



2021

INTERIM REPORT (H SHARE)



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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
H Share Stock Code: 1800

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PERFORMANCE HIGHLIGHTS

RMB million (except per share data)	For the six months ended 30 June		
	2021	2020	Change (%)
Revenue	339,218	245,410	38.2
Gross Profit	38,015	28,511	33.3
Operating Profit	18,458	13,543	36.3
Profit attributable to owners of the parent	10,386	5,517	88.3
Basic earnings per share (RMB) <i>(Note 1)</i>	0.60	0.28	114.3

RMB million	As at		
	30 June 2021	31 December 2020	Change (%)
Total assets	1,438,973	1,304,169	10.3
Total liabilities	1,069,137	946,365	13.0
Total equity	369,836	357,804	3.4
Equity attributable to owners of the parent	252,787	245,071	3.1

RMB million	For the six months ended 30 June			Change (%)
	2021	% of total	2020	
New Contracts	685,131	100.0	533,094	28.5
Infrastructure Construction Business	601,252	87.8	478,051	25.8
– Port Construction	32,201	4.7	22,032	46.2
– Road and Bridge Construction	151,888	22.2	117,430	29.3
– Railway Construction	11,227	1.6	1,164	864.5
– Urban Construction	315,582	46.1	222,329	41.9
– Overseas Projects	90,354	13.2	115,096	(21.5)
Infrastructure Design Business	25,886	3.8	15,888	62.9
Dredging Business	52,828	7.7	34,735	52.1
Other Businesses	5,165	0.7	4,420	16.9

RMB million	As at			Change (%)
	30 June 2021	% of total	31 December 2020	
Backlog	2,986,463	100.0	2,910,322	2.6
Infrastructure Construction Business	2,660,737	89.1	2,602,729	2.2
Infrastructure Design Business	139,882	4.7	129,743	7.8
Dredging Business	177,075	5.9	170,065	4.1
Other Businesses	8,769	0.3	7,785	12.6

Note:

- In calculating the amount of basic earnings per share for the six months ended 30 June 2021, the interests with an aggregate amount of approximately RMB748 million shall be excluded from earnings.

Dear Shareholders,

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

In this year, which is the first year of the “14th Five-Year Plan” that focuses on high-quality development, the Company steadily promoted each work in an orderly manner in the first half in accordance with the strategic objective of “two maintains and one strive” and the idea of “tightening the belts”, and all major performance indicators maintained the momentum of rapid and steady growth. The revenue amounted to RMB339,218 million, representing a year-on-year growth of 38.2% and a two-year average growth of 19.0%. The figure indicates that 49% of the goal of achieving annualized year-on-year growth of 10% has been completed, which means that half of the tasks have been basically accomplished in the half of timeframe. In the context that epidemic prevention measures were promoted in an orderly manner both domestically and overseas, net profit attributable to the Shareholders amounted to RMB10,386 million, representing a year-on-year growth of 88.3% and a two-year average growth of 8.8%. Earnings per share was RMB0.60. The value of new contracts of the Group amounted to RMB685,131 million, representing a year-on-year growth of 28.5%. As at 30 June 2021, the backlog of the Group amounted to RMB2,986,463 million with sufficient order backlog.

As a major holding subsidiary of CCCG, the Company played an important role in the business performance of CCCG. According to the latest data, CCCG leaped to the 61th place in the Fortune Global 500 in 2021, with the ranking improving by 17 notches from last year, and ranked the first among Chinese enterprises in ENR's Top International Contractors for 15 consecutive years.

While acknowledging the achievements in the first half of the year, the Company clearly realised that there were problems and shortcomings. On the basis of profound understanding of the rich connotation of “new development stage, new development concept, new development landscape”, the Company will spare no effort to grasp the opportunities and challenges of high-quality development brought therefrom.

In the second half of the year, the Company will ensure that all the annual tasks will be accomplished by firmly adhering to the operation plans and the general guideline of pursuing progress while maintaining stability, comprehensively implementing the “123456” overall development path, focusing on the major task of winning the first battle of high-quality development in the “14th Five-Year Plan” period, maintaining right political directions, setting clear development directions, changing the thinking mode, building the consensus, solidifying the foundation, accumulating the dynamic energy, strengthening the execution and advancing the implementation. Works mainly cover the following four aspects:

I. STAND ON A HIGH POSITION AND LEAD THE DEVELOPMENT DIRECTION

Guided by the founding spirit of the Party and the principle of “nine musts”, the Company will reinforce the theoretical weapon, adhere to the leadership of the Party, strengthen the building of the Party, set clearer strategic directions and further enhance the responsibility and accountability. The Company will improve the plan for the “14th Five-Year Plan” period by further incorporating the supervision of state-owned assets and the industry plan, set clear development objectives, refine the development roadmap and strengthen the supporting system, so that a development planning system with precise positioning, clear objectives, practicable paths and effective measures will take shape and become the five-year roadmap to promote the high-quality development of the Company.

CHAIRMAN'S STATEMENT

II. CHANGE THE THINKING MODE AND BUILD THE DEVELOPMENT CONSENSUS

The Company will focus on the core business of “construction”, devote to advantageous businesses with all-out efforts and build the reputation of CCCC's hard power, striving to become a leader in the principal business areas of the Company. The Company will strengthen the awareness of ascending to the top notch and take the action of further improvement by referring to world-class management models as the impetus, setting global leading companies as benchmarks, benchmarking comprehensively and identifying the gaps to constantly improve the global competitiveness. Also, the Company will advance the technology-driven development, strengthen the digitalisation, focus on green and low-carbon development, and study future development trends of the construction industry to identify the right direction of movement and to plan and prepare early, in order to have a head start in future development.

III. SOLIDIFY THE FOUNDATION AND ACCUMULATE THE DYNAMIC ENERGY

The Company will endeavour to adhere to the annual objectives strictly, especially the basic requirement of “two profits and four rates”, expand achievements, strengthen points of weakness, and make sure annual goals and assignments will be honored comprehensively.

The Company will endeavour to win in the market competition, build an all-dimensional and professional marketing system and team, strengthen the awareness of market competition, enhance the customer stickiness, ensure the prompt implementation of key projects and further consolidate and expand the market share.

The Company will endeavour to amplify the value of “four dos”, strengthen the spot exchange bidding to expand projects, improve the quality of investments to enable investments to influence bigger, adjust the asset portfolio to let assets produce real benefits, and amplify the capital effect to allow capitals to play a better role.

The Company will endeavour to improve the quality and efficiency and strengthen points of weakness, significantly reduce costs and resolutely control the cost rate below the industry average; to enhance the special management of businesses, take multi-measures and sustained efforts to ensure greater effectiveness; to strictly control interest-bearing debts, and make great efforts to curb the trend of control and increase.

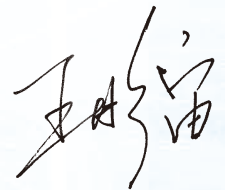
The Company will endeavour to enhance reforms persistently and comprehend the rich connotation of pilot reforms of state-owned capital investment companies from a higher stand point and with a greater vision, implement strictly major undertakings as set out in the three-year action plan for state-owned enterprise reform one by one, and focus on making more breakthroughs in the reform of the three systems as soon as possible.

The Company will endeavour to build a firm defence for risk prevention, strengthen the sensitivity to identify risks of all types, and build a comprehensive risk management system in which all functional departments support each other and work together. Especially, the Company will secure safety and environmental protection, understand policies thoroughly, conduct operations in accordance with the law, strictly adhere to the bottom line, seriously investigate and affix the responsibility in respect of matters, and impose stern punishments to accidents, with a view to ensuring an overall sound and stable status of the Company.

IV. STRENGTHEN THE EXECUTION AND ADVANCE THE IMPLEMENTATION OF DEVELOPMENT OBJECTIVES

The Company will place the building of execution ability to an even more prominent position, advance the implementation by aligning to the objectives, studying policies, enhancing the responsibility and accountability, improving capabilities, emphasizing achievements and solidifying the supervision, so as to create a strong atmosphere of “valuing practical work, actual performance and commitment” throughout the Company, and ensure that the major strategic deployments and key undertakings of the Company are really put into practice and receive effectiveness.

The Company has missions ahead and heavy responsibilities on shoulders. There will be arduous tasks in the second half of the year. The Company will adhere to the leadership of the CPC Central Committee with Comrade Xi Jinping as the core, work with high morale, strictly stick to the objectives, take real actions and endeavour to achieve substantial results, work with all-out efforts, overcome difficulties and make contribution to the victory of the first battle of high-quality development in the “14th Five-Year Plan” period and to the building of a globally competitive world-class enterprise with technology, management and quality. We hope that all shareholders, people and friends from all walks of life that have cared about the Company for a long time will continue to help and support us!



Wang Tongzhou
Chairman

Beijing, the PRC
30 August 2021

BUSINESS OVERVIEW

MAIN BUSINESS

The Company is a leading transportation infrastructure enterprise in the PRC focusing on “big transportation” and “big city” and its core businesses are infrastructure construction, infrastructure design and dredging. Its scope of business mainly consists of the investment, design, construction, operation and management of port, waterway, land reclamation, river basin, road and bridge, railway, urban rail transit, municipal infrastructure, construction and environmental protection and related projects at home and abroad. The Company is engaged in providing customers with integrated solutions services for each stage of the infrastructure projects leveraging on its extensive operating experience, expertise and know-how accumulated from projects undertaken in a wide range of areas over the decades.

BUSINESS MODEL

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

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

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

At the same time as the above business was carried out, the Company began to develop infrastructure and other investment projects in 2007 to obtain investment profits apart from those from reasonable design and construction. After years of development, in keeping with changes in the market environment, policy situation, and industry demand, the Company has always strictly controlled the key points in the investment process, and continuously promoted the deepening and implementation of the commitment to “value-oriented investments”. For details, please refer to the section headed “Management’s Discussion and Analysis”.

CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) Strong Advantages in the Fields of Principal Businesses

The Group is the world's largest port, road and bridge design and construction company, and the world's largest dredging company. It is also the largest international contractor and the largest highway investor in China, and owns the largest engineering fleet in the world. The Group has 37 principal wholly-owned or holding subsidiaries, and operates businesses in China's all provinces, cities, autonomous regions, Hong Kong Special Administrative Region and Macau Special Administrative Region and 139 countries and regions across the world.

The Group is the world's largest port design and construction company and has a leading professional ability and a complete industry chain. It undertakes the design and construction of most of medium and large ports in coastal zones since the founding of PRC, and participates in the design and construction of many large ports overseas, fostering a strong competitiveness and brand influence. In China, there are limited market players that can compete with the Group.

The Group is the world's largest road and bridge design and construction company and realizes the infrastructure industry layout with full lifecycle, whole-process and integrated services, covering from single industry chain to whole industry chain (planning, feasibility study, investment and financing, survey and design, project construction, operation and maintenance, and asset disposal), from domestic market to overseas market and from road to civil engineering industry. In the field of design and construction of expressways, high-grade highways as well as river-crossing and sea-crossing bridges, the Group has leading technologies, adequate financial capacity, outstanding project performance, abundant resource reserves and a good reputation. As social capitals are entering the infrastructure industry at a faster pace amid the country's greater efforts to deepen the reform of investment and financing circulation system, competitors of the Group are not limited to large central enterprises and local state-owned infrastructure enterprises only, and strong private enterprises, financial institutions and other social capitals will also participate in the competition.

The Group is one of the largest railway construction companies in China and has developed into the main force of China's railway construction by virtue of its outstanding construction level and excellent management capability, but a large gap still exists between the Company and the two domestic traditional railway infrastructure enterprises in terms of market shares in China. However, as to the overseas market, the Company has successfully entered the railway construction markets in Africa, Asia, South America and Oceania, several major railway projects have been completed or operated or are under construction, and the Company is among the engineering construction companies first obtaining the "Railway Transportation Permit", becoming a heavyweight in the market. With regard to the railway infrastructure design, the Group entered the market during the "Eleventh Five-Year" period and it is now making efforts to further improve the market influence and stays in the market cultivation stage currently.

The Group is the world's largest dredging company and enjoys absolute influence in China's coastal dredging market. After years of development, it has strong competitiveness in core equipment, professional advantage, technological strength, credit rating, public image and industry brand, and builds a full industry chain of planning, consultation, investment, design, construction and operation in the fields of port dredging, channel dredging, land reclamation, watershed management, pre-dredging and post-dredging services and environmental protection. Currently, the Group has the largest and most advanced fleet of dredging vessels in China and ranks the first in the global market in terms of the total number of trailing suction hopper dredgers and cutter suction dredgers.

BUSINESS OVERVIEW

CORE COMPETITIVENESS DURING THE REPORTING PERIOD (CONTINUED)

(II) Advance Towards a World's Leading “Sci-Tech” Enterprise

The Company attaches great importance to technological innovation, continuously improves the technological innovation system and strengthens efforts to achieve breakthrough in core technologies. It is committed to improving the independent innovation capability, continuously deepening the technology system reform, enhancing technological innovation incentive and talent pool construction, taking multiple measures to promote the strategy of innovation-driven development and staying determined to advancing towards a world's leading “sci-tech” enterprise by technological innovation.

The Company has established the leading group for technological innovation and core technology breakthrough and puts great efforts to overcome technology bottleneck. It has a “three-level and three-type” platform system that integrates fundamental application research, technology research and development, and engineering and industrialization research. Meanwhile, the Company builds the high-end technology think tank comprised of academicians of Chinese Academy of Engineering, to serves as the brain trust of the Company and the platform for introducing external high-end technology and promoting technology cooperation. Furthermore, the Company owns 13 post-doctoral research centres and 4 academician research centres and has systematically nurtured a pool of scientific experts and a professional innovation team by leveraging on innovation platforms and the establishment of key scientific research projects and key engineering projects to create a “three-in-one” nurturing model integrating talents, teams and platforms to nurture scientific and technological talents team.

The Company makes significant breakthrough in technologies regarding road construction and maintenance under complicated natural conditions, expressway in high-cold permafrost regions, long-span bridge, long and large mountain tunnel, underwater tunnel, highway-railway bridge, offshore deep-water port, rapid island building in open seas, deep-water submerged tube tunnel, installation and construction of wind power infrastructure, and ranks among the top in the international market. The core technology of super-large diameter tunnel shield machine manufacturing breaks the foreign technology blockade, realizes the domestication and industrialization of the whole machine, and is comparable to top-ranking enterprises of European and American markets. Applied technologies including BIM, Beidou satellite and high-resolution remote sensing witness rapid development and maintain the leading position in the industry domestically.

Over the years, the Company has been accumulatively awarded with 40 National Science and Technology Advancement Awards, 5 Technological Invention Awards, 100 Luban Awards, 296 National Quality Project Awards (including 31 golden awards), 93 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 29 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 111 national standards and 406 industry standards that have been promulgated.¹

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

CORE COMPETITIVENESS DURING THE REPORTING PERIOD (CONTINUED)

(II) Advance Towards a World's Leading “Sci-Tech” Enterprise (continued)

In the future, the Company's science and technology innovation should closely keep abreast of the trends of global leading science and technology and cross-border technology in relevant areas. The Company should closely integrate with the development trend of science and technology, bear the national strategy & security as well as market and field demand in mind, stress value creation and highlight the mutual synergy between the innovation chain and the industrial chain so as to achieve the target of “focusing on priorities, consolidating advantages, addressing inadequacies and shoring up points of weakness” in science and technology innovation. It will make plan for major research and development directions of different hierarchies and classifications to step up efforts to make breakthroughs in key and core technologies, strive to consolidate and maintain its existing technological advantages, cultivate and enhance its emerging technological capabilities, aiming to solve bottleneck technology problems as soon as possible and moving towards a technology-based and world-class enterprise in an all-out effort.

(III) New Achievements in Business Qualification

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

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

In the first half, the Group obtained a total of 15 grade A and extra-grade qualifications, including 1 extra-grade qualification for general contracting of municipal utilities project construction and 5 extra-grade qualifications for general contracting of road project construction. The acquisition of these 6 extra-grade qualifications will further improve the Group's core competitiveness in the municipal engineering industry, consolidate the leading position in the highway industry, provide a strong support to “big city” and “big transportation” businesses and accelerate the market development.

BUSINESS OVERVIEW

BUSINESS OVERVIEW

In the first half, faced with a complicated and severe external environment, the Company implemented the “123456” overall development path in an all-round manner, made coordinated development plans and careful arrangements, took targeted measures, improved the industry layout and the market layout, and cultivated new development patterns and business models. As a result, the quality of operation maintained a good momentum of overall stability and progress.

In the first half, the value of new contracts of the Group amounted to RMB685,131 million, representing a year-on-year increase of 28.5%. As at 30 June 2021, the backlog of the Group amounted to RMB2,986,463 million.

In the first half, the value of new contracts of all businesses from overseas markets of the Group achieved RMB91,777 million (equivalent to approximately USD13,300 million), representing a year-on-year decrease of 21.1%, accounting for approximately 13% of the Group’s new contracts value. Statistics showed that as at 30 June 2021, the Group operated businesses in 139 countries and regions.

In the first half, the confirmed contract value from infrastructure and other investment projects of the Group amounted to RMB140,733 million², representing a year-on-year increase of 80.9% and accounting for approximately 21% of the Group’s new contract value. The value of construction and installation contracts to be undertaken by the Group was estimated to be RMB120,805 million.

(I) BUSINESS REVIEW AND MARKET STRATEGIES

1. Domestic Market

In the first half, the whole country further consolidated and expanded the achievements of epidemic control and economic development, and the economy continued to recover steadily. Major indicators stayed in reasonable ranges; the economic development maintained the momentum of achieving reinforcement and progress while maintaining stability; GDP recorded a year-on-year growth of 12.7% and a two-year average growth of 5.3%. Fixed asset investment in infrastructure recorded a year-on-year growth of 7.8% and a two-year average growth of 2.4%. Specifically, investment in the waterborne transport industry increased by 28.0% year on year; investment in ecological protection and environmental improvement increased by 16.9% year on year; investment in water management increased by 10.7% year on year; investment in road transport business increased by 6.5% year on year; investment in public facility management increased by 6.2% year on year; investment in railway transport business increased by 0.4% year on year.

In the first half, to ensure necessary support to economic recovery, the country continued to implement proactive fiscal policies and prudent monetary policies and extended the term of cutting taxes and fees. However, the government slowed down the issue of special bonds and the allocation of fiscal expenditures in the first quarter, and the growth of infrastructure investment was lower than expectations. Since May, the issue of special bonds returned to the track; as coordinated works were promoted to connect the macro policies of this year and next year and the government required that major projects under the “14th Five-Year Plan” would be accelerated, the fiscal focus of the second half will be maintaining steady growth, and infrastructure investment is expected to rebound.

² The confirmed contract value of share participation projects recognized in proportion of shareholding amounted to RMB10,336 million, excluding the projects signed by John Holland.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

1. Domestic Market (continued)

In the first half, keeping in mind what is of vital importance to the nation, the Company followed on major national strategies and economic and social development requirements, and developed the advantages of infrastructure construction in leading, supporting and guaranteeing rural revitalisation and new urbanisation. A number of key projects completed and large equipment put into operation successively manifested the strength of CCCC and greatly boosted the morale, which included the completion of stadiums of Beijing Olympic Winter Games, the on-grid operation of Daishan IV offshore wind power installation project, the largest offshore wind farm cluster in Zhejiang, the launch of the country's first super-large diameter tunnelling and assembly shield machine "Xing Ye" with independent development and design.

