdue trade and bills receivables on a regular basis, and, when appropriate, provides for impairment of these trade and bills receivables. As at 31 December 2018, the Group had a provision for impairment of RMB12,380 million, as compared with RMB10,881 million as at 31 December 2017.

The following table sets forth an ageing analysis of trade and bills payables as at 31 December 2018 and 2017.

	As at 31 December	
	2018	2017
	(RMB million)	*(RMB million)*
Within 1 year	**214,046**	191,288
1 year to 2 years	**19,779**	15,710
2 years to 3 years	**4,943**	2,816
Over 3 years	**3,399**	2,926
Total	**242,167**	212,740

The Group's credit terms with its suppliers for the year ended 31 December 2018 remained the same as that for the year ended 31 December 2017. Payments to suppliers and subcontractors may be delayed as a result of delays in settlement from the Group's customers. Nevertheless, there have been no material disputes arising from the non-timely payment of outstanding balances under the Group's supplier contracts or contracts with subcontractors.

Indebtedness

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2018 and 2017.

	As at 31 December	
	2018	2017
	(RMB million)	*(RMB million)*
Within 1 year	**79,243**	82,680
1 year to 2 years	**36,653**	36,380
2 years to 5 years	**50,666**	32,831
Over 5 years	**128,065**	109,311
Total borrowings	**294,627**	261,202

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Japanese Yen, Hong Kong dollars and Euro. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 31 December 2018 and 2017.

	As at 31 December	
	2018	2017
	(RMB million)	*(RMB million)*
Renminbi	**272,367**	239,569
U.S. dollar	**14,925**	14,144
Japanese Yen	**3,992**	3,786
Hong Kong dollar	**1,404**	1,692
Euro	**1,386**	1,488
Others	**553**	523
Total borrowings	**294,627**	261,202

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt. The Group's gearing ratio, calculated as net debt divided by total capital, as at 31 December 2018 was 41.1%, as compared with 39.1% as at 31 December 2017.

Contingent Liabilities

	As at 31 December	
	2018	2017
	(RMB million)	*(RMB million)*
Pending lawsuits(1)	**626**	689
Outstanding loan guarantees(2)	**8,217**	7,912
Total	**8,843**	8,601

(1) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for the above pending lawsuits of RMB626 million (31 December 2017: RMB689 million) when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.

(2) The Group has acted as the guarantor for several external borrowings made by certain joint ventures and associates of the Group. The above amount represents the maximum exposure to default risk under the financial guarantee. As at 31 December 2018, the above amount included the Group's guarantees for the borrowings of RMB6,430 million (2017: RMB6,325 million) in respect of in Guizhou Zhong Jiao Gui Weng Expressway Limited Company ("**Zhong Jiao Gui Weng**"). Meanwhile Zhong Jiao Gui Weng has pledged its 100% highway toll rights and all relevant benefits to secure the borrowings. After the assessment of the financial position of these joint ventures and associates, the Directors concluded there is no significant default risk and no provision for such guarantees are required.

(3) As part of the normal business, the Group has entered into certain agreements with certain financial institution so as to establish asset backed securities (ABS) and asset backed notes (ABN). As at 31 December 2018, certain of the ABS and ABN in issue with an aggregate amount of RMB6,710 million (31 December 2017: RMB1,151 million) included the ABS and ABN issued to preferential investors of an aggregate amount of RMB6,322 million (31 December 2017: RMB1,040 million). Under the clauses of the agreements, the Group is subject to the obligations of liquidity supplementary payments to preferential investors when the cash available for distribution of the principal and fixed return at the due date is not sufficient.

Market Risks

The Group is exposed to various types of market risks, including changes in interest rate risks and foreign exchange risks in the normal course of business.

Marco-economy risk

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

In recent years, the national economy has kept a rapid growth and the global economy has gradually come out of the shadow of financial crisis and is in the process of recovering. However, the possibility of periodic fluctuations of macro-economy cannot be eliminated. If the global macro-economy is in the down cycle or the national economic growth speed significantly slows down, there will be a gliding risk in the operation performance of the Group.

Market risk

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

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 2018 and 2017, the Group's borrowings at variable rates were mainly denominated in RMB, USD, Euro and Hong Kong Dollars ("**HKD**").

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

Increases in interest rates will increase the cost of new borrowings and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position. Management continuously monitors the interest rate position of the Group, and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the directors did not consider it was necessary to do so in 2018 and 2017.

As at 31 December 2018, the Group's borrowings of approximately RMB178,216 million (2017: RMB161,014 million) were at variable rates. As at 31 December 2018, if interest rates on borrowings had been 1.00 percentage-point higher/lower with all other variables held constant, profit before tax for the year would have been decreased/increased by RMB1,782 million (2017: RMB1,610 million), mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign exchange risk

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

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

As at 31 December 2018, the Group's aggregate net assets of RMB24,596 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 2018, 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 RMB543 million, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents.

Price risk

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2018** *RMB million*	2017 *RMB million*
Continuing operations			
Revenue	3, 4	**488,666**	460,067
Cost of sales		**(424,055)**	(399,630)
Gross profit		**64,611**	60,437
Other income	4	**4,051**	3,893
Other gains, net	4	**1,892**	2,369
Selling and marketing expenses		**(1,177)**	(872)
Administrative expenses		**(31,800)**	(32,647)
Impairment losses on financial and contract assets, net		**(2,753)**	–
Other expenses		**(1,503)**	(1,412)
Operating profit		**33,321**	31,768
Finance income	6	**5,314**	3,071
Finance costs, net	7	**(12,660)**	(11,176)
Share of profits and losses of:			
– Joint ventures		**168**	(294)
– Associates		**(97)**	282
Profit before tax from continuing operations	5	**26,046**	23,651
Income tax expense	8	**(5,608)**	(5,109)
Profit for the year from continuing operations		**20,438**	18,542
Discontinued operation			
Profit for the year from a discontinued operation	9	**–**	3,184
Profit for the year		**20,438**	21,726
Attributable to:			
– Owners of the parent		**19,819**	20,943
– Non-controlling interests		**619**	783
		20,438	21,726
Earnings per share attributable to ordinary equity holders of the parent	11		
Basic			
– For profit for the year		**RMB1.16**	RMB1.23
– For profit from continuing operations		**RMB1.16**	RMB1.04
Diluted			
– For profit for the year		**RMB1.16**	RMB1.23
– For profit from continuing operations		**RMB1.16**	RMB1.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018 *RMB million*	2017 *RMB million*
Profit for the year	**20,438**	21,726
Other comprehensive (loss)/income		
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods, net of tax:		
Actuarial (losses)/gains on retirement benefit obligations	**(49)**	26
Changes in fair value of equity investments designated at fair value through other comprehensive income	**(3,017)**	–
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(3,066)**	26
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods, net of tax:		
Available-for-sale investments		
– Changes in fair value	**–**	5,759
– Release of investment revaluation reserve upon disposal	**–**	(1,647)
Cash flow hedges	**(4)**	2
Share of other comprehensive loss of joint ventures and associates	**(106)**	(72)
Exchange differences on translation of foreign operations	**249**	(785)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**139**	3,257
Other comprehensive (loss)/income for the year, net of tax	**(2,927)**	3,283
Total comprehensive income for the year	**17,511**	25,009
Attributable to:		
– Owners of the parent	**16,908**	24,292
– Non-controlling interests	**603**	717
	17,511	25,009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2018** **RMB million**	2017 *RMB million*
Non-current assets			
Property, plant and equipment		**56,365**	52,751
Investment properties		**3,463**	2,275
Prepaid land lease payments		**9,683**	7,230
Intangible assets		**188,370**	161,158
Investments in joint ventures		**18,646**	11,133
Investments in associates		**23,019**	19,409
Financial assets at fair value through profit or loss		**5,893**	3,451
Debt investments at amortised cost		**109**	–
Equity investments designated at fair value through other comprehensive income		**21,257**	–
Available-for-sale investments		**–**	25,908
Held-to-maturity investments		**–**	104
Contract assets		**28,698**	–
Trade and other receivables	12	**118,967**	112,710
Deferred tax assets		**4,504**	4,214
Total non-current assets		**478,974**	400,343
Current assets			
Inventories		**46,861**	40,536
Contract assets		**103,981**	–
Amounts due from contract customers		**–**	89,577
Trade and other receivables	12	**195,887**	181,745
Financial assets at fair value through profit or loss		**155**	2,878
Derivative financial instruments		**250**	488
Restricted bank deposits and time deposits with an initial term of over three months		**6,955**	5,124
Cash and cash equivalents		**127,413**	129,197
Total current assets		**481,502**	449,545
Current liabilities			
Trade and other payables	13	**314,496**	332,703
Contract liabilities		**81,953**	–
Amounts due to contract customers		**–**	27,175
Tax payable		**4,034**	3,994
Derivative financial instruments		**2**	10
Interest-bearing bank and other borrowings		**79,243**	82,680
Retirement benefit obligations		**141**	149
Total current liabilities		**479,869**	446,711
Net current assets		**1,633**	2,834
Total assets less current liabilities		**480,607**	403,177

