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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS*Notes*

Revenue of the Group for the six months ended 30 June 2019 amounted to RMB239,087 million, representing an increase of RMB31,501 million, or 15.2%, from RMB207,586 million for the corresponding period of 2018.

Gross profit for the six months ended 30 June 2019 amounted to RMB27,972 million, representing an increase of RMB113 million, or 0.4%, from RMB27,859 million for the corresponding period of 2018.

Operating profit for the six months ended 30 June 2019 amounted to RMB15,657 million, representing an increase of RMB616 million, or 4.1%, from RMB15,041 million for the corresponding period of 2018.

Profit attributable to owners of the parent for the six months ended 30 June 2019 amounted to RMB8,757 million, representing an increase of RMB500 million, or 6.1%, from RMB8,257 million for the corresponding period of 2018.

Basic earnings per share for the six months ended 30 June 2019 amounted to RMB0.48, as compared with RMB0.46 for the corresponding period of 2018.

The value of new contracts of the Group for the six months ended 30 June 2019 amounted to RMB496,728 million, representing an increase of 15.9% from RMB428,768 million for the corresponding period of 2018.

As at 30 June 2019, the backlog for the Group amounted to RMB1,919,260 million.

Notes:

1. In calculating the amount of earnings per share for the six months ended 30 June 2019, the interests/dividends with an aggregate amount of approximately RMB982 million shall be excluded from earnings.

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

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" for the six months ended 30 June 2019 as follows.

CHAIRMAN'S STATEMENT

In the first half of the year, the Company insisted on regarding Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guidance, went along with the development path of marketization, globalization, intensification and differentiation, effectively organized and dealt with complicated and ever-changing internal and external conditions, followed the national strategies and seized the market opportunities based on the general deployment and arrangement at the beginning of the year. We cooperated with each other to tackle problems in a prudent manner, thus maintaining solid and orderly advancement.

Key performance indicators of the Company achieved steady improvement, which laid a foundation for successful completion of the objectives throughout the year. The Group recorded revenue of RMB239,087 million, representing a year-on-year increase of 15.2% and completion of 44% of the annual objective; profit attributable to owners of the parent of RMB8,757 million, representing a year-on-year increase of 6.1%; earnings per share of RMB0.48. The value of new contracts amounted to RMB496,728 million, representing a year-on-year increase of 15.9% and completion of 52% of the annual objective. As of 30 June 2019, the backlog amounted to RMB1,919,260 million.

As an important holding subsidiary of CCCG, the Company played a decisive role in the business performance of CCCG. In 2019, CCCG ranked 93rd 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 fourteen consecutive years and selected as the "Enterprise with Outstanding Business Performance" for five consecutive terms. CCCG has ranked the 3rd in ENR's Top International Contractors and remained the first among the Chinese enterprises in the global ranking for thirteen consecutive years.

Faced with tremendous pressure of domestic economic downturn in this year, the Company was determined to implement the deployment decided by the Central Committee of the Party and the State Council, made progress in various works by adhering to the strategy of "experts in five areas" and the positioning of "three roles", extensively participating in national development, dealing with changes and grasping the overall situation. Four aspects were principally embodied:

We have been insisting on performing its political responsibilities, economic responsibilities and social responsibilities as a central enterprise in all aspects, thus making new progress in the implementation of national strategies and the completion of "three critical missions". The Company fully participated in the second Belt and Road Forum for International Cooperation, and was invited to attend 9 parallel sub-forums and entrepreneur conference, during which the Company entered into 34 agreements in various categories.

We have been insisting on the general working guideline of making progress amidst stability, and optimised market structure, business structure and asset structure. The overall operation of the Company was stable, with further improvement in key economic and management indicators. With an increase in net assets of 4.2% and asset-liability ratio of 75.3%, the outlook of credit ratings remains stable and risks are under control.

We have been insisting on advancing the process of pilot reform, supply-side structural reform and special reform by making an overall planning, and making new progress in the adjustment of organisation system and the optimisation of system and mechanism. The Company further focused on main business, optimised the financial structure, and improved the core competitiveness and profitability. CFHEC and CCCC WTC, the wholly-owned subsidiaries of the Company, were included in "Double-Hundred Enterprises", showing the continuous and steady progress achieved by the Company in pilot reform. The Company achieved positive results in comprehensive reform, including new improvement in cost reduction and efficiency, by cutting 280 or 30% legal entities.

Outstanding results have been recognised, but certain issues have been identified as well, which can be summarised as "two inadaptations" and "three improvements to be made", i.e. the capabilities of the headquarters did not adapt to the demand of the direct market, and resource allocation did not adapt to the requirements of high-quality development; the execution of strategies and internal synergy shall be improved with great efforts, the quality of structural layout shall be improved with great efforts, and operation management efficiency shall be improved with great efforts. Generally, these issues were incurred in the course of development, and shall be rectified by taking effective measures.

All in all, facing "great changes unseen over a century", the Company was still in a period of important strategic opportunities, but there were significant increase in challenges. In the second half of the year, we will focus on fulfilling the works from the following four aspects:

First, we will remain true to our original aspiration, improve our stance, and perform our responsibilities as a central enterprise by taking practical actions. We will improve our political stance by taking responsibilities to consciously fulfill new ideas, unswervingly safeguarding the core, and following the Party's commands. We will improve our responsibility stance by taking a pioneer role in the completion of three critical missions the implementation of national strategic deployment. We will improve our development stance by upholding liberation of the mindset, promoting transformation and upgrading, and encouraging innovation and response, thus guiding the Company to quality development with new development concept.

Second, we will boost our confidence, undertake our responsibilities, and spare no effort to fulfill the task of stabilising growth. We will adhere to "maintenance of fundamentals, structural adjustment, going global and focusing on synergy" to seize the stable growth. Maintenance of fundamentals can be achieved from two aspects: on one hand, we should strive to be the "main driver" and "ballast" of stable development, seize the opportunities to bolster the area of weaknesses in infrastructure, explore in-depth market potentials and consolidate the growth trend of "large-scale infrastructure" business; on the other hand, we should enhance the basic knowledge, strive for the integrated development of "industry" and "commerce", stringently control investment scale, expand our presence in spot exchange market, and further improve our market competitiveness and contribution. Structural adjustment can be realized from three aspects: we should put emphasis on optimising development mechanism from business structure, clarify the direction of structural adjustment, and accelerate conversion of new and old drives; we should also put emphasis on strengthening the regional deployment, expand the coverage and improve penetration, in order to create more new growth points; besides, we should put emphasis on the acceleration of asset structure, cultivate core assets and quality assets and improve the efficiency of stable growth. Going global requires us to actively participate in global industrial division and cooperation system in terms of business, path and mechanism, further expand the room for development of stable growth. Focusing on synergy requires us to adhere to the principle of maximising the overall interests, properly optimise operational mechanism, highlight the guiding role of synergy assessment on results, in order to turn synergy into an institutional arrangement and contribution to performance results.

Third, we will strive for ingenuity by going through hardships and overcoming difficulties, focus on critical areas, and promote new results in high-quality development. We will continue to strive for innovation-driven development, address thorny issues to key and core technology and vitality inadequacy of innovation mechanism. We will continue to optimise resource allocation, clarify the direction and standards of resource allocation and optimise interest distribution mechanism. We will continue to reduce cost and improve efficiency, enhance intensive management, properly utilise capital market, strictly control newly-established institutions, and establish the awareness of practice of austerity. We will insist on preventing and controlling risks, pay close attention to reverse effect, additive effect, coupling effect and induced effect, and uphold the principle of maintaining stability, identifying minimal matters, grasping opportunities, concerning variables, and emphasising on tackling the crux of the problems.

Fourth, we will focus on the target and make overall planning and coordination, in order to promote new progress in reform in an efficient and steady manner. We will guide the in-depth and comprehensive reform through trial reform, focus on the in-depth reform of mechanism by means of "streamlining the administration, enhancing the supervision and optimising the service", and further stimulate the vitality of all levels and main bodies in promoting reform. We should adhere to the principle and standard of explicit authorisation, enhance the scope of authorisation, accelerate the internal reform and specialised reform of different themes in different levels, and do good job in "streamlining the administration". We should also focus on enhancing the capability of overall management and services, optimising regulatory system of the Group, improving the corporate governance mechanism, strengthening the capabilities of exercising power in all level, in order to reach the target of "enhancing the supervision and optimising the service". We should broaden our horizons, in order to develop organic expansion of the main business, and speed up the distribution of benefits from reform.

2019 is the year for the 70th anniversary of the founding of the People's Republic of China and is the critical year to build a moderately prosperous society in all respects. Therefore, it is of great significance to carry out various works properly. In the second half of 2019, we will continue to implement the decisions and arrangement of the CPC Central Committee and the State Council, adhere to the general principle of pursuing progress while ensuring stability, fulfill our mission, implement the responsibilities, and exert the utmost effort, in order to ensure successful completion of all tasks for the year and each performance indicator. We will create values, repay shareholders and confer benefits to the society with sound development and excellent results.

BUSINESS OVERVIEW

In the first half of 2019, the Company adhered to the strategy of "experts in five areas" and the positioning of "three roles", consolidated the traditional core business, actively conducted the transformation and upgrading of the businesses, focused on the development of emerging sectors, integrated into a bigger picture, faced to changes and made overall arrangements, thus achieving overall stable operation and improving the major economic indicators.

In the first half of 2019, the value of new contracts entered into by the Group amounted to RMB496,728 million, representing an increase of 15.9%. As at 30 June 2019, the backlog of the Group amounted to RMB1,919,260 million.

In the first half of 2019, the value of Group's new contracts from overseas markets amounted to RMB112,190 million (equivalent to approximately USD16,931 million), representing a decrease of 7.7%, and accounting for 23% of the Group's new contracts value. According to statistics, as of 30 June 2019, the Company conducted its business in 139 countries and regions, of which a total of 1,092 foreign contracting engineering projects were under construction, with a total contract amount of approximately USD134,500 million.

In the first half of 2019, the confirmed contract value from PPP investment projects of the Group amounted to RMB67,214 million (wherein: the confirmed contract value of share-participation projects on a shareholding pro-rata basis amounted to RMB4,409 million), representing an increase of 3.8%, and accounting for 14% of the value of new contracts of the Group; and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB68,055 million.

I. BUSINESS REVIEW AND MARKET STRATEGIES

(I) Domestic Market

In the first half of 2019, China's economy maintained the development momentum of overall stability amidst progress, with a year-on-year growth of 6.3% in GDP. Facing the economic downward pressure, the government carried out proactive fiscal initiatives and steady monetary policies, maintained economic indicator within an appropriate range, and continuously optimised and adjusted the economic structure. The fixed-assets investment in infrastructure increased by 4.1%, with a slight decrease in growth rate from the corresponding period of 2018. Wherein, the investment in the rail transport industry and the road transport industry increased by 14.1% and 8.1%, respectively, while the investment in the waterborne transport industry decreased by 16.4%, and the investment in the water resources, environment and public facility management industry increased by 2.5%. On the one hand, PPP returned to high-quality, sustainable and orderly development and the overall development of infrastructure construction slowed down upon the issuance of a series of regulatory documents in the prevention and control of financial risks, standardized investment management procedures and etc. On the other hand, in addition to the supporting policies such as "improving weak links" and "ensuring the projects under construction" in the second half of 2018, the government also issued new regulations for special bonds in June 2019, providing financing guarantee for the major state-supported projects in railway, toll road, ecological and environmental protection, urban infrastructure construction and other industries, and promoting the recovery of investment in the infrastructure construction.

In the first half of 2019, adhering to market-oriented strategies, the Company promoted the switch in new drivers in an orderly manner, continuously adjusted the operating concept, consolidated the traditional core business and devoted every effort to explore emerging sectors. On the one hand, the Company kept exploring market space in sectors like road and port profoundly, consolidated the foundation for development, and improved infrastructure industry ecosystem; on the other hand, the Company focused on the emerging sectors, obtained experiences and qualifications in sponge city, ecological and environmental protection, healthcare tourism and other industries, captured the fast-mover market opportunities, and steadily increased the share of new businesses.

In July 2019, in response to the increasing economic downward pressure in China, the government proposed the overall principle of making progress while maintaining stability. In the second half of the year, the government will enhance the efficiency of fiscal policies, implement and refine the policy of tax and expenditure reduction, and put forward a prudent monetary policy to maintain reasonable and sufficient liquidity. The improvement of local financing platform will promote the investment in the infrastructure, and the accelerated issuance of special bonds will help the successful implementation of major projects of infrastructure.

(II) Overseas Market

In 2019, as the economy of the world's major economies slowed down, the US-China trade conflicts represented an uncertain future and the tension escalated in some regions, the exploration of overseas business of the Company faced severe risks in market, finance, compliance and safety. However, since the globalization and multipolarization are the trend of development, the further promotion of "Belt and Road" initiative will widely enhance the "Going Global" of Chinese enterprises and provide opportunities to the Company's overseas development.