2. Overseas Market

In the first half, amid changes and a pandemic both unseen in a century, the international political and economic landscape adjusted at an accelerated pace, and the global economy was subject to increasing systematic risks. China and the United States entered a new stage in the all-round strategic game; trade protectionism was on the rise; the global industrial chain, supply chain and value chain witnessed reconstruction at a faster pace; overseas development, compliant business operation and supply chain stability were faced with greater pressure. Nevertheless, many developing countries still have rigid demands for infrastructure construction and have introduced stimulus packages in the field of infrastructures one after another, and stimulating and boosting economies by infrastructures is one of the important policies for the current stage and even a long period of time in the future. Under the new situation, it is the direction for countries of the world to work together to promote the high-quality development of "Belt and Road Initiative", achieve "hard interchange" in the infrastructure field and "soft interchange" in the area of rules and standards.

In the first half, the Company overcame difficulties, promoted "resumption of work with stringent epidemic control measures", adhered to "one body with two wings" as the core and the "four prongs" as the basis, committed to integrity-based operation, observed business ethics, and endeavoured to provide quality, safe and healthy products and services. On the one hand, the Company strictly implemented regular epidemic control for overseas projects and overseas employees, maintained a stable foundation for overseas operation, and promoted a series of major projects in a coordinated, orderly and steady way, including the land reclamation project for the third runway system of Hong Kong Airport, Phnom Penh-Sihanoukville Expressway in Cambodia and the sea-crossing bridge in Peljesac, Croatia. On the other hand, the Company actively promoted the idea of negotiation, collaboration and sharing, deeply integrated China's advantages with the needs of countries where projects are located, advanced Subic-Clark Railway Project in Philippines to lay the foundation for the port-railway-air freight multimodal transport of local economic cores, and signed the Wastewater Treatment Project in Serbia to help with the achievement of "Serbia Vision 2025" and the improvement of Serbia's modernisation level.

BUSINESS OVERVIEW

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary

(1) Infrastructure Construction Business

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

In the first half, the value of new infrastructure construction contracts entered into by the Group amounted to RMB601,252 million, representing a year-on-year increase of 25.8%. Wherein, the value of new contracts from overseas markets amounted to RMB90,354 million (equivalent to approximately USD13,094 million); the confirmed value of contracts from infrastructure and other investment projects amounted to RMB137,524 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB112,066 million. As at 30 June 2021, the backlog amounted to RMB2,660,737 million.

Categorised by project type and location, the value of new contracts in terms of port construction, road and bridge construction, railway construction, urban construction and overseas projects amounted to RMB32,201 million, RMB151,888 million, RMB11,227 million, RMB315,582 million and RMB90,354 million, representing 5%, 25%, 2%, 53% and 15% of the total value of new infrastructure construction contracts, respectively.

① Port Construction

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

In the first half, the value of new contracts of the Group for port construction projects in Mainland China amounted to RMB32,201 million, representing a year-on-year increase of 46.2%, and accounting for 5% of that of the infrastructure construction business.

Data published by the Ministry of Transport showed that fixed asset investment in coastal and inland water transport construction amounted to approximately RMB70,297 million in the first half, representing a year-on-year increase of 23.7%. Investments focused on key coastal container ports, important unloading bases of crude energy materials, upgrading and reconstruction of automated terminals and construction of high-grade inland waterway network. Guided by the strategy of “prioritizing rivers, lakes and seas”, the Company worked on port upgrading and reconstruction and high-grade inland waterways, participated in the construction of national comprehensive transportation corridors, hubs and logistics networks, followed the country’s initiative to promote the expansion and upgrading of high-grade inland waterways, signed a number of projects including Container Berths in South Operation Area of Dalanping District, Qinzhou Port, Guangxi Province, Oil and Chemical Berths of North Breakwater, Dongying Port, Shandong Province and Integrated Passenger Hub of Xinhai Roll-on Roll-off Terminal, Haikou, Hainan Province, and further strengthened its advantages in the traditional water engineering field.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

② Road and Bridge Construction

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

In the first half, the value of new contracts of the Group for road and bridge construction projects in Mainland China reached RMB151,888 million, representing a year-on-year increase of 29.3%, and accounting for 25% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects amounted to RMB39,330 million.

Data published by the Ministry of Transport showed that fixed asset investment in road transport construction amounted to approximately RMB1,154,892 million in the first half, representing a year-on-year increase of 13.8%. Currently, China still has imbalanced development demands for regional highway network, with demands concentrating in key regions including Yangtze River Delta, Central China, Southwest China, Northwest China and Beijing-Tianjin-Hebei region. Since the release of the Outline on Building a Country with Strong Transportation Network and the Outline for National Comprehensive Transport Network, provinces across the countries took the opportunity of accelerating the building of China's strength in transport to develop plans for reinforcing provincial channels, improving trunk road networks, building smart roads and cultivating new road business segments, and advanced the high-quality development of comprehensive transport.

In the first half, the Company focused on spot exchange projects, developed emerging businesses, returned to the primary duty and the main business, further consolidated the advantageous position in key businesses and key regions, and maintained the leading position in the road and bridge industry with all-out efforts. Capitalising on the increment of roads in Central China, Southwest China and Northwest China in the "14th Five-Year Plan" period, the Company followed the country's policy to improve the comprehensive transportation corridors, enhanced the construction of strategic main channels for leaving Xinjiang and entering Tibet, in Central and Western China, along rivers, coastal lines and borders, and reaped several large projects including Qinghai-Gansu Boundary Section of Zhangye-Wenchuan National Highway, Chongqing Chengkou (Shaanxi-Chongqing Boundary)-Kaizhou Highway Phase II and Main Part of Changtai Yangtze River Bridge (River-crossing Section). In the meantime, the Company strengthened the investment, leveraged the advantage of full industrial chain in the field of transportation infrastructure investment to invest in BOT Project for Chongqing-Wuhan Highway Expansion, Tongliang-Anyue Highway and Chongqing-Luzhou Highway Expansion in Chongqing, and BOT Project of Quanzhou-Rongxian Highway (Pingle-Zhaoping Section) in Guangxi Province, so as to facilitate businesses to upgrade to high added-value segments.

BUSINESS OVERVIEW

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

③ Railway Construction

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

In the first half, the value of new contracts of the Group for railway construction projects in Mainland China reached RMB11,227 million, representing a year-on-year increase of 864.5%, and accounting for 2% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects amounted to RMB389 million.

In the first half, the Company closely followed the country's strategies and development directions, concentrated advantageous resources on major projects, won the bids for Pre-Station Project of Two Sections within Ya'an-Linzhi Section of the New Sichuan-Tibet Railway, and achieved the goal of participating in the construction of Sichuan-Tibet Railway.

The "14th Five-Year Plan" of the railway business focused on improving the construction of the "eight verticals and eight horizontals" high-speed railway network, actively promoting intercity railways, accelerating the development of urban railways, enhancing the road network layout, and implementing a number of major projects such as the Sichuan-Tibet Railway and the New Western Land-Sea Corridor. In the future, the Company will strengthen overall planning and coordination at the headquarters level, accelerate the building of market development system of full integration, smooth top-down and bottom-up communication, collaboration and mutual support, make greater efforts to develop markets, closely track key projects in key regions, such as Jinan-Zaozhuang Railway, Xining-Chaka Railway and Sichuan-Tibet Railway, and build the reputation of "CCCC Railway" brand.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

④ Urban Construction

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

In the first half, the value of new contracts of the Group for urban construction projects in Mainland China reached RMB315,582 million, representing a year-on-year increase of 41.9%, and accounting for 53% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects was RMB97,805 million.

Categorised by project type, the value of new contracts for building construction, comprehensive urban development, municipal roads and bridges, environmental improvement, urban rail transit and other projects accounted for 32%, 27%, 19%, 5%, 4% and 13%, respectively, of the value of new contracts for urban construction projects.

As both the Outline of the “14th Five-Year Plan” and the Report on the Work of the Government have clearly proposed the action of urban renewal, local governments built the urban renewal policy system according to local conditions and continuously increased fiscal support to public utilities. The market capacity of urban construction businesses including old city redevelopment, utility tunnel system, urban rail transit, green building and ecological improvement continued to expand and brought more growth points to the industry.

In the first half, the Company actively promoted the “big city” development strategy, had a deep engagement in the urban renewal action, focused on building cultural cities, livable cities, resilient cities, green cities, and smart cities, and made contribution to improving the quality of cities, satisfying people’s requirements for a better life and helping cities to achieve high-quality development. The Company played the leading role in planning, changed from project operation to city operation, leaped from competing for projects to creating projects, signed key projects of regional influence including Comprehensive Development of Smart City of Nanjing Pukou Development Zone and Comprehensive Development Project in Central Innovation Zone (South Area) in Jinhua City, Zhejiang Province, and accelerated the development of large-scale projects out of big cities. The Company seized the opportunities of “integration of five networks” and regional development, and promoted project implementation in key regions including Tianjin, Shenzhen, Dalian and Fuzhou; strengthened efforts to develop markets, and won the bid for North Extension Line of Chongqing Trail Transit Line 18, which marked the breakthrough in developing Chongqing market after hard work with perseverance. After systematic planning and careful consideration of paths and patterns, the Company took well-targeted steps and captured opportunities with high-quality project plans, advanced management patterns and complete industrial chain systems, reaped several high-quality water environment projects in key regions including Beijing-Tianjin-Hebei region, Hainan, Chengdu-Chongqing Economic Circle and Guangdong-Hong Kong-Macau Greater Bay Area, establishing the reproducible and applicable environmental improvement pattern of CCCC characteristics and significantly improving the competitiveness and influence.

BUSINESS OVERVIEW

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

⑤ Overseas Projects

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

In the first half, the value of new contracts of the Group for overseas projects in the infrastructure construction business amounted to RMB90,354 million (equivalent to approximately USD13,094 million), representing a year-on-year decrease of 21.5%, and accounting for 15% of that of the infrastructure construction business. Wherein, 8 new projects were entered into with each contract value of over USD300 million and a total contract value of USD7,163 million, accounting for 54% of total value of all overseas new contracts of the Group. The decrease of overseas projects was because on one hand, the government revenues of many developing countries decreased with frequent debt crises due to pessimistic economic recovery, leading to significant decrease in the scale of framework projects among governments. On the other hand, under the background of a "dual circulation" development pattern in which domestic economic cycle and international economic cycle supplement each other and the fast spread of COVID-19 pandemic abroad, the Company invested more quality resources in the domestic infrastructure market as the domestic market remained active.

Categorised by project type, the value of contracts for ports, roads and bridges, railways, environmental protection and urban construction accounted for 7%, 30%, 1%, 28% and 34% of the value of new contracts for overseas projects, respectively.

Categorised by project location, the value of new infrastructure construction contracts for Eastern Europe and Southeastern Europe, Africa, Southeast Asia, Oceania, and Hong Kong, Macau, Taiwan and other regions accounted for 29%, 27%, 16%, 12% and 16% of the value of new contracts for overseas projects, respectively.

In the first half, the Company actively participated in the Boao Forum for Asia, the Inaugural Ceremony of China-Europe Business Council and other high-end international economic and industry activities, and showcased its comprehensive advantages in the transportation infrastructure field in an all-round manner. It completed the transfer of equity in Mota based in Portugal, actively promoted the post-investment governance and the discussion about business plan adjustment and strategy implementation by adequate communication and with mutual respect and reasonable arrangements, aiming to generate synergies as soon as possible.

In the first half, the Company focused on overseas risk prevention, conducted in-depth study on legal risks in key countries, and closely monitored new trends of project transfer and radiation. With reference to the list of high-risk and medium-risk projects, the Company identified potential risks which overseas projects may be subject to, managed the list by hierarchy and classification, and formulated the "one policy for one project" risk disposal measure. It continued to strengthened the building of overseas compliance system, enhanced overseas financial and capital management, and reinforced the building of professional team of international laws, to build an all-around overseas risk prevention system.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(2) Infrastructure Design Business

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

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

In terms of the railway infrastructure design business, the Group has entered the market during the “Eleventh Five-Year Plan” period, and its operations mainly involve overseas railway projects and domestic rail transit projects.

In the first half, the value of new contracts of the Group in infrastructure design business reached RMB25,886 million, representing a year-on-year increase of 62.9%. Wherein, the value of new contracts from overseas markets amounted to RMB604 million (equivalent to approximately USD88 million), accounting for 2% of the infrastructure design business. The confirmed value of contracts from infrastructure and other investment projects was RMB1,636 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB1,206 million. As at 30 June 2021, the backlog amounted to RMB139,882 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 RMB6,698 million, RMB420 million, RMB16,624 million and RMB2,144 million, representing 26%, 2%, 64% and 8% of the value of new contracts for infrastructure design business, respectively. For the corresponding period of prior year, the value of new contracts of the above items accounted for 32%, 2%, 51% and 15%, respectively.

In the first half, the Company paid high attention to road expansion projects, made use of the absolute advantage of road design, maintained high technology standards and requirements, and won the survey and design bids for expansion of Guangzhou-Shenzhen Section of Beijing-Hong Kong-Macau Highway and expansion of Shenzhen Airport-He'ao Section of Shenyang-Haikou Highway. In the meantime, the Company promoted the implementation of several key national investment projects and key company-level projects by providing consulting services as the lead, developing the front-end advantage of planning and design and adopting the planning, consulting, design and engineering integration pattern that provides whole-process advice and high-quality services. Examples of these projects included EPC Project for Land Formation and Infrastructure Improvement for Zhoushan Jintang Characteristic Material Base, PPP Project for Mountain Ecology Restoration and Urban Green Improvement in Lixia District, Jinan City, Shandong Province, and Supporting Terminal EPC Project for Ethylene and Oil Refining Facility Renovation and Expansion Works, Hainan, which indicated that the Company made remarkable achievements in market development.

BUSINESS OVERVIEW

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(3) Dredging Business

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

As the largest dredging enterprise in China and even in the world in terms of the total capacity of trailing suction hopper dredgers and total installed power of cutter suction dredgers, the Group enjoys absolute influence in China's coastal dredging market.

In the first half, the value of new contracts of the Group in dredging business reached RMB52,828 million, representing a year-on-year increase of 52.1%. Wherein, the value of new contracts from overseas markets amounted to RMB524 million (equivalent to approximately USD76 million), the confirmed contract value from infrastructure and other investment projects amounted to RMB1,573 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB7,533 million. As at 30 June 2021, the backlog amounted to RMB177,075 million.

In the first half, according to the vessel purchase plan, no large vessel was newly constructed with special purpose to serve in the Group's dredger fleets. As at 30 June 2021, the Group's dredging capacity amounted to approximately 784 million cubic meters under standard operating conditions.

In the first half, as the country rolled out the blueprint for "four horizontals, four verticals and two networks" and the green development concept was widely accepted, smart upgrading of coastal ports, improvement of high-grade inland waterways, ecological improvement of coastal waters embraced new growth points. But the reclamation business was relatively lackluster due to the control of land reclamation and the constraint of marine environment protection policies.

Facing opportunities and challenges, the Company deeply cultivated the traditional businesses, developed market with projects, focused on national water network and inland waterway construction businesses in key regions such as "two belts and four regions", won the bids for several large projects including Comprehensive Improvement of Substandard Waters, Zhongshan City, Guangdong Province, South Channel project of Sanjiasha Nantong Port in Jiangsu Province, Public Channel project of Round Tiger Island, Guangzhou Port, thereby maintaining the market share of main business and the position in the main battlefield. Taking water as the lead, the Company entered the urban market, signed several key projects with the deeply rooted green, low-carbon, recycling and sustainable development concepts, and achieved the "eco-environment-oriented" water improvement business development, with examples of these projects including Comprehensive Improvement of Central River Area of Shidun Rivers and Lakes, Honghu City, Hubei Province, and Comprehensive Improvement of Jiulong River, the Tributary of Tanghe River in Wangdu County, Baoding City, Hebei Province.

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

3. Business Summary (continued)

(4) Other businesses

In the first half, the value of new contracts of the Group in other businesses amounted to RMB5,165 million, representing a year-on-year increase of 16.9%. As at 30 June 2021, the backlog amounted to RMB8,769 million.

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

(1) Infrastructure Construction Business

Port Construction

No.	Contract Name	Contract Value
1	No. 1 Berth in Chisha Operation Area of Qisha Port, Fangchenggang, Guangxi Province	1,220
2	Container Berths in South Operation Area of Dalanping District, Qinzhou Port, Guangxi Province	1,213
3	Oil and Chemical Berths of North Breakwater, Dongying Port, Shandong Province	1,018
4	Integrated Passenger Hub of Xinhai Roll-on Roll-off Terminal, Haikou, Hainan Province	944
5	West Bank Protection and Ring Road of Dadeng Island in Airport Area, Xiamen	862

Road and Bridge Construction

No.	Contract Name	Contract Value
1	BOT Project for Chongqing-Wuhan Highway Expansion, Tongliang-Anyue Highway and Chongqing-Luzhou Highway Expansion in Chongqing	21,686
2	BOT Project of Quanzhou-Rongxian Highway (Pingle- Zhaoping Section) in Guangxi Province	9,192
3	Construction of Main Part of Changtai Yangtze River Bridge (River-crossing Section)	4,254
4	Renovation and Expansion of Guangxi Guilin-Liuzhou Section of G72 Quanzhou-Nanning Expressway	4,202
5	Longmen Bridge of Guangxi Coastal Highway of Dandong- Dongxing National Highway G228	3,919

BUSINESS OVERVIEW

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

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

(1) Infrastructure Construction Business (continued)

Railway Construction

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

Urban Construction

No.	Contract Name	Contract Value
1	Comprehensive Development Project for Mengyang New Town in Pengzhou City, Chengdu	42,396
2	Smart City of Pukou Development Zone, Nanjing City	17,728
3	Comprehensive Development Project in Central Innovation Zone (South Area) in Jinhua City, Zhejiang Province	16,770
4	Primary Land Development in Xinpu New Area of Zunyi City, Guizhou Province	8,436
5	Development of Jiulihu Business Centre in Huaihai International Airport Area, Xuzhou, Jiangsu Province	6,400

Overseas Projects

No.	Contract Name	Contract Value
1	Wastewater Treatment Project in Serbia	22,561
2	Subic-Clark Railway Project in Philippines	6,478
3	New Phase I Project of Integrated Port in Chancay, Peru	4,876
4	Kribi-Lorobe Highway Project in Cameroon	4,699
5	Davao-Samal Cross-sea Bridge, Philippines	2,775

(I) BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

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

(2) Infrastructure Design Business

No.	Contract Name	Contract Value
1	EPC Project for Land Formation and Infrastructure Improvement for Zhoushan Jintang Characteristic Material Base	1,966
2	PPP Project for Mountain Ecology Restoration and Urban Green Improvement in Lixia District, Jinan City, Shandong Province	1,226
3	Supporting Terminal EPC Project for Ethylene and Oil Refining Facility Renovation and Expansion Works, Hainan	1,224
4	Guangxi Wuzhou-Napo Expressway Pingnan-Wuxuan Section	1,092
5	Ecological Housing for Rural Revitalisation, Liaozhong, Shenyang City, Liaoning Province	604

(3) Dredging Business

No.	Contract Name	Contract Value
1	Berths 1 and 2 of Ore Terminal in Cheng'ao Operation Area, Sandu'ao Port Area, Ningde Port, Fujian Province	3,269
2	Land Reclamation Works for Ethylene Project, Hainan Province	1,706
3	Wastewater Treatment Project Phase II, Jizhou District, Tianjin City	1,411
4	Comprehensive Improvement of Substandard Waters, Zhongshan City, Guangdong Province	1,334
5	300,000-ton Channel of Bohe New Port Area, Maoming Port, Guangdong Province	1,224