	Notes	**2018** ***RMB million***	2017 *RMB million*
Total assets less current liabilities		**480,607**	403,177
Non-current liabilities			
Trade and other payables	13	**17,185**	10,545
Interest-bearing bank and other borrowings		**215,384**	178,522
Deferred income		**827**	669
Deferred tax liabilities		**5,162**	5,969
Retirement benefit obligations		**1,152**	1,198
Provisions		**1,215**	680
Total non-current liabilities		**240,925**	197,583
Net assets		**239,682**	205,594
Equity			
Equity attributable to owners of the parent			
Share capital		**16,175**	16,175
Share premium		**19,656**	19,656
Financial instruments classified as equity		**24,426**	19,431
Reserves		**136,921**	125,660
		197,178	180,922
Non-controlling interests		**42,504**	24,672
Total equity		**239,682**	205,594

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the parent							
	Notes	Share capital *RMB million*	Share premium *RMB million*	Financial instruments classified as equity *RMB million*	Other reserve *RMB million*	Retained earnings *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
As at 31 December 2017		16,175	19,656	19,431	28,443*	97,217*	180,922	24,672	205,594
Adjustment on adoption of IFRS 9, net of tax *(Note 2.2)*		–	–	–	85	(718)	(633)	(9)	(642)
As at 1 January 2018		16,175	19,656	19,431	28,528	96,499	180,289	24,663	204,952
Profit for the year		–	–	–	–	19,819	19,819	619	20,438
Other comprehensive (loss)/income for the year:									
Changes in fair value of equity investments designated at fair value through other comprehensive income		–	–	–	(3,017)	–	(3,017)	–	(3,017)
Cash flow hedges, net of tax		–	–	–	(4)	–	(4)	–	(4)
Share of other comprehensive income of joint ventures and associates		–	–	–	(106)	–	(106)	–	(106)
Actuarial gains on retirement benefit obligations, net of tax		–	–	–	(49)	–	(49)	–	(49)
Exchange differences related to foreign operations		–	–	–	265	–	265	(16)	249
Total comprehensive income for the year		–	–	–	(2,911)	19,819	16,908	603	17,511
Final 2017 dividend declared	10	–	–	–	–	(3,913)	(3,913)	–	(3,913)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(116)	(116)
Capital contributions from non-controlling interests		–	–	–	–	–	–	3,402	3,402
Share of other reserves of joint ventures and associates		–	–	–	9	–	9	–	9
Financial instruments classified as equity		–	–	4,995	–	–	4,995	14,223	19,218
Distributions to holders of financial instruments classified as equity		–	–	–	–	(1,018)	(1,018)	(617)	(1,635)
Transaction with non-controlling interests		–	–	–	(92)	–	(92)	(36)	(128)
Acquisition of subsidiaries		–	–	–	–	–	–	805	805
Disposal of subsidiaries		–	–	–	–	–	–	(423)	(423)
Transfer to statutory surplus reserve		–	–	–	526	(526)	–	–	–
Transfer to general reserve		–	–	–	113	(113)	–	–	–
Transfer to safety production reserve		–	–	–	139	(139)	–	–	–
As at 31 December 2018		16,175	19,656	24,426	26,312*	110,609*	197,178	42,504	239,682

	Attributable to owners of the parent							
	Share capital *RMB million*	Share premium *RMB million*	Financial instruments classified as equity *RMB million*	Other reserve *RMB million*	Retained earnings *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 1 January 2017	16,175	19,656	19,431	22,544*	81,517*	159,323	27,247	186,570
Profit for the year	–	–	–	–	20,943	20,943	783	21,726
Other comprehensive income for the year:								
Changes in fair value of available-for-sale investments, net of tax	–	–	–	5,765	–	5,765	(6)	5,759
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of tax	–	–	–	(1,647)	–	(1,647)	–	(1,647)
Cash flow hedges, net of tax	–	–	–	2	–	2	–	2
Share of other comprehensive income of joint ventures and associates	–	–	–	(70)	–	(70)	(2)	(72)
Actuarial gains on retirement benefit obligations, net of tax	–	–	–	26	–	26	–	26
Exchange differences related to foreign operations	–	–	–	(727)	–	(727)	(58)	(785)
Total comprehensive income for the year	–	–	–	3,349	20,943	24,292	717	25,009
Final 2016 dividend declared	–	–	–	–	(3,145)	(3,145)	–	(3,145)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(451)	(451)
Capital reduction of non-controlling interests	–	–	–	–	–	–	(590)	(590)
Share of other reserves of joint ventures and associates	–	–	–	(10)	–	(10)	–	(10)
Financial instruments classified as equity	–	–	–	–	–	–	5,341	5,341
Distributions to holders of financial instruments classified as equity	–	–	–	–	(1,018)	(1,018)	(515)	(1,533)
Transaction with non-controlling interests	–	–	–	1,480	–	1,480	(1,480)	–
Acquisition of subsidiaries	–	–	–	–	–	–	1,372	1,372
Disposal of subsidiaries	–	–	–	–	–	–	(6,969)	(6,969)
Transfer to statutory surplus reserve	–	–	–	504	(504)	–	–	–
Transfer to general reserve	–	–	–	209	(209)	–	–	–
Transfer to safety production reserve	–	–	–	367	(367)	–	–	–
As at 31 December 2017	16,175	19,656	19,431	28,443*	97,217*	180,922	24,672	205,594