In April 2019, the Company comprehensively and deeply participated in the second Belt and Road Forum for International Cooperation, during which, the leaders of the Company were invited to attend the entrepreneur conference and 9 parallel sub-forums, entered into 34 agreements of various kinds, introduced the Company's stories, implemented the Company's results and shared the Company's spirit. Upon active communication by the Company and the employer, as well as the Chinese and Malaysian governments, the Company and the employer adjusted the project content, value engineering and location of the Malaysia East Coast Rail Link EPC Project (the "ECRL Project"), which was suspended in July 2018, re-entered into a supplemental agreement in April 2019 and comprehensively resumed the ECRL Project in July 2019, which became an important measure for implementing the "Belt and Road" initiative by the Company and further contributed to the friendly cooperation between China and Malaysia.

(III) Business Summary

1. Infrastructure Construction Business

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

In the first half of 2019, the value of new contracts of the Group in infrastructure construction business amounted to RMB440,729 million, representing an increase of 15.5%. Wherein, the value of new contracts from overseas markets amounted to RMB105,742 million (equivalent to approximately USD15,958 million), the confirmed contract value from PPP investment projects amounted to RMB66,356 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB67,225 million. As at 30 June 2019, the backlog amounted to RMB1,732,947 million.

Categorised by project type and location, the value of new contracts in terms of port construction, road and bridge, railway construction, municipal and environmental projects, etc., and overseas projects amounted to RMB12,155 million, RMB138,303 million, RMB2,879 million, RMB181,650 million and RMB105,742 million, representing 3%, 31%, 1%, 41% and 24% 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 the first half of 2019, the value of new contracts of the Group for port construction projects in Mainland China amounted to RMB12,155 million, representing a decrease of 14.2% and accounting for 3% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from PPP investment projects was RMB407 million. The decrease in the value of new contracts was mainly attributable to the reduction of participation in construction in relation to regional ports under PPP model.

In the first half of 2019, according to the data published by the Ministry of Transport, the fixed-assets investment in coastal and inland transportation construction amounted to approximately RMB53,196 million, representing an increase of 4.0%. The fixed-assets investment in the coastal transportation construction recovered and the investment in inland transportation construction kept stable development. The Company captured the opportunities and successfully entered into the contracts in relation to the Yangtze River Estuary Nancao Waterway Treatment Phase I Engineering, Breakwater Engineering Project of Hujiashan Operation Area in Dongjiakou Port Area of Qingdao Port, etc.

(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 the first half of 2019, the value of new contracts of the Group for road and bridge construction projects in Mainland China reached RMB138,303 million, representing a decrease of 11.4%, and accounting for 31% of that of the infrastructure construction business. Wherein, the confirmed contract value from PPP investment projects amounted to RMB29,287 million. The decrease in the value of new contracts was mainly attributable to the higher base arising from the rapid development of the projects in 2017 and 2018.

In the first half of 2019, according to the data published by the Ministry of Transport, the fixed assets investment in road transport construction amounted to approximately RMB950,000 million, representing an increase of 4.8%. Affected by leverage reduction and control of financial risks, the construction of and investment in the road project were relatively stable.

The Company thoroughly explored traditional markets to ensure the core competitiveness, and successfully signed the contracts for important sections of expressways including Xintian – Gaofeng Section in Chongqing of Enshi – Guangyuan National Expressway, Dezhou (Shandong and Hebei Conjunction) – Qihe Section of Beijing – Taipei Expressway. Meanwhile, according to the latest policy changes, the Company proactively adjusted its operating concepts, created innovative financing modes, and sought to increase the market demand through national strategic planning including "China Western Development", "Fully Revitalization of Northeast China" and "City Group Economy", thus successfully obtaining large projects such as the Project of Baiyinchagan Anye Section of Inter-province Channel in Inner Mongolia, and the New Reconstruction Project of the Lhasa-Xigaze Airport Highway of the National Highway 318 in Tibet.

(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, it has been estimated that the railway contract value of the Company has accounted for more than half of the overseas railway contract value of Chinese enterprises, and showed vital market influence.

In the first half of 2019, the value of new contracts of the Group for railway construction projects in Mainland China reached RMB2,879 million, representing a decrease of 51.5%, and accounting for 1% of that of the infrastructure construction business.

According to the plan of China State Railway Group Co., Ltd., the fixed-assets investment in railway in 2019 will be RMB800,000 million, and the completed fixed-assets investment in railway in the first half of 2019 amounted to RMB322,000 million, representing an increase of 3.0%, which has a significant meaning to "stabilizing the investment" as an important part of improving weak links in infrastructure. In the second half of 2019, the Company will continue to strengthen the railway construction that Sichuan-Tibet Railway commencement project is expected to enter the tender stage and will benefit the Company.

(4) Municipal and Environmental Projects, etc.

The Group actively participated in urban infrastructure construction for rail transit, urban comprehensive pipe gallery, sponge city, housing construction, etc., extensively, with considerable influence in the market.

In the first half of 2019, the value of new contracts of the Group for municipal and environmental projects, etc. in Mainland China reached RMB181,650 million, representing an increase of 109.1%, and accounting for 41% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from PPP investment projects was RMB36,663 million. The significant increase in the value of new contracts mainly stemmed from emerging sectors including rail transit, municipal construction, ecological and environmental protection and housing construction.

In the first half of 2019, the Company accelerated to capture opportunities and develop layout of emerging business sectors while consolidated the advantageous position of traditional core businesses. Several influential and representative projects in environmental protection, rail transit, and urban comprehensive development have been carried out, and the transformation results became prominent. Various large-scale and high-quality projects, such as Reconstruction EPC Project of Shantytowns in East Zone of Zhonghua South Road in Honghuagang District, Zunyi City, Guizhou Province, Phase I Project of

Line 10 of Hangzhou Metro, General Contracting Project for Design and Construction of Navigation Power Junctions in Longxikou, Min River, Sichuan Province, and Comprehensive Development Project of Industrial New Town in Old Industrial Area of Qingshuitang, Zhuzhou City, Hunan Province, were successfully implemented. The industrial layout was gradually improved with a vast potential for future development.

(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 construction, etc., with remarkable competitive edges in the market.

In the first half of 2019, the value of new contracts of the Group for overseas projects in the infrastructure construction business amounted to RMB105,742 million (equivalent to approximately USD15,958 million), representing a decrease of 10.6%, and accounting for 24% of that of the infrastructure construction business. Wherein, 14 projects were entered into with each new contract value over USD300 million and a total contract value of USD10,156 million, accounting for 60% of total value of all overseas new contracts of the Group.

Categorised by project type, the value of overseas new infrastructure construction contracts for port construction, roads and bridges, municipal, railways, housing and other projects accounted for 39%, 38%, 17%, 2% and 4% of the value of new contracts for overseas projects, respectively.

Categorised by project location, the value of new infrastructure construction contracts for Africa, Oceania, Southeast Asia, Hong Kong/Macau/Taiwan, South America and other countries accounted for 38%, 16%, 13%, 9%, 4% and 20% of the value of new contracts for overseas projects, respectively.

In the first half of 2019, with tough US-China trade friction and increasing competitive pressure in the market, the Company, on the basis of the restart of the ECRL Project in Malaysia, precisely planned and coordinated the national framework project, improved the bidding capacity in spot exchange market and strengthened the exploration of overseas investment market. The Company closely coordinated with the national strategies, implemented the results achieved at the summits and entered into 34 agreements in the second Belt and Road Forum for International Cooperation. The Company also focused on promoting localized construction, consecutively won the bids for multiple projects including the construction of roads and bridges in the Eastern Abqaiq, Saudi Arabia, lot ARC of Runway 3 of Singapore Changi Airport, and phase I of Khalifa Port Station in Abu Dhabi, etc. Lekki Port Project in Nigeria and Laem Chabang Container Terminal Phase III Project in Thailand achieved substantial progress, and formed synergy with the operating platform of foreign ports.

In the second half of 2019, the Company will advance deep the "Belt and Road" initiative, and build more "Wealth Road", "Love-Connection Bridge", "Development Port", and "Happiness City" in line with value improvement and risk control. Under the general mission of serving national economic diplomacy, the Company will deeply participate in multilateral international activities and assist the implementation of significant projects; within the framework of "One Body and Two Wings" and on the premise of and "Going Global", the Company will continue to authorize and empower relevant subsidiaries and stimulate the marketing vitality of various entities; for potential overseas risks, the Company will make systematic analysis, formulate a systematic, targeted and operational working plan system, and dynamically adjust and consolidate the fortress for overseas risk prevention according to the changes in the situation.

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. Currently, the Company is enhancing its influence in the market continuously, and is mainly undergoing the market cultivation period.

In the first half of 2019, the value of new contracts of the Group in infrastructure design business reached RMB19,328 million, representing a decrease of 18.3%. Wherein, the value of new contracts from overseas markets amounted to RMB4,224 million (equivalent to approximately USD637 million), accounting for 22% of the infrastructure design business, which were mainly survey and design projects contributed by a preliminarily acquired Brazil design company. As at 30 June 2019, the backlog amounted to RMB83,279 million.

Categorised by project type, the value of new contracts for survey and design, project supervision, EPC general contracting and other projects (including PPP projects) amounted to RMB8,093 million, RMB431 million, RMB10,475 million and RMB329 million, representing 42%, 2%, 54% and 2% of the value of new contracts for infrastructure design business, respectively, as compared with 18%, 3%, 31% and 48%, respectively recorded for the corresponding period of 2018.

In the first half of 2019, the value of new contracts for domestic survey and design projects obtained by the Company was basically on a par with last year. The Company undertook the survey and design works of Bangda Military Depot – Linzhi Section of G4218 Line in Tibet and the two sessions of Nanjing Yangtze River Fifth Bridge as well as the design works of PPP investment projects for various expressways.

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 the first half of 2019, the value of new contracts of the Group in dredging business reached RMB30,854 million, representing an increase of 54.2%. Wherein, the value of new contracts from overseas markets amounted to RMB1,048 million (equivalent to approximately USD158 million), the confirmed contract value from PPP investment projects amounted to RMB858 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB830 million. As at 30 June 2019, the backlog amounted to RMB94,552 million.

In the first half of 2019, according to the vessel purchase plan, two trailing suction hopper dredgers were purchased to serve in the Group's dredger fleets. As of 30 June 2019, the Group's dredging capacity amounted to approximately 790 million cubic meters under standard conditions.

In the first half of 2019, the Company gave full play to its unique advantages, actively expanded environmental businesses and achieved good performance. 12.5m Deepwater Navigation Channel Phase II Engineering below Yangtze River in Nanjing and Pingquan Sewage Treatment Engineering in Jianyang of Chengdu have been completed and accepted. Ecological Island Flood Control and Landscape Road Project in Chongming of Shanghai, Project of Infrastructure Construction of Qiandao Central Commercial Complex of Zhoushan in Zhejiang Province and other large-scale EPC projects have been implemented. Sewage Treatment Project of Taixing Economic Development Zone in Jiangsu Province and Comprehensive Treatment Project of Huama Lake in Ezhou of Hubei Province have consecutively won the bidding. The transformation of business was in progress. However, we also noticed that affected by the approval for using the sea and ocean environmental protection policies issued by the state, traditional land reclamation market was still sluggish, the implementation of large channel dredging projects has not been improved and several sea-related engineering construction projects were suspended.

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

1. *Infrastructure Construction Business*

Port Construction

No.	Contract Name	Contract Value
1	Phase I Project of Storage and Allocation Base for Railway-River Combined Transportation of Coal in Jingzhou City, Hubei Province	1,344
2	EPC Project of Yangtze River Estuary Nancao Waterway Treatment Phase I Engineering in Shanghai	1,021
3	Breakwater Engineering Project of Hujiashan Operation Area in Dongjiakou Port Area of Qingdao Port	991
4	EPC Project of Huangsangkou Port Area of Sandstone Collection Center in Huangshi City, Hubei Province	627
5	Data Port Project of Green Industry in Yangkou New Town of Rudong, Jiangsu Province	441

Road and Bridge Construction

No.	Contract Name	Contract Value
1	BOT Project of Expressway from Pubei to Beiliu in Yulin, Guangxi Province	14,426
2	Project of Xintian – Gaofeng Section in Chongqing of Enshi – Guangyuan National Expressway in Sichuan Province	4,080
3	Lot II of Construction General Contracting Project for North Extension of Fenghuang Road in Jinan City	3,165
4	PPP Project of Longsha – Dailing Section in Cangnan of National Highway 228 in Wenzhou City	2,899
5	Expansion and Reconstruction Engineering Project of Dezhou (Shandong and Hebei Conjunction) – Qihe Section of Beijing – Taipei Expressway	2,798

Railway Construction

No.	Contract Name	Contract Value
1	Lot NYJZQ-9 of the Pre-Station Project of Newly-Built Intercity Railway Along the South Yangtze River in Jiangsu Province	2,574

Municipal and Environmental Projects, etc.