BUSINESS OVERVIEW

(II) MAJOR PRODUCTION AND OPERATIONAL DATA

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

Business segment	April – June 2021		Accumulated in 2021		Accumulated in the corresponding period of 2020	Change (%)
	Number	Value	Number	Value	Value	
Infrastructure construction business	759	243,117	1,416	601,252	478,051	25.8
Port construction	211	17,420	335	32,201	22,032	46.2
Road and bridge construction	197	58,500	357	151,888	117,430	29.3
Railway construction	1	126	7	11,227	1,164	864.5
Urban construction	304	134,627	595	315,582	222,329	41.9
Overseas projects	46	32,444	122	90,354	115,096	(21.5)
Infrastructure design business	1,243	12,692	2,475	25,886	15,888	62.9
Dredging business	136	16,498	397	52,828	34,735	52.1
Other businesses	N/A	2,236	N/A	5,165	4,420	16.9
Total	N/A	274,543	N/A	685,131	533,094	28.5

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

Region of projects	Number of projects	Total value
Eastern Europe and Southeastern Europe	8	25,878
Africa	40	24,602
Southeast Asia	18	14,617
Oceania	10	11,214
Hong Kong, Macau, Taiwan and other regions	46	14,043
Total	122	90,354

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

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

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

Total number of projects		N/A	
Total project value		52,466	
		Number	Value
Categorised by region	Domestic	N/A	50,656
	Overseas	N/A	1,810
Categorised by business type	Infrastructure construction business	395	43,791
	Infrastructure design business	685	4,061
	Dredging business	65	2,197
	Other businesses	N/A	2,417

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

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

Total number of projects		N/A	
Total project value		4,183,453	
		Number	Value
Categorised by region	Domestic	N/A	3,277,501
	Overseas	N/A	905,952
Categorised by business type	Infrastructure construction business	5,527	3,715,937
	Infrastructure design business	21,763	241,228
	Dredging business	2,312	220,566
	Other businesses	N/A	5,722

BUSINESS OVERVIEW

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

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

		Contracted but not yet commenced		Under construction and not yet completed	
Total number of projects		N/A		N/A	
Total project value		1,045,803		1,940,661	
		Number	Value	Number	Value
Categorised by region	Domestic	N/A	766,471	N/A	1,403,144
	Overseas	N/A	279,332	N/A	537,517
Categorised by business type	Infrastructure construction business	1,184	930,876	4,126	1,729,861
	Infrastructure design business	405	38,588	16,252	101,294
	Dredging business	1,356	68,637	877	108,438
	Other businesses	N/A	7,702	N/A	1,068

5. Infrastructure and Other Investment Projects

In the first half, the Company upheld the idea of value-oriented investments, adhered to strategies, followed the directions of “three majors, two macros and two priorities”, focused on the primary duty and the main business, made reasonable plans for short-, mid- and long-cycle projects, and developed markets steadily by high-end connection and project planning. It signed a number of key projects in key regions, including Comprehensive Development Project for Mengyang New Town in Pengzhou City, Chengdu and Comprehensive Development of Xiaoguan Smart Eco City (Slope Area) in Yunyan District, Guiyang City, Guizhou Province, advanced the sustainable development and accelerated the cash turnover. The Company also thoroughly applied the green, low-carbon, recycling, sustainable development concepts in environmental improvement projects including Comprehensive Improvement of Water Environment in Wuming District, Nanning City, and Improvement of Quality and Efficiency of the Wastewater Treatment System for Tianmenshan District, Wuhu City, Anhui Province.

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (continued)

(1) Infrastructure and Other Investment Projects Newly Entered into

In the first half, the Company actively adjusted market development and operation strategies according to macro policies, followed the main direction of “controlling the total, improving the structure, managing the risk and improving the quality and efficiency”, and focused resources on important regions, middle and large markets, key projects and short- and mid-cycle projects. The confirmed value of contracts from infrastructure and other investment projects was RMB140,733 million. The value of construction and installation contracts to be undertaken was estimated to be RMB120,805 million, among which, the confirmed values of contracts from BOT projects, government paid projects and urban comprehensive development projects were RMB31,267 million, RMB22,224 million and RMB87,242 million respectively, accounting for 22%, 16% and 62% of that from infrastructure and other investment projects respectively.

(2) Government Paid Projects and Urban Comprehensive Development Projects

The total value of contracts for government paid projects entered into by the Group amounted to RMB624,142 million, wherein, the accumulative completed investment amounted to RMB292,486 million with cumulatively RMB71,897 million have been recovered.

The total investment value of contracts for urban comprehensive development projects entered into by the Group was estimated to be RMB423,639 million, among which, RMB102,859 million of investment amount had been completed cumulatively, RMB77,687 million of sales amount had been realised and RMB52,642 million had been received by the Group.

(3) Concession Projects

As at 30 June 2021, according to statistics (the consolidated items contracted and financed by the Group, and the latest statistics shall prevail if there was any change), the total investment amount of the Group's contracted BOT projects was estimated to be RMB446,041 million, with the accumulative completed investment amounting to RMB226,406 million. 25 concession projects together with 17 share-participation projects had been put into operation, and the operating revenue and net loss in the first half was RMB3,810 million and RMB1,164 million, respectively.

BUSINESS OVERVIEW

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

① Infrastructure and Other Investment Projects Newly Entered into (RMB million)

No.	Project Name	Project Type	Total Investment Budget Estimate	Contract Value according to Shareholding Ratio of the Company	Expected Construction and Installation Contract Value	Operating Project or Not	Consolidated or Not	Construction Period (Year)	Toll Collection/ Operation Period (Year)
1	Comprehensive Development Project for Mengyang New Town in Pengzhou City, Chengdu	Comprehensive urban development	47,107	42,396	24,831	No	Yes	16	20
2	Project for Chongqing-Wuhan Highway Expansion, Tongliang-Anyue Highway and Chongqing-Luzhou Highway Expansion in Chongqing	BOT	27,108	21,686	19,034	Yes	Yes	4	29
3	Concession Project for Municipal Works and Supporting Facilities of Smart City in Nanjing Pukou Development Zone	Comprehensive urban development	17,728	17,728	7,619	Yes	Yes	9	4
4	Comprehensive Development Project in Central Innovation Zone (South Area) in Jinhua City, Zhejiang Province	Comprehensive urban development	20,962	16,770	12,653	No	Yes	5	10
5	Quanzhou-Rongxian Highway (Pingle-Zhaoping Section) in Guangxi Province	BOT	9,192	9,192	6,911	Yes	Yes	4	30
6	Comprehensive Development of Xiaoguan Smart Eco City (Slope Area) in Yunyan District, Guiyang City, Guizhou Province	Comprehensive urban development	5,495	5,440	2,852	No	Yes	5	6
7	New Urbanisation Construction Project in Xuchang Urban-Rural Integration Demonstration Zone, Henan Province	Comprehensive urban development	4,567	3,882	2,778	No	Yes	4	10
	Others		86,582	23,639	44,127	-	-	-	-
	Total		218,741	140,733	120,805	-	-	-	-

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

② Concession Projects under Development³ (RMB million)

No.	Project Name	Total Investment Budget Estimate	Contract Value		Accumulated Investment Value
			Confirmed according to Shareholding Ratio	Investment Amount in the Period	
1	Highways including Taihangshan Highway in Hebei Province	47,000	14,570	–	Share participation
2	Phnom Penh-Port of Sihanoukville Expressway in Cambodia	13,643	13,643	1,028	5,231
3	Shiqian-Yuping (Dalong) Expressway in Guizhou Province	12,407	12,407	2,131	9,468
4	CCCC Jiangyu Expressway in Guizhou	11,019	11,019	749	8,338
5	Highways including Urumchi-Yuli Highway in Xinjiang	70,841	10,616	–	Share participation
6	BOT Project of Dejiang-Yuqing Highway in Guizhou Province	14,500	9,140	1,350	1,728
7	Project of Chongqing-Hunan Parallel Line (City Center to Youyang Section) and Wulong-Daozhen (Chongqing Section) Highway in Chongqing	11,350	9,080	957	1,079
8	Guiyang-Huangping Expressway in Guizhou Province	21,974	8,570	–	Share participation
9	Phase I of PPP Project of Urumchi Rail Transit Line 4	16,249	8,287	–	Share participation
10	G575 Expressway in Xinjiang	6,017	6,017	652	2,556
11	Hechang Section of Sanhuan Expressway in Chongqing	10,077	5,139	–	Share participation
12	BOT Project of Expressway in Nairobi, Kenya	4,602	4,602	770	1,195
13	Hefei-Zongyang Section of G3W Dezhou-Shangrao Expressway in Anhui Province	9,228	4,522	–	Share participation
14	South Section of Ring Expressway in Wanzhou, Chongqing	4,151	4,151	116	1,613
	Others	117,049	45,038	4,030	10,795
	Total	370,107	166,801	11,783	42,003

³ The breakdown of concession projects under development do not include the concession projects acquired overseas.

BUSINESS OVERVIEW

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

③ Concession Projects in Operation Period (RMB million)

No.	Project Name	Accumulated Investment Value	Operating Revenue During the Period	Toll Collection Rights Period (Year)	Completed Toll Collection Rights Period (Year)
1	New Songming-Kunming Expressway, Xuanwei-Qujing Expressway, and Mengzi-Wenshan-Yanshan Expressway in Yunnan Province	27,234	534	30	3.5
2	Daozhen-Weng'an Expressway in Guizhou Province	26,499	442	30	5.5
3	Guigang-Long'an Highway in Guangxi Province	17,833	314	30	2.0
4	Jiangkou-Weng'an Expressway in Guizhou Province	14,251	390	30	5.5
5	Guiyang-Qianxi Expressway in Guizhou Province	9,221	244	30	4.5
6	Hubei Jiatong Section Project of Wuhan-Shenzhen Expressway in Hubei Province	8,972	256	30	4.8
7	Zhongxian-Wanzhou Expressway in Chongqing	7,660	50	30	4.5
8	Yanhe-Dejiang Expressway in Guizhou Province	7,567	67	30	5.5
9	Guiyang-Duyun Expressway in Guizhou Province	7,429	343	30	10.3
10	CCCC Yulin-Zhanjiang Expressway in Guangdong Province	6,889	79	25	1.0
11	Tongzhou-Daxing Section Project of the Capital Region Ring Expressway	6,307	167	25	3.0
12	Yongchuan-Jiangjin Expressway in Chongqing	5,998	50	30	6.5
13	Jiulongpo-Yongchuan Highway in Chongqing	5,327	147	30	3.5
14	Quanzhou Section of Quanzhou-Xiamen-Zhangzhou City Alliance Expressway in Fujian Province	4,800	32	24	0.5
15	South-North Highway in Jamaica	4,680	97	50	5.5
16	Zhuankou Yangtze River Bridge Project in Wuhan, Hubei Province	4,778	84	30	3.5
17	Xianning-Tongshan Expressway in Hubei Province	3,128	81	30	7.5
18	Qingxi Bridge and Connecting Line in Guangdong Province	2,931	145	25	2.8
19	Jiayu North Section of Wuhan-Shenzhen Expressway in Hubei Province	2,622	111	30	2.5
20	Project of Wenshan-Maguan Expressway	2,485	28	30	0.7
21	Yicheng-Houma Expressway in Shanxi Province	2,413	86	30	13.5
22	Malong Connecting Line of Xuanwei-Qujing Expressway in Yunnan Province	2,050	16	30	3.5
23	Project of West Tianjin Section of Tianjin-Shijiazhuang Expressway	1,724	31	25	0.6
24	Yumenkou Yellow River Bridge of National Highway 108	1,017	9	28	1.0
25	Qingshuihe-Dafanpu Section of National Highway G109 in Inner Mongolia Autonomous Region	588	7	26	12.5

(II) MAJOR PRODUCTION AND OPERATIONAL DATA (CONTINUED)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

③ Concession Projects in Operation Period (RMB million) (continued)

No.	Project Name	Accumulated Investment Value	Operating Revenue During the Period	Toll Collection Rights Period (Year)	Completed Toll Collection Rights Period (Year)
26	Fengdu-Zhongxian Expressway in Chongqing	Share participation	-	30	3.5
27	Youyang-Yanhe Expressway in Chongqing	Share participation	-	30	4.5
28	Wangjiang-Qianjiang Expressway in Anhui Province	Share participation	-	25	4.5
29	Tongliang-Yongchuan Expressway in Chongqing	Share participation	-	30	4.2
30	Chongqing Wanzhou-Sichuan Dazhou, Wanzhou-Hubei Lichuan Expressways	Share participation	-	30	5.5
31	Tongliang-Hechuan Expressway in Chongqing	Share participation	-	30	5.5
32	Fengdu-Fuling Expressway in Chongqing	Share participation	-	30	6.5
33	Fengdu-Shizhu Expressway in Chongqing	Share participation	-	30	6.5
34	Foshan-Guangming Expressway in Guangdong Province	Share participation	-	27	11.5
35	Yulin-Jiaxian Expressway in Shaanxi Province	Share participation	-	30	6.5
36	Guiyang-Weng'an Expressway in Guizhou Province	Share participation	-	30	4.5
37	Tongcheng-Jieshang Expressway in Hubei Province	Share participation	-	30	5.8
38	Kaiping-Yangchun Expressway in Guangdong Province	Share participation	-	25	0.5
39	Jianhe-Rongjiang Section of Yanhe-Rongjiang Expressway in Guizhou Province	Share participation	-	30	0.5
40	Libo-Rongjiang Expressway in Guizhou Province	Share participation	-	30	2.5
41	Yulin-Zhanjiang Expressway in Guangxi Province	Share participation	-	30	1.5
42	Tongren-Huaihua Expressway in Guizhou Province (Tongren section)	Share participation	-	30	2.0
	Total	184,403	3,810		

BUSINESS OVERVIEW

(III) BUSINESS PLAN AND PROSPECT

The value of new contracts of the Group reached RMB685,131 million in the first half, indicating 58% of the annual target has been realized and meeting expectations. The revenue amounted to RMB339,218 million, indicating 49% of annual target has been realized and meeting expectations.

In the second half of the year, internally, the Company will actively promote national strategies including building a country with strong transportation network, building a strong maritime country and Beautiful China, strictly adhere to the goal of building new development landscape, further participate in the planning and construction of integrated modern transport system, the digitalisation of traditional transportation infrastructure, the construction of smart roads, modern maintenance, smart terminals and digital channels, the creation of integrated modern transport system that is led by intelligence, offers low-carbon unblocked travelling, connects the land and the island, integrates maritime, land and air transport and can reach every corner of the world, help transportation to become a solid support to the coordinated development of China's modern industrial systems, an important bond to domestic and international economic cycles to boost each other and a cornerstone to the safety and stability of industrial chain and supply chain. Overseas, the Company will comprehensively upgrade the overseas development system, accelerate overseas reforms and adjustments, continue to promote the expansion of "Belt and Road" major infrastructures, take port construction and land reclamation as the breakthrough, focus on developing river basin and lake improvement, marine environment protection and water network; strengthen the development of urban businesses, focus on housing projects covered by Chinese government's foreign economic assistance; enhance the collaboration of domestic entities and overseas organisations, and conduct overseas investments in an orderly manner on the basis of scientific benefit assessment and prudent risk judgment.

TECHNOLOGY INNOVATION

In the first half, powered by the "dual drivers" of technological innovation and institutional innovation, the Company further improved and strengthened the top-level design of innovation system, and provided a sound institutional guarantee to technological innovation and technology management. It actively explored mid- and long-term incentives for the backbone of technology team and pioneers of scientific and technological research, to provide guarantee to talent cultivation and building of innovation team. The Company promoted the conversion of existing technologies, such as long bridges, dredging and plateau permafrost, accelerated the upgrading of "Tian Kun", "Tian He" and other core equipment, improved the digitalisation and smart standards of transportation infrastructure, produced a batch of significant technological innovation and digitalisation achievements that were targeted for special areas, can be promoted and generate real benefits, and had greater autonomy and speaking right in the global engineering technological innovation and industry competition.

In the first half, the Company's R&D expenditures amounted to RMB8,985 million and accounted for approximately 2.6% of the revenue, representing an increase of 0.3 percentage points as compared with the corresponding period of prior year.

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 2021, revenue of the Group amounted to RMB339,218 million, representing an increase of 38.2% from RMB245,410 million in the corresponding period of 2020. Among which, revenue derived from overseas markets amounted to RMB48,076 million, accounted for 14.2% of the total revenue, representing a year-on-year increase of 26.7%. Infrastructure construction business, infrastructure design business, dredging business and other businesses accounted for 85.6%, 5.9%, 6.6% and 1.9% (all before elimination of inter-segment transactions) of the total revenue for the six months ended 30 June 2021, respectively.

Gross profit for the six months ended 30 June 2021 amounted to RMB38,015 million, representing an increase of 33.3% from RMB28,511 million in the corresponding period of 2020. Gross profit margin decreased to 11.2% for the six months ended 30 June 2021 as compared to 11.6% for the six months ended 30 June 2020.

Operating profit for the six months ended 30 June 2021 amounted to RMB18,458 million, representing an increase of 36.3%, from RMB13,543 million in the corresponding period of 2020.

For the six months ended 30 June 2021, profit attributable to owners of the parent amounted to RMB10,386 million, representing an increase of 88.3% from RMB5,517 million in the corresponding period of 2020. For the six months ended 30 June 2021, earnings per share of the Group was RMB0.60, compared with RMB0.28 in the corresponding period of 2020.

For the second quarter result of 2021, revenue, gross profit and operating profit significantly increased comparing with the first quarter result of 2021.

The following is a comparison of financial results between the six months ended 30 June 2021 and 2020.

CONSOLIDATED RESULTS OF OPERATIONS

Revenue

Revenue for the six months ended 30 June 2021 increased by 38.2% to RMB339,218 million from RMB245,410 million in the corresponding period of 2020. Revenue from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB303,730 million, RMB20,897 million, RMB23,245 million and RMB6,728 million (all before elimination of inter-segment transactions), representing an increase of 38.8%, 53.3%, 44.2% and 40.4% respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Cost of Sales and Gross Profit

Cost of sales for the six months ended 30 June 2021 amounted to RMB301,203 million, representing an increase of 38.9%, from RMB216,899 million in the corresponding period of 2020. Cost of sales from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB271,858 million, RMB17,946 million, RMB20,629 million and RMB6,282 million (all before elimination of inter-segment transactions) respectively, representing an increase of 39.5%, 53.5%, 46.5% and 45.7%, 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 2021, cost of raw materials and consumables used, subcontracting costs and employee benefit expenses increased by 33.7%, 64.7% and 9.2%, respectively.

As a result of the increase in both revenue and cost of sales for the six months ended 30 June 2021, gross profit for the six months ended 30 June 2021 amounted to RMB38,015 million, representing an increase of 33.3% from RMB28,511 million in the corresponding period of 2020. Gross profit from infrastructure construction business, infrastructure design business and dredging business increased by 32.8%, 52.3% and 28.0% respectively, while gross profit from other business decreased by 6.9%, from the corresponding period of 2020. Gross profit margin decreased to 11.2% for the six months ended 30 June 2021 as compared to 11.6% for the six months ended 30 June 2020. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business and other businesses were 10.5%, 14.1%, 11.3% and 6.6%, respectively, as compared with 11.0%, 14.2%, 12.7% and 10.0% in the corresponding period of 2020.

Administrative Expenses

Administrative expenses for the six months ended 30 June 2021 amounted to RMB18,332 million, representing an increase of 28.3% from RMB14,288 million in the corresponding period of 2020. This growth was primarily attributable to the increase of research and development costs.