* These reserve accounts comprise the consolidated reserves of RMB136,921 million (2017: RMB125,660 million) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 RMB million	2017 RMB million
Cash flows from operating activities			
Profit before tax			
– From continuing operations		**26,046**	23,651
– From a discontinued operation		**–**	3,585
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties		**8,395**	8,520
– Amortisation of intangible assets and prepaid land lease payments		**1,737**	1,497
– Gains on disposal of property, plant and equipment		**(472)**	(79)
– Gains from business combinations achieved in stages		**(236)**	–
– Fair value losses on derivative financial instruments		**236**	142
– Fair value losses/(gains) on financial assets at fair value through profit or loss	4	**12**	(57)
– Gains on disposal of subsidiaries		**(482)**	(4,002)
– Gains on disposal of available-for-sale financial investments and derivative financial instruments		**–**	(1,836)
– Gains on disposal of financial assets at fair value through profit or loss	4	**(109)**	(43)
– Losses/(gains) on disposal of joint ventures and associates	4	**1**	(435)
– Write-down of inventories		**5**	580
– Provision for impairment of trade and other receivables	5	**2,498**	3,817
– Provision for impairment of concession assets	5	**35**	101
– Provision for foreseeable (gains)/losses on construction services/contracts		**(125)**	1,184
– Provision for impairment of contract assets	5	**254**	–
– Provision for impairment of available-for-sale financial investments	5	**–**	13
– Dividend income from available-for-sale financial investments		**–**	(654)
– Dividend income on financial assets at fair value through profit or loss		**(160)**	–
– Dividend income on equity investments at fair value through other comprehensive income		**(700)**	–
– Investment income from held-to-maturity financial assets	4	**–**	(16)
– Interest income		**(5,495)**	(3,365)
– Interest expenses		**10,024**	10,643
– Dividend income on derivative financial instruments	4	**(83)**	(98)
– Other income from investing activities		**(68)**	(18)
– Share of profits and losses of joint ventures and associates		**(71)**	(27)
– Net foreign exchange losses/(gains) on borrowings		**249**	(149)
		41,491	42,954

	Notes	2018 RMB million	2017 RMB million
Increase in inventories		**(5,513)**	(4,781)
Increase in trade and other receivables		**(67,480)**	(35,176)
Increase in contract assets/amounts due from contract customers		**(3,999)**	(15,211)
(Increase)/decrease in restricted bank deposits		**(1,753)**	1,063
Decrease in retirement benefit obligations		**(54)**	(111)
Increase in trade and other payables		**50,439**	55,779
(Decrease)/increase in provisions		**(293)**	599
Increase/(decrease) in deferred income		**158**	(97)
Cash generated from operations		**12,996**	45,019
Interest income		**1,562**	2,925
Income tax paid		**(5,460)**	(5,203)
Net cash flows from operating activities		**9,098**	42,741
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(14,005)**	(13,220)
Additions to prepaid land lease payments		**(2,256)**	(868)
Purchases of intangible assets		**(22,246)**	(26,624)
Purchases of investment properties		**(311)**	(22)
Proceeds from disposal of items of property, plant and equipment		**851**	416
Proceeds from disposal of prepaid land lease payments		**20**	41
Proceeds from disposal of intangible assets		**9**	5
Purchases of equity investments designated at fair value through other comprehensive income/available-for-sale investments		**(637)**	(808)
Purchases of financial assets at fair value through profit or loss		**(1,995)**	(6,185)
Purchases of derivative financial instruments		**–**	(120)
Acquisition of subsidiaries		**780**	(271)
Additional investments in associates		**(4,882)**	(2,124)
Additional investments in joint ventures		**(8,473)**	(5,740)
Proceeds from disposal of available-for-sale investments		**–**	2,414
Proceeds from disposal of associates		**28**	279
Proceeds from disposal of joint ventures		**3**	98
Disposal of subsidiaries		**(340)**	3,160

	Notes	2018 *RMB million*	2017 *RMB million*
Proceeds from disposal of equity investments at fair value through other comprehensive income		**5**	–
Proceeds from disposal of other debt instruments		**116**	–
Interest received		**1,562**	1,320
Proceeds from disposal of financial assets at fair value through profit or loss		**3,351**	68
Proceeds from withdrawal upon maturity of held-to-maturity investments		**–**	134
Changes in time deposits with an initial term of over three months		**(78)**	(270)
Cash consideration received of concession assets		**931**	3,290
Loans to joint ventures, associates and third parties		**(8,629)**	(6,945)
Repayment of loans from joint ventures, associates and third parties		**4,332**	5,369
Dividends received		**1,552**	984
Net cash flows used in investing activities		**(50,312)**	(45,619)
Cash flows from financing activities			
Proceeds from bank and other borrowings		**144,998**	165,773
Proceeds from financial instruments classified as equity		**19,218**	5,341
Repayments of loans from parent company		**(450)**	–
Repayments of bank and other borrowings		**(109,871)**	(128,218)
Interest paid		**(13,206)**	(13,560)
Dividends paid to equity holders of the parent		**(3,913)**	(3,145)
Dividend paid to non-controlling interests of subsidiaries		**(733)**	(420)
Distributions paid to holders of financial instruments classified as equity		**(1,033)**	(1,322)
Loans from parent company		**–**	450
Capital contribution from non-controlling interests		**3,402**	3,031
Transaction with non-controlling interests		**(115)**	–
Withdrawal of capital contribution by non-controlling interests		**–**	(3,621)
Other financings		**334**	–
Net cash flows from financing activities		**38,631**	24,309
Net increase in cash and cash equivalents		**(2,583)**	21,431
Cash and cash equivalents at beginning of year		**129,197**	108,720
Effect of foreign exchange rate changes, net		**799**	(954)
Cash and cash equivalents at end of year		**127,413**	129,197

NOTES TO FINANCIAL STATEMENTS

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 Ltd. ("**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, dredging and other businesses.

In the opinion of the directors, the immediate and ultimate holding company of the Company is CCCG, which is established in the PRC.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital *(in million)*	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Unlisted -						
China Harbour Engineering Co., Ltd. ("**CHEC**")	PRC and other regions	Limited liability company	RMB3,278	50%	50%	Infrastructure construction
China Road and Bridge Corporation	PRC and other regions	Limited liability company	RMB3,889	96.37%	3.63%	Infrastructure construction
CCCC First Harbour Engineering Co., Ltd. ("**CFHCC**")	PRC	Limited liability company	RMB6,010	100%	–	Infrastructure construction
CCCC Second Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB3,810	100%	–	Infrastructure construction
CCCC Third Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB5,377	100%	–	Infrastructure construction
CCCC Fourth Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB4,282	100%	–	Infrastructure construction
CCCC First Highway Engineering Co., Ltd. ("**CFHEC**")	PRC	Limited liability company	RMB4,367	100%	–	Infrastructure construction
CCCC Second Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB2,569	100%	–	Infrastructure construction
Road & Bridge International Co., Ltd.	PRC	Limited liability company	RMB2,825	100%	–	Infrastructure construction
CCCC Third Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB1,509	100%	–	Infrastructure construction
CCCC Fourth Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB1,550	100%	–	Infrastructure construction

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 Tunnel Engineering Co., Ltd.	PRC	Limited liability company	RMB1,507	100%	–	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
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	RMB323	100%	–	Infrastructure design
CCCC Dredging (Group) Co., Ltd.	PRC	Limited liability company	RMB11,775	99.9%	0.1%	Dredging
CCCC Investment Co., Ltd. (“**CCCC Investment**”)	PRC	Limited liability company	RMB10,551	100%	–	Investment holding
CCCC Xi’an Road Construction Machinery Co., Ltd.	PRC	Limited liability company	RMB433	54.31%	45.69%	Manufacture of road construction machinery
China Highway Vehicle &Machinery Co., Ltd.	PRC	Limited liability company	RMB168	100%	–	Trading of motor vehicle spare parts
Chuwa Bussan Co., Ltd.	Japan	Limited liability company	JPY12,021	75%	–	Trading of machinery
CCCC Shanghai Equipment Engineering Co., Ltd.	PRC	Limited liability company	RMB10	55%	–	Maintenance and repair of port machinery
CCCC Mechanical & Electrical Engineering Co., Ltd.	PRC	Limited liability company	RMB833	60%	40%	Trading of machinery
China Communications Materials & Equipment Co., Ltd.	PRC	Limited liability company	RMB234	100%	–	Trading of construction materials and equipment