No.	Contract Name	Contract Value
1	PPP Project of Phase I Engineering of Line 11 of Tianjin Metro	9,234
2	Reconstruction EPC Project of Shantytowns in East Zone (Line Side) of Zhonghua South Road in Honghuagang District, Zunyi City	7,412
3	PPP Project for Comprehensive Development of Industrial New Town in Old Industrial Area of Qingshuitang, Zhuzhou City	6,464
4	Comprehensive Project of Resettlement Housing Construction in Fudi New Town, Xiangfu Town and in Hongxiang Leju, Hongyang Street in Qingbaijiang District, Chengdu City	5,388
5	EPC Project for Comprehensive Elimination of Black-odor Water in Bao'an District, Shenzhen City in 2019	4,670

Overseas Projects

No.	Contract Name	Contract Value
1	Lot 3B of West Ring Expressway in Sidney, Australia	9,407
2	EPC Project of Expansion and Reconstruction of LNG Liquefied Natural Gas Terminal of Skikda Port in Algeria	2,973
3	KOT Engineering Project of Newly Built Mombasa Port in Kenya	2,643
4	Construction Project of E60 Roadway in Georgia	2,448
5	Victoria Heart Hospital in Australia	2,215

2. Infrastructure Design Business

No.	Contract Name	Contract Value
1	EPC Project of No. 1 Berth in Cheng'ao Operation Area, San Du Ao Port Area, Ningde City, Fujian Province	1,907
2	EPC Project of IC Integrated Circuit Research and Development Park in Nanjing	1,685
3	EPC Project of Xiaomo International Logistic Port Engineering (Phase I) in Shen-Shan Special Cooperation Zone	856
4	EPC Project of Wanling Tropical Agricultural Logistics Park Infrastructure (Phase I) in Hainan Province	700
5	EPC Project of Six Poverty Alleviation Engineering (Fourth Session) through Village Railway Transportation in Danzhou City, Hainan Province	526

3. Dredging Business

No.	Contract Name	Contract Value
1	EPC Project of Infrastructure Construction of Qiandao Central Commercial Complex of Zhoushan, Zhejiang Province	7,672
2	Lot II of the Water Ecological Construction Project (Phase V) in Dongguan City, Guangdong Province	1,500
3	Lot A of Maintenance Project of Yangtze River Estuary Waterway for Years 2019–2021	1,406
4	EPC Project of Zhonghua Refinery and Chemical Integration Phase III (B-Zone) Backfilling Engineering in Quanzhou City	1,114
5	Lot I of EPC Project of Water Ecological Treatment (Phase I) in Jinjiang, Chengdu City	635

II. BUSINESS PLAN AND PROSPECT

In the first half of 2019, according to statistics, the value of new contracts entered into by the Group amounted to RMB496,728 million, accomplishing 52% of our goal, which was in line with the Group's forecast. Revenue of the Group amounted to RMB239,087 million, accomplishing 44% of our goal, which was in line with the Group's forecast.

In the second half of 2019, domestic infrastructure construction will present opportunities as well as challenges. The potential economic growth rate in China decreased, China's economic development has entered a new normal status, investment in infrastructure construction slowed down and market competition intensified. However, the new power driven by the development of "Beijing-Tianjin-Hebei Region", "Yangtze River Economic Belt", and "Guangdong-Hong Kong-Macau Greater Bay Area", as well as the implementation of regional strategies including urbanization construction, China western development, fully revitalization of northeast China and rise of central China will bring opportunities to the development in infrastructure industry.

Internationally, potential key areas and projects covered in the national strategy of "six corridors and six channels serving multiple countries and ports" will provide more opportunities to the Company in the integration of interconnection and international industrial cooperation in a more comprehensive, deep and systematic manner.

III. MAJOR PRODUCTION AND OPERATIONAL DATA *(Unit: RMB million)*

(I) Completed and Accepted Projects during the Reporting Period

Total number of projects			N/A
Total contract value			103,264
		Number	**Contract Value**
Categorised by region	Domestic	N/A	74,369
	Overseas	N/A	28,895
Categorised by business type	Infrastructure construction	257	88,250
	Infrastructure design	1,029	6,164
	Dredging	92	6,543
	Others	N/A	2,307

(II) Projects under Construction during the Reporting Period

Total number of projects			N/A
Total value of projects			3,938,026
		Number	**Contract Value**
Categorised by region	Domestic	N/A	3,019,845
	Overseas	N/A	918,181
Categorised by business type	Infrastructure construction	8,501	3,511,881
	Infrastructure design	21,733	208,582
	Dredging	1,759	209,531
	Others	N/A	8,032

(III) Investment Projects

In the first half of 2019, affected by the Implementation Opinions of the Ministry of Finance on Promoting the Sound Development of Public-Private Partnership (Cai Jin [2019] No. 10) (《財政部關於推進政府和社會資本合作規範發展的實施意見》(財金[2019]10號))and other policies, local governments further standardized the PPP market, the scale and number of launched projects significantly reduced and the number and scale of PPP projects traced by the Company decreased compared with that of 2018 and before. However, in the long run, Cai Jin [2019] No. 10 laid a foundation for the development of China's PPP mode in future by standardizing investment management procedure and intensifying system assurance, and thus ensuring the healthy and sustainable development of PPP.

In the first half of 2019, the Company actively practiced the strategic development requirements of "urbanization", "western development" and "bay development", focused on key areas and captured construction opportunities arising from the national strategies of "Beautiful China" and "China with Transport Power". Under the premise of controlling the overall investment scale, the Company explored high-quality projects. By strengthening investment planning, as well as assessing and managing the investment project lifecycle, the Company effectively improved the investment income and controlled investment risks. During the construction period and operation period of the projects, the Company explored different financing channels and built diversified refinancing system.

1. Investment Projects Newly Entered into

In the first half of 2019, the Company controlled the total amount of investment and optimized investment directions. The confirmed value of contracts from PPP investment projects was RMB67,214 million. The value of construction and installation contracts to be undertaken was estimated to be RMB68,055 million. The confirmed values of contracts from BOT projects, government paid projects and urban comprehensive development projects were RMB15,069 million, RMB44,346 million and RMB7,799 million respectively, accounting for 22%, 66% and 12% 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 RMB428,132 million, wherein, the accumulative completed investment amounted to RMB148,712 million (compared with RMB136,006 million by the end of 2018), with cumulatively RMB55,925 million having been recovered.

The total investment value of contracts for urban comprehensive development projects entered into by the Group was estimated to be RMB260,842 million, among which, RMB71,174 million of investment amount had been completed cumulatively (compared with RMB65,589 million by the end of 2018), RMB57,467 million of sales amount had been realized and RMB43,716 million had been received by the Group.

3. Concession Projects

As at 30 June 2019, 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 RMB414,971 million, wherein, the accumulative completed investment amounted to RMB217,401 million, and the uncompleted investment amounted to RMB197,570 million. 19 concession projects together with 12 share-participation projects had been put into operations, and the operating revenue in the first half of 2019 was RMB2,819 million and the net profit was RMB -1,243 million.

(1) Investment Projects Newly Entered into in the First Half of 2019 (Unit: RMB million)

No.	Project Name	Project Type	Total Investment Budget Estimate	Contract Value according to Shareholding Ratio of CCCC	Expected Construction and Installation Cost	Operating Project or Not	Consolidated or Not	Construction Period (Year)	Toll Collection/ Operation Period (Year)
1	BOT Project of Expressway from Pubei to Beiliu in Yulin, Guangxi Province	BOT	14,426	14,426	10,558	Yes	Yes	3.00	30
2	PPP Project of Phase I Engineering of Line 11 of Tianjin Metro	PPP	18,106	9,234	13,194	No	Yes	4.00	22
3	PPP Project for Comprehensive Development of Industrial New Town in Old Industrial Area of Qingshuitang, Zhuzhou City, Hunan Province	PPP	8,080	6,464	6,080	No	Yes	5.00	20
4	Project of Land on the North Side of Gaozan Bridge of West Start Zone in Shunde High-tech Zone, Guangdong Province	Comprehensive urban development	7,444	3,722	1,000	No	Yes	3.75	5
5	Others		69,170	33,368	37,223				
	Total		117,226	67,214	68,055				

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

No.	Project Name	Total Investment Budget Estimate	Contract Value Confirmed according to Shareholding Ratio	Investment Amount in the First Half of 2019	Accumulated Investment Value
1	Guangzhou-Lianzhou Highway in Guangdong Province	41,096	41,096	2,351	8,820
2	Guigang-Long'an Highway in Guangxi Province	19,021	19,021	3,902	14,615
3	Taihangshan Highway in Hebei Province	47,000	14,570	–	Share participation
4	Phnom Penh-Port of Sihanoukville Expressway in Cambodia	13,643	13,643	408	409
5	Kaiping-Yangchun Expressway in Guangdong Province	13,711	12,740	–	Share participation
6	Shiqian-Yuping (Dalong) Express in Guizhou Province	12,407	12,407	568	3,695
7	CCCC Jiangyu Express in Guizhou	11,019	11,019	1,276	3,515
8	Jianhe-Rongjiang Section of Yanhe-Rongjiang Expressway in Guizhou Province	17,816	10,672	–	Share participation
9	Highways including Urumchi-Yuli Highway in Xinjiang	70,841	10,616	–	Share participation
10	Wenshan-Maguan Wenshan-Malipo Expressway	15,800	10,270	1,194	4,452
11	Phase I of PPP Project of Urumchi Rail Transit Line 4	16,249	8,287	–	Share participation
12	West Line of Urumqi Ring Expressway in Xinjiang	15,300	7,803	7	69
13	Project for Fangcheng-Tanghe Section of Jiaozuo-Tanghe Highway, Henan Province	7,788	7,009	6	20
14	Libo-Rongjiang Expressway in Guizhou Province	10,480	6,288	–	Share participation
15	G575 Expressway in Xinjiang	6,017	6,017	564	2,607
16	Hechang Section of Sanhuan Expressway in Chongqing	10,077	5,139	1,102	6,820
17	Quanzhou Section of Quanzhou-Xiamen-Zhangzhou City Alliance Highway in Fujian Province	4,708	4,708	393	3,482
18	Hefei-Zongyang Section of G3W Dezhou-Shangrao Expressway in Anhui Province	9,228	4,522	–	Share participation
19	South Section of Ring Expressway in Wanzhou, Chongqing	4,151	4,151	111	153
	Others	143,684	52,800	835	4,341
	Total	490,036	262,778	12,717	52,998

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

No.	Project Name	Accumulated Investment Value	Operating Revenue During the Period	Toll Collection Rights Period *(Year)*	Completed Toll Collection Rights Period *(Year)*
1	New Songming-Kunming Expressway, Xuanwei-Qujing Expressway, and Mengzi- Wenshan-Yanshan Expressway in Yunnan Province	32,125	403	30	1.5
2	Daozhen-Weng'an Expressway in Guizhou Province	26,333	340	30	3.5
3	Jiangkou-Weng'an Expressway in Guizhou Province	16,066	371	30	3.5
4	Tongzhou-Daxing Section Project of the Capital Region Ring Expressway	9,950	96	25	1.0
5	Yanhe-Dejiang Expressway in Guizhou Province	10,673	49	30	3.5
6	Guiyang-Qianxi Expressway in Guizhou Province	9,479	257	30	3.0
7	Hubei Jiatong Section Project of Wuhan-Shenzhen Expressway in Hubei Province	9,162	185	30	2.8
8	Zhongxian-Wanzhou Expressway in Chongqing	7,840	32	30	2.5
9	Guiyang-Duyun Expressway in Guizhou Province	7,502	435	30	8.3
10	Yongchuan-Jiangjin Expressway in Chongqing	6,001	38	30	4.5
11	Jiulongpo-Yongchuan Highway in Chongqing	5,428	82	30	1.5
12	Zhuankou Yangtze River Bridge Project in Wuhan, Hubei Province	5,119	27	30	1.5
13	South-North Highway in Jamaica	4,975	110	50	3.5
14	Jiayu North Section of Wuhan-Shenzhen Expressway in Hubei Province	2,943	87	30	0.5
15	Xianning-Tongshan Expressway in Hubei Province	3,107	47	30	5.5
16	Qingxi Bridge and Connecting Line in Guangdong Province	2,578	160	25	0.8
17	Yicheng-Houma Expressway in Shanxi Province	2,398	78	30	11.5
18	Malong Connecting Line of Xuanwei-Qujing Expressway in Yunnan Province	2,137	9	30	1.5
19	Qingshuihe-Dafanpu Section of National Highway G109 in Inner Mongolia Autonomous Region	587	13	26	10.5
20	Fengdu-Zhongxian Expressway in Chongqing	Share participation	–	30	2.0

No.	Project Name	Accumulated Investment Value	Operating Revenue During the Period	Toll Collection Rights Period *(Year)*	Completed Toll Collection Rights Period *(Year)*
21	Youyang-Yanhe Expressway in Chongqing	Share participation	–	30	3.0
22	Wangjiang-Qianjiang Expressway in Anhui Province	Share participation	–	25	3.0
23	Tongliang-Yongchuan Expressway in Chongqing	Share participation	–	30	2.7
24	Chongqing Wanzhou-Sichuan Dazhou, Wanzhou-Hubei Lichuan Expressways	Share participation	–	30	4.0
25	Tongliang-Hechuan Expressway in Chongqing	Share participation	–	30	4.0
26	Fengdu-Fuling Expressway in Chongqing	Share participation	–	30	5.0
27	Fengdu-Shizhu Expressway in Chongqing	Share participation	–	30	5.0
28	Foshan-Guangming Expressway in Guangdong Province	Share participation	–	27	10.0
29	Yulin-Jiaxian Expressway in Shaanxi Province	Share participation	–	30	5.0
30	Guiyang-Weng'an Expressway in Guizhou Province	Share participation	–	30	3.0
31	Tongcheng-Jieshang Expressway in Hubei Province	Share participation	–	30	4.3
	Total	164,403	2,819	/	/

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following section should be read in conjunction with the unaudited condensed consolidated interim financial information of the Group and accompanying notes herein.