Other Income

Other income for the six months ended 30 June 2021 amounted to RMB2,829 million, representing an increase of 21.8% from RMB2,323 million in the corresponding period of 2020. This increase was primarily attribute to the increase in rental income and others.

Other Gains/(Losses), Net

Other losses for the six months ended 30 June 2021 amounted to RMB680 million, compared with RMB246 million of other gains in the corresponding period of 2020. This decrease was primarily attributable to foreign exchange losses.

Impairment Losses on Financial and Contract Assets, Net

Impairment losses on financial and contract assets for the six months ended 30 June 2021 amounted to RMB1,614 million, representing a decrease of 18.7% from RMB1,985 million in the corresponding period of 2020. The decrease was mainly due to the accelerated turnover of trade and other receivables.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Operating Profit

Operating profit for the six months ended 30 June 2021 amounted to RMB18,458 million, representing an increase of 36.3% from RMB13,543 million in the corresponding period of 2020. The increase was mainly due to the increase in gross profit.

For the six months ended 30 June 2021, operating profit from infrastructure construction business, infrastructure design business and dredging business increased by 31.7%, 117.2% and 93.7%, while operating profit from other business decreased by 5.3% (all before elimination of inter-segment transactions and unallocated cost), respectively from the corresponding period of 2020.

Due to increase in other losses and administrative expenses, operating profit margin decreased to 5.4% for the six months ended 30 June 2021 from 5.5% in the corresponding period of 2020.

Finance Income

Finance income for the six months ended 30 June 2021 amounted to RMB6,949 million, representing an increase of 35.1% from RMB5,143 million in the corresponding period of 2020. The increase was primarily attributable to the increase of contract assets and receivables from PPP contracts.

Finance Costs, net

Net finance costs for the six months ended 30 June 2021 amounted to RMB9,245 million, representing an increase of 7.3% from RMB8,615 million in the corresponding period of 2020. The increase was mainly due to the decrease of capitalized interest expense.

Share of Losses of Joint Ventures

Share of losses of joint ventures for the six months ended 30 June 2021 amounted to RMB272 million, representing a decrease of 31.1% from RMB395 million in the corresponding period of 2020.

Share of Profits/(Losses) of Associates

Share of profits of associates for the six months ended 30 June 2021 amounted to RMB14 million, as compared with share of loss of RMB138 million in the corresponding period of 2020.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax for the six months ended 30 June 2021 amounted to RMB15,904 million, representing an increase of 66.7% from RMB9,538 million in the corresponding period of 2020.

Income Tax Expense

Income tax expense for the six months ended 30 June 2021 amounted to RMB2,980 million, representing an increase of 10.7% from RMB2,692 million in the corresponding period of 2020. Effective tax rate for the Group for the six months ended 30 June 2021 decreased to 18.7% from 28.2% in the corresponding period of 2020, mainly due to the decrease in losses of concession projects which unrecognized deferred income tax assets and the decrease in share of losses from joint ventures and associates.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests for the six months ended 30 June 2021 amounted to RMB2,538 million compared with RMB1,329 million in the corresponding period of 2020. The increase was mainly due to the increasing interest from perpetual securities for non-controlling shareholders.

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 2021 and 2020.

Business	Revenue		Gross Profit		Gross Profit Margin		Operating Profit ⁽¹⁾		Operating Profit Margin	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(%)	(%)	(RMB million)	(RMB million)	(%)	(%)
Infrastructure										
Construction	303,730	218,839	31,872	24,005	10.5	11.0	15,773	11,980	5.2	5.5
% of total	85.6	86.3	84.1	84.3	-	-	85.6	89.6	-	-
Infrastructure Design	20,897	13,628	2,951	1,938	14.1	14.2	1,440	663	6.9	4.9
% of total	5.9	5.4	7.8	6.8	-	-	7.8	5.0	-	-
Dredging	23,245	16,122	2,616	2,043	11.3	12.7	1,011	522	4.3	3.2
% of total	6.6	6.4	6.9	7.2	-	-	5.5	3.9	-	-
Other businesses	6,728	4,791	446	479	6.6	10.0	195	206	2.9	4.3
% of total	1.9	1.9	1.2	1.7	-	-	1.1	1.5	-	-
Subtotal	354,600	253,380	37,885	28,465	-	-	18,419	13,371	-	-
Intersegment elimination and unallocated profit/ (costs)	(15,382)	(7,970)	130	46	-	-	39	172	-	-
Total	339,218	245,410	38,015	28,511	11.2	11.6	18,458	13,543	5.4	5.5

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021 (RMB million)	2020 (RMB million)
Revenue	303,730	218,839
Cost of sales	(271,858)	(194,834)
Gross profit	31,872	24,005
Selling and marketing expenses	(277)	(161)
Administrative expenses	(14,840)	(11,272)
Impairment losses on financial and contract assets, net	(1,306)	(1,379)
Other income, net	324	787
Segment result	15,773	11,980
Depreciation and amortisation	5,137	4,754

Revenue. Revenue from the infrastructure construction business for the six months ended 30 June 2021 was RMB303,730 million, representing an increase of 38.8% from RMB218,839 million in the corresponding period of 2020. The increase was mainly due to the increase of revenue generated from domestic road and urban construction projects, and the decrease of impact from Covid-19 in overseas markets which resulted in orderly resumption of work and production.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Infrastructure Construction Business (continued)

Cost of sales and gross profit. Cost of sales for the infrastructure construction business for the six months ended 30 June 2021 was RMB271,858 million, representing an increase of 39.5% from RMB194,834 million in the corresponding period of 2020. Cost of sales as a percentage of revenue slightly increased to 89.5% for the six months ended 30 June 2021 from 89.0% in the corresponding period of 2020.

Gross profit from the infrastructure construction business for the six months ended 30 June 2021 grew by 32.8% to RMB31,872 million from RMB24,005 million in the corresponding period of 2020, mainly attributable to increase of revenue from mainland China projects. Gross profit margin decreased to 10.5% for the six months ended 30 June 2021 from 11.0% in the corresponding period of 2020, primarily due to the increased proportion of revenue generated from housing construction projects, which have lower gross profit margin.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business for the six months ended 30 June 2021 were RMB277 million, as compared with RMB161 million in the corresponding period of 2020.

Administrative expenses. Administrative expenses for the infrastructure construction business were RMB14,840 million for the six months ended 30 June 2021, representing an increase of 31.7% from RMB11,272 million in the corresponding period of 2020, mainly attributable to the increase of research and development expenses. Administrative expenses as a percentage of revenue decreased to 4.9% for the six months ended 30 June 2021 from 5.2% in the corresponding period of 2020.

Impairment losses on financial and contract assets, net. Net impairment losses on financial and contract assets for the infrastructure construction business for the six months ended 30 June 2021 were RMB1,306 million, representing a decrease of 5.3% from RMB1,379 million in the corresponding period of 2020. Net impairment losses on financial and contract assets as a percentage of revenue decreased to 0.4% for the six months ended 30 June 2021 from 0.6% in the corresponding period of 2020.

Other income, net. Other net income for the infrastructure construction business decreased to RMB324 million for the six months ended 30 June 2021 from RMB787 million in the corresponding period of 2020, mainly attributable to foreign exchange losses.

Segment result. As a result of the above, segment result for the infrastructure construction business for the six months ended 30 June 2021 was RMB15,773 million, representing an increase of 31.7% from RMB11,980 million in the corresponding period of 2020. Segment result margin decreased to 5.2% for the six months ended 30 June 2021 from 5.5% in the corresponding period of 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Infrastructure Design Business

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

The following table sets out the principal profit and loss information for infrastructure design business for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021 (RMB million)	2020 (RMB million)
Revenue	20,897	13,628
Cost of sales	(17,946)	(11,690)
Gross profit	2,951	1,938
Selling and marketing expenses	(187)	(140)
Administrative expenses	(1,316)	(1,096)
Impairment losses on financial and contract assets, net	(90)	(174)
Other income, net	82	135
Segment result	1,440	663
Depreciation and amortization	224	212

Revenue. Revenue from the infrastructure design business for the six months ended 30 June 2021 was RMB20,897 million, representing an increase of 53.3% from RMB13,628 million in the corresponding period of 2020, mainly attributable to growing scale of comprehensive contracts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Infrastructure Design Business (continued)

Cost of sales and gross profit. Cost of sales for the infrastructure design business for the six months ended 30 June 2021 was RMB17,946 million, representing an increase of 53.5% from RMB11,690 million in the corresponding period of 2020. Cost of sales as a percentage of revenue slightly increased to 85.9% for the six months ended 30 June 2021 from 85.8% in the corresponding period of 2020.

Gross profit from the infrastructure design business for the six months ended 30 June 2021 increased to RMB2,951 million from RMB1,938 million in the corresponding period of 2020. Gross profit margin slightly decreased to 14.1% for the six months ended 30 June 2021 from 14.2% in the corresponding period of 2020, 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 2021 increased to RMB187 million from RMB140 million in the corresponding period of 2020.

Administrative expenses. Administrative expenses for the infrastructure design business for the six months ended 30 June 2021 were RMB1,316 million, representing an increase of 20.1% from RMB1,096 million in the corresponding period of 2020. The increase was mainly due to the increase of research and development expense. Administrative expenses as a percentage of revenue decreased to 6.3% for the six months ended 30 June 2021 from 8.0% in the corresponding period of 2020.

Impairment losses on financial and contract assets, net. Net impairment losses on financial and contract assets for the infrastructure design business for the six months ended 30 June 2021 were RMB90 million, representing a decrease of 48.3% from RMB174 million in the corresponding period of 2020. Net impairment losses on financial and contract assets as a percentage of revenue decreased to 0.4% for the six months ended 30 June 2021 from 1.3% in the corresponding period of 2020.

Other income, net. Other net income for the infrastructure design business for the six months ended 30 June 2021 was RMB82 million, as compared with RMB135 million in the corresponding period of 2020, mainly attributable to foreign exchange losses.

Segment result. As a result of the above, segment result for the infrastructure design for the six months ended 30 June 2021 was RMB1,440 million, representing an increase of 117.2% from RMB663 million in the corresponding period of 2020. Segment result margin increased to 6.9% for the six months ended 30 June 2021 from 4.9% in the corresponding period of 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Dredging Business

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

The following table sets out the principal profit and loss information for the dredging business for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021 (RMB million)	2020 (RMB million)
Revenue	23,245	16,122
Cost of sales	(20,629)	(14,079)
Gross profit	2,616	2,043
Selling and marketing expenses	(104)	(63)
Administrative expenses	(1,404)	(1,230)
Impairment losses on financial and contract assets, net	(187)	(422)
Other income, net	90	194
Segment result	1,011	522
Depreciation and amortisation	525	606

Revenue. Revenue from the dredging business for the six months ended 30 June 2021 was RMB23,245 million, representing an increase of 44.2% from RMB16,122 million in the corresponding period of 2020. The increase was mainly due to the growing scale of dredging projects.

Cost of sales and gross profit. Cost of sales for the dredging business for the six months ended 30 June 2021 was RMB20,629 million, representing an increase of 46.5% as compared with RMB14,079 million in the corresponding period of 2020. Cost of sales as a percentage of revenue for the dredging business for the six months ended 30 June 2021 increased to 88.7% from 87.3% in the corresponding period of 2020.

Gross profit from the dredging business for the six months ended 30 June 2021 was RMB2,616 million, representing an increase of 28.0% from RMB2,043 million in the corresponding period of 2020. Gross profit margin for the dredging business decreased to 11.3% for the six months ended 30 June 2021 from 12.7% in the corresponding period of 2020, mainly attributable to the increased proportion of revenue generated from projects with lower gross profit margin.

Selling and marketing expenses. Selling and marketing expenses for the dredging business for the six months ended 30 June 2021 were RMB104 million, as compared with RMB63 million in the corresponding period of 2020.

Administrative expenses. Administrative expenses for the dredging business for the six months ended 30 June 2021 were RMB1,404 million, representing an increase of 14.1% from RMB1,230 million in the corresponding period of 2020. Administrative expenses as a percentage of revenue decreased to 6.0% for the six months ended 30 June 2021 from 7.6% in the corresponding period of 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Dredging Business (continued)

Impairment losses on financial and contract assets, net. Net impairment losses on financial and contract assets for the dredging business for the six months ended 30 June 2021 were RMB187 million, representing a decrease of 55.7% from RMB422 million in the corresponding period of 2020. Net impairment losses on financial and contract assets as a percentage of revenue decreased to 0.8% for the six months ended 30 June 2021 from 2.6% in the corresponding period of 2020.

Other income, net. Other net income for the dredging business for the six months ended 30 June 2021 decreased to RMB90 million from RMB194 million in the corresponding period of 2020, mainly attributable to foreign exchange losses.

Segment result. As a result of the above, segment result for the dredging business for the six months ended 30 June 2021 was RMB1,011 million, representing an increase of 93.7% from RMB522 million in the corresponding period of 2020. Segment result margin increased to 4.3% for the six months ended 30 June 2021 from 3.2% in the corresponding period of 2020, mainly attributable to the decrease of administrative expenses as a percentage of revenue.

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 2021 and 2020.

	Six months ended 30 June	
	2021 (RMB million)	2020 (RMB million)
Revenue	6,728	4,791
Cost of sales	(6,282)	(4,312)
Gross profit	446	479

Revenue. Revenue from the other businesses for the six months ended 30 June 2021 was RMB6,728 million, representing an increase of 40.4% from RMB4,791 million in the corresponding period of 2020. The increase was mainly due to the growing scale of trading business.

Cost of sales and gross profit. Cost of sales for the other businesses for the six months ended 30 June 2021 was RMB6,282 million, compared with RMB4,312 million in the corresponding period of 2020. Cost of sales as a percentage of revenue increased to 93.4% for the six months ended 30 June 2021 from 90.0% in the corresponding period of 2020.

Gross profit from the other businesses for the six months ended 30 June 2021 was RMB446 million, representing a decrease of 6.9% from RMB479 million in the corresponding period of 2020. Gross profit margin decreased to 6.6% for the six months ended 30 June 2021 from 10.0% in the corresponding period of 2020. The decrease was mainly due to the increased revenue from lower gross profit margin trading business.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2021, the Group had unutilised credit facilities in the amount of RMB1,106,603 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 Group's consolidated cash flow statements for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021 (RMB million)	2020 (RMB million) Restated
Net cash used in operating activities ⁽¹⁾	(64,610)	(53,464)
Net cash used in investing activities ⁽¹⁾	(22,428)	(29,327)
Net cash generated from financing activities	90,981	84,520
Net increase in cash and cash equivalents	3,943	1,729
Cash and cash equivalents at beginning of period	119,511	118,908
Exchange (losses)/gains on cash and cash equivalents	(220)	236
Cash and cash equivalents at end of period	123,234	120,873

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

Cash flow from operating activities

For the six months ended 30 June 2021, net cash used in operating activities increased to RMB64,610 million from RMB53,464 million in the corresponding period of 2020. The increase of 20.8% of cash outflow was primarily attributable to the increased amount of contract assets, trade and other receivables.

Cash flow from investing activities

Net cash used in investing activities for the six months ended 30 June 2021 decreased to RMB22,428 million from RMB29,327 million in the corresponding period of 2020. The decrease of 23.5% of cash outflow was primarily attributable to the decrease in expenditure from purchases of property, plant and equipment, and the maturity of certificate of deposit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Cash Flow Data (continued)

Cash flow from financing activities

Net cash generated from financing activities for the six months ended 30 June 2021 increased to RMB90,981 million from RMB84,520 million in the corresponding period of 2020. The increase of 7.6% of cash inflow was primarily attributable to the 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 2021 and 2020.

	Six months ended 30 June	
	2021 (RMB million)	2020 (RMB million)
Infrastructure Construction Business	21,281	21,418
– BOT projects	14,438	15,730
Infrastructure Design Business	472	232
Dredging Business	437	658
Other	71	517
Total	22,261	22,825

Capital expenditure for the six months ended 30 June 2021 was RMB22,261 million, as compared with RMB22,825 million in the corresponding period of 2020.

Working Capital

Trade and bills receivables and trade and bills payables

The following table sets forth the turnover of the Group's average trade and bills receivable and average trade and bills payable for the six months ended 30 June 2021 and the year ended 31 December 2020.

	As at	
	Six months ended 30 June 2021 (Number of days)	Twelve months ended 31 December 2020 (Number of days)
Turnover of average trade and bills receivables ⁽¹⁾	60	60
Turnover of average trade and bills payables ⁽²⁾	188	194

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Working Capital (continued)

Trade and bills receivables and trade and bills payables (continued)

- (1) For the six months ended 30 June 2021, 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 2020, 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 2021, 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 2020, 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 2021 and 31 December 2020.

	As at	
	30 June	31 December
	2021	2020
	(RMB million)	(RMB million)
Within 6 months	75,902	73,279
6 months to 1 year	17,557	7,706
1 year to 2 years	10,950	12,599
2 years to 3 years	6,195	7,379
Over 3 years	7,328	5,938
Total	117,932	106,901

Management closely monitors the recovery of the Group's overdue trade and bills receivables on a regular basis, and, when appropriate, provides for impairment of these trade and bills receivables. As at 30 June 2021, the Group had a provision for impairment of RMB16,577 million, as compared with RMB16,129 million as at 31 December 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Retentions

The following table sets forth the fair value of the retentions as at 30 June 2021 and 31 December 2020.

	As at	
	30 June	31 December
	2021	2020
	(RMB million)	(RMB million)
Current	16,822	16,369
Non-current	33,503	30,520
Total	50,325	46,889

INDEBTEDNESS

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 30 June 2021 and 31 December 2020.

	As at	
	30 June	31 December
	2021	2020
	(RMB million)	(RMB million)
Within 1 year	133,852	82,490
1 year to 2 years	69,120	50,026
2 years to 5 years	87,060	74,825
Over 5 years	206,324	198,037
Total borrowings	496,356	405,378

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEBTEDNESS (CONTINUED)

Borrowings (continued)

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Euro, Japanese Yen, Hong Kong dollars and others. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 30 June 2021 and 31 December 2020.

	As at	
	30 June	31 December
	2021	2020
	(RMB million)	(RMB million)
Renminbi	472,312	385,713
U.S. dollar	15,896	12,851
Euro	3,484	2,186
Japanese Yen	3,141	3,378
Hong Kong dollar	286	414
Others	1,237	836
Total borrowings	496,356	405,378

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 2021 was 50.2%, as compared with 44.4% as at 31 December 2020 and 50.6% as at 30 June 2020.

Contingent Liabilities

	As at	
	30 June	31 December
	2021	2020
	(RMB million)	(RMB million)
Pending lawsuits ⁽¹⁾	2,104	1,672
Outstanding loan guarantees ⁽²⁾	3,200	3,310
Total	5,304	4,982

- (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 the legal advice. No provision has been made for the above pending lawsuits of RMB2,104 million (31 December 2020: RMB1,672 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEBTEDNESS (CONTINUED)

Contingent Liabilities (continued)

- (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.
- (3) Beijing North Huade Neoplan Bus., Ltd., a subsidiary of the Group, provides liquidity support to Changchun Public Transportation (Group) Co., Ltd. for sale-leaseback rent payable to Huaxia Financial Leasing Co., Ltd. As at 30 June 2021, the outstanding balance of rent payable by Changchun Public Transportation (Group) Co., Ltd. to Huaxia Financial Leasing Co., Ltd. was RMB161 million (31 December 2020: RMB230 million).
- (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 2021, the outstanding balance of guarantees provided by the Group was approximately RMB4,412 million (31 December 2020: RMB3,456 million).
- (5) The Group has entered into certain agreements with certain financial institutions to set up asset-backed securities (ABS) and asset-backed notes (ABN) arrangements. As at 30 June 2021, certain of the ABS and ABN in issue with an aggregate amount of RMB15,293 million (31 December 2020: RMB14,969 million) included the ABS and ABN of an aggregate amount of RMB14,400 million (31 December 2020: RMB12,226 million) issued to preferential investors. Under the clauses of the agreements, the Group is subject to the obligations of liquidity supplementary payments to preferential investors when the cash available for distribution of the principal and return to preferential investors at the due date is not sufficient.