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 Finance Company Limited ("**CCCC Finance**")	PRC	Limited liability company	RMB3,500	95%	–	Financial service
CCCC International Holding Limited ("**CCCI**")	Hong Kong	Limited liability company	HKD2,372	100%	–	Investment holding
CCCC Financial Leasing Co., Ltd. ("**CCCC Financial Leasing**")	PRC	Limited liability company	RMB5,000	45%	25%	Financial service
CCCC Fund Management Co., Ltd.	PRC	Limited liability company	RMB100	70%	–	Fund management
CCCC Asset Management Co., Ltd.	PRC	Limited liability company	RMB13,768	9.44%	90.56%	Asset management
CCCC Urban Investment Co., Ltd.	PRC	Limited liability company	RMB3,710	100%	–	Investment holding
CCCC Beijing-Tianjin-Hebei Investment Development Co., Ltd.	PRC	Limited liability company	RMB300	100%	–	Investment holding

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative instruments, certain equity investments and certain financial assets and financial liabilities 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 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4 and Annual Improvements 2014–2016 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement		Re-			IFRS 9 measurement	
		Category	**Amount**	**classification**	**ECL**	**Other**	**Amount**	**Category**
	Notes	*RMB million*	*RMB Million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial assets								
Equity investments designated at fair value through other comprehensive income		N/A	–	24,479	–	142	24,621	FVOCI[1]
From: Available-for-sale investments	(i)		–	24,393	–	142	–	
From: financial assets at fair value through profit or loss	(i)		–	86	–	–	–	
Available-for-sale investments		AFS[2]	25,908	(25,908)	–	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)		–	(24,393)	–	–	–	
To: Financial assets at fair value through profit or loss	(ii)		–	(1,460)	–	–	–	
To: Debt investments at fair value through other comprehensive income	(iii)		–	(55)	–	–	–	
Debt investments at fair value though other comprehensive income		N/A	–	55	–	–	55	FVOCI
From: Available-for-sale investments	(iii)		–	55	–	–	–	
Trade receivables and other receivables, excluding prepayments	(v)	L&R[3]	231,068	–	(237)	–	230,831	AC[4]
Cash and cash equivalents, restricted bank deposits and time deposits		L&R	134,321	–	–	–	134,321	AC

	Notes	IAS 39 measurement Category RMB million	Amount RMB Million	Re-classification RMB million	ECL RMB million	Other RMB million	IFRS 9 measurement Amount RMB million	Category RMB million
Financial assets at fair value through profit or loss		FVPL[5]	6,329	1,374	–	137	7,840	FVPL
To: Equity investments at fair value through other comprehensive income	(i)		–	(86)	–	–	–	
From: Available for sale investments	(ii)		–	1,460	–	137	–	
Held-to-maturity investments		HTM	104	(104)	–	–	–	N/A
To: Debt instruments at amortised cost	(iv)		–	(104)	–	–	–	
Debt instruments at amortised cost		N/A	–	104	–	–	104	AC
From: Held-to-maturity investments	(iv)		–	104	–	–	–	
Derivative financial instruments		FVPL	488	–	–	–	488	FVPL
Other assets								
Contract assets	(v)		116,937	–	(885)	–	116,052	
Deferred tax assets			4,214	–	261	–	4,475	
			121,151	–	(624)	–	120,527	
Total assets			519,369	–	(861)	279	518,787	
Financial liabilities								
Trade and other payables	(v)	AC	(281,955)	–	–	–	(281,955)	AC
Interest-bearing bank and other borrowings		AC	(261,202)	–	–	–	(261,202)	AC
Derivative financial instruments		FVPL	(10)	–	–	–	(10)	FVPL
			(543,167)	–	–	–	(543,167)	
Other liabilities								
Deferred tax liabilities			(5,969)	–	–	(60)	(6,029)	
			(5,969)	–	–	(60)	(6,029)	
Total liabilities			(549,136)	–	–	(60)	(549,196)	

1 FVOCI: Financial assets at fair value through other comprehensive income

2 AFS: Available-for-sale investments

3 L&R: Loans and receivables

4 AC: Financial assets or financial liabilities at amortised cost

5 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments and other equity investments as equity investments at fair value through other comprehensive income.

(ii) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these equity investments did not pass the contractual cash flow characteristics test in IFRS 9.

(iii) As of 1 January 2018, the Group has assessed its liquidity portfolio of debt investments which had previously been classified as AFS debt investments. The objective of the Group in holding this liquidity portfolio is to earn interest income and, at the same time, manage everyday liquidity needs. The Group concluded that these debt investments are managed within a business model to collect contractual cash flows and to sell the financial assets. Accordingly, the Group has classified these investments as debt investments measured at fair value through other comprehensive income.

(iv) The Group has classified its debt instruments which had previously been classified as Held-to-maturity investments to debt instruments at amortised cost as these debt investments has passed the contractual cash flow characteristics test in IFRS 9.

(v) The gross carrying amounts of the trade receivables and other receivables, excluding prepayments, trade and other payables and the contract assets under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 2.2(c) to the financial statements.

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9.

	Impairment allowance under IAS 39 at 31 December 2017 *RMB million*	**Re-measurement** *RMB million*	**ECL allowance under IFRS 9 at 1 January 2018** *RMB million*
Trade and other receivables, excluding prepayments	(13,185)	(237)	(13,422)
Contract assets	–	(885)	(885)
Total	(13,185)	(1,122)	(14,307)

The impact on reserves and retained earnings

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	Reserves and retained earnings
Fair value reserve under IFRS 9 (available-for-sale investments revaluation reserve under IAS 39)	
Balance as at 31 December 2017 under IAS 39	28,443
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	58
Reclassification of financial assets at fair value through profit or loss to equity investments designated at fair value through other comprehensive income	(95)
Re-measurement of equity investments designated at fair value through other comprehensive income previously measured at cost under IAS 39	148
Deferred tax in relation to the above	(26)
Balance as at 1 January 2018 under IFRS 9	28,528
Retained earnings	
Balance as at 31 December 2017 under IAS 39	97,217
Recognition of expected credit losses for contract assets under IFRS 9	(628)
Recognition of expected credit losses for trade and other receivables under IFRS 9	(490)
Re-measurement of financial assets at fair value through profit or loss	136
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	(58)
Reclassification of financial assets at fair value through profit or loss to Equity investments designated at fair value through other comprehensive income	95
Deferred tax in relation to the above	227
Balance as at 1 January 2018 under IFRS 9	96,499

(c) IFRS 15 and its amendments replace IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The disclosures are included in notes 3 and 4 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The Group has evaluated and concluded that the cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 3 and 4 for the disclosure on disaggregated revenue.

Furthermore, reclassifications were made as at 1 January 2018 to be consistent with the terminology used under IFRS 15. A reconciliation between the carrying amounts under IAS 18 and IAS 11 to the balances reported under IFRS 15 as of 1 January 2018 is as follows:

	As previously stated Under IAS 18 and IAS 11	**Reclassification**	**Stated Under IFRS 15**
	RMB million	*RMB million*	*RMB million*
Trade receivables and other receivables, excluding prepayments	270,222	(39,154)	231,068
Amounts due from contract customers	89,577	(89,577)	–
Contract assets	–	116,937	116,937
Amounts due to contract customers	(27,175)	27,175	–
Trade and other payables	(343,248)	61,293	(281,955)
Contract liabilities	–	(75,846)	(75,846)
Provisions	(680)	(828)	(1,508)

The adoption of the IFRS 15 has had no significant impact on the financial performance of the Group.