Overview

For the six months ended 30 June 2019, revenue of the Group amounted to RMB239,087 million, representing an increase of 15.2% from RMB207,586 million in the corresponding period of 2018. Among which, revenue derived from overseas markets amounted to RMB45,259 million, accounted for 19% of the total revenue, representing a year-on-year increase of 5.2%. Infrastructure construction business, infrastructure design business, dredging business and other businesses accounted for 86.5%, 5.4%, 6.4% and 1.7% of the total revenue for the six months ended 30 June 2019, respectively.

Gross profit for the six months ended 30 June 2019 amounted to RMB27,972 million, representing an increase of 0.4% from RMB27,859 million in the corresponding period of 2018. Gross profit margin decreased to 11.7% for the six months ended 30 June 2019 as compared to 13.4% for the six months ended 30 June 2018.

Operating profit for the six months ended 30 June 2019 amounted to RMB15,657 million, representing an increase of 4.1%, from RMB15,041 million in the corresponding period of 2018.

For the six months ended 30 June 2019, profit attributable to owners of the parent amounted to RMB8,757 million, representing an increase of 6.1% from RMB8,257 million in the corresponding period of 2018. For the six months ended 30 June 2019, earnings per share of the Group was RMB0.48, compared with RMB0.46 in the corresponding period of 2018.

The following is a comparison of financial results between the six months ended 30 June 2019 and 2018.

Consolidated Results of Operations

Revenue

Revenue for the six months ended 30 June 2019 increased by 15.2% to RMB239,087 million from RMB207,586 million in the corresponding period of 2018. Revenue from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB212,434 million, RMB13,220 million, RMB15,614 million and RMB4,225 million (all before elimination of inter-segment transactions), representing an increase of 15.2%, 21.3%, 1.7% and a decrease of 24.7% respectively.

Cost of Sales and Gross Profit

Cost of sales for the six months ended 30 June 2019 amounted to RMB211,115 million, representing an increase of 17.5%, from RMB179,727 million in the corresponding period of 2018. Cost of sales from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB188,660 million, RMB11,017 million, RMB13,899 million and RMB3,946 million (all before elimination of inter-segment transactions) respectively, representing an increase of 17.3%, 24.4%, 3.5% and a decrease of 22.6%, respectively.

Cost of sales consisted mainly of cost of raw materials and consumables used, subcontracting costs and employee benefit expenses. For the six months ended 30 June 2019, cost of raw materials and consumables used and subcontracting costs increased by 18.2% and 25.5%, respectively.

As a result of the increase in both revenue and cost of sales for the six months ended 30 June 2019, gross profit for the six months ended 30 June 2019 amounted to RMB27,972 million, representing an increase of 0.4% from RMB27,859 million in the corresponding period of 2018. Gross profit from infrastructure construction business and infrastructure design business increased by 1.3% and 7.9% respectively, while gross profit from dredging business and other business decreased by 10.7% and 45.5% respectively, from the corresponding period of 2018. Gross profit margin decreased to 11.7% for the six months ended 30 June 2019 as compared to 13.4% for the six months ended 30 June 2018. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business and other businesses were 11.2%, 16.7%, 11.0% and 6.6%, respectively, as compared with 12.7%, 18.7%, 12.5% and 9.1% in the corresponding period of 2018.

Administrative expenses

Administrative expenses for the six months ended 30 June 2019 amounted to RMB13,894 million, representing an increase of 8.5% from RMB12,809 million in the corresponding period of 2018. This growth was primarily attributable to the increase in employee benefit expenses and research and development costs.

Operating Profit

Operating profit for the six months ended 30 June 2019 amounted to RMB15,657 million, representing an increase of 4.1% from RMB15,041 million in the corresponding period of 2018. The increase was mainly due to the increase in other income and gains.

For the six months ended 30 June 2019, operating profit from infrastructure construction business and infrastructure design business increased by 5.5% and 10.4% (all before elimination of inter-segment transactions and unallocated cost) respectively from the corresponding period of 2018; operating profit from dredging business and other businesses decreased by 3.8% and 1.1% (all before elimination of inter-segment transactions and unallocated cost) respectively from the corresponding period of 2018.

Due to decrease of gross profit margin, operating profit margin decreased to 6.5% for the six months ended 30 June 2019 from 7.2% in the corresponding period of 2018.

Finance Income

Finance income for the six months ended 30 June 2019 amounted to RMB3,616 million, representing an increase of 110.4% from RMB1,719 million in the corresponding period of 2018. The increase was primarily attributable to the increase in interest of investment projects.

Finance Costs, net

Net finance costs for the six months ended 30 June 2019 amounted to RMB7,591 million, representing an increase of 37.6% from RMB5,517 million in the corresponding period of 2018. The increase was mainly due to the increase in total borrowings.

Share of Profit of Joint Ventures

Share of profit of joint ventures for the six months ended 30 June 2019 amounted to RMB286 million, as compared with share of loss of RMB27 million in the corresponding period of 2018. The profit was mainly due to the increase profit of joint ventures.

Share of Profit of Associates

Share of profit of associates for the six months ended 30 June 2019 amounted to RMB50 million, as compared with RMB86 million in the corresponding period of 2018.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax for the six months ended 30 June 2019 amounted to RMB12,018 million, representing an increase of 6.3% from RMB11,302 million in the corresponding period of 2018.

Income Tax Expense

Income tax expense for the six months ended 30 June 2019 amounted to RMB2,274 million, representing a decrease of 12.5% from RMB2,598 million in the corresponding period of 2018. Effective tax rate for the Group for the six months ended 30 June 2019 decreased to 18.9% from 23.0% in the corresponding period of 2018, mainly due to the increase of non-taxable income and additional deduction of research and development cost.

Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests for the six months ended 30 June 2019 amounted to RMB987 million compared with RMB447 million in the corresponding period of 2018.The increase is mainly due to the increase in dividends from perpetual bonds.

Profit Attributable to Owners of the parent

Profit attributable to owners of the parent for the six months ended 30 June 2019 amounted to RMB8,757 million compared with RMB8,257 million in the corresponding period of 2018.

Profit margin with respect to profit attributable to owners of the parent decreased to 3.7% for the six months ended 30 June 2019 from 4.0% in the corresponding period of 2018.

Discussion of Segment Operations

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for the six months ended 30 June 2019 and 2018.

	Revenue Six months ended 30 June		**Gross Profit Six months ended 30 June**		**Gross Profit Margin Six months ended 30 June**		**Operating Profit[1] Six months ended 30 June**		**Operating Profit Margin Six months ended 30 June**	
Business	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(RMB million)	*(RMB million)*	***(RMB million)***	*(RMB million)*	***(%)***	*(%)*	***(RMB million)***	*(RMB million)*	***(%)***	*(%)*
Infrastructure Construction	**212,434**	184,328	**23,774**	23,461	**11.2**	12.7	**13,460**	12,763	**6.3**	6.9
% of total	**86.5**	85.3	**85.0**	84.0	**–**	–	**86.5**	86.3	**–**	–
Infrastructure Design	**13,220**	10,898	**2,203**	2,042	**16.7**	18.7	**934**	846	**7.1**	7.8
% of total	**5.4**	5.0	**7.9**	7.3	**–**	–	**6.0**	5.7	**–**	–
Dredging	**15,614**	15,355	**1,715**	1,920	**11.0**	12.5	**692**	719	**4.4**	4.7
% of total	**6.4**	7.1	**6.1**	6.9	**–**	–	**4.5**	4.9	**–**	–
Other businesses	**4,225**	5,608	**279**	512	**6.6**	9.1	**460**	465	**10.9**	8.3
% of total	**1.7**	2.6	**1.0**	1.8	**–**	–	**3.0**	3.1	**–**	–
Subtotal	**245,493**	216,189	**27,971**	27,935	**–**	–	**15,546**	14,793	**–**	–
Intersegment elimination and unallocated profit/(costs)	**(6,406)**	(8,603)	**1**	(76)	**–**	–	**111**	248	**–**	–
Total	**239,087**	207,586	**27,972**	27,859	**11.7**	13.4	**15,657**	15,041	**6.5**	7.2

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

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	(RMB million)	*(RMB million)*
Revenue	**212,434**	184,328
Cost of sales	**(188,660)**	(160,867)
Gross profit	**23,774**	23,461
Selling and marketing expenses	**(159)**	(155)
Administrative expenses	**(11,749)**	(11,026)
Other income, net	**1,594**	483
Segment result	**13,460**	12,763
Depreciation and amortisation	**4,624**	3,816

Revenue. Revenue from the infrastructure construction business for the six months ended 30 June 2019 was RMB212,434 million, representing an increase of 15.2% from RMB184,328 million in the corresponding period of 2018. This growth was primarily attributable to the increase of revenue generated from road construction projects and municipal projects.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business for the six months ended 30 June 2019 was RMB188,660 million, representing an increase of 17.3% from RMB160,867 million in the corresponding period of 2018. Cost of sales as a percentage of revenue slightly increased to 88.8% for the six months ended 30 June 2019 from 87.3% in the corresponding period of 2018.

Gross profit from the infrastructure construction business for the six months ended 30 June 2019 grew by 1.3% to RMB23,774 million from RMB23,461 million in the corresponding period of 2018. Gross profit margin decreased to 11.2% for the six months ended 30 June 2019 from 12.7% in the corresponding period of 2018, primarily due to the decrease of high profit margin overseas projects, the increase in subcontracting costs, and the increase in price of raw materials.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business for the six months ended 30 June 2019 were RMB159 million, as compared with RMB155 million in the corresponding period of 2018.

Administrative expenses. Administrative expenses including impairment losses on financial and contract assets for the infrastructure construction business were RMB11,749 million for the six months ended 30 June 2019, representing an increase of 6.6% from RMB11,026 million in the corresponding period of 2018. Administrative expenses including impairment losses on financial and contract assets as a percentage of revenue decreased to 5.5% for the six months ended 30 June 2019 from 6.0% in the corresponding period of 2018.

Other income, net. Other net income for the infrastructure construction business increased to RMB1,594 million for the six months ended 30 June 2019 from RMB483 million in the corresponding period of 2018, mainly attributable to increase in dividend income and gains on disposal of subsidiaries.

Segment result. As a result of the above, segment result for the infrastructure construction business for the six months ended 30 June 2019 was RMB13,460 million, representing an increase of 5.5% from RMB12,763 million in the corresponding period of 2018. Segment result margin decreased to 6.3% for the six months ended 30 June 2019 from 6.9% in the corresponding period of 2018.

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 six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	(RMB million)	*(RMB million)*
Revenue	**13,220**	10,898
Cost of sales	**(11,017)**	(8,856)
Gross profit	**2,203**	2,042
Selling and marketing expenses	**(137)**	(150)
Administrative expenses	**(1,269)**	(1,135)
Other income, net	**137**	89
Segment result	**934**	846
Depreciation and amortization	**213**	132

Revenue. Revenue from the infrastructure design business for the six months ended 30 June 2019 was RMB13,220 million, representing an increase of 21.3% from RMB10,898 million in the corresponding period of 2018, mainly attributable to growing scale of comprehensive contracts.

Cost of sales and gross profit. Cost of sales for the infrastructure design business for the six months ended 30 June 2019 was RMB11,017 million, representing an increase of 24.4% from RMB8,856 million in the corresponding period of 2018. Cost of sales as a percentage of revenue increased to 83.3% for the six months ended 30 June 2019 from 81.3% in the corresponding period of 2018.

Gross profit from the infrastructure design business for the six months ended 30 June 2019 increased to RMB2,203 million from RMB2,042 million in the corresponding period of 2018. Gross profit margin decreased to 16.7% for the six months ended 30 June 2019 from 18.7% in the corresponding period of 2018, 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 for the six months ended 30 June 2019 decreased to RMB137 million from RMB150 million in the corresponding period of 2018.

Administrative expenses. Administrative expenses including impairment losses on financial and contract assets for the infrastructure design business for the six months ended 30 June 2019 were RMB1,269 million, representing an increase of 11.8% from RMB1,135 million in the corresponding period of 2018. Administrative expenses including impairment losses on financial and contract assets as a percentage of revenue decreased to 9.6% for the six months ended 30 June 2019 from 10.4% in the corresponding period of 2018.

Other income, net. Other net income for the infrastructure design business for the six months ended 30 June 2019 was RMB137 million, as compared with RMB89 million in the corresponding period of 2018.

Segment result. As a result of the above, segment result for the infrastructure design for the six months ended 30 June 2019 was RMB934 million, representing an increase of 10.4% from RMB846 million in the corresponding period of 2018. Segment result margin decreased to 7.1% for the six months ended 30 June 2019 from 7.8% in the corresponding period of 2018.