MARKET RISKS

The Group is exposed to various types of market risks, including macro-economy risk, price risk, 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 over 139 countries and regions, with major overseas business in Africa, Southeast Asia, Oceania, 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 2021 and 2020, the Group's borrowings at variable rates were mainly denominated in RMB, USD, Euro, JPY and Hong Kong dollars.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARKET RISKS (CONTINUED)

Interest rate risk (continued)

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.

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.

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.

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated statement of financial position either as equity investments designated at fair value through other comprehensive income, or 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.

Force Majeure Risks

The infrastructure construction business and dredging business principally engaged by the Group are mostly outdoor work. Natural disasters including rainstorm, flooding, earthquake, typhoon, tsunami and fire and public health emergency such as epidemic occurred on the construction sites may cause damages to the site workers as well as property, and adversely affect the quality and progress of relevant businesses of the Group. Thus, force majeure may cause risks on affecting regular productions and operations or on increasing the operation costs.

Since the outbreak of the COVID-19 epidemic in January 2020, Mainland China and other countries and regions have adopted measures to prevent and control the epidemic. The impact of the COVID-19 epidemic on the Group's operations was mainly reflected in the slowdown of project progress, the conduct of business activities and etc. The extent of the impact will depend on factors such as the situation of the epidemic, macro policies and the progress of work and production resumption of enterprises, etc.

The Group has strengthened its efforts on the prevention and control of the COVID-19 epidemic through implementing various policies and arrangements of the central government, and meanwhile steadily promoted the resumption of the projects.

INDEPENDENT REVIEW REPORT



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To the Board of Directors of China Communications Construction Company Limited

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 49 to 114, which comprises the interim condensed consolidated statement of financial position of China Communications Construction Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2021 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong
30 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 Unaudited RMB million	2020 Unaudited RMB million
Revenue	4	339,218	245,410
Cost of sales		(301,203)	(216,899)
Gross profit		38,015	28,511
Other income	4	2,829	2,323
Other gains/(losses), net	4	(680)	246
Selling and marketing expenses		(682)	(449)
Administrative expenses		(18,332)	(14,288)
Impairment losses on financial and contract assets, net		(1,614)	(1,985)
Other expenses		(1,078)	(815)
Operating profit		18,458	13,543
Finance income	6	6,949	5,143
Finance costs, net	7	(9,245)	(8,615)
Share of profits and losses of:			
– Joint ventures		(272)	(395)
– Associates		14	(138)
Profit before tax	5	15,904	9,538
Income tax expense	8	(2,980)	(2,692)
Profit for the period		12,924	6,846
Attributable to:			
– Owners of the parent		10,386	5,517
– Non-controlling interests		2,538	1,329
		12,924	6,846
Earnings per share attributable to ordinary equity holders of the parent			
Basic	10	RMB0.60	RMB0.28
Diluted	10	RMB0.60	RMB0.28

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB million	RMB million
Profit for the period	12,924	6,846
Other comprehensive income/(loss)		
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Actuarial losses on retirement benefit obligations	(8)	(1)
Changes in fair value of equity investments designated at fair value through other comprehensive income	2,321	(1,010)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	2,313	(1,011)
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Cash flow hedges	6	4
Share of other comprehensive loss of joint ventures and associates	(33)	(7)
Exchange differences on translation of foreign operations	(708)	(847)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(735)	(850)
Other comprehensive income/(loss) for the period, net of tax	1,578	(1,861)
Total comprehensive income for the period	14,502	4,985
Attributable to:		
– Owners of the parent	11,995	3,652
– Non-controlling interests	2,507	1,333
	14,502	4,985

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	Unaudited RMB million	Audited <i>RMB million</i>
Non-current assets			
Property, plant and equipment	11	62,310	61,040
Investment properties		4,537	4,523
Right-of-use assets		16,846	15,788
Intangible assets	12	231,558	229,482
Investments in joint ventures		39,644	33,534
Investments in associates		36,368	34,068
Financial assets at fair value through profit or loss	13	13,150	10,513
Debt investments at amortised cost		536	124
Equity investments designated at fair value through other comprehensive income	14	33,850	30,736
Contract assets, trade and other receivables	16	344,423	293,218
Deferred tax assets		6,895	6,646
Total non-current assets		790,117	719,672
Current assets			
Inventories	15	76,384	72,877
Contract assets, trade and other receivables	16	439,210	382,802
Financial assets at fair value through profit or loss	13	1,325	124
Derivative financial instruments		742	640
Restricted bank deposits and time deposits with an initial term of over three months	17	7,961	8,543
Cash and cash equivalents	17	123,234	119,511
Total current assets		648,856	584,497
Current liabilities			
Trade and other payables	19	444,340	404,230
Contract liabilities	18	75,144	88,558
Tax payable		5,461	7,303
Derivative financial instruments		4	11
Interest-bearing bank and other borrowings	20	133,852	82,490
Retirement benefit obligations		116	116
Total current liabilities		658,917	582,708
Net current (liabilities)/assets		(10,061)	1,789
Total assets less current liabilities		780,056	721,461

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	Unaudited	Audited
		RMB million	RMB million
Total assets less current liabilities		780,056	721,461
Non-current liabilities			
Trade and other payables	19	33,217	27,917
Interest-bearing bank and other borrowings	20	362,504	322,888
Deferred income		1,185	1,078
Deferred tax liabilities		8,610	7,721
Retirement benefit obligations		811	844
Provisions		3,893	3,209
Total non-current liabilities		410,220	363,657
Net assets		369,836	357,804
Equity			
Equity attributable to owners of the parent			
Share capital		16,166	16,166
Share premium		19,625	19,625
Financial instruments classified as equity		33,938	33,938
Reserves		183,058	175,342
		252,787	245,071
Non-controlling interests		117,049	112,733
Total equity		369,836	357,804

Wang Tongzhou
Director

Wang Haihui
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent							
	Share capital	Share premium	Financial instruments classified as equity	Other reserves (note 21)	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
As at 31 December 2020	16,166	19,625	33,938	37,661	137,681	245,071	112,733	357,804
Profit for the period	-	-	-	-	10,386	10,386	2,538	12,924
Other comprehensive income/(loss) for the period:								
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	2,321	-	2,321	-	2,321
Cash flow hedges, net of tax	-	-	-	6	-	6	-	6
Share of other comprehensive loss of joint ventures and associates	-	-	-	(33)	-	(33)	-	(33)
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	(8)	-	(8)	-	(8)
Exchange differences on translation of foreign operations	-	-	-	(677)	-	(677)	(31)	(708)
Total comprehensive income for the period	-	-	-	1,609	10,386	11,995	2,507	14,502
Final 2020 dividend declared	-	-	-	-	(2,924)	(2,924)	-	(2,924)
Interest on perpetual securities (i)	-	-	-	-	(1,340)	(1,340)	(275)	(1,615)
Dividends to non-controlling shareholders	-	-	-	-	-	-	(284)	(284)
Withdrawal of capital contribution by non-controlling interests	-	-	-	-	-	-	(1,318)	(1,318)
Share of other reserves of joint ventures and associates	-	-	-	(5)	-	(5)	-	(5)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	2,378	2,378
Acquisition of subsidiaries	-	-	-	-	-	-	50	50
Disposal of subsidiaries	-	-	-	-	-	-	(1,282)	(1,282)
Issuance of perpetual securities	-	-	-	-	-	-	5,138	5,138
Redemption of perpetual securities	-	-	-	-	-	-	(2,596)	(2,596)
Transaction with non-controlling interests	-	-	-	(10)	-	(10)	(2)	(12)
Transfer to safety production reserve	-	-	-	615	(615)	-	-	-
As at 30 June 2021	16,166	19,625	33,938	39,870*	143,188*	252,787	117,049	369,836

* As at 30 June 2021, these reserve accounts comprise the consolidated reserves of RMB183,058 million (31 December 2020: RMB175,342 million) in the interim condensed consolidated statement of financial position.

(i) During the period, interest on perpetual securities accrued by the Company was totalling RMB1,378 million, of which RMB38 million was distributed to CCCC Finance Company Limited ("CCCC Finance"), a subsidiary of the Company. Interest on perpetual securities accrued by subsidiaries of the Company was totalling RMB275 million.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent								
	Share capital Unaudited <i>RMB million</i>	Share premium Unaudited <i>RMB million</i>	Treasury shares Unaudited <i>RMB million</i>	Financial instruments	Other reserves	Retained earnings	Total Unaudited <i>RMB million</i>	Non-controlling interests Unaudited <i>RMB million</i>	Total equity Unaudited <i>RMB million</i>
				classified as equity	(note 21)	earnings			
				Unaudited <i>RMB million</i>	Unaudited <i>RMB million</i>	Unaudited <i>RMB million</i>			
As at 31 December 2019	16,175	19,656	-	30,423	35,316	128,583	230,153	66,226	296,379
Business combination under common control	-	-	-	-	(49)	(188)	(237)	268	31
As at 31 December 2019	16,175	19,656	-	30,423	35,267	128,395	229,916	66,494	296,410
Profit for the period	-	-	-	-	-	5,517	5,517	1,329	6,846
Other comprehensive income/(loss) for the period:									
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	(1,010)	-	(1,010)	-	(1,010)
Cash flow hedges, net of tax	-	-	-	-	4	-	4	-	4
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	(7)	-	(7)	-	(7)
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	-	(1)	-	(1)	-	(1)
Exchange differences on translation of foreign operations	-	-	-	-	(851)	-	(851)	4	(847)
Total comprehensive income for the period	-	-	-	-	(1,865)	5,517	3,652	1,333	4,985
Final 2019 dividend declared	-	-	-	-	-	(3,765)	(3,765)	-	(3,765)
Interest on perpetual securities	-	-	-	-	-	(663)	(663)	(1,470)	(2,133)
Dividends on preference shares	-	-	-	-	-	(718)	(718)	-	(718)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	(969)	(969)
Shares repurchased	-	-	(40)	-	-	-	(40)	-	(40)
Share of other reserves of joint ventures and associates	-	-	-	-	(2)	-	(2)	-	(2)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	1,074	1,074
Acquisition of subsidiaries	-	-	-	-	-	-	-	1,706	1,706
Issuance of perpetual securities	-	-	-	-	-	-	-	17,715	17,715
Redemption of perpetual securities	-	-	-	-	-	-	-	(6,706)	(6,706)
Transaction with non-controlling interests	-	-	-	-	(1)	-	(1)	1	-
Transfer to safety production reserve	-	-	-	-	395	(395)	-	-	-
Transfer to retained earnings due to disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(3)	3	-	-	-
Others	-	-	-	-	(42)	(281)	(323)	-	(323)
As at 30 June 2020	16,175	19,656	(40)	30,423	33,749	128,093	228,056	79,178	307,234

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

For the six months ended 30 June

	Notes	2021 Unaudited RMB million	2020 Unaudited RMB million Restated
Cash flows from operating activities			
Profit before tax		15,904	9,538
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties	5	4,131	4,265
– Depreciation of right-of-use assets	5	740	787
– Amortisation of intangible assets	5	1,259	803
– Gains on disposal of items of property, plant and equipment	4	(54)	(46)
– Gains on disposal of joint ventures and associates	4	–	(9)
– Fair value gains on financial assets at fair value through profit or loss	4	(25)	(172)
– (Gains)/losses on derivative financial instruments	4	(102)	188
– Gains on disposal of financial assets at fair value through profit or loss	4	(27)	(1)
– Gains on disposal of subsidiaries	4	(16)	(2)
– Dividend income from financial assets at fair value through profit or loss	4	(118)	(60)
– Dividend income from equity investments designated at fair value through other comprehensive income	4	(757)	(682)
– Dividend income from derivative financial instruments		(96)	(105)
– Other income from investing activities		(10)	(2)
– Share of losses of joint ventures and associates		258	533
– Provision for impairment of contract assets	5	341	60
– Provision for impairment of trade and other receivables	5	1,273	1,925
– Interest income	6	(6,949)	(5,143)
– Interest expenses	7	8,653	7,923
– Net foreign exchange (gains)/losses on borrowings	7	(62)	49
		24,343	19,849
Increase in inventories		(4,805)	(11,624)
Decrease/(increase) in restricted bank deposits		119	(104)
Increase in contract assets, trade and other receivables		(111,841)	(63,772)
Increase in trade and other payables		39,237	5,309
Decrease in contract liabilities		(13,377)	(3,197)
Decrease in retirement benefit obligations		(33)	(36)
Increase in provisions		684	972
Increase/(decrease) in deferred income		107	(23)
Cash used in operations		(65,566)	(52,626)
Interest income from operating activities		5,828	4,001
Income tax paid		(4,872)	(4,839)
Net cash flows used in operating activities		(64,610)	(53,464)

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June		
	Notes	2021 Unaudited RMB million	2020 Unaudited RMB million Restated
Cash flows from investing activities			
Purchases of items of property, plant and equipment		(4,274)	(5,125)
Additions to right-of-use assets		(1,106)	(982)
Purchases of investment properties		–	(90)
Purchases of intangible assets		(11,355)	(14,122)
Proceeds from disposal of items of property, plant and equipment		232	279
Proceeds from disposal of right-of-use assets		25	7
Proceeds from disposal of investment properties		5	–
Proceeds from disposal of intangible assets		47	2,710
Additional investments in associates		(2,306)	(4,943)
Additional investments in joint ventures		(5,129)	(2,055)
Net inflow/(outflow) of cash in respect of the acquisition of subsidiaries	23	261	(303)
Net inflow of cash in respect of the disposal of subsidiaries	24	3,201	137
Net inflow of cash in respect of the disposal of joint ventures and associates		33	127
Purchases of equity investments designated at fair value through other comprehensive income		(242)	(328)
Purchases of financial assets at fair value through profit or loss		(9,262)	(4,026)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		54	59
Proceeds from disposal of financial assets at fair value through profit or loss		5,428	811
Proceeds from disposal of other debt instruments		10	–
Loans to joint ventures, associates and a third party		(6,099)	(4,094)
Repayment of loans from joint ventures and associates		4,868	1,600
Interest received		957	174
Changes in time deposits with an initial term of over three months		463	(821)
Cash consideration received for concession assets		1,429	1,028
Dividends received		332	630
Net cash flows used in investing activities		(22,428)	(29,327)

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

For the six months ended 30 June

	<i>Notes</i>	2021 Unaudited RMB million	2020 Unaudited RMB million Restated
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		2,377	1,074
Dividends paid to non-controlling shareholders		(351)	(172)
Dividends paid to equity holders of the parent		(429)	(2,736)
Proceeds from perpetual securities		5,138	17,715
Interest paid for perpetual securities		(957)	(378)
Withdrawal of capital contribution by non-controlling interests		(1,318)	–
Redemption of perpetual securities		(2,596)	(6,748)
Proceeds from bank and other borrowings		172,930	157,485
Repayment of bank and other borrowings		(74,313)	(73,705)
Interest paid for bank and other borrowings		(8,718)	(7,242)
Transaction with non-controlling interests		(13)	–
Repurchase of H shares		–	(40)
Lease payments		(769)	(733)
Net cash flows from financing activities		90,981	84,520
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period	17	119,511	118,908
Effect of foreign exchange rate changes, net		(220)	236
Cash and cash equivalents at end of period	17	123,234	120,873

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. CORPORATE AND GROUP INFORMATION

China Communications Construction Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 8 October 2006 as a joint stock company with limited liability under the Company Law of the PRC as part of the group reorganisation of China Communications Construction Group (Limited) (“CCCG”), the parent company and a state-owned enterprise established in the PRC. The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 15 December 2006 and the A shares of the Company were listed on the Shanghai Stock Exchange on 9 March 2012. The address of the Company’s registered office is 85 De Sheng Men Wai Street, Xicheng District, Beijing, the PRC.

The Company and its subsidiaries (together, the “Group”) are principally engaged in infrastructure construction, infrastructure design and dredging businesses.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020, 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 2020, except for the adoption of the following revised IFRSs for the first time and the voluntary changes in accounting policy as detailed in item (c) below for the current period’s financial information.

Amendments to IFRS 9,
IAS 39 and IFRS 7, IFRS 4 and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in RMB and foreign currencies based on various Interbank Offered Rates as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. In March 2021, the International Accounting Standards Board issued another amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the “2021 Amendment”). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(b) (continued)

During the period ended 30 June 2021, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the 2021 Amendment on 1 January 2021 and elected not to apply lease modification accounting during the period ended 30 June 2021 for all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amount of reduction in the lease payments arising from the rent concessions was not material. The amendment did not have a significant impact on the Group's interim condensed consolidated financial information.

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(c) (continued)

The table below shows the adjustments recognized for each individual line item arising from the above accounting policy changes for the six months ended 30 June 2021 and 2020.