(d) Amendments to IAS 40, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no significant impact on the financial position or performance of the Group.

(e) IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 Issued but not yet effective International Financial Reporting Standards

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

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Lease Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019.

The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group is currently assessing the impact of IFRS 16 upon adoption and the amendments are not expected to have significant impacts on the Group's financial statements.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments from 1 January 2019 and the amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 23, addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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 and railways (the "**Construction Segment**");

(b) infrastructure design of ports, roads and bridges (the "**Design Segment**");

(c) dredging (the "**Dredging Segment**");

(d) others (the "**Others Segment**").

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, prepaid land lease payments, investment properties, intangible assets, inventories, receivables, contract assets, amounts due from contract customers, and cash and cash equivalents. They exclude deferred tax assets, investments in joint ventures and associates, equity investments at fair value through other comprehensive income, available-for-sale investments, held-to-maturity investments, debt instruments at amortised cost, financial assets at fair value through profit or loss, derivative financial instruments and the assets of headquarter of the Company and the Company's subsidiary, CCCC Finance.

Segment liabilities comprise primarily payables, contract liabilities and amounts due to contract customers. They exclude deferred tax liabilities, borrowings and derivative financial instruments and the liabilities of headquarter of the Company and CCCC Finance.

The segment results for the year ended 31 December 2018 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2018					
	Construction *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Eliminations** *RMB million*	**Total** *RMB million*
Total gross segment revenue	**431,817**	**31,557**	**32,796**	**12,402**	**(19,906)**	**488,666**
Inter-segment revenue	**(7,070)**	**(3,964)**	**(310)**	**(8,562)**	**19,906**	**–**
Revenue *(note 4)*	**424,747**	**27,593**	**32,486**	**3,840**	**–**	**488,666**
Segment results	**27,726**	**3,510**	**1,769**	**604**	**(364)**	**33,245**
Unallocated income						**76**
Operating profit						**33,321**
Finance income						**5,314**
Finance costs, net						**(12,660)**
Share of profits and losses of joint ventures and associates						**71**
Profit before tax from continuing operations						**26,046**
Income tax expense						**(5,608)**
Profit for the year from continuing operations						**20,438**
Other segment information						
Depreciation	**6,577**	**224**	**1,109**	**485**	**–**	**8,395**
Amortisation	**1,622**	**50**	**31**	**34**	**–**	**1,737**
Write-down of inventories	**(7)**	**–**	**–**	**12**	**–**	**5**
Provision for impairment of concession assets	**35**	**–**	**–**	**–**	**–**	**35**
Provision for impairment of trade and other receivables	**1,768**	**343**	**314**	**73**	**–**	**2,498**
Provision for impairment of contract assets	**288**	**–**	**(33)**	**(1)**	**–**	**254**
Capital expenditure	**37,835**	**524**	**1,503**	**926**	**–**	**40,788**

The segment results for the year ended 31 December 2017 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2017					
	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Eliminations *RMB million*	Total *RMB million*
Total gross segment revenue	410,014	26,965	34,108	9,546	(20,566)	460,067
Inter-segment revenue	(13,540)	(3,940)	(1,739)	(1,347)	20,566	–
Revenue	396,474	23,025	32,369	8,199	–	460,067
Segment results	25,846	3,207	2,766	(50)	83	31,852
Unallocated income						(84)
Operating profit						31,768
Finance income						3,071
Finance costs, net						(11,176)
Share of profits and losses of joint ventures and associates						(12)
Profit before tax						23,651
Income tax expense						(5,109)
Profit for the year						18,542
Other segment information						
Depreciation	5,944	210	1,026	118	–	7,298
Amortisation	1,234	43	47	52	–	1,376
Write-down of inventories	109	–	–	55	–	164
Provision for foreseeable losses on construction contracts	915	2	193	–	–	1,110
Provision for impairment of trade and other receivables	2,254	259	416	551	–	3,480
Provision for impairment of concession assets	101	–	–	–	–	101
Provision for impairment of available-for-sale investments	13	–	–	–	–	13
Capital expenditure	42,545	481	1,654	1,107	–	45,787

The amounts provided to the President Office with respect to total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are presented based on the operating segments they are associated with.

The segment assets and liabilities at 31 December 2018 are as follows:

	As at 31 December 2018					
	Construction *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Eliminations** *RMB million*	**Total** *RMB million*
Segment assets	**698,988**	**35,470**	**78,640**	**47,113**	**(46,553)**	**813,658**
Investments in joint ventures						**18,646**
Investments in associates						**23,019**
Unallocated assets						**105,153**
Total assets						**960,476**
Segment liabilities	**381,494**	**24,439**	**36,833**	**5,464**	**(40,264)**	**407,966**
Unallocated liabilities						**312,828**
Total liabilities						**720,794**

Segment assets and liabilities at 31 December 2018 are reconciled to entity assets and liabilities as follows:

	Assets *RMB million*	**Liabilities** *RMB million*
Segment assets/liabilities	**813,658**	**407,966**
Investments in joint ventures	**18,646**	**–**
Investments in associates	**23,019**	**–**
Unallocated:	**–**	**–**
Deferred tax assets/liabilities	**4,504**	**5,162**
Tax payable	**–**	**4,034**
Current borrowings	**–**	**79,243**
Non-current borrowings	**–**	**215,384**
Equity investments at fair value through other comprehensive income	**21,257**	**–**
Debt instruments at amortised cost	**109**	**–**
Financial assets at fair value through profit or loss	**6,048**	**–**
Derivative financial instruments	**250**	**2**
Cash and other corporate assets/corporate liabilities	**72,985**	**9,003**
Total	**960,476**	**720,794**

The segment assets and liabilities at 31 December 2017 are as follows:

	As at 31 December 2017					
	Construction	Design	Dredging	Others	Eliminations	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	587,900	31,103	70,956	41,688	(38,134)	693,513
Investments in joint ventures						11,133
Investments in associates						19,409
Unallocated assets						125,833
Total assets						849,888
Segment liabilities	338,461	21,335	33,081	5,084	(37,827)	360,134
Unallocated liabilities						284,160
Total liabilities						644,294

Segment assets and liabilities at 31 December 2017 are reconciled to entity assets and liabilities as follows:

	Assets	**Liabilities**
	RMB million	*RMB million*
Segment assets/liabilities	693,513	360,134
Investments in joint ventures	11,133	–
Investments in associates	19,409	–
Unallocated:		
Deferred tax assets/liabilities	4,214	5,969
Tax payable	–	3,994
Current borrowings	–	82,680
Non-current borrowings	–	178,522
Available-for-sale investments	25,908	–
Held-to-maturity investments	104	–
Financial assets at fair value through profit or loss	6,329	–
Derivative financial instruments	488	10
Cash and other corporate assets/corporate liabilities	88,790	12,985
Total	849,888	644,294

Geographical information

(a) *Revenue from external customers*

	2018	2017
	RMB million	*RMB million*
Mainland China	**393,489**	354,095
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**95,177**	105,972
	488,666	460,067

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

Proportion of revenue from the individual countries or regions other than Mainland China was not material during 2018 and 2017.

(b) *Non-current assets*

	2018	2017
	RMB million	*RMB million*
Mainland China	**241,291**	205,176
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**20,751**	18,238
	262,042	223,414

The non-current asset information above is based on the locations of the assets and excludes financial instruments, investments in joint ventures and associates and deferred tax assets.