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 six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	(RMB million)	*(RMB million)*
Revenue	**15,614**	15,355
Cost of sales	**(13,899)**	(13,435)
Gross profit	**1,715**	1,920
Selling and marketing expenses	**(65)**	(56)
Administrative expenses	**(1,320)**	(1,355)
Other income, net	**362**	210
Segment result	**692**	719
Depreciation and amortisation	**611**	501

Revenue. Revenue from the dredging business for the six months ended 30 June 2019 was RMB15,614 million, representing an increase of 1.7% from RMB15,355 million in the corresponding period of 2018.

Cost of sales and gross profit. Cost of sales for the dredging business for the six months ended 30 June 2019 was RMB13,899 million, representing an increase of 3.5% as compared with RMB13,435 million in the corresponding period of 2018. Cost of sales as a percentage of revenue for the dredging business for the six months ended 30 June 2019 increased to 89.0% from 87.5% in the corresponding period of 2018.

Gross profit from the dredging business for the six months ended 30 June 2019 was RMB1,715 million, representing a decrease of 10.7% from RMB1,920 million in the corresponding period of 2018. Gross profit margin for the dredging business decreased to 11.0% for the six months ended 30 June 2019 from 12.5% in the corresponding period of 2018, mainly attributable to the fluctuation of market environment, the increase in subcontracting costs and the increase in price of raw materials.

Selling and marketing expenses. Selling and marketing expenses for the dredging business for the six months ended 30 June 2019 were RMB65 million, as compared with RMB56 million in the corresponding period of 2018.

Administrative expenses. Administrative expenses including impairment losses on financial and contract assets for the dredging business for the six months ended 30 June 2019 were RMB1,320 million, representing a decrease of 2.6% from RMB1,355 million in the corresponding period of 2018. Administrative expenses including impairment losses on financial and contract assets as a percentage of revenue decreased to 8.5% for the six months ended 30 June 2019 from 8.8% in the corresponding period of 2018.

Other income, net. Other net income for the dredging business for the six months ended 30 June 2019 increased to RMB362 million from RMB210 million in the corresponding period of 2018, mainly attributable to the increase in dividend income.

Segment result. As a result of the above, segment result for the dredging business for the six months ended 30 June 2019 was RMB692 million, representing a decrease of 3.8% from RMB719 million in the corresponding period of 2018. Segment result margin decreased to 4.4% for the six months ended 30 June 2019 from 4.7% in the corresponding period of 2018.

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 six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	(RMB million)	*(RMB million)*
Revenue	**4,225**	5,608
Cost of sales	**(3,946)**	(5,096)
Gross profit	**279**	512

Revenue. Revenue from the other businesses for the six months ended 30 June 2019 was RMB4,225 million, representing a decrease of 24.7% from RMB5,608 million in the corresponding period of 2018. The decrease in revenue was mainly due to the sale of certain assets during the six months ended 30 June 2018.

Cost of sales and gross profit. Cost of sales for the other businesses for the six months ended 30 June 2019 was RMB3,946 million, representing a decrease of 22.6% from RMB5,096 million in the corresponding period of 2018. Cost of sales as a percentage of revenue increased to 93.4% for the six months ended 30 June 2019 from 90.9% in the corresponding period of 2018.

Gross profit from the other businesses for the six months ended 30 June 2019 was RMB279 million, representing a decrease of 45.5% from RMB512 million in the corresponding period of 2018. Gross profit margin decreased to 6.6% for the six months ended 30 June 2019 from 9.1% in the corresponding period of 2018.

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 30 June 2019, the Group had unutilised credit facilities in the amount of RMB924,463 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 six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	(RMB million)	*(RMB million)*
Net cash used in operating activities	**(39,767)**	(33,045)
Net cash used in investing activities	**(29,114)**	(18,825)
Net cash generated from financing activities	**43,606**	31,204
Net decrease in cash and cash equivalents	**(25,275)**	(20,666)
Cash and cash equivalents at beginning of period	**127,413**	129,197
Exchange gains on cash and cash equivalents	**36**	120
Cash and cash equivalents at end of period	**102,174**	108,651

Cash flow from operating activities

For the six months ended 30 June 2019, net cash used in operating activities increased to RMB39,767 million from RMB33,045 million in the corresponding period of 2018, primarily due to the slowdown of settlement of contract assets and collection of trade receivables.

Cash flow from investing activities

Net cash used in investing activities for the six months ended 30 June 2019 increased to RMB29,114 million from RMB18,825 million in the corresponding period of 2018. The increase of 54.7% was primarily attributable to the increase in expenditure from investment projects and the decrease in proceeds from disposal of financial assets at fair value through profit or loss.

Cash flow from financing activities

Net cash generated from financing activities for the six months ended 30 June 2019 was RMB43,606 million, representing an increase of 39.7% from RMB31,204 million in the corresponding period of 2018. The increase was primarily attributable to the increase in proceeds from bank and other borrowings.

Capital Expenditure

The Group's capital expenditure principally comprises expenditure from investment in BOT projects, purchases of machinery, equipments and vessels, and the building of plants. The following table set forth the Group's capital expenditure by business for the six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	(RMB million)	*(RMB million)*
Infrastructure Construction Business	**19,179**	18,808
– BOT projects	**12,695**	13,148
Infrastructure Design Business	**333**	165
Dredging Business	**476**	597
Other	**342**	682
Total	**20,330**	20,252

Capital expenditure for the six months ended 30 June 2019 was RMB20,330 million, as compared with RMB20,252 million in the corresponding period of 2018, representing a slight increase of 0.4%.

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 six months ended 30 June 2019 and the year ended 31 December 2018.

	As at	
	Six months ended 30 June 2019 *(Number of days)*	Twelve months ended 31 December 2018 *(Number of days)*
Turnover of average trade and bills receivables(1)	**66**	59
Turnover of average trade and bills payables(2)	**203**	196

(1) For the six months ended 30 June 2019, average trade and bills receivables equals trade and bills receivables net of provisions at the beginning of the six-month period plus trade and bills receivables net of provisions at the end of the six-month period divided by 2. Turnover of average trade and bills receivables (in days) equals average trade and bills receivables divided by revenue and multiplied by 180. For the twelve months ended 31 December 2018, 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) For the six months ended 30 June 2019, average trade and bills payables equals trade and bills payables at the beginning of the six-month period plus trade and bills payables at the end of the six-month period 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 180. For the twelve months ended 31 December 2018, 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 30 June 2019 and 2018.

	As at	
	30 June 2019	31 December 2018
	(RMB million)	*(RMB million)*
Less than 6 months	**55,247**	61,140
6 months to 1 year	**13,491**	9,417
1 year to 2 years	**10,999**	9,218
2 years to 3 years	**4,264**	3,950
Over 3 years	**4,356**	4,071
Total	**88,357**	87,796

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 30 June 2019, the Group had a provision for impairment of RMB12,848 million, as compared with RMB12,380 million as at 31 December 2018.

The following table sets forth an ageing analysis of trade and bills payables as at 30 June 2019 and the year ended 31 December 2018.

	As at	
	30 June 2019	31 December 2018
	(RMB million)	*(RMB million)*
Within 1 year	**208,950**	214,046
1 year to 2 years	**14,397**	19,779
2 years to 3 years	**6,166**	4,943
Over 3 years	**3,901**	3,399
Total	**233,414**	242,167

The Group's credit terms with its suppliers for the six months ended 30 June 2019 remained the same as that for the year ended 31 December 2018. Payments to suppliers and subcontractors may be delayed as a result of delays in settlement from the Group's customers. Nevertheless, there have been no material disputes arising from the non-timely payment of outstanding balances under the Group's supplier contracts or contracts with subcontractors.

Retentions

The following table sets forth the fair value of the retentions as at 30 June 2019 and the year ended 31 December 2018.

	As at	
	30 June 2019	31 December 2018
	(RMB million)	*(RMB million)*
Current	**22,210**	22,868
Non-current	**26,993**	28,698
Total	**49,203**	51,566

Indebtedness

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 30 June 2019 and the year ended 31 December 2018.

	As at	
	30 June 2019	31 December 2018
	(RMB million)	*(RMB million)*
Within 1 year	**108,120**	75,133
1 year to 2 years	**32,807**	36,653
2 years to 5 years	**60,647**	54,775
Over 5 years	**146,322**	128,066
Total borrowings	**347,896**	294,627

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Japanese Yen, Hong Kong dollars, Euro and Australian dollars. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 30 June 2019 and the year ended 31 December 2018.

	As at	
	30 June 2019	31 December 2018
	(RMB million)	*(RMB million)*
Renminbi	**324,043**	272,367
U.S. dollar	**15,094**	14,925
Japanese Yen	**4,162**	3,992
Hong Kong dollar	**1,608**	1,404
Euro	**1,286**	1,386
Australian dollar	**1,225**	58
Others	**478**	495
Total borrowings	**347,896**	294,627

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 30 June 2019 was 49.6%, as compared with 41.1% as at 31 December 2018.

Contingent Liabilities

	As at	
	30 June 2019	31 December 2018
	(RMB million)	*(RMB million)*
Pending lawsuits(1)	**543**	626
Outstanding loan guarantees(2)	**8,244**	8,217
Total	**8,787**	8,843

(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 RMB543 million (31 December 2018: RMB626 million), mainly related to disputes with customers and subcontractors, when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. 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 30 June 2019, the above amount included the Group's guarantees for the borrowings of RMB6,420 million (31 December 2018: RMB6,430 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 positon of these joint ventures and associates, the directors concluded there is no significant default risk and no provision for such guarantees is required.

(3) The Group has entered into certain agreements with certain financial institution so as to establish asset-backed securities (ABS) and asset-backed notes (ABN). As at 30 June 2019, certain of the ABS and ABN in issue with an aggregate amount of RMB6,710 million (31 December 2018: RMB6,710 million) included the ABS and ABN issued to preferential investors of an aggregate amount of RMB6,322 million (31 December 2018: RMB6,322 million). Under the clauses of the agreements, the Group is subject to the obligations of liquidity supplementary payments to preferential investors when the cash available for distribution of the principal and fixed return at the due date is not sufficient. The directors of the Company evaluated the possibilities and assumed that the obligations of liquidity supplementary payments is low.

(4) The companies in the Group which are engaged in the real estate business provide guarantees to banks for the mortgage loans of the property buyers. As at 30 June 2019, the outstanding balance of guarantees provided by the Group was approximately RMB2,216 million.

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 macroeconomic factors including investment scale of social fixed assets and the process of urbanisation.

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

Market risk

The Group conducts its business in 139 countries and regions, with major overseas business in Africa, Oceania, Southeast Asia, Hong Kong, Macao, Taiwan and South America. If the political and economic conditions of such countries and regions changed adversely, daily operation of the Group in those regions could be affected, and the overseas business of the Group in such countries and regions would be exposed to certain risks.

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 the six months ended 30 June 2019 and 2018, the Group's borrowings at variable rates were mainly denominated in RMB, USD, JPY, Hong Kong dollars and Euro.

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.

As at 30 June 2019, the Group's borrowings of approximately RMB196,124 million (31 December 2018: RMB178,216 million) were at variable rates. As at 30 June 2019, if interest rates on borrowings had been 1.00 percentage point higher/lower with all other variables held constant, pre-tax profit for the six months ended 30 June 2019 would have been decreased/increased by RMB1,961 million (for the year ended 31 December 2018: decreased/increased by RMB1,782 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 30 June 2019, net assets of the Group, including trade and other receivables, cash and bank balances, trade and other payables and borrowings in an aggregate of RMB19,184 million, 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 30 June 2019, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, pre-tax profit for the six months ended 30 June 2019 would had been decreased/increased by approximately RMB278 million (year ended 31 December 2018: RMB543 million), mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

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, available-for-sale investments and 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 Unaudited RMB million	2018 Unaudited RMB million
Revenue	4	**239,087**	207,586
Cost of sales		**(211,115)**	(179,727)
Gross profit		**27,972**	27,859
Other income	4	**2,489**	1,895
Other gains, net	4	**1,267**	193
Selling and marketing expenses		**(452)**	(462)
Administrative expenses		**(13,894)**	(12,809)
Impairment losses on financial and contract assets, net		**(894)**	(1,182)
Other expenses		**(831)**	(453)
Operating profit		**15,657**	15,041
Finance income	6	**3,616**	1,719
Finance costs, net	7	**(7,591)**	(5,517)
Share of profits and losses of:			
– Joint ventures		**286**	(27)
– Associates		**50**	86
Profit before tax	5	**12,018**	11,302
Income tax expense	8	**(2,274)**	(2,598)
Profit for the period		**9,744**	8,704
Attributable to:			
– Owners of the parent		**8,757**	8,257
– Non-controlling interests		**987**	447
		9,744	8,704
Earnings per share attributable to ordinary equity holders of the parent			
Basic	10	**RMB0.48**	RMB0.46
Diluted	10	**RMB0.48**	RMB0.46