For the six months ended 30 June 2021	Under previous accounting policy RMB million	Effect of changes in accounting policy RMB million	As presented RMB million
Interim condensed consolidated statement of cash flows (extract)			
Increase in contract assets, trade and other receivables	(95,570)	(16,271)	(111,841)
Interest income from operating activities	5,296	532	5,828
Net cash flows used in operating activities	(48,871)	(15,739)	(64,610)
Purchases of other long-term assets	(16,271)	16,271	-
Interest received	1,489	(532)	957
Net cash flows used in investing activities	(38,167)	15,739	(22,428)
For the six months ended 30 June 2020	As originally presented RMB million	Effect of changes in accounting policy RMB million	Restated RMB million
Interim condensed consolidated statement of cash flows (extract)			
Increase in contract assets, trade and other receivables	(48,530)	(15,242)	(63,772)
Interest income from operating activities	1,658	2,343	4,001
Net cash flows used in operating activities	(40,565)	(12,899)	(53,464)
Purchases of other long-term assets	(13,157)	13,157	-
Interest received	432	(258)	174
Net cash flows used in investing activities	(42,226)	12,899	(29,327)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION

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

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

- (a) infrastructure construction of ports, roads, bridges, railways, municipal and environmental engineering and others (the “Construction”)
- (b) infrastructure design of ports, roads, bridges, railways and others (the “Design”)
- (c) dredging (the “Dredging”)
- (d) others

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

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

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

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

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

Capital expenditure comprises mainly additions to property, plant and equipment (note 11), investment properties, right-of-use assets and intangible assets (note 12).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2021 and other segment information included in the unaudited interim condensed consolidated financial information are as follows:

	For the six months ended 30 June 2021					
	Construction	Design	Dredging	Others	Eliminations	Total
	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million
Total gross segment revenue	303,730	20,897	23,245	6,728	(15,382)	339,218
Intersegment sales	(3,681)	(5,240)	(1,317)	(5,144)	15,382	–
Revenue	300,049	15,657	21,928	1,584	–	339,218
Segment results	15,773	1,440	1,011	195	(51)	18,368
Unallocated income						90
Operating profit						18,458
Finance income						6,949
Finance costs, net						(9,245)
Share of profits and losses of joint ventures and associates						(258)
Profit before tax						15,904
Income tax expense						(2,980)
Profit for the period						12,924
Other segment information						
Depreciation	3,917	202	521	231	–	4,871
Amortisation	1,220	22	4	13	–	1,259
Impairment losses recognised in the statement of profit or loss:						
Trade and other receivables	1,017	84	171	1	–	1,273
Contract assets	298	6	37	–	–	341
Capital expenditure	21,281	472	437	71	–	22,261

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2020 and other segment information included in the unaudited interim condensed consolidated financial information are as follows:

	For the six months ended 30 June 2020					
	Construction	Design	Dredging	Others	Eliminations	Total
	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million
Total gross segment revenue	218,839	13,628	16,122	4,791	(7,970)	245,410
Intersegment sales	(2,331)	(1,698)	(308)	(3,633)	7,970	–
Revenue	216,508	11,930	15,814	1,158	–	245,410
Segment results	11,980	663	522	206	102	13,473
Unallocated income						70
Operating profit						13,543
Finance income						5,143
Finance costs, net						(8,615)
Share of profits and losses of joint ventures and associates						(533)
Profit before tax						9,538
Income tax expense						(2,692)
Profit for the period						6,846
Other segment information						
Depreciation	4,002	190	603	257	–	5,052
Amortisation	752	22	3	26	–	803
Impairment losses recognised/ (reversed) in the statement of profit or loss:						
Trade and other receivables	1,339	176	400	10	–	1,925
Contract assets	40	(2)	22	–	–	60
Capital expenditure	21,418	232	658	517	–	22,825

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

The segment assets and liabilities as at 30 June 2021 are as follows:

	As at 30 June 2021					Total Unaudited RMB million
	Construction Unaudited RMB million	Design Unaudited RMB million	Dredging Unaudited RMB million	Others Unaudited RMB million	Eliminations Unaudited RMB million	
	Segment assets	1,092,888	56,041	117,970	93,959	
Investments in joint ventures						39,644
Investments in associates						36,368
Other unallocated assets						85,510
Total assets						1,438,973
Segment liabilities	507,083	29,727	52,499	6,484	(48,770)	547,023
Unallocated liabilities						522,114
Total liabilities						1,069,137

Segment assets and liabilities as at 30 June 2021 are reconciled to total assets and liabilities as follows:

	Assets Unaudited RMB million	Liabilities Unaudited RMB million
Segment assets/liabilities	1,277,451	547,023
Unallocated:		
Investments in joint ventures	39,644	—
Investments in associates	36,368	—
Deferred tax assets/liabilities	6,895	8,610
Tax payable	—	5,461
Current borrowings	—	133,852
Non-current borrowings	—	362,504
Other unallocated assets/liabilities	78,615	11,687
Total assets/liabilities	1,438,973	1,069,137

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 31 December 2020 are as follows:

	As at 31 December 2020					Total RMB million
	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Eliminations RMB million	
Segment assets	992,901	52,898	101,115	83,218	(82,295)	1,147,837
Investments in joint ventures						33,534
Investments in associates						34,068
Other unallocated assets						88,730
Total assets						1,304,169
Segment liabilities	481,716	29,658	44,570	5,536	(43,986)	517,494
Unallocated liabilities						428,871
Total liabilities						946,365

Segment assets and liabilities as at 31 December 2020 are reconciled to total assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	1,147,837	517,494
Unallocated:		
Investments in joint ventures	33,534	–
Investments in associates	34,068	–
Deferred tax assets/liabilities	6,646	7,721
Tax payable	–	7,303
Current borrowings	–	82,490
Non-current borrowings	–	322,888
Other unallocated assets/liabilities	82,084	8,469
Total assets/liabilities	1,304,169	946,365

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2021 Unaudited RMB million	2020 Unaudited RMB million
Mainland China	291,142	207,471
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	48,076	37,939
	339,218	245,410

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

(b) Non-current assets

	30 June 2021	31 December 2020
	Unaudited RMB million	Audited RMB million
Mainland China	296,194	287,694
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	36,686	32,384
	332,880	320,078

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

Information about a major customer

No revenue derived from services or sales to a single customer accounted for 10% or more of the Group's revenue during the six months ended 30 June 2021 and 2020.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	<i>RMB million</i>	<i>RMB million</i>
Revenue from contracts with customers		
Construction	303,730	218,839
Design	20,897	13,628
Dredging	23,245	16,122
Others	6,728	4,791
Intersegment eliminations	(15,382)	(7,970)
	339,218	245,410

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2021

Segments	Construction Unaudited RMB million	Design Unaudited RMB million	Dredging Unaudited RMB million	Others Unaudited RMB million	Total Unaudited RMB million
Type of goods or services					
Infrastructure construction services	285,048	9,880	–	82	295,010
Infrastructure design services	470	5,641	350	6	6,467
Dredging services	–	–	20,497	–	20,497
Others	14,531	136	1,081	1,496	17,244
Total revenue from contracts with customers	300,049	15,657	21,928	1,584	339,218
Geographical markets					
Mainland China	253,113	15,193	21,288	1,548	291,142
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	46,936	464	640	36	48,076
Total revenue from contracts with customers	300,049	15,657	21,928	1,584	339,218
Timing of revenue recognition					
Services transferred over time	285,617	15,521	20,866	95	322,099
Services transferred at a point in time	3,033	–	–	–	3,033
Merchandise transferred at a point in time	11,399	136	1,062	1,489	14,086
Total revenue from contracts with customers	300,049	15,657	21,928	1,584	339,218

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the six months ended 30 June 2020

Segments	Construction Unaudited RMB million	Design Unaudited RMB million	Dredging Unaudited RMB million	Others Unaudited RMB million	Total Unaudited RMB million
Type of goods or services					
Infrastructure construction services	205,788	7,457	–	10	213,255
Infrastructure design services	365	4,233	247	5	4,850
Dredging services	–	–	14,831	–	14,831
Others	10,355	240	736	1,143	12,474
Total revenue from contracts with customers	216,508	11,930	15,814	1,158	245,410
Geographical markets					
Mainland China	180,844	11,511	13,958	1,158	207,471
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	35,664	419	1,856	–	37,939
Total revenue from contracts with customers	216,508	11,930	15,814	1,158	245,410
Timing of revenue recognition					
Services transferred over time	206,212	11,690	15,074	15	232,991
Services transferred at a point in time	2,639	–	–	–	2,639
Merchandise transferred at a point in time	7,657	240	740	1,143	9,780
Total revenue from contracts with customers	216,508	11,930	15,814	1,158	245,410

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

For the six months ended 30 June 2021

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	300,049	15,657	21,928	1,584	339,218
Intersegment sales	3,681	5,240	1,317	5,144	15,382
	303,730	20,897	23,245	6,728	354,600
Intersegment adjustments and eliminations	(3,681)	(5,240)	(1,317)	(5,144)	(15,382)
Total revenue from contracts with customers	300,049	15,657	21,928	1,584	339,218

For the six months ended 30 June 2020

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	216,508	11,930	15,814	1,158	245,410
Intersegment sales	2,331	1,698	308	3,633	7,970
	218,839	13,628	16,122	4,791	253,380
Intersegment adjustments and eliminations	(2,331)	(1,698)	(308)	(3,633)	(7,970)
Total revenue from contracts with customers	216,508	11,930	15,814	1,158	245,410

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

Other income

	For the six months ended 30 June	
	2021 Unaudited RMB million	2020 Unaudited RMB million
Rental income	445	319
Revenue from consulting services	183	168
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	712	632
– Unlisted equity instruments	45	50
Government grants	242	318
Dividend income from financial assets at fair value through profit or loss	118	60
Income from sales of scraps	140	55
Others	944	721
	2,829	2,323

Other gains/(losses), net

	For the six months ended 30 June	
	2021 Unaudited RMB million	2020 Unaudited RMB million
Gains on disposal of items of property, plant and equipment	54	46
Gains on disposal of subsidiaries	16	2
Gains on disposal of joint ventures and associates	–	9
Fair value gains/(losses), net:		
– Financial assets at fair value through profit or loss	25	172
– Derivative financial instruments – transactions not qualifying as hedges	102	(188)
Foreign exchange differences, net	(589)	428
Gains on disposal of financial assets at fair value through profit or loss	27	1
Losses on derecognition of financial assets at amortised cost	(315)	(224)
	(680)	246

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 Unaudited RMB million	2020 Unaudited RMB million
Raw materials and consumables used*	97,138	72,627
Cost of goods sold	8,668	7,890
Subcontracting costs	140,263	85,147
Employee benefit expenses*:		
– Salaries, wages and bonuses	15,880	14,978
– Pension costs – defined contribution plans	1,955	1,189
– defined benefit plans	15	16
– Housing benefits	1,083	997
– Welfare, medical and other expenses	8,851	8,258
	27,784	25,438
Equipment and plant usage costs	6,820	5,733
Business tax and other taxes	704	634
Fuel	1,548	1,333
Research and development costs (including raw materials and consumables used, employee benefit expenses, depreciation and amortisation)	8,958	5,565
Repair and maintenance expenses	1,330	976
Utilities	865	684
Depreciation of property, plant and equipment and investment properties and right-of-use assets*	4,871	5,052
Amortisation of intangible assets*	1,259	803
Impairment of financial and contract assets, net:		
– Impairment of trade and other receivables	1,273	1,925
– Impairment of contract assets	341	60

* Including the raw materials and consumables used, employee benefit expenses, depreciation and amortisation charged for research and development activities, and those cost and expenses are also summarised in the item of "Research and development costs".

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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6. FINANCE INCOME

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB million	RMB million
Interest income from:		
– Bank deposits	335	370
– Contract assets and receivables from PPP contracts	3,453	2,343
– Loan receivables	2,058	1,292
– Others	1,103	1,138
	6,949	5,143

7. FINANCE COSTS, NET

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB million	RMB million
Total interest expense	9,528	9,421
Less: Interest capitalised	875	1,498
Net interest expense	8,653	7,923
Net foreign exchange (gains)/losses on borrowings	(62)	49
Others	654	643
	9,245	8,615

Interest capitalised

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB million	RMB million
Inventories	89	433
Concession assets	747	1,015
Construction in progress	39	50
	875	1,498

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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 2020: 25%) of the assessable income of each of these companies during the period as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC subsidiaries of the Company, which were taxed at a preferential rate of 15% (six months ended 30 June 2020: 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 2020: 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 2021 and 2020 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	
	2021	2020
	Unaudited	Unaudited
	RMB million	RMB million
Current income tax		
– PRC enterprise income tax	2,717	3,047
– Others	313	302
	3,030	3,349
Deferred income tax	(50)	(657)
Total tax charge for the period	2,980	2,692

9. DIVIDENDS

A dividend in respect of the year ended 31 December 2020 of RMB0.18088 (including tax) per ordinary share totalling RMB2,924 million was approved by the Company's shareholders in the annual general meeting on 10 June 2021.

The above approval has triggered the mandatory clauses about the distribution of interest relating to perpetual securities issued by the Company, totalling RMB1,340 million.

No interim dividend for the six months ended 30 June 2021 was declared by the Board of Directors (six months ended 30 June 2020: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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	
	2021	2020
	Unaudited	Unaudited
Profit attributable to ordinary equity holders of the parent (RMB million)	10,386	5,517
Less: Interest on perpetual securities (RMB million) (i)	748	332
Dividend relating to preference shares (RMB million)	–	718
	9,638	4,467
Weighted average number of ordinary shares in issue (million) (ii)	16,166	16,174
Basic earnings per share	RMB0.60	RMB0.28

(i) The perpetual securities issued by the Company were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB748 million on the perpetual securities which has been accrued but not declared from 1 January 2021 to 30 June 2021 was deducted from earnings when calculating the basic earnings per share amount for the six months ended 30 June 2021.

(ii) The weighted average number of shares takes into account the weighted average effect of changes in treasury shares for the six months ended 30 June 2020.

(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 2021 and 2020.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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11. PROPERTY, PLANT AND EQUIPMENT

	Buildings Unaudited <i>RMB million</i>	Machinery Unaudited <i>RMB million</i>	Vessels and vehicles Unaudited <i>RMB million</i>	Other equipment Unaudited <i>RMB million</i>	Construction in progress Unaudited <i>RMB million</i>	Total Unaudited <i>RMB million</i>
30 June 2021						
At 31 December 2020, net of accumulated depreciation and impairment	13,134	14,303	18,437	3,314	11,852	61,040
Additions	70	368	693	1,366	3,005	5,502
Disposal	(37)	(47)	(14)	(67)	(76)	(241)
Acquisition of subsidiaries	3	-	1	2	133	139
Disposal of subsidiaries	-	-	(1)	-	-	(1)
Transfer	1,480	1,200	(139)	17	(2,558)	-
Transfer from investment properties	2	-	-	-	-	2
Transfer from right-of-use assets	-	-	73	-	-	73
Transfer to investment properties	(83)	-	-	-	(13)	(96)
Transfer to inventories	-	-	-	-	(58)	(58)
Depreciation provided during the period	(284)	(1,979)	(467)	(1,298)	-	(4,028)
Exchange realignment	9	(31)	(20)	20	-	(22)
At 30 June 2021, net of accumulated depreciation and impairment	14,294	13,814	18,563	3,354	12,285	62,310
At 30 June 2021						
Cost	19,186	35,807	42,314	16,096	12,453	125,856
Accumulated depreciation and impairment	(4,892)	(21,993)	(23,751)	(12,742)	(168)	(63,546)
Net carrying amount	14,294	13,814	18,563	3,354	12,285	62,310

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings <i>RMB million</i>	Machinery <i>RMB million</i>	Vessels and vehicles <i>RMB million</i>	Other equipment <i>RMB million</i>	Construction in progress <i>RMB million</i>	Total <i>RMB million</i>
31 December 2020						
At 31 December 2019, net of accumulated depreciation and impairment	12,562	14,621	18,655	3,540	11,022	60,400
Additions	224	2,648	1,086	2,667	4,108	10,733
Disposal	(4)	(834)	(103)	(203)	(271)	(1,415)
Acquisition of subsidiaries	75	62	11	–	10	158
Disposal of subsidiaries	–	–	(2)	(1)	–	(3)
Transfer	1,190	1,554	259	21	(3,024)	–
Transfer from investment properties	59	–	–	–	–	59
Transfer from right-of-use assets	–	–	253	–	126	379
Transfer from inventories	–	–	–	–	477	477
Transfer to investment properties	(398)	–	–	–	(172)	(570)
Transfer to right-of-use assets	–	–	–	–	(185)	(185)
Transfer to inventories	–	–	–	–	(236)	(236)
Depreciation provided during the year	(506)	(3,564)	(1,604)	(2,674)	–	(8,348)
Impairment	–	–	–	–	(3)	(3)
Exchange realignment	(68)	(184)	(118)	(36)	–	(406)
At 31 December 2020, net of accumulated depreciation and impairment	13,134	14,303	18,437	3,314	11,852	61,040
At 31 December 2020						
Cost	17,771	34,979	42,146	15,317	11,934	122,147
Accumulated depreciation and impairment	(4,637)	(20,676)	(23,709)	(12,003)	(82)	(61,107)
Net carrying amount	13,134	14,303	18,437	3,314	11,852	61,040

As at 30 June 2021, the Group was in the process of applying for the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB2,464 million (31 December 2020: RMB3,141 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

12. INTANGIBLE ASSETS

	Concession assets Unaudited <i>RMB million</i>	Goodwill Unaudited <i>RMB million</i>	Trademarks, patent, proprietary technologies and copyrights Unaudited <i>RMB million</i>	Computer software Unaudited <i>RMB million</i>	Others Unaudited <i>RMB million</i>	Total Unaudited <i>RMB million</i>
30 June 2021						
Cost at 1 January 2021, net of accumulated amortisation and impairment	222,163	5,517	1,218	426	158	229,482
Additions	14,443	-	1	38	47	14,529
Acquisition of subsidiaries	-	14	-	-	17	31
Disposal of subsidiaries	(10,668)	-	-	-	-	(10,668)
Disposal	(13)	-	(24)	(6)	(5)	(48)
Amortisation provided during the period	(1,147)	-	(11)	(83)	(18)	(1,259)
Exchange realignment	(341)	(168)	-	-	-	(509)
At 30 June 2021	224,437	5,363	1,184	375	199	231,558
At 30 June 2021						
Cost	233,262	5,413	1,440	1,270	493	241,878
Accumulated amortisation and impairment	(8,825)	(50)	(256)	(895)	(294)	(10,320)
Net carrying amount	224,437	5,363	1,184	375	199	231,558

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

12. INTANGIBLE ASSETS (CONTINUED)

	Concession assets <i>RMB million</i>	Goodwill <i>RMB million</i>	Trademarks, patents, proprietary technologies and copyrights <i>RMB million</i>	Computer software <i>RMB million</i>	Others <i>RMB million</i>	Total <i>RMB million</i>
31 December 2020						
Cost at 1 January 2020, net of accumulated amortisation and impairment	212,122	5,371	1,223	473	38	219,227
Additions	33,574	–	47	140	69	33,830
Acquisition of subsidiaries	7,879	11	–	–	80	7,970
Disposal of subsidiaries	(23,869)	–	–	–	–	(23,869)
Disposal	(5,559)	–	(33)	(7)	–	(5,599)
Amortisation provided during the year	(1,984)	–	(19)	(180)	(29)	(2,212)
Exchange realignment	–	135	–	–	–	135
At 31 December 2020	222,163	5,517	1,218	426	158	229,482
At 31 December 2020						
Cost	229,842	5,567	1,463	1,242	435	238,549
Accumulated amortisation and impairment	(7,679)	(50)	(245)	(816)	(277)	(9,067)
Net carrying amount	222,163	5,517	1,218	426	158	229,482

As at 30 June 2021, concession assets represented assets under “Build-Operate-Transfer” service concession arrangements and mainly consisted of toll roads in Mainland China. Certain concession projects have been put into operations, of which the net carrying amount was RMB175,534million (2020: RMB171,716 million). The net carrying amount of concession assets where the related projects were under construction was RMB48,903 million (2020: RMB50,447 million).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

12. INTANGIBLE ASSETS (CONTINUED)

As at 30 June 2021, the Group recognised an accumulated impairment of RMB334 million (31 December 2020: RMB334 million), provided for concession assets (two toll roads) in the infrastructure construction segment.