Proportion of non-current assets in the individual countries or regions other than Mainland China are not material as at 31 December 2018 and 2017.

Information about a major customer

No revenue was derived from services or sales to a single customer accounted for 10% or more of the Group's revenue, including services or sales to a group of entities which are known to be under common control with that customer during 2018 and 2017.

4. **Revenue, other income and other gains, net**

An analysis of revenue is as follows:

	2018 *RMB million*	2017 *RMB million*
Revenue from contracts with customers		
Construction	**431,817**	410,014
Design	**31,557**	26,965
Dredging	**32,796**	34,108
Others	**12,402**	9,546
Inter-segment eliminations	**(19,906)**	(20,566)
	488,666	460,067

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2018

Segments	**Construction** *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Type of goods or services					
Infrastructure construction	405,134	12,787	26,158	395	444,474
Infrastructure design	931	14,336	717	20	16,004
Others	18,682	470	5,611	3,425	28,188
Total revenue from contracts with customers	424,747	27,593	32,486	3,840	488,666
Geographical markets					
Mainland China	334,769	26,580	28,300	3,840	393,489
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	89,978	1,013	4,186	–	95,177
Total revenue from contracts with customers	424,747	27,593	32,486	3,840	488,666
Timing of revenue recognition					
Services transferred over time	406,303	27,134	27,483	1,116	462,036
Merchandise transferred at a point in time	18,444	459	5,003	2,724	26,630
Total revenue from contracts with customers	424,747	27,593	32,486	3,840	488,666

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

Segments	**Construction** *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Revenue from contracts with customers					
External customers	424,747	27,593	32,486	3,840	488,666
Intersegment sales	7,070	3,964	310	8,562	19,906
Intersegment adjustments and eliminations	(7,070)	(3,964)	(310)	(8,562)	(19,906)
Total revenue from contracts with customers	424,747	27,593	32,486	3,840	488,666

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.

	2018 *RMB million*
Balance of contract liabilities at the beginning of the reporting period:	
Construction	**24,341**
Design	**1,552**
Dredging	**1,247**
Others	**5,366**
	32,506

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Construction, design and dredging services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 180 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Other services

Other services mainly include sale of products. The performance obligation is satisfied upon delivery of the products and payments is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

The remaining performance obligations expected to be recognised relate to construction services that are to be satisfied within one to five years.

	2018	2017
	RMB million	*RMB million*
Other income		
Rental income	**747**	859
Dividend income from equity investments at fair value through other comprehensive income		
– Listed equity instruments	**632**	–
– Unlisted equity instruments	**68**	–
Dividend income on available-for-sale investments		
– Listed equity securities	**–**	612
– Unlisted equity investments	**–**	18
Government grants	**471**	581
Income from the sale of waste and materials	**79**	20
Income on derivative financial instruments	**83**	98
Dividend income from financial assets at fair value through profit or loss	**160**	–
Income from held-to-maturity financial assets	**–**	16
Income from debt instruments at amortised cost	**8**	–
Others (mainly consist of consultation service income, property management service income and transportation income)	**1,803**	1,689
	4,051	3,893
Other gains, net		
Gains on disposal of available-for-sale investments	**–**	1,836
Gains on disposal of items of property, plant and equipment	**472**	68
Gains on disposal of subsidiaries	**482**	775
(Losses)/gains on disposal of joint ventures and associates	**(1)**	435
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(12)**	57
Losses on derivative financial instruments:		
– Foreign exchange forward contracts	**(236)**	(137)
Foreign exchange difference, net	**842**	(708)
Gains on disposal of financial assets at fair value through profit or loss	**109**	43
Gains from business combinations achieved in stages	**236**	–
	1,892	2,369

5. Profit before tax

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	2018	2017
	RMB million	*RMB million*
Raw materials and consumables used	**135,420**	118,443
Cost of goods sold	**13,405**	9,246
Subcontracting costs	**164,427**	164,558
Employee benefit expenses:		
– Salaries, wages and bonuses	**24,987**	24,293
– Pension costs – defined contribution plans	**3,587**	3,232
– Pension costs – defined benefit plans	**133**	149
– Housing benefits	**1,709**	1,611
– Welfare, medical and other expenses	**13,933**	13,651
	44,349	42,936
Minimum lease payments under operating leases	**12,957**	13,189
Business tax and other transaction tax	**1,506**	1,650
Fuel	**4,131**	3,808
Depreciation of property, plant and equipment and investment properties	**8,395**	7,298
Amortisation of intangible assets	**1,612**	1,094
Amortisation of land lease payments	**125**	282
Research and development costs	**9,663**	7,885
Repair and maintenance expenses	**2,733**	2,446
Transportation costs	**605**	282
Utilities	**1,833**	1,401
Insurance	**1,310**	1,335
Auditors' remuneration	**22**	25
Write-down of inventories	**5**	164
Provision for foreseeable losses on contract assets	**(125)**	–
Provision for foreseeable losses on construction services/contracts	**–**	1,110
Impairment of financial and contract assets, net:		
– Impairment of trade and other receivables	**2,498**	3,480
– Impairment of contract assets	**254**	–
Provision for impairment of concession assets	**35**	101
Provision for impairment of available-for-sale investments	**–**	13

6. Finance income

	2018	2017
	RMB million	*RMB million*
Interest income		
– Bank deposits	**1,112**	1,070
– Interest of build and transfer project	**1,418**	1,201
– Interest revenue calculated using the effective interest rate	**1,676**	–
– Others	**1,108**	800
	5,314	3,071

7. Finance costs, net

An analysis of finance costs from continuing operations is as follows:

	2018	2017
	RMB million	*RMB million*
Interest expense incurred	**13,235**	12,166
Less: Interest capitalised	**(2,556)**	(2,680)
Net interest expense	**10,679**	9,486
Representing:		
– Bank borrowings	**8,199**	7,314
– Other borrowings	**152**	116
– Corporate bonds	**1,266**	1,175
– Debentures	**190**	121
– Non-public debt instruments	**571**	505
– Finance lease liabilities	**212**	61
– Others	**89**	194
	10,679	9,486
Foreign exchange difference, net	**249**	(149)
Loss on derecognition of financial assets measured at amortised cost	**697**	–
Others	**1,035**	1,839
	12,660	11,176

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 5.64% (2017: 4.62%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets. Interest capitalised during the year was as follows:

	2018	2017
	RMB million	*RMB million*
Inventories and contract assets/gross amounts due from contract customers	**(1,251)**	(1,308)
Concession assets	**(1,217)**	(1,273)
Construction-in-progress	**(88)**	(99)
	(2,556)	(2,680)

8. Income tax

Most of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (2017: 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 subsidiaries of the Company, which were exempted from tax or taxed at a preferential rate of 15% (2017: 15%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year.