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Profit for the period	**9,744**	8,704
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax:		
Actuarial losses on retirement benefit obligations	**(21)**	(36)
Share of other comprehensive loss of joint ventures and associates	**(2)**	(29)
Changes in fair value of equity investments designated at fair value through other comprehensive income	**5,257**	(1,950)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**5,234**	(2,015)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax:		
Cash flow hedges	**2**	2
Share of other comprehensive loss of joint ventures and associates	**(180)**	–
Exchange differences on translation of foreign operations	**(36)**	(13)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(214)**	(11)
Other comprehensive income/(loss) for the period, net of tax	**5,020**	(2,026)
Total comprehensive income for the period	**14,764**	6,678
Attributable to:		
– Owners of the parent	**13,770**	6,232
– Non-controlling interests	**994**	446
	14,764	6,678

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2019

	Notes	**30 June 2019 Unaudited** *RMB million*	31 December 2018 Audited *RMB million*
Non-current assets			
Property, plant and equipment		**55,897**	56,365
Investment properties		**3,567**	3,463
Right-of-use assets		**14,215**	–
Prepaid land lease payments		**–**	9,683
Intangible assets		**200,991**	188,370
Investments in joint ventures		**19,993**	18,646
Investments in associates		**25,229**	23,019
Financial assets at fair value through profit or loss		**6,862**	5,893
Debt investments at amortised cost		**109**	109
Equity investments designated at fair value through other comprehensive income		**27,820**	21,257
Contract assets		**26,993**	28,698
Trade and other receivables	11	**128,633**	118,967
Deferred tax assets		**4,754**	4,504
Total non-current assets		**515,063**	478,974
Current assets			
Inventories		**52,063**	46,861
Trade and other receivables	11	**211,400**	195,887
Contract assets		**120,300**	103,981
Financial assets at fair value through profit or loss		**126**	155
Derivative financial instruments		**543**	250
Restricted bank deposits and time deposits with an initial term of over three months		**8,504**	6,955
Cash and cash equivalents		**102,174**	127,413
Total current assets		**495,110**	481,502
Current liabilities			
Trade and other payables	12	**317,722**	314,496
Contract liabilities		**63,408**	81,953
Tax payable		**3,345**	4,034
Derivative financial instruments		**2**	2
Interest-bearing bank and other borrowings		**108,120**	79,243
Retirement benefit obligations		**141**	141
Total current liabilities		**492,738**	479,869
Net current assets		**2,372**	1,633
Total assets less current liabilities		**517,435**	480,607

	Notes	**30 June 2019 Unaudited** ***RMB million***	31 December 2018 Audited *RMB million*
Total assets less current liabilities		**517,435**	480,607
Non-current liabilities			
Trade and other payables	12	**17,843**	17,185
Interest-bearing bank and other borrowings		**239,776**	215,384
Deferred income		**899**	827
Deferred tax liabilities		**6,944**	5,162
Retirement benefit obligations		**1,097**	1,152
Provisions		**1,191**	1,215
Total non-current liabilities		**267,750**	240,925
Net assets		**249,685**	239,682
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**	24,426
Reserves		**145,697**	136,921
		205,954	197,178
Non-controlling interests		**43,731**	42,504
Total equity		**249,685**	239,682

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent							
	Share capital Unaudited *RMB million*	Share premium Unaudited *RMB million*	Financial instruments classified as equity Unaudited *RMB million*	Other reserves Unaudited *RMB million*	Retained earnings Unaudited *RMB million*	Total Unaudited *RMB million*	Non-controlling interests Unaudited *RMB million*	Total equity Unaudited *RMB million*
As at 1 January 2019	16,175	19,656	24,426	26,312	110,609	197,178	42,504	239,682
Profit for the period	–	–	–	–	8,757	8,757	987	9,744
Other comprehensive (loss)/income for the period:								
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	5,257	–	5,257	–	5,257
Cash flow hedges, net of tax	–	–	–	2	–	2	–	2
Share of other comprehensive loss of joint ventures and associates	–	–	–	(182)	–	(182)	–	(182)
Actuarial loss on retirement benefit obligations, net of tax	–	–	–	(21)	–	(21)	–	(21)
Exchange differences on translation of foreign operations	–	–	–	(43)	–	(43)	7	(36)
Total comprehensive income for the period	–	–	–	5,013	8,757	13,770	994	14,764
Final 2018 dividend declared	–	–	–	–	(3,733)	(3,733)	–	(3,733)
Interests on perpetual medium-term notes	–	–	–	–	(528)	(528)	(1,136)	(1,664)
Dividends on preference shares	–	–	–	–	(718)	(718)	–	(718)
Dividends to non-controlling shareholders	–	–	–	–	–	–	(31)	(31)
Share of other reserves of joint ventures and associates	–	–	–	1	–	1	–	1
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	407	407
Acquisition of subsidiaries	–	–	–	–	–	–	70	70
Disposal of subsidiaries	–	–	–	–	–	–	(10)	(10)
Financial instruments classified as equity	–	–	–	–	–	–	998	998
Transaction with non-controlling interests	–	–	–	(16)	–	(16)	(65)	(81)
Transfer to safety production reserve	–	–	–	180	(180)	–	–	–
Transfer to retained earnings due to disposal of equity investments designated at fair value through other comprehensive income	–	–	–	(242)	242	–	–	–
As at 30 June 2019	16,175	19,656	24,426	31,248*	114,449*	205,954	43,731	249,685

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

	Attributable to owners of the parent							
	Share capital Unaudited *RMB million*	Share premium Unaudited *RMB million*	Financial instruments classified as equity Unaudited *RMB million*	Other reserves Unaudited *RMB million*	Retained earnings Unaudited *RMB million*	Total Unaudited *RMB million*	Non-controlling interests Unaudited *RMB million*	Total equity Unaudited *RMB million*
As at 31 December 2017	16,175	19,656	19,431	28,443	97,217	180,922	24,672	205,594
Effect of adoption of IFRS 9, net of tax	–	–	–	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 period	–	–	–	–	8,257	8,257	447	8,704
Other comprehensive (loss)/income for the period:								
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	(1,950)	–	(1,950)	–	(1,950)
Cash flow hedges, net of tax	–	–	–	2	–	2	–	2
Share of other comprehensive loss of joint ventures and associates	–	–	–	(29)	–	(29)	–	(29)
Actuarial loss on retirement benefit obligations, net of tax	–	–	–	(36)	–	(36)	–	(36)
Exchange differences on translation of foreign operations	–	–	–	(12)	–	(12)	(1)	(13)
Total comprehensive income for the period	–	–	–	(2,025)	8,257	6,232	446	6,678
Final 2017 dividend declared	–	–	–	–	(3,913)	(3,913)	–	(3,913)
Interests on perpetual medium-term notes	–	–	–	–	(300)	(300)	(339)	(639)
Dividends on preference shares	–	–	–	–	(718)	(718)	–	(718)
Dividends to non-controlling shareholders	–	–	–	–	–	–	(26)	(26)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	1,407	1,407
Acquisition of subsidiaries	–	–	–	–	–	–	533	533
Disposal of subsidiaries	–	–	–	–	–	–	(8)	(8)
Financial instruments classified as equity	–	–	–	–	–	–	2,718	2,718
Transaction with non-controlling interests	–	–	–	(87)	–	(87)	87	–
Transfer to safety production reserve	–	–	–	83	(83)	–	2	2
As at 30 June 2018	16,175	19,656	19,431	26,499	99,742	181,503	29,483	210,986

* As at 30 June 2019, these reserve accounts comprise the consolidated reserves of RMB145,697 million (31 December 2018: RMB136,921 million) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 Unaudited *RMB million*	2018 Unaudited *RMB million*
Cash flows from operating activities			
Profit before tax		**12,018**	11,302
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties	5	**4,177**	3,733
– Amortisation of right-of-use assets	5	**641**	–
– Amortisation of prepaid land lease payments	5	**–**	68
– Amortisation of intangible assets	5	**878**	791
– Gains on disposal of items of property, plant and equipment	4	**(29)**	(26)
– Gains from business combinations achieved in stages	4	**–**	(236)
– Fair value gains on financial assets at fair value through profit or loss	4	**(26)**	(91)
– (Gains)/losses on derivative financial instruments	4	**(328)**	21
– Gains on disposal of financial assets at fair value through profit or loss	4	**(6)**	(2)
– Gains on disposal of subsidiaries	4	**(740)**	(19)
– Dividend income from financial assets at fair value through profit or loss	4	**(67)**	(22)
– Dividend income from equity investments designated at fair value through other comprehensive income	4	**(884)**	(638)
– Other income from investing activities		**(51)**	(59)
– Share of profits of joint ventures and associates		**(336)**	(59)
– Write-down of/(reversal of provision for write-down of) inventories	5	**1**	(1)
– Provision for foreseeable losses on construction contracts	5	**–**	326
– Provision for impairment of contract assets	5	**197**	144
– Provision for impairment of trade and other receivables	5	**697**	1,038
– Interest income	6	**(3,616)**	(1,719)
– Interest expenses	7	**6,584**	5,259
– Net foreign exchange (gains)/losses on borrowings	7	**(13)**	95
		19,097	19,905

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Increase in inventories	**(5,805)**	(5,946)
Increase in contract assets	**(18,113)**	(23,683)
Decrease/(increase) in restricted bank deposits	**31**	(736)
Increase in trade and other receivables	**(15,290)**	(29,229)
Decrease in trade and other payables	**(399)**	(694)
(Decrease)/increase in contract liabilities	**(17,990)**	9,179
Decrease in retirement benefit obligations	**(55)**	(77)
(Decrease)/increase in provisions	**(114)**	75
Increase in deferred income	**72**	410
Cash used in operations	**(38,566)**	(30,796)
Interest income from operating activities	**1,757**	1,157
Income tax paid	**(2,958)**	(3,406)
Net cash flows used in operating activities	**(39,767)**	(33,045)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Cash flows from investing activities		
Purchases of items of property, plant and equipment	**(4,528)**	(4,077)
Additions to right-of-use assets/prepaid land lease payments	**(965)**	(848)
Purchases of intangible assets and long-term assets	**(19,086)**	(13,401)
Proceeds from disposal of items of property, plant and equipment	**595**	257
Proceeds from disposal of right-of-use assets/prepaid land lease payments	**14**	3
Proceeds from disposal of intangible assets	**13**	46
Additional investments in associates	**(3,504)**	(1,415)
Additional investments in joint ventures	**(1,415)**	(2,346)
Acquisition of subsidiaries	**75**	800
Net (outflow)/inflow of cash in respect of the disposal of subsidiaries, joint ventures and associates	**(9)**	67
Purchases of equity investments designated at fair value through other comprehensive income	**(17)**	(447)
Purchases of financial assets at fair value through profit or loss	**(933)**	(2,963)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	**281**	3
Proceeds from disposal of financial assets at fair value through profit or loss	**98**	5,014
Proceeds from disposal of other debt instruments	**–**	56
Loans to joint ventures, associates and third parties	**(2,717)**	(6,116)
Repayment of loans from joint ventures and associates	**2,019**	3,116
Interest received	**280**	309
Changes in time deposits with an initial term of over three months	**(1,580)**	62
Cash consideration received for concession assets	**1,727**	2,520
Dividends received	**538**	535
Net cash flows used in investing activities	**(29,114)**	(18,825)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Cash flows from financing activities		
Capital contribution from non-controlling shareholders	**407**	1,407
Dividends paid to non-controlling shareholders	**(7)**	(23)
Proceeds from financial instruments classified as equity	**998**	2,718
Interest paid for perpetual medium-term notes	**(344)**	(67)
Proceeds from bank and other borrowings	**93,528**	68,781
Repayment of bank and other borrowings	**(43,470)**	(37,755)
Interest paid for bank and other borrowings	**(6,789)**	(6,047)
Loans from joint ventures, associates and fellow subsidiaries	**–**	90
Transaction with non-controlling interests	**(81)**	–
Principal portion of lease payments	**(636)**	–
Other financings	**–**	2,100
Net cash flows from financing activities	**43,606**	31,204
Net decrease in cash and cash equivalents	**(25,275)**	(20,666)
Cash and cash equivalents at beginning of period	**127,413**	129,197
Effect of foreign exchange rate changes, net	**36**	120
Cash and cash equivalents at end of period	**102,174**	108,651

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 and dredging businesses.

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim condensed consolidated financial information is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest million except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised IFRSs effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – 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 account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, vessels, machinery and vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were 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 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB1,737 million that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application.

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.

- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) Unaudited *RMB million*
Assets	
Right-of-use assets	13,828
Property, plant and equipment	(1,737)
Prepaid land lease payments	(9,683)
Trade and other receivables	(104)
Total assets	2,304
Liabilities	
Interest-bearing bank and other borrowings	2,304
Total liabilities	2,304

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	Unaudited *RMB million*
Operating lease commitments as at 31 December 2018	2,929
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	939
Commitments relating to leases of low-value assets	1
Add:	
Commitments relating to leases previously classified as finance leases	797
Payments for optional extension periods not recognised as at 31 December 2018	656
	3,442
Weighted average incremental borrowing rate as at 1 January 2019	4.80%
Lease liabilities as at 1 January 2019	3,035

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases below RMB50,000. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease plant and machinery and equipment for additional terms of certain years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "interest-bearing bank and other borrowings"), and the movement during the period are as follows:

	Right-of-use assets					
	Land and buildings Unaudited *RMB million*	**Vessels Unaudited** *RMB million*	**Vehicles Unaudited** *RMB million*	**Machinery Unaudited** *RMB million*	**Total Unaudited** *RMB million*	**Lease liabilities Unaudited** *RMB million*
As at 1 January 2019	**11,628**	**1,808**	**76**	**316**	**13,828**	**3,035**
Additions	**1,331**	**125**	**10**	**50**	**1,516**	**610**
Depreciation charge	**(418)**	**(159)**	**(22)**	**(42)**	**(641)**	**–**
Transfer to property, plant and equipment	**–**	**(322)**	**–**	**(166)**	**(488)**	**–**
Interest expense	**–**	**–**	**–**	**–**	**–**	**75**
Payments	**–**	**–**	**–**	**–**	**–**	**(646)**
As at 30 June 2019	**12,541**	**1,452**	**64**	**158**	**14,215**	**3,074**

(b) 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 assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. Operating segment information

Management has determined the operating segments based on the reports reviewed by the President Office that are used to allocate resources to the operating segments and assess their performance.

The President Office considers the business from the service and product perspectives. Management assesses the performance of the following four operating segments:

(a) infrastructure construction of ports, roads, bridges and railways (the "Construction");

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

(c) dredging (the "Dredging");

(d) others

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

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

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

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

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

Capital expenditure comprises mainly additions to property, plant and equipment, investment properties, right-of-use assets, prepaid land lease payments and intangible assets.

The segment results for the six months ended 30 June 2019 and other segment information included in the unaudited interim condensed consolidated financial statements are as follows:

	For the six months ended 30 June 2019					
	Construction Unaudited *RMB million*	**Design Unaudited** *RMB million*	**Dredging Unaudited** *RMB million*	**Others Unaudited** *RMB million*	**Eliminations Unaudited** *RMB million*	**Total Unaudited** *RMB million*
Total gross segment revenue	212,434	13,220	15,614	4,225	(6,406)	239,087
Intersegment sales	(1,900)	(1,513)	(229)	(2,764)	6,406	–
Revenue	210,534	11,707	15,385	1,461	–	239,087
Segment results	13,460	934	692	460	13	15,559
Unallocated income						98
Operating profit						15,657
Finance income						3,616
Finance costs, net						(7,591)
Share of profits and losses of joint ventures and associates						336
Profit before tax						12,018
Income tax expense						(2,274)
Profit for the period						9,744
Other segment information						
Depreciation	3,370	127	478	202	–	4,177
Amortisation	1,254	86	133	46	–	1,519
Write-down of inventories	1	–	–	–	–	1
Impairment losses recognised/ (reversed) in the statement of profit or loss:						
Trade and other receivables	607	145	95	(150)	–	697
Contract assets	166	4	26	1	–	197
Capital expenditure	19,179	333	476	342	–	20,330

The segment results for the six months ended 30 June 2018 and other segment information included in the unaudited interim condensed consolidated financial statements are as follows:

	For the six months ended 30 June 2018					
	Construction Unaudited *RMB million*	Design Unaudited *RMB million*	Dredging Unaudited *RMB million*	Others Unaudited *RMB million*	Eliminations Unaudited *RMB million*	Total Unaudited *RMB million*
Total gross segment revenue	184,328	10,898	15,355	5,608	(8,603)	207,586
Intersegment sales	(4,878)	(1,977)	(186)	(1,562)	8,603	–
Revenue	179,450	8,921	15,169	4,046	–	207,586
Segment results	12,763	846	719	465	(76)	14,717
Unallocated income						324
Operating profit						15,041
Finance income						1,719
Finance costs, net						(5,517)
Share of profits and losses of joint ventures and associates						59
Profit before tax						11,302
Income tax expense						(2,598)
Profit for the period						8,704
Other segment information						
Depreciation	3,020	107	486	120	–	3,733
Amortisation	796	25	15	23	–	859
Reversal of provision for write-down of inventories	(1)	–	–	–	–	(1)
Impairment losses recognised in the statement of profit or loss:						
Construction contracts	220	–	106	–	–	326
Trade and other receivables	745	107	167	19	–	1,038
Contract assets	135	2	7	–	–	144
Capital expenditure	18,808	165	597	682	–	20,252

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

The segment assets and liabilities as at 30 June 2019 are as follows:

	As at 30 June 2019					
	Construction	**Design**	**Dredging**	**Others**	**Eliminations**	**Total**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Segment assets	745,226	39,044	87,499	52,972	(46,879)	877,862
Investments in joint ventures						19,993
Investments in associates						25,229
Unallocated assets						87,089
Total assets						1,010,173
Segment liabilities	369,462	24,241	35,751	3,074	(45,734)	386,794
Unallocated liabilities						373,694
Total liabilities						760,488

Segment assets and liabilities as at 30 June 2019 are reconciled to total assets and liabilities as follows:

	Assets Unaudited *RMB million*	**Liabilities** Unaudited *RMB million*
Segment assets/liabilities	877,862	386,794
Investments in joint ventures	19,993	–
Investments in associates	25,229	–
Unallocated:		
Deferred tax assets/liabilities	4,754	6,944
Tax payable	–	3,345
Current borrowings	–	108,120
Non-current borrowings	–	239,776
Equity investments designated at fair value through other comprehensive income	27,820	–
Debt investments at amortised cost	109	–
Financial assets at fair value through profit or loss	6,988	–
Derivative financial instruments	543	2
Other corporate assets/corporate liabilities	46,875	15,507
Total assets/liabilities	1,010,173	760,488

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

	As at 31 December 2018					
	Construction	Design	Dredging	Others	Eliminations	Total
	Audited	Audited	Audited	Audited	Audited	Audited
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*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 as at 31 December 2018 are reconciled to total assets and liabilities as follows:

	Assets	**Liabilities**
	Audited	Audited
	RMB million	*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 designated at fair value through other comprehensive income	21,257	–
Debt investments at amortised cost	109	–
Financial assets at fair value through profit or loss	6,048	–
Derivative financial instruments	250	2
Other corporate assets/corporate liabilities	72,985	9,003
Total assets/liabilities	960,476	720,794

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Mainland China	**193,828**	164,562
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**45,259**	43,024
	239,087	207,586

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

(b) Non-current assets

	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB million	*RMB million*
Mainland China	**255,287**	241,291
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**23,571**	20,751
	278,858	262,042

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

Information about major customers

No revenue was derived from services or sales to a single customer which accounted for 10% or more of the Group's revenue, including the provision of services or sales to a group of entities which are known to be under common control with any single customer during the six months ended 30 June 2019 and 2018.

4. Revenue, other income and other gains, net

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Revenue from contracts with customers		
Construction	**212,434**	184,328
Design	**13,220**	10,898
Dredging	**15,614**	15,355
Others	**4,225**	5,608
Intersegment eliminations	**(6,406)**	(8,603)
	239,087	207,586

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2019

Segments	Construction Unaudited *RMB million*	Design Unaudited *RMB million*	Dredging Unaudited *RMB million*	Others Unaudited *RMB million*	Total Unaudited *RMB million*
Type of goods or services					
Infrastructure construction and design services	**201,461**	**11,662**	**–**	**202**	**213,325**
Dredging services	**–**	**–**	**12,909**	**–**	**12,909**
Others	**9,073**	**45**	**2,476**	**1,259**	**12,853**
Total revenue from contracts with customers	**210,534**	**11,707**	**15,385**	**1,461**	**239,087**
Geographical markets					
Mainland China	**167,293**	**11,187**	**13,887**	**1,461**	**193,828**
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**43,241**	**520**	**1,498**	**–**	**45,259**
Total revenue from contracts with customers	**210,534**	**11,707**	**15,385**	**1,461**	**239,087**
Timing of revenue recognition					
Services transferred over time	**201,752**	**11,664**	**12,949**	**213**	**226,578**
Merchandise transferred at a point in time	**8,782**	**43**	**2,436**	**1,248**	**12,509**
Total revenue from contracts with customers	**210,534**	**11,707**	**15,385**	**1,461**	**239,087**

For the six months ended 30 June 2018

Segments	Construction Unaudited *RMB million*	Design Unaudited *RMB million*	Dredging Unaudited *RMB million*	Others Unaudited *RMB million*	Total Unaudited *RMB million*
Type of goods or services					
Infrastructure construction and design services	175,799	8,921	–	–	184,720
Dredging services	–	–	11,701	–	11,701
Others	3,651	–	3,468	4,046	11,165
Total revenue from contracts with customers	179,450	8,921	15,169	4,046	207,586
Geographical markets					
Mainland China	136,890	8,457	15,169	4,046	164,562
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	42,560	464	–	–	43,024
Total revenue from contracts with customers	179,450	8,921	15,169	4,046	207,586
Timing of revenue recognition					
Services transferred over time	175,799	8,921	11,701	–	196,421
Merchandise transferred at a point in time	3,651	–	3,468	4,046	11,165
Total revenue from contracts with customers	179,450	8,921	15,169	4,046	207,586

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

For the six months ended 30 June 2019

Segments	**Construction** **Unaudited** ***RMB million***	**Design** **Unaudited** ***RMB million***	**Dredging** **Unaudited** ***RMB million***	**Others** **Unaudited** ***RMB million***	**Total** **Unaudited** ***RMB million***
Revenue from contracts with customers					
External customers	210,534	11,707	15,385	1,461	239,087
Intersegment sales	1,900	1,513	229	2,764	6,406
	212,434	13,220	15,614	4,225	245,493
Intersegment adjustments and eliminations	(1,900)	(1,513)	(229)	(2,764)	(6,406)
Total revenue from contracts with customers	210,534	11,707	15,385	1,461	239,087

For the six months ended 30 June 2018

Segments	Construction Unaudited *RMB million*	Design Unaudited *RMB million*	Dredging Unaudited *RMB million*	Others Unaudited *RMB million*	Total Unaudited *RMB million*
Revenue from contracts with customers					
External customers	179,450	8,921	15,169	4,046	207,586
Intersegment sales	4,878	1,977	186	1,562	8,603
	184,328	10,898	15,355	5,608	216,189
Intersegment adjustments and eliminations	(4,878)	(1,977)	(186)	(1,562)	(8,603)
Total revenue from contracts with customers	179,450	8,921	15,169	4,046	207,586

Other income

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Rental income	**430**	350
Revenue from consulting services	**167**	81
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	**841**	600
– Unlisted equity instruments	**43**	38
Government grants	**168**	208
Dividend income from financial assets at fair value through profit or loss	**67**	22
Income from sale of waste and materials	**53**	34
Others	**720**	562
	2,489	1,895

Other gains, net

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Gains on disposal of items of property, plant and equipment	**29**	26
Gains on disposal of subsidiaries	**740**	19
Fair value gains on financial assets at fair value through profit or loss	**26**	91
Gains/(losses) on derivative financial instruments	**328**	(21)
Foreign exchange difference, net	**138**	(160)
Gains on disposal of financial assets at fair value through profit or loss	**6**	2
Gains from business combinations achieved in stages	**–**	236
	1,267	193

5. Profit before tax

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

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Raw materials and consumables used*	**70,858**	60,073
Cost of goods sold	**6,855**	7,018
Subcontracting costs	**81,870**	65,258
Employee benefit expenses*:		
– Salaries, wages and bonuses	**13,519**	11,890
– Pension costs – defined contribution plans	**1,622**	1,516
– Housing benefits	**906**	818
– Welfare, medical and other expenses	**8,766**	7,438
	24,813	21,662
Minimum lease payments under operating leases	**–**	6,361
Equipment and plant usage costs	**5,921**	–
Business tax and other transaction tax	**685**	744
Fuel	**1,457**	1,855
Research and development costs (including materials and consumable used, employee benefit expenses, depreciation and amortisation)	**5,222**	4,774
Repair and maintenance expenses	**876**	963
Utilities	**747**	773
Depreciation of property, plant and equipment and investment properties*	**4,177**	3,733
Amortisation of intangible assets*	**878**	791
Amortisation of right-of-use assets/prepaid land lease payments*	**641**	68
Write-down of/(reversal of provision for write-down of) inventories to net realisable value	**1**	(1)
Provision for foreseeable losses on construction contracts	**–**	326
Impairment of financial and contract assets, net:		
– Impairment of trade and other receivables	**697**	1,038
– Impairment of contract assets	**197**	144

* Including the materials and consumable used, employee benefit expenses, depreciation or amortisation charged for research and development activities and summarised in the item of "Research and development costs".