As at 30 June 2021, certain bank and other borrowings were secured by concession assets, contract assets and trade receivables from PPP projects with a carrying amount of approximately RMB304,553 million (31 December 2020: RMB254,432 million) (note 20(d) and note 26).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB million	RMB million
Listed equity investments (note a)	99	124
Unlisted investments (note b)	14,376	10,513
	14,475	10,637
Less: Non-current portion		
Unlisted investments (note b)	13,150	10,513
Current portion	1,325	124

- (a) The listed equity investments at 30 June 2021 were classified as financial assets at fair value through profit or loss as they were held for trading. The fair values of these investments were based on the quoted market prices at the end of the reporting period.
- (b) The unlisted investments at 30 June 2021 mainly included unlisted equity investments and wealth management products issued by financial institutions in Mainland China. The above equity investments were classified as at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. The wealth management products were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB million	RMB million
Non-current		
Listed equity instruments		
– China Merchants Bank Co., Ltd.	22,910	18,581
– China Merchants Securities Co., Ltd.	5,228	6,415
– Zhengzhou Yutong Bus Co., Ltd.	511	692
– China Everbright Bank Co., Ltd.	282	298
– China Development Bank Financial Leasing Co., Ltd.	154	149
– Bank of Communications Co., Ltd.	148	136
– CECEP Environmental Protection Equipment Co., Ltd.	125	144
– Others	402	414
	29,760	26,829
Unlisted equity instruments		
– Lunan High Speed Railway Co., Ltd.	1,434	1,434
– Tianjin CCCC Greentown City Construction Development Co., Ltd.	1,059	1,043
– Hubei Jiaotou Shiwu Expressway Co., Ltd.	332	332
– Beijing CEDC Ltd.	316	316
– Hunan Bainan Expressway Construction Development Co., Ltd.	173	–
– Shandong Expressway Jiqing Midline Highway Co., Ltd.	150	150
– Shanghai Kerry Oils & Grains Industries Co., Ltd.	121	121
– China-ASEAN Investment Cooperation Fund	101	101
– Others	404	410
	4,090	3,907
	33,850	30,736

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the six months ended 30 June 2021, the Group received dividends in a total amount of RMB757 million, mainly including RMB530 million, RMB120 million and RMB38 million from China Merchants Bank Co., Ltd., China Merchants Securities Co., Ltd. and Beijing CEDC Ltd., respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

15. INVENTORIES

	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB million	RMB million
Raw materials	23,061	19,778
Work in progress	1,470	1,753
Properties under development	44,158	43,783
Completed properties held for sale	6,159	6,553
Finished goods	1,264	728
Others	272	282
	76,384	72,877

As at 30 June 2021, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amount of RMB8,640 million (31 December 2020: RMB6,543 million) were pledged to secure the Group's bank loans (note 20(d) and note 26).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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16. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES

	30 June 2021 Unaudited RMB million	31 December 2020 Audited RMB million
Trade and bills receivables (note a)	134,509	123,030
Impairment	(16,577)	(16,129)
	117,932	106,901
Contract assets and long-term receivables (note b)	560,224	478,991
Impairment	(6,183)	(5,800)
	554,041	473,191
Other receivables:		
Prepayments	26,757	21,262
Deposits (note c)	28,236	23,559
Others	59,959	54,085
	114,952	98,906
Impairment	(3,292)	(2,978)
	111,660	95,928
	783,633	676,020
Portion classified as non-current		
Contract assets and long-term receivables	324,988	282,634
Other receivables:		
Prepayments	6,200	2,759
Deposits	1,806	1,375
Others	11,429	6,450
	344,423	293,218
Current portion	439,210	382,802

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

- (a) The majority of the Group's revenues are generated through infrastructure construction, infrastructure design and dredging contracts and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

An ageing analysis of trade and bills receivables as at the end of the reporting period, net of provisions, is as follows:

	30 June 2021 Unaudited RMB million	31 December 2020 Audited RMB million
Within 6 months	75,902	73,279
6 months to 1 year	17,557	7,706
1 year to 2 years	10,950	12,599
2 years to 3 years	6,195	7,379
Over 3 years	7,328	5,938
	117,932	106,901

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

	For the six months ended 30 June 2021 Unaudited RMB million	Year ended 31 December 2020 Audited RMB million
At beginning of period/year	16,129	13,904
Impairment losses, net	621	3,149
Acquisition of subsidiaries	–	6
Amount written off	(130)	(791)
Others	(43)	(139)
At the end of period/year	16,577	16,129

- (b) Long-term receivables mainly represented amounts due from certain construction works with payment periods over one year.
- (c) Deposits mainly represented tender and performance bonds due from customers.
- (d) As at 30 June 2021, certain of the Group's outstanding trade and other receivables (excluding PPP projects) with a net carrying amount of approximately RMB21,274 million (31 December 2020: RMB13,342 million) were pledged to secure general banking facilities granted to the Group (note 20(d) and note 26).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

17. CASH AND BANK BALANCES

	30 June 2021 Unaudited RMB million	31 December 2020 Audited RMB million
Restricted bank deposits (note a)	5,156	5,275
Time deposits with an initial term of over three months (note b)	2,805	3,268
	7,961	8,543
Cash and cash equivalents	123,234	119,511
	131,195	128,054

- (a) As at 30 June 2021 and 31 December 2020, restricted bank deposits mainly included deposits for issuance of bank acceptance notes, performance bonds, letters of credit to customers, and mandatory reserve deposits placed with the People's Bank of China by CCCC Finance.
- (b) Time deposits with an initial term of over three months are excluded from cash and cash equivalents, as management is of the opinion that these time deposits are not readily convertible to known amounts of cash without significant risk of changes in value.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB96,105 million (31 December 2020: RMB84,867 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 30 June 2021, less than 3% (31 December 2020: less than 3%) of the cash and bank balances denominated in currencies other than RMB were deposited in banks in certain countries which are subject to foreign exchange control and the currencies are not freely convertible into other currencies or remitted out of those countries.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

18. CONTRACT LIABILITIES

	30 June 2021 Unaudited RMB million	31 December 2020 Audited <i>RMB million</i>
Contract liabilities arising from:		
Infrastructure construction	66,512	78,385
Infrastructure design	4,992	6,050
Dredging	2,506	3,132
Others	1,134	991
	75,144	88,558

19. TRADE AND OTHER PAYABLES

	30 June 2021 Unaudited RMB million	31 December 2020 Audited <i>RMB million</i>
Trade and bills payables	330,054	300,003
Deposits from suppliers	37,720	33,752
Retentions	41,135	34,754
Deposits in CCCC Finance (note a)	6,315	6,178
Other taxes	28,629	28,329
Payroll and social security	2,382	2,115
Accrued expenses and others	31,322	27,016
	477,557	432,147
Portion classified as non-current		
Retentions	28,574	23,894
Other taxes	280	173
Others	4,363	3,850
	33,217	27,917
Current portion	444,340	404,230

- (a) CCCC Finance, a subsidiary of the Company, accepted deposits from CCGG and fellow subsidiaries. These deposits were due within one year with an average annual interest rate of 0.8% (2020: 0.8%).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<i>Notes</i>	30 June 2021 Unaudited RMB million	31 December 2020 Audited RMB million
Non-current			
Long-term bank borrowings			
– secured	<i>(d)</i>	255,416	215,492
– unsecured	<i>(e)</i>	70,872	73,131
		326,288	288,623
Long-term other borrowings			
– secured	<i>(d)</i>	4,898	4,625
– unsecured	<i>(e)</i>	1,684	2,144
		6,582	6,769
Corporate bonds		22,330	17,959
Non-public debt instruments		5,523	8,028
Lease liabilities		1,781	1,509
Total non-current borrowings		362,504	322,888
Current			
Current portion of long-term bank borrowings			
– secured	<i>(d)</i>	14,197	9,543
– unsecured	<i>(e)</i>	14,995	13,685
		29,192	23,228
Short-term bank borrowings			
– secured	<i>(d)</i>	8,517	6,388
– unsecured	<i>(e)</i>	67,447	39,118
		75,964	45,506

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

	<i>Notes</i>	30 June 2021 Unaudited RMB million	31 December 2020 Audited RMB million
Current portion of long-term other borrowings			
– secured	<i>(d)</i>	321	173
– unsecured	<i>(e)</i>	148	145
		469	318
Short-term other borrowings			
– secured	<i>(d)</i>	49	273
– unsecured	<i>(e)</i>	562	166
		611	439
Corporate bonds		4,847	6,047
Debentures		14,038	1,720
Non-public debt instruments		7,812	4,196
Lease liabilities		919	1,036
Total current borrowings		133,852	82,490
Total borrowings		496,356	405,378

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

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

	30 June 2021 Unaudited RMB million	31 December 2020 Audited <i>RMB million</i>
Bank borrowings		
– Within one year or on demand	105,156	68,734
– In the second year	49,705	31,870
– In the third to fifth years, inclusive	77,470	66,136
– Beyond five years	199,113	190,617
	431,444	357,357
Others, excluding lease liabilities		
– Within one year or on demand	27,777	12,720
– In the second year	18,811	17,523
– In the third to fifth years, inclusive	8,934	8,000
– Beyond five years	6,690	7,233
	62,212	45,476
	493,656	402,833

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

	30 June 2021 Unaudited RMB million	31 December 2020 Audited <i>RMB million</i>
Renminbi	472,312	385,713
United States dollar	15,896	12,851
Euro	3,484	2,186
Japanese Yen	3,141	3,378
Hong Kong dollar	286	414
Others	1,237	836
	496,356	405,378

(c) Borrowings of the Group, excluding corporate bonds, debentures, non-public debt instruments and lease liabilities, bear interest at effective rates ranging from 0.45% to 8.34% (2020: 0.21% to 8.34%) per annum at the end of the reporting period and excluding the borrowings bearing interest rates of 9.38% to 11.27% for a Columbia subsidiary of the Company.

(d) As at 30 June 2021 and 31 December 2020, these borrowings were secured by the Group's investment properties, right-of-use assets, intangible assets (note 12), inventories (note 15), contract assets and trade and other receivables (note 16(d)).

(e) Unsecured borrowings include those guaranteed by the Company, certain subsidiaries of the Company and certain third parties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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21. OTHER RESERVES

	Capital reserve	Statutory surplus reserve	General reserve	Retirement benefit remeasurement reserve	Investment revaluation reserve	Hedging reserve	Safety production reserve	Exchange reserve	Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2020	10,682	7,639	709	(41)	17,782	9	2,613	(1,732)	37,661
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	2,321	-	-	-	2,321
Cash flow hedges, net of tax	-	-	-	-	-	6	-	-	6
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	(33)	-	-	-	(33)
Share of other reserves of joint ventures and associates	(5)	-	-	-	-	-	-	-	(5)
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	(8)	-	-	-	-	(8)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(677)	(677)
Transaction with non-controlling interests	(10)	-	-	-	-	-	-	-	(10)
Transfer to safety production reserve	-	-	-	-	-	-	615	-	615
At 30 June 2021	10,667	7,639	709	(49)	20,070	15	3,228	(2,409)	39,870

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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21. OTHER RESERVES (CONTINUED)

	Capital reserve Unaudited RMB million	Statutory surplus reserve Unaudited RMB million	General reserve Unaudited RMB million	Retirement benefit obligation remeasurement reserve Unaudited RMB million	Investment revaluation reserve Unaudited RMB million	Hedging reserve Unaudited RMB million	Safety production reserve Unaudited RMB million	Exchange reserve Unaudited RMB million	Total Unaudited RMB million
At 31 December 2019	10,798	5,945	957	(82)	14,210	2	2,341	1,145	35,316
Business combination under common control	(52)	-	-	-	-	-	3	-	(49)
At 31 December 2019	10,746	5,945	957	(82)	14,210	2	2,344	1,145	35,267
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	(1,010)	-	-	-	(1,010)
Cash flow hedges, net of tax	-	-	-	-	-	4	-	-	4
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	(7)	-	-	-	(7)
Share of other reserves of joint ventures and associates	(2)	-	-	-	-	-	-	-	(2)
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	(1)	-	-	-	-	(1)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(851)	(851)
Transaction with non-controlling interests	(1)	-	-	-	-	-	-	-	(1)
Transfer to safety production reserve	-	-	-	-	-	-	395	-	395
Transfer to retained earnings due to disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(3)	-	-	-	(3)
Others	(42)	-	-	-	-	-	-	-	(42)
At 30 June 2020	10,701	5,945	957	(83)	13,190	6	2,739	294	33,749

22. CONTINGENT LIABILITIES

The Group has contingent liabilities in the ordinary course of business to the extent as follows:

	30 June 2021 Unaudited RMB million	31 December 2020 Audited RMB million
Pending lawsuits (note a)	2,104	1,672
Outstanding loan guarantees (note b)	3,200	3,310
	5,304	4,982

- (a) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account the legal advice. No provision has been made for the above pending lawsuits of RMB2,104 million (31 December 2020: RMB1,672 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.
- (b) 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.
- (c) Beijing North Huade Neoplan Bus., Ltd., a subsidiary of the Company, provides liquidity support to Changchun Public Transportation (Group) Co., Ltd. for sale-leaseback rent payable to Huaxia Financial Leasing Co., Ltd. As at 30 June 2021, the outstanding balance of rent payable by Changchun Public Transportation (Group) Co., Ltd. to Huaxia Financial Leasing Co., Ltd. was RMB161 million (31 December 2020: RMB230 million).
- (d) 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 2021, the outstanding balance of guarantees provided by the Group was approximately RMB4,412 million (31 December 2020: RMB3,456 million).
- (e) The Group has entered into certain agreements with certain financial institutions to set up asset-backed securities (ABS) and asset-backed notes (ABN) arrangements. As at 30 June 2021, certain of the ABS and ABN in issue with an aggregate amount of RMB15,293 million (31 December 2020: RMB14,969 million) included the ABS and ABN of an aggregate amount of RMB14,400 million (31 December 2020: RMB12,226 million) issued to preferential investors. Under the clauses of the agreements, the Group is subject to the obligations of liquidity supplementary payments to preferential investors when the cash available for distribution of the principal and return to preferential investors at the due date is not sufficient.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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23. BUSINESS COMBINATIONS

During the six months ended 30 June 2021, the Group obtained control over several companies from certain independent third parties, with a total consideration of RMB119 million.

Information of the major acquired companies and transactions was as follows:

Name	Type of transaction	Consideration <i>RMB million</i>	Percentage of equity attributable to the Group	Acquisition date
Jiangyang Construction Group Co., Ltd. (Now renamed as CCCC First Highway Engineering Construction Group Co., Ltd.)	Equity transfer	44	51%	31 May 2021
Tianjin Chengjian University Architectural Design and Research Institute Co., Ltd.	Equity transfer	22	65%	31 January 2021
Zhonghui Jiaying Construction (Xiamen) Co., Ltd. (Now renamed as CCCC Fourth Highway (Xiamen) Engineering Co., Ltd.)	Equity transfer	17	100%	16 March 2021
CCCC Road & Bridge Construction (Beijing) Materials Co., Ltd.	Equity transfer	15	100%	19 March 2021
Shenzhen Runzefeng Environmental Technology Engineering Co., Ltd. (Now renamed as CCCC First Highway Consultants (Shenzhen) Environmental Technology Engineering Co., Ltd.)	Equity transfer	1	77%	30 June 2021

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

23. BUSINESS COMBINATIONS (CONTINUED)

The fair value and book value of assets and liabilities of these companies at the date of acquisition were as follows:

	Acquisition date Fair value Unaudited RMB million	Acquisition date Book value Unaudited RMB million
Non-current assets		
Property, plant and equipment	139	139
Intangible assets	17	–
Deferred tax assets	16	16
	172	155
Current assets		
Inventories	6	6
Contract assets, trade and other receivables	2,366	2,366
Cash and cash equivalents	360	360
	2,732	2,732
Current liabilities		
Trade and other payables	(2,588)	(2,588)
Interest-bearing bank and other borrowings	(99)	(99)
	(2,687)	(2,687)
Non-current liabilities		
Interest-bearing bank and other borrowings	(62)	(62)
	(62)	(62)
Net assets	155	138
Non-controlling interests	50	
Goodwill on acquisition	14	
Consideration	119	
Satisfied by cash	99	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

23. BUSINESS COMBINATIONS (CONTINUED)

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

	For the six months ended 30 June 2021 Unaudited RMB million
Total consideration	119
Cash paid for acquisition of subsidiaries	99
Cash and bank balances of subsidiaries acquired	360
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	261

Since the acquisition, the acquirees contributed a loss of RMB61 million to the consolidated profit for the period ended 30 June 2021.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period ended 30 June 2021 would have been RMB341,224 million and RMB13,018 million, respectively.

24. DISPOSAL OF SUBSIDIARIES

- (a) CCCC First Highway Engineering Group Co., Ltd. (“CCCC First Highway”) and Chongqing Expressway Group Co., Ltd. are the only two shareholders of Chongqing Changhe Expressway Co., Ltd. (“Chongqing Changhe Expressway”). In view of the experience of CCCC First Highway in infrastructure construction, the two shareholders agreed that the company was controlled by CCCC First Highway during the construction period and jointly controlled by the two shareholders during the operation period. Chongqing Changhe Expressway will enter the operation period in the second half of 2021. The two shareholders revised the operation arrangements of Chongqing Changhe Expressway and replaced the directors of the company. As at 30 June 2021, CCCC First Highway no longer has control over Chongqing Changhe Expressway.
- (b) In April 2021, CCCC Ocean Investment Holding Co., Ltd. (“CCCC Ocean Investment”) disposed of 40% equity interests in Chengdu CCCC Phoenix Lake Real Estate Co., Ltd. (“Phoenix Lake Real Estate”) to Beijing GoldCommon Co., Ltd. for a consideration of RMB27 million. Upon the completion of equity transfer, CCCC Ocean Investment no longer has control over Phoenix Lake Real Estate.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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24. DISPOSAL OF SUBSIDIARIES (CONTINUED)

- (c) The aggregate financial information of the subsidiaries mentioned above and other subsidiaries disposed of by the Group during the period and as at the date of disposal, is as follows:

	Total Unaudited <i>RMB million</i>
Non-current assets	10,734
Current assets	1,601
Current liabilities	(1,521)
Non-current liabilities	(8,176)
	2,638
Non-controlling interests	1,282
	1,356
Gains on disposal of subsidiaries	16
	1,372
Represented by:	
Residual interests in a joint venture	1,332
Residual interests in an associate	13
Consideration	27
	1,372

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

	Total Unaudited <i>RMB million</i>
Cash received from disposal of subsidiaries in the current period	27
Cash received from disposal of subsidiaries in the prior year	3,272
Cash and bank balances of subsidiaries disposed of	98
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	3,201

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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25. COMMITMENTS

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

	30 June 2021 Unaudited RMB million	31 December 2020 Audited RMB million
Intangible assets – concession assets	87,351	92,611
Property, plant and equipment	2,209	2,385
	89,560	94,996

26. PLEDGE OF ASSETS

- (a) As at 30 June 2021, the restricted deposits were RMB5,156 million (31 December 2020: RMB5,275 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 2021 Unaudited RMB million	31 December 2020 Audited RMB million
Property, plant and equipment	4	5
Investment properties	93	–
Right-of-use assets	8,068	6,435
Concession assets, contract assets and trade receivables from PPP projects (note 12)	304,553	254,432
Inventories (note 15)	8,640	6,543
Contract assets and trade and other receivables (excluding PPP projects) (note 16)	21,274	13,342
	342,632	280,757

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

27. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this interim financial information, the Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB million	<i>RMB million</i>
Transactions with CCCG		
- Revenue from the provision of construction services and construction related services	1,131	1,161
- Rental income	1	2
- Rental fee	134	91
- Interest expenses on deposits placed in CCCC Finance	13	6
- Interest expenses on loans	-	2
Transactions with fellow subsidiaries		
- Revenue from the provision of construction services and construction related services	3,861	1,757
- Revenue from the sale of goods	415	369
- Rental income	4	3
- Rental fee	1	10
- Interest expenses on deposits placed in CCCC Finance	52	21
- Purchase of goods	608	373
- Subcontracting and service charges	1,342	1,137
- Loans to fellow subsidiaries by CCCC Finance	2,175	1,300
- Interest income from loans	12	16
- Factoring to fellow subsidiaries	2,544	83
- Interest income from factoring	57	6
- Finance lease loans to fellow subsidiaries	1,245	473
- Interest income from finance lease loans	59	31
- Loans from fellow subsidiaries	4,025	3,959
- Interest expenses on loans	1	3

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

27. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) In addition to the transactions detailed elsewhere in this interim financial information, the Group had the following transactions with related parties during the period: (continued)