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

	2018	2017
	RMB million	*RMB million*
Current		
– PRC enterprise income tax	**5,150**	4,269
– Others	**350**	993
	5,500	5,262
Deferred	**108**	248
Total tax charge for the year from continuing operations	**5,608**	5,109
Total tax charge for the year from a discontinued operation	**–**	401
	5,608	5,510

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

	2018		2017	
	RMB million	*%*	*RMB million*	*%*
Profit before tax from continuing operations	**26,046**		23,651	
Profit before tax from a discontinued operation	**–**		3,585	
	26,046		27,236	
Tax at PRC statutory tax rate of 25% (2017: 25%)	**6,512**	**25.0**	6,809	25.0
Tax for the appreciation of land in the PRC	**340**	**1.3**	209	0.8
Profits and losses attributable to joint ventures and associates	**(18)**	**(0.1)**	(7)	0.0
Income not subject to tax	**(368)**	**(1.4)**	(659)	(2.4)
Additional tax concession on research and development costs	**(484)**	**(1.9)**	(449)	(1.7)
Expenses not deductible for tax	**135**	**0.5**	288	1.0
Tax losses utilised from previous periods	**(130)**	**(0.5)**	(444)	(1.6)
Temporary differences utilised from previous periods	**(175)**	**(0.7)**	(15)	(0.1)
Temporary differences not recognised	**48**	**0.2**	356	1.3
Tax losses not recognised	**1,330**	**5.1**	1,191	4.4
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(1,582)**	**(6.1)**	(1,769)	(6.5)
Tax charge at the Group's effective rate	**5,608**	**21.4**	5,510	20.2
Tax charge from continuing operations at the effective rate	**5,608**	**21.4**	5,109	21.6
Tax charge from a discontinued operation at the effective rate	**–**	**–**	401	11.2

9. Discontinued operation

On 18 July 2017, the Group entered into an equity transfer agreement with CCCG, pursuant to which the Company and CHEC agreed to transfer 1,316,649,346 ordinary shares of ZPMC which represented 29.99% of the total issued share capital of ZPMC to CCCG and CCCG HK. The transfer of ZPMC equity was completed on 27 December 2017. The rest of the business in the former manufacture of heavy machinery business segment was covered in other segments of the Group, and ZPMC was classified as a discontinued operation.

The results of ZPMC for 2017 prior to the disposal are presented below:

	2017 *RMB million*
Revenue	21,728
Eliminations of inter-segment revenue	(1,219)
	20,509
Cost of sales	(18,476)
Eliminations of inter-segment costs	1,219
	(17,257)
Other income	265
Other gains, net	177
Selling and marketing expenses	(121)
Administrative expenses	(2,173)
Other expenses	(142)
Finance income	293
Finance costs, net	(1,232)
Share of profits and losses of joint ventures and associates	39
Profit from a discontinued operation	358
Gains on disposal of a subsidiary	3,227
Profit before tax from a discontinued operation	3,585
Income tax:	
– Related to pre-tax profit	(92)
– Related to gains on disposal of a subsidiary	(309)
	(401)
Profit for the year from a discontinued operation	3,184
Attributable to:	
– Owners of the parent	3,030
– Non-controlling interests	154
	3,184

The net cash flows incurred by ZPMC for 2017 prior to the disposal are as follows:

	2017 *RMB million*
Net cash generated from operating activities	1,332
Net cash used in investing activities	(1,682)
Net cash generated from financing activities	2,577
Effect of foreign exchange rate changes, net	(50)
Net increase in cash and cash equivalents	2,177

Earnings per share:	
– Basic, from a discontinued operation	RMB0.19
– Diluted, from a discontinued operation	RMB0.19

The calculations of basic and diluted earnings per share from a discontinued operation are based on:

	2017
Profit attributable to ordinary equity holders of the parent from a discontinued operation *(RMB million)*	3,030
Weighted average number of ordinary shares in issue *(million)*	16,175

10. Dividends

	2018 ***RMB million***	2017 *RMB million*
Proposed final dividend of RMB0.23077 per ordinary share (2017: RMB0.24190)	**3,733**	3,913

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("**AGM**").

11. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 16,174,735,425 (2017: 16,174,735,425) in issue during the year.

The calculation of basic earnings per share is based on:

	2018	2017
Profit attributable to ordinary equity holders of the parent *(RMB million)*		
– From continuing operations	**19,819**	17,913
– From a discontinued operation	**–**	3,030
	19,819	20,943
Less: Interest on perpetual medium-term notes *(RMB million) (i)*	**(300)**	(300)
Dividend relating to preference shares *(RMB million) (ii)*	**(718)**	(718)
	18,801	19,925
Attributable to:		
– From continuing operations *(RMB million)*	**18,801**	16,895
– From a discontinued operation *(RMB million)*	**–**	3,030
	18,801	19,925
Weighted average number of ordinary shares in issue *(million)*	**16,175**	16,175
Basic earnings per share *(RMB per share)*		
– From continuing operations	**1.16**	1.04
– From a discontinued operation	**–**	0.19
	1.16	1.23

(i) The medium-term notes (the "**MTN**") issued by the Company in 2014 were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB300 million on the MTN which has been generated during the year was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2018.

(ii) The preference shares issued by the Company in 2015 were classified as equity instruments with deferrable and non-cumulative dividend distribution and payment. As the conditions of mandatory distribution were triggered, a dividend amounting to RMB718 million on the preference shares was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2018.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

12. Trade and other receivables

	2018	2017
	RMB million	*RMB million*
Trade and bills receivables *(note a)*	**100,176**	80,187
Impairment	**(12,380)**	(10,881)
Trade and bills receivables, net	**87,796**	69,306
Retentions	**–**	64,392
Long-term receivables	**150,910**	92,943
Prepayments	**18,431**	16,290
Deposits	**19,054**	20,753
Other receivables	**38,663**	30,771
	314,854	294,455
Less: non-current portion		
Retentions	**–**	(33,927)
Long-term receivables	**(113,090)**	(74,598)
Prepayments	**(4,161)**	(3,108)
Deposits	**(1,716)**	(1,077)
	(118,967)	(112,710)
Current portion	**195,887**	181,745

(a) The majority of the Group's revenues are generated through construction, design and dredging contracts and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An aging analysis of trade and bills receivables as at the end of the reporting period, net of loss allowance, is as follows:

	2018	2017
	RMB million	*RMB million*
Within 6 months	**61,140**	47,570
6 months to 1 year	**9,417**	8,907
1 year to 2 years	**9,218**	7,838
2 years to 3 years	**3,950**	3,222
Over 3 years	**4,071**	1,769
	87,796	69,306

13. Trade and other payables

	2018	2017
	RMB million	*RMB million*
Trade and bills payables *(note a)*	**242,167**	212,740
Advances from customers	**–**	61,293
Deposits from suppliers	**25,020**	20,468
Retentions	**19,110**	14,967
CCCC Finance deposits	**9,283**	8,340
Other taxes	**17,256**	11,718
Payroll and social security	**2,247**	2,056
Accrued expenses and others	**16,598**	11,666
	331,681	343,248
Less: non-current portion		
– Retentions	**(13,192)**	(10,261)
– Other taxes	**(144)**	(91)
– Others	**(3,849)**	(193)
	(17,185)	(10,545)
Current portion	**314,496**	332,703

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

	2018	2017
	RMB million	*RMB million*
Within 1 year	**214,046**	191,288
1 year to 2 years	**19,779**	15,710
2 years to 3 years	**4,943**	2,816
Over 3 years	**3,399**	2,926
	242,167	212,740

14. Pledge of assets

(a) At 31 December 2018, the restricted deposits were RMB4,633 million (31 December 2017: RMB2,880 million).

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

	2018	2017
	RMB million	*RMB million*
Trade and other receivables	**27,261**	14,859
Inventories	**3,597**	4,013
Investment properties	**1,117**	–
Prepaid land lease payments	**5,028**	1,628
Intangible assets	**141,261**	119,600
	178,264	140,100

15. Commitments

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

	2018	2017
	RMB million	*RMB million*
Intangible assets – concession assets	**122,293**	115,133
Property, plant and equipment	**1,387**	139
	123,680	115,272

16. Events after the reporting period

On 29 March 2019, the Board of the Company resolved that a final dividend of RMB0.23077 per share, totaling approximately RMB3,733 million, is to be distributed to the shareholders, subject to approval of the 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.