6. Finance income

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Interest income from:		
– Bank deposits	**375**	473
– Receivables from Public-Private-Partnership ("PPP") contracts	**1,388**	562
– Loan receivables	**571**	604
– Others	**1,282**	80
	3,616	1,719

7. Finance costs, net

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Total interest expense	**7,533**	6,426
Less: Interest capitalised *(note a)*	**(949)**	(1,040)
Net interest expense	**6,584**	5,386
Net foreign exchange (gains)/losses on borrowings	**(13)**	95
Loss on derecognition of financial assets measured at amortised cost	**360**	163
Others	**660**	(127)
	7,591	5,517

(a) Interest capitalised

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Inventories	**222**	528
Concession assets	**696**	494
Construction-in-progress	**31**	18
	949	1,040

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% (six months ended 30 June 2018: 25%) of the assessable income of each of these companies during the period as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC subsidiaries of the Company, which were exempted from tax or taxed at a preferential rate of 15% (six months ended 30 June 2018: 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% (six months ended 30 June 2018: 16.5%) on the estimated assessable profit for the period.

Taxation for other companies of the Group has been calculated on the estimated assessable profit for the six months ended 30 June 2019 and 2018 at the appropriate rates of taxation prevailing in the jurisdictions in which these companies operate.

The amount of income tax expense charged to the interim condensed consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB million	*RMB million*
Current income tax		
– PRC enterprise income tax	**1,916**	2,268
– Others	**352**	225
	2,268	2,493
Deferred income tax	**6**	105
Total tax charge for the period	**2,274**	2,598

9. Dividends

A dividend in respect of the year ended 31 December 2018 of RMB0.23077 (including tax) per ordinary share, totalling RMB3,733 million was approved by the Company's shareholders in the annual general meeting on 18 June 2019.

The above approval has triggered the mandatory clauses about the distribution of interest/dividends relating to perpetual medium-term notes and preference shares issued by the Company, totalling RMB528 million and RMB718 million respectively.

No interim dividend for the six months ended 30 June 2019 was declared by the Board of Directors (six months ended 30 June 2018: Nil).

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

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Profit attributable to ordinary equity holders of the parent *(RMB million)*	**8,757**	8,257
Less: Interest on perpetual medium-term notes *(RMB million) (i)*	**(264)**	(150)
Dividend relating to preference shares *(RMB million) (ii)*	**(718)**	(718)
	7,775	7,389
Weighted average number of ordinary shares in issue *(million)*	**16,175**	16,175
Basic earnings per share *(RMB per share)*	**0.48**	0.46

(i) The medium-term notes (the "MTN") issued by the Company in December 2014 and November 2018 were classified as equity instruments with deferrable accumulative dividend distribution and payment. Interest of RMB264 million on the MTN which has been generated but not declared from 1 January 2019 to 30 June 2019 was deducted from earnings when calculating the earnings per share amount for the six months ended 30 June 2019.

(ii) The preference shares issued by the Company in August and October 2015 were classified as equity instruments with deferrable and non-cumulative dividend distribution and payment. Dividend of RMB718 million on the preference shares was deducted from earnings when calculating the earnings per share amount for the six months ended 30 June 2019.

(b) Diluted

The diluted earnings per share amounts were the same as the basic earnings per share amounts as there were no potentially dilutive ordinary shares outstanding during the six months ended 30 June 2019 and 2018.

11. Trade and other receivables

	30 June 2019 Unaudited ***RMB million***	31 December 2018 Audited *RMB million*
Trade and bills receivables *(note a)*	**101,205**	100,176
Impairment	**(12,848)**	(12,380)
	88,357	87,796
Long-term receivables	**170,355**	152,384
Impairment	**(1,631)**	(1,474)
	168,724	150,910
Other receivables:		
Prepayments	**21,785**	18,431
Deposits	**21,285**	19,494
Others	**41,975**	40,237
	85,045	78,162
Impairment	**(2,093)**	(2,014)
	82,952	76,148
	340,033	314,854
Portion classified as non-current		
Long-term receivables	**122,425**	113,090
Other receivables:		
Prepayments	**4,187**	4,161
Deposits	**1,861**	1,716
Others	**160**	–
	128,633	118,967
Current portion	**211,400**	195,887

(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 provisions, is as follows:

	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB million	*RMB million*
Within 6 months	**55,247**	61,140
6 months to 1 year	**13,491**	9,417
1 year to 2 years	**10,999**	9,218
2 years to 3 years	**4,264**	3,950
Over 3 years	**4,356**	4,071
	88,357	87,796

12. Trade and other payables

	30 June 2019	31 December 2018
	Unaudited	Audited
	RMB million	*RMB million*
Trade and bills payables *(note a)*	**233,414**	242,167
Deposits from suppliers	**24,725**	25,020
Retentions	**16,084**	19,110
Deposits in CCCC Finance	**3,512**	9,283
Other taxes	**19,721**	17,256
Payroll and social security	**2,386**	2,247
Accrued expenses and others	**35,723**	16,598
	335,565	331,681
Portion classified as non-current		
Retentions	**11,277**	13,192
Other taxes	**215**	144
Others	**6,351**	3,849
	17,843	17,185
Current portion	**317,722**	314,496

(a) The aging analysis of trade and bills payables is as follows:

	30 June 2019 Unaudited *RMB million*	31 December 2018 Audited *RMB million*
Within 1 year	**208,950**	214,046
1 year to 2 years	**14,397**	19,779
2 years to 3 years	**6,166**	4,943
Over 3 years	**3,901**	3,399
	233,414	242,167

13. Commitments

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

	30 June 2019 Unaudited *RMB million*	31 December 2018 Audited *RMB million*
Intangible assets – concession assets	**105,678**	122,293
Property, plant and equipment	**1,311**	1,387
	106,989	123,680

14. Pledge of assets

(a) As at 30 June 2019, the restricted deposits were RMB4,602 million (31 December 2018: RMB4,633 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:

	30 June 2019 Unaudited *RMB million*	31 December 2018 Audited *RMB million*
Trade and other receivables	**41,303**	27,261
Inventories	**3,750**	3,597
Investment properties	**1,098**	1,117
Right-of-use assets/prepaid land lease payments	**5,380**	5,028
Intangible assets	**166,000**	141,261
	217,531	178,264

15. Other important events and events after the reporting period

On 18 June 2019, the board of directors of the Company passed a resolution to transfer certain of its shares in CCCC Dredging (Group) Co., Ltd. ("CCCC Dredging") to CCCG (the "Proposed Share Transfer I") and capital increase in CCCC Dredging by CCCG (the "Proposed Capital Increase"), which will then be subject to independent shareholders' approval. Pursuant to the transaction arrangement, CCCG agreed to acquire approximately 3,496 million shares at a purchase price of approximately RMB8,634 million and to subscribe for approximately 2,024 million shares in CCCC Dredging at a subscription price of approximately RMB5,000 million. The board of directors of the Company also passed a resolution to transfer certain of its shares in CCCC Dredging to third parties (the "Investors") (the "Proposed Share Transfer II"), pursuant to which, the Company proposed to further transfer not more than approximately 5,520 million shares in CCCC Dredging to the Investors on an equity exchange in the PRC by way of public tender.

Upon completion of the Proposed Share Transfer I, the Proposed Capital Increase and Proposed Share Transfer II, the issued share capital of CCCC Dredging will be enlarged to be approximately RMB13,800 million. CCCG will hold approximately 5,520 million shares in CCCC Dredging, which represent 40% of the share capital of CCCC Dredging, the Group will hold not less than approximately 2,760 million shares in CCCC Dredging, which represent not less than 20% of the share capital of CCCC Dredging, and the Investors will hold not more than approximately 5,520 million shares in CCCC Dredging, which represent not more than 40% of the share capital of CCCC Dredging. Therefore, CCCG will then hold not less than 60% in total of the share capital of CCCC Dredging and will replace the Company to be the immediate holding company of CCCC Dredging. CCCC Dredging will cease to be a subsidiary of the Company and its financial results will be de-consolidated from those of the Group.

On 5 August 2019, the first extraordinary general meeting of the Company approved the Proposed Share Transfer I and the Proposed Capital Increase. Up to the date of this interim financial information, the Company has not started the process of the Proposed Share Transfer II.

16. Approval of the interim condensed consolidated financial statements

The interim condensed consolidated financial information for the six months ended 30 June 2019 was approved for issue by the Board of Directors on 30 August 2019.

OTHER INFORMATION

Purchase, Sale or Redemption of Securities

During the period from 1 January 2019 to 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

Material Disposal of Equity Interests

On 18 June 2019, the Company entered into the equity transfer and capital increase agreement with CCCG and CCCC Dredging, pursuant to which CCCG agreed (i) to acquire 3,495,604,287 shares in CCCC Dredging from the Company at the purchase price of RMB2.47 per share, representing 29.69% of the current issued share capital of CCCC Dredging and 25.33% of the enlarged issued share capital of CCCC Dredging; and (ii) to subscribe for 2,024,291,498 shares in CCCC Dredging at the subscription price of RMB2.47 per share, representing 17.19% of the current issued share capital of CCCC Dredging and 14.67% of the enlarged issued share capital of CCCC Dredging. Upon completion of the proposed share transfer and the proposed capital increase, the shares in CCCC Dredging to be held by the Company and its subsidiary, CRBC, will represent 60% of the enlarged issued share capital of CCCC Dredging in total (wherein the shares in CCCC Dredging to be held by CRBC will represent 0.09% of the enlarged issued share capital of CCCC Dredging); while the shares in CCCC Dredging to be held by CCCG will represent 40% of the enlarged issued share capital of CCCC Dredging.

Apart from the proposed share transfer, the Company proposed to further transfer not more than 5,519,895,784 shares in CCCC Dredging to third parties (other than CCCG and its subsidiaries) at the floor purchase price of RMB2.47 per share on an equity exchange in the PRC by way of public tender, representing not more than 40% of the enlarged issued share capital of CCCC Dredging. Assuming that the Company will further transfer such 40% of the enlarged issued share capital of CCCC Dredging, the Company and its subsidiary, CRBC, will hold 20% of the enlarged issued share capital of CCCC Dredging in total. Therefore, CCCC Dredging will cease to be a subsidiary of the Company and its financial results will be de-consolidated from those of the Company.

The transactions in relation to the proposed share transfer and the proposed capital increase under the equity transfer and capital increase agreement were approved by the independent shareholders at the extraordinary general meeting held on 5 August 2019, but has not yet completed. For details, please refer to the announcements of the Company dated 18 June 2019 and 5 August 2019 and the circular of the Company dated 10 July 2019.

Interests and Short Positions of Directors, Supervisors and Chief Executive Officer in Shares, Underlying Shares and Debentures

As at 30 June 2019, none of the Directors, Supervisors or the chief executive officer of the Company had any interest or short position in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

As at 30 June 2019, the Company had not granted the Directors, or Supervisors or the chief executive officer of the Company, or their respective spouses or children below the age of 18, any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them had ever exercised any such right to subscribe for shares or debentures.

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 six months ended 30 June 2019.

Change of Directors, Supervisors and Senior Management

On 1 August 2019, due to change of work, Mr. CHEN Yun reported to the Board to resign as an executive Director of the Company and cease to be a member of the strategy and investment committee of the Board, which has taken effect on that day. For details, please refer to the announcement of the Company dated 1 August 2019.

Compliance with Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules to govern securities transactions by Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors, the Company confirms that the Directors and Supervisors have complied with the Model Code throughout the period from 1 January 2019 to 30 June 2019.

Review by the Audit and Internal Control Committee

The audit and internal control committee of the Board currently comprises NGAI Wai Fung, LIU Maoxun, HUANG Long and ZHENG Changhong, and is chaired by NGAI Wai Fung. The audit and internal control committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2019. The audit and internal control committee has also discussed matters such as the accounting policies and practices adopted by the Company and internal control with the senior management of the Company.

Interim Dividend

On 15 July 2019, the Board approved the dividend distribution plan for the preference shares issued by the Company in the PRC. For the 90,000,000 preference shares of the Company issued in September 2015, the dividend is RMB5.10 per share (tax inclusive) and for the 55,000,000 preference shares of the Company issued in October 2015, the dividend is RMB4.70 per share (tax inclusive). For details of the distribution plan, please refer to the announcement of the Company dated 19 August 2019 in relation to the distribution of dividend for the preference shares issued in the PRC.

Save as disclosed above, the Board has not made any recommendation on the distribution of an interim dividend for the six months ended 30 June 2019.

DEFINITIONS

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

"Board"	the board of directors of the Company
"CCCC Dredging"	CCCC Dredging (Group) Co., Ltd. (中交疏浚(集團)股份有限公司), a wholly-owned subsidiary of the Company as at the date of this announcement
"CCCC WTC"	CCCC Water Transportation Consultants Co., Ltd. (中交水運規劃設計院有限公司), a wholly-owned subsidiary of the Company as at the date of this announcement
"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
"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
"CFHEC"	CCCC First Highway Engineering Group Co., Ltd. (中交一公局集團有限公司), a wholly-owned subsidiary of the Company as at the date of this announcement
"CRBC"	China Road and Bridge Corporation (中國路橋工程有限責任公司), a wholly-owned subsidiary of the Company as at the date of this announcement
"Director(s)"	the director(s) of the Company

"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
"PRC"	the People's Republic of China, for the purpose of this announcement, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council
"Supervisor(s)"	the supervisor(s) of the Company
"USD"	United States dollars, the lawful currency of the United States of America
%"	percent

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

Beijing, the PRC
30 August 2019

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

\# *Independent non-executive Director*