17. Approval of the financial statements

The financial statements were approved and authorised for issue by the Board on 29 March 2019.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2018.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code contained in Appendix 10 to the Hong Kong Listing Rules. The Company has made specific inquiry with all of its Directors and Supervisors. Each of the Directors and Supervisors has confirmed his compliance with the requirements set out in the Model Code for the year ended 31 December 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance. The Board believes that the Company complied with all code provisions as set out in the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules for the year ended 31 December 2018.

DISTRIBUTIONS AND DIVIDENDS

For the year of 2018, net distributable profit to owners of the Company was approximately RMB18,663 million which is determined based on the financial statements prepared in accordance with China Accounting Standards for Business Enterprises and IFRS, whichever is lower. The Board has proposed a final dividend of RMB0.23077 (including tax) per share (totaling approximately RMB3,733 million which represents approximately 20% of the above-mentioned distributable net profit attributable to owners of the Company), which is subject to approval by the Shareholders at the forthcoming AGM. The proposed dividend distribution will be expected to distribute to all Shareholders on 16 August 2019, subject to the provisions of the Articles of Association, on the basis of total issued share capital of the Company of 16,174,735,425 shares.

Further details in relation to the date of the AGM, the qualification for the right to attend the AGM, the qualification for the proposed final dividends and the closure of register of member for H shares will be disclosed by the Company after the arrangement of AGM is finalised.

The proposed final dividends are subject to applicable tax. The proposed final dividends will be denominated and declared in Renminbi and will be paid to holders of A Shares in Renminbi and to holders of H Shares in Hong Kong dollars. Further information regarding the exchange rate and the applicable tax will be disclosed by the Company in a separate announcement in due course.

ESTIMATED TOTAL AMOUNT OF DAY-TO-DAY RELATED PARTY TRANSACTIONS UNDER THE SHANGHAI STOCK EXCHANGE LISTING RULES

According to the Shanghai Listing Rules, the listed issuer may, prior to disclosure of its annual report for the previous year, estimate reasonably the total amount of day-to-day related party transaction (as defined under the Shanghai Listing Rules) under each category for the current full year and submit the estimated total amount to the Board or shareholders' general meeting for consideration and approval. Upon approval, day-to-day related party transactions conducted by the issuer will be exempted from certain review and disclosure requirements under the Shanghai Listing Rules.

As a Shanghai Stock Exchange listed issuer, the Company, in accordance with the Shanghai Listing Rules, estimates reasonably that the total amount of day-to-day related party transactions for the year of 2019 will not exceed RMB15,585 million. The Company will closely monitor the respective related party transactions. If any related party transaction constitutes a connected transaction (as defined under the Hong Kong Listing Rules), and is subject to reporting, announcement or independent Shareholders' approval requirements (as applicable), the Company will, as soon as possible after the terms of the respective connected transaction have been agreed, take immediate steps to ensure compliance with the Hong Kong Listing Rules.

Pursuant to Rule 10.2.5 of the Shanghai Listing Rules, any related party transaction conducted by a listed issuer with the transaction amount exceeding RMB30 million as well as accounting for more than 5% of the absolute value of a listed issuer's latest audited net assets, shall be approved by its shareholders. As the estimated total amount of day-to-day related party transactions, after aggregation with other transaction amounts of related party transactions pursuant to the Shanghai Listing Rules, exceed RMB30 million but is lower than 5% of the absolute value of the Company's latest audited net assets, the estimated total amount of day-to-day related party transactions is exempted from the requirements of Shareholders' approval by way of ordinary resolution at the AGM.

AUDIT AND INTERNAL CONTROL COMMITTEE

The audit and internal control committee of the Company is comprised of Mr. NGAI Wai Fung, Mr. LIU Maoxun, Mr. HUANG Long and Mr. ZHENG Changhong, and is chaired by Mr. NGAI Wai Fung. The audit and internal control committee of the Company has reviewed the annual results of the Company.

AUDITORS

Ernst & Young and Ernst & Young Hua Ming LLP were appointed as the international and domestic auditors of the Company for the year ended 31 December 2018, respectively. The financial figures in this announcement extracted from the Group's consolidated Financial Statements for the year ended 31 December 2018 have been agreed by the Company's international auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2018. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF ANNUAL REPORT

This results announcement will be released on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.ccccltd.cn).

The annual report of the Company for the year ended 31 December 2018 which contains all the information required by the Hong Kong Listing Rules including audited financial statements will be despatched to Shareholders on or before Tuesday, 30 April 2019 and will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.ccccltd.cn).

DEFINITIONS

In this announcement, unless the content otherwise requires, the following expressions have the following meanings:

"AGM"	the annual general meeting of the Company for the year 2018 to be held in 2019
"Articles of Association"	the articles of associations of the Company, approved on 8 October 2006, and as amended thereafter
"Board"	the board of directors of the Company
"Company" or "CCCC"	China Communications Construction Company Limited, a joint stock limited company with limited liability incorporated under the laws of the PRC on 8 October 2006, and except where the context requires otherwise, all of its subsidiaries
"CCCC Dredging"	CCCC Dredging (Group) Co., Ltd., a subsidiary of the Company

“CCCG”	China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds approximately 59.91% equity interest in the Company
“CCCG HK”	CCCG (HK) Holding Limited, a wholly-owned subsidiary of CCCG
“Director(s)”	the director(s) of the Company
“ECRL Project”	the Engineering, Procurement, Construction and Commissioning Project of the East Coast Rail Link in Malaysia
“equity transfer of ZPMC”	the transfer of an aggregate of 29.99% equity interests in ZPMC by the Company and its subsidiaries, Zhen Hua Engineering Company Limited (振華工程有限公司) and Zhen Hua Harbour Construction Co. Ltd. (振華海灣工程有限公司) to CCCG and CCCG HK on 18 July 2017, of which the registration procedures was completed on 27 December 2017
“experts in five areas”	the strategy of being “experts in five areas” proposed by CCCG, is the optimisation and re-building of CCCG based on its existing businesses, markets and resources. That is, to build CCCG to be a world-famous engineering contractor, an urban complex developer and operator, a distinctive real estate developer, an integrated infrastructure investor and a general contractor of offshore heavy equipment and port machinery manufacturing and system integration. As an important holding subsidiary of CCCG, CCCC is the significant implementor of such strategy
“Group”	the Company itself and all of its subsidiaries
“Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers

"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	State-owned Assets Supervisor and Administration Commission of the State Council
"Shanghai Listing Rules"	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
"Shareholders"	the shareholders of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"USD"	United States dollars, the lawful currency of the United States of America
"ZPMC"	Shanghai Zhenhua Heavy Industries Co., Ltd. (上海振華重工(集團)股份有限公司), a company incorporated on 14 February 1992 in the PRC and listed on the Shanghai Stock Exchange, and a non-wholly owned subsidiary of CCCG
"%"	percent

Note: Any discrepancies between the amounts herein and the amounts set out in the tables herein are due to rounding.

By Order of the Board
China Communications Construction Company Limited
ZHOU Changjiang
Company Secretary

Beijing, the PRC
29 March 2019

As at the date of this announcement, the Directors are LIU Qitao, SONG Hailiang, CHEN Yun, LIU Maoxun, Qi Xiaofei, HUANG Long#, ZHENG Changhong# and NGAI Wai Fung#.

Independent non-executive Directors