	For the six months ended 30 June	
	2021 Unaudited RMB million	2020 Unaudited RMB million
Transactions with fellow subsidiaries' joint ventures and associates		
- Revenue from the provision of construction services and construction related services	84	180
- Revenue from the sale of goods	10	2
- Subcontracting and service charges	3	-
- Factoring to fellow subsidiaries' joint ventures and associates	-	1,302
- Interest income from factoring	-	47
- Finance lease loans to fellow subsidiaries' joint ventures and associates	108	420
- Interest income from finance lease loans	-	11
Transactions with joint ventures and associates		
- Revenue from the provision of construction services and construction related services	31,337	22,208
- Revenue from the sale of goods	460	653
- Purchase of goods	576	776
- Subcontracting and service charges	130	385
- Rental income	2	-
- Interest expenses on deposits placed in CCCC Finance	3	2
- Loans to a joint venture by CCCC Finance	-	138
- Loans to joint ventures and associates	6,063	3,764
- Interest income from loans	325	283
- Factoring to joint ventures and associates	110	50
- Interest income from factoring	6	8
- Finance lease loans to joint ventures and associates	61	414
- Interest income from finance lease loans	77	97
- Loans from joint ventures and associates	5,049	2,941
- Interest expenses on loans	9	6

These transactions were carried out on terms agreed with the counterparties in the ordinary course of business.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Balances with related parties other than government-related entities:

	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB million	RMB million
Trade and bills receivables due from		
– CCCG	1,000	1,099
– Fellow subsidiaries	2,777	2,656
– Joint ventures and associates	5,604	7,209
– Fellow subsidiaries' joint ventures and associates	57	20
	9,438	10,984
Long-term trade receivables and long-term contract assets due from		
– CCCG	1,176	1,024
– Fellow subsidiaries	4,046	3,064
– Joint ventures and associates	25,163	23,269
– Fellow subsidiaries' joint ventures and associates	187	130
	30,572	27,487
Prepayments		
– Fellow subsidiaries	1,472	1,668
– Joint ventures and associates	186	651
– Fellow subsidiaries' joint ventures and associates	5	–
	1,663	2,319
Other receivables		
– CCCG	77	153
– Fellow subsidiaries	3,308	4,231
– Joint ventures and associates	7,712	5,859
	11,097	10,243

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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27. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (continued)

Balances with related parties other than government-related entities: (continued)

	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB million	RMB million
Contract assets		
– CCCG	212	5
– Fellow subsidiaries	1,629	746
– Joint ventures and associates	6,776	2,426
– Fellow subsidiaries' joint ventures and associates	61	66
	8,678	3,243
	61,448	54,276
Trade and bills payables due to		
– Fellow subsidiaries	3,860	3,908
– Joint ventures and associates	1,511	1,715
– Fellow subsidiaries' joint ventures and associates	19	14
	5,390	5,637
Long-term trade payables due to		
– Fellow subsidiaries	2,971	2,975
– Joint ventures and associates	472	460
– Fellow subsidiaries' joint ventures and associates	17	–
	3,460	3,435
Contract liabilities		
– CCCG	125	46
– Fellow subsidiaries	639	506
– Joint ventures and associates	8,616	11,590
– Fellow subsidiaries' joint ventures	79	26
	9,459	12,168

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (continued)

Balances with related parties other than government-related entities: (continued)

	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB million	RMB million
Deposits		
– CCCG	829	795
– Fellow subsidiaries	5,154	4,966
– Joint ventures and associates	332	417
	6,315	6,178
Other payables		
– CCCG	2,076	432
– Fellow subsidiaries	656	1,067
– Joint ventures and associates	4,529	3,910
– Fellow subsidiaries' joint ventures	–	3
	7,261	5,412
Other borrowings		
– CCCG	105	105
Lease liabilities		
– Fellow subsidiaries	–	1
– Joint ventures and associates	6	15
	6	16
	31,996	32,951

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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27. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees with related parties

	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB million	RMB million
Outstanding loan guarantees provided to		
– Joint ventures	1,435	1,545
– Associates	1,765	1,765
– Fellow subsidiaries	–	60
	3,200	3,370
Outstanding loan guarantees provided by CCCG	12,301	12,148

(d) Commitments with related parties

	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB million	RMB million
Provision of construction and construction related services		
– CCCG	6,210	4,403
– Fellow subsidiaries	13,429	10,839
– Joint ventures and associates	157,300	143,547
– Fellow subsidiaries' joint ventures and associates	421	468
	177,360	159,257
Purchase of services		
– Fellow subsidiaries	3,401	2,172
– Joint ventures and associates	25	146
	3,426	2,318

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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27. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Key management compensation

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Basic salaries, housing allowances and other allowances	4,491	6,317
Contributions to pension plans	293	158
	4,784	6,475

(f) Equity transactions with related parties

- (i) During the six months ended 30 June 2021, the subscribed capital contribution of the Group's equity investments together with the fellow subsidiaries totally amounted to RMB2,852 million.
- (ii) Details of the Group's other equity transaction with related party is set out below:
 - a) In March 2021, Road & Bridge International Co., Ltd., a subsidiary of the Company, acquired 60% equity interests in CCCC Road & Bridge Construction (Beijing) Materials Co., Ltd. from CCCB Xiamen Equity Investment Fund, an associate of the Company at a consideration of RMB15 million. Upon the completion of the investment, Road & Bridge International Co., Ltd. held 100.00% of equity interests in CCCC Road & Bridge Construction (Beijing) Materials Co., Ltd. and then obtained control over CCCC Road & Bridge Construction (Beijing) Materials Co., Ltd.

(g) Other transactions with related parties

In December 2018, Greentown China Holdings Limited ("Greentown"), a fellow subsidiary of the Company entered into a subscription agreement with several financial institutions (the "Subscribers") to issue senior perpetual securities with a principal amount of US\$500 million (the "Principal Amount"). As one of the conditions precedent of the subscription agreement, CCCI Treasure Limited ("CCCI Treasure") entered into several agreements (the "Agreements 2018") with each of the Subscribers. Under the Agreements 2018, CCCI Treasure paid a total of US\$125 million as deposit (the "Deposit Amount"). Each of the Subscribers shall pass through the distribution of the Securities to CCCI Treasure, and CCCI Treasure shall pay each of the Subscribers a fixed amount of distribution with reference to the difference between the Principal Amount and the Deposit Amount. The whole arrangement constitutes a related party transaction of the Company. During the period, the fair value losses and investment gains on the total return swap are RMB40 million and RMB97 million, respectively (for the six months ended 30 June 2020: fair value losses of RMB182 million and investment gains of RMB105 million).

CCCC Finance, a subsidiary of the Company, provides migrant workers' wage guarantees, advance payment guarantees and performance guarantees to related parties. For the six months ended 30 June 2021, the provided amount of guarantees was RMB537 million.

ZPMC is an associate and also a fellow subsidiary of the Company. The transaction with ZPMC and its subsidiaries for the six months ended 30 June 2021 and 30 June 2020, and the outstanding balances with ZPMC and its subsidiaries as at 30 June 2021 and 31 December 2020 were included within the category of transactions and balances with fellow subsidiaries.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

30 June 2021

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total Unaudited RMB million
	Debt investments Unaudited RMB million	Equity investments Unaudited RMB million	Held for trading Unaudited RMB million	Unaudited RMB million	
Financial assets at fair value through profit or loss	-	-	14,475	-	14,475
Equity investments designated at fair value through other comprehensive income	-	33,850	-	-	33,850
Derivative financial instruments	-	-	742	-	742
Debt investments at amortised cost	-	-	-	536	536
Trade and other receivables excluding prepayments and other non-financial assets	2,806	-	-	381,670	384,476
Cash and bank balances	-	-	-	131,195	131,195
	2,806	33,850	15,217	513,401	565,274

Financial liabilities

	Financial liabilities at fair value through profit or loss Unaudited RMB million	Financial liabilities at amortised cost Unaudited RMB million	Total Unaudited RMB million
Borrowings (excluding lease liabilities)	-	493,656	493,656
Derivative financial instruments	4	-	4
Trade and other payables excluding statutory and other non-financial liabilities	-	446,287	446,287
	4	939,943	939,947

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

28. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

31 December 2020

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total RMB million
	Debt investments RMB million	Equity investments RMB million	Held for trading RMB million		
Financial assets at fair value through profit or loss	-	-	10,637	-	10,637
Equity investments designated at fair value through other comprehensive income	-	30,736	-	-	30,736
Derivative financial instruments	-	-	640	-	640
Debt investments at amortised cost	-	-	-	124	124
Trade and other receivables excluding prepayments and other non-financial assets	2,569	-	-	471,511	474,080
Cash and bank balances	-	-	-	128,054	128,054
	2,569	30,736	11,277	599,689	644,271

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total RMB million
	RMB million	RMB million	
Borrowings (excluding lease liabilities)	-	402,833	402,833
Derivative financial instruments	11	-	11
Trade and other payables excluding statutory and other non-financial liabilities	-	401,586	401,586
	11	804,419	804,430

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2021 Unaudited RMB million	31 December 2020 Audited RMB million	30 June 2021 Unaudited RMB million	31 December 2020 Audited RMB million
Financial instruments				
Non-current				
Bank borrowings	326,288	288,623	325,965	288,448
Corporate bonds	22,330	17,959	22,329	17,958
Other borrowings (excluding lease liabilities)	6,582	6,769	6,582	6,739
Non-public debt instruments	5,523	8,028	5,523	8,028
	360,723	321,379	360,399	321,173

Management has assessed that the fair values of cash and bank balances, financial assets included in trade and other receivables, and financial liabilities included in trade and other payables approximate to their carrying amounts.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings (excluding lease liabilities) have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings (excluding lease liabilities) as at 30 June 2021 and 31 December 2020 was assessed to be insignificant.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise the discounted cash flow model and the market comparable corporate model. The inputs of the valuation technique mainly include future cash flow, PBR (price/book ratio) of companies in same category and unit prices of comparable property.

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

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments, including forward currency contracts, interest rate swaps and total return swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts, interest rate swaps and total return swaps are the same as their fair values.

As at 30 June 2021, the market to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value measurement categorised within level 3 adopts the discounted cash flow method. The unobservable inputs are weighted average capital costs and long-term growth rate.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments have been estimated by the most appropriate valuation techniques based on assumptions that are not supported by observable market prices or rates, including: (i) market approach by using initial cost of the investment itself or a multiple of earnings, or of revenue depending on the stage of development of an enterprise; and (ii) income approach by using the discounted cash flows or earnings of underlying business based on reasonable assumptions and estimations of expected future cash flows (or expected future earnings), the terminal value, and the appropriate risk-adjusted rate that captures the risk inherent in the projections.

The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by financial institutions in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

Fair value hierarchy

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

Assets and liabilities measured at fair value:

As at 30 June 2021

	Fair value measurement using			Total Unaudited RMB million
	Quoted prices in active markets (Level 1) Unaudited RMB million	Significant observable inputs (Level 2) Unaudited RMB million	Significant unobservable inputs (Level 3) Unaudited RMB million	
Assets				
Bills receivable	–	2,806	–	2,806
Equity investments designated at fair value through other comprehensive income	29,760	–	4,090	33,850
Financial assets at fair value through profit or loss	1,325	–	13,150	14,475
Derivative financial instruments				
– Forward currency contracts	–	26	–	26
– Interest rate swap	–	10	–	10
– Total return swap	–	–	64	64
– Forward equity contracts	–	–	206	206
– Foreign exchange option	–	–	436	436
	31,085	2,842	17,946	51,873
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	4	–	4

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

Fair value hierarchy (continued)

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

Assets and liabilities measured at fair value: (continued)

As at 31 December 2020

	Fair value measurement using			Total RMB million
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	
Assets				
Bills receivable	–	2,569	–	2,569
Equity investments designated at fair value through other comprehensive income	26,829	–	3,907	30,736
Financial assets at fair value through profit or loss	124	–	10,513	10,637
Derivative financial instruments				
– Forward currency contracts	–	25	–	25
– Total return swap	–	–	104	104
– Forward equity contracts	–	–	206	206
– Foreign exchange option	–	–	305	305
	26,953	2,594	15,035	44,582
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	11	–	11

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

Fair value hierarchy (continued)

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

	For the six months ended 30 June	
	2021 Unaudited RMB million	2020 Unaudited RMB million
At 1 January	15,035	10,775
Total gains/(losses) recognised in the statement of profit or loss included in other gains	97	(195)
Total gains recognised in other comprehensive income	2	9
Purchases	2,937	1,023
Disposal	(125)	(50)
At 30 June	17,946	11,562

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2021

	Fair value measurement using		Total Unaudited RMB million
	Quoted prices in active markets (Level 1) Unaudited RMB million	Significant observable inputs (Level 2) Unaudited RMB million	
Bank borrowings	–	325,965	325,965
Corporate bonds	5,995	16,334	22,329
Other borrowings (excluding lease liabilities)	–	6,582	6,582
Non-public debt instruments	–	5,523	5,523
	5,995	354,404	360,399

As at 31 December 2020

	Fair value measurement using		Total RMB million
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	
Bank borrowings	–	288,448	288,448
Corporate bonds	5,995	11,963	17,958
Non-public debt instruments	–	8,028	8,028
Other borrowings (excluding lease liabilities)	–	6,739	6,739
	5,995	315,178	321,173

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

30. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

	30 June 2021	31 December 2020
	Unaudited	Audited
	RMB million	RMB million
Total borrowings (note 20)	496,356	405,378
Less: Cash and cash equivalents (note 17)	123,234	119,511
Net debt	373,122	285,867
Total equity	369,836	357,804
Total capital	742,958	643,671
Gearing ratio	50.2%	44.4%

The gearing ratio as at 30 June 2021 increased by 5.8% compared with that at the end of 2020.

31. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period of the Group.

32. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 was approved for issue by the Board of Directors on 30 August 2021.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period from 1 January 2021 to 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, none of the Directors, Supervisors or 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 2021, 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.

MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, based on the disclosure information filed with the Hong Kong Stock Exchange on its website in accordance with the requirement of the Securities and Futures Commission of Hong Kong, and so far as the Company is aware of, the interests or short positions of shareholders (other than Directors, Supervisors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed by the Company as recorded in the register required to be maintained under Section 336 of the SFO are as follows:

Name of shareholder ^(Note 1)	Number of shares held	Type of shares	Percentage of the respective type of shares ^(Note 2) (%)	Percentage of the total number of shares in issue ^(Note 3) (%)	Capacity in which the shares are held
CCCG	9,374,616,604 (Long position)	A shares	79.80	57.99	Beneficial owner

OTHER INFORMATION

Note 1: The table is prepared based on the disclosure of interest fillings of the substantial shareholders published on the website of the Hong Kong Stock Exchange for the relevant events as of 30 June 2021.

Note 2: The percentage of respective type of shares is based on 11,747,235,425 A shares and 4,418,476,000 H shares of the Company as at 30 June 2021, respectively.

Note 3: The percentage of total number of shares in issue is based on 16,165,711,425 shares of the total issued share capital of the Company as at 30 June 2021.

Save as stated above, as at 30 June 2021, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

EMPLOYEES

As at 30 June 2021, the Group had 125,632 employees that had signed labor contracts with the Group.

In accordance with applicable regulations, the Group makes contributions to the employees' pension plan, medical insurance plan, unemployment insurance plan, maternity insurance plan and personal injury insurance plan. The amount of contributions is based on the specified percentages of employees' aggregate salaries as provided for by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides other benefits to current employees and retired employees. Current employees of the Group are also entitled to performance-based annual bonus.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance. The Board believes that, save as disclosed below, the Company complied with all code provisions as set out in the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules for the six months ended 30 June 2021.

Pursuant to Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman of the board of directors and the chief executive should be separate and should not be performed by the same individual. A deviation from Code Provision A.2.1 occurred during the period from 1 January 2021 to 7 April 2021 as the roles of the chairman of the Board and the president of the Company were concurrently performed by Mr. Wang Tongzhou temporarily due to the resignation of Mr. Liu Qitao as the chairman of the Board and the resignation of Mr. Song Hailiang as the president of the Company. Notwithstanding, the Board believes that the balance of power and authority during abovementioned period was adequately ensured by the operation of the Board, which comprises experienced talents with a sufficient number thereof being independent non-executive Directors. As a commitment to retain high level of corporate governance and continuous efforts to comply with the Hong Kong Listing Rules, on 7 April 2021, Mr. Wang Tongzhou resigned as the president of the Company and Mr. Wang Haihui was appointed as the president of the Company. Since then, the roles of chairman of the Board and the chief executive of the Company have been separate in compliance with Code Provision A.2.1.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 7 April 2021, to devote more efforts to the construction of the Board, Mr. Wang Tongzhou (the chairman of the Board and an executive Director) resigned as the president of the Company. On the same day, Mr. Wang Haihui was appointed as the president of the Company. For details, please refer to the announcement of the Company dated 7 April 2021.

OTHER INFORMATION

On 10 June 2021, as approved by the Shareholders at the annual general meeting, Mr. Wang Haihui and Mr. Liu Xiang were appointed as the executive Directors of the Company. At the Board meeting held on 10 June 2021, Mr. Wang Haihui was elected as a member of the strategy and investment committee and the nomination committee of the Company and Mr. Liu Xiang was elected as a member of the strategy and investment committee of the Company. For details, please refer to the announcements of the Company dated 29 April 2021 and 10 June 2021 and the circular of the Company dated 18 May 2021.

On 10 June 2021, as approved by the Shareholders at the annual general meeting, Mr. Zhao Xi'an was appointed as a Shareholder representative Supervisor of the Company. At the meeting of the Supervisory Committee held on 10 June 2021, Mr. Zhao Xi'an was elected as the chairman of the Supervisory Committee. In the meanwhile, the resignation letter from Mr. Li Sen, received by the Supervisory Committee on 29 April 2021, also took effect at the conclusion of the annual general meeting. For details, please refer to the announcements of the Company dated 29 April 2021 and 10 June 2021 and the circular of the Company dated 18 May 2021.

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 2021 to 30 June 2021.

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 2021. 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

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended 30 June 2021.

CONTINUING CONNECTED TRANSACTIONS

During the period from 1 January 2021 to 30 June 2021, the Group carried out continuing connected transactions with CCGG, CCCC Leasing, CCCC Tianhe and CCCC Intelligence Transportation.

CCGG is the controlling Shareholder of the Company holding approximately 57.99% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. CCCC Leasing, CCCC Tianhe and CCCC Intelligence Transportation are all subsidiaries of the Company and are held as to over 10% by CCGG or its subsidiaries. Thus, CCCC Leasing, CCCC Tianhe and CCCC Intelligence Transportation are connected subsidiaries of the Company under Rule 14A.16 of the Hong Kong Listing Rules.

OTHER INFORMATION

The annual caps for the continuing connected transactions of the Company for the year ending 31 December 2021 as compared with the actual transaction amounts for the first half of 2021 are set out as follows:

	Annual cap for 2021 <i>(RMB million)</i>	Actual amount for the first half of 2021 <i>(RMB million)</i>
1. Mutual Project Contracting Framework Agreement		
Project contracting service fees receivable by the Group from CCCG Group	19,200	4,992
Labour and subcontracting service fees payable by the Group to CCCG Group	4,500	1,342
2. Mutual Product Sales and Purchase Agreement		
Aggregate amount for the fees receivable by the Group from CCCG Group	1,200	415
Aggregate amount for the fees payable by the Group to CCCG Group	4,000	608
3. Leasing and Asset Management Services Framework Agreement		
Leasing of certain buildings and plants, auxiliary facilities and equipment for production and operation and other products by CCCG Group to the Group	320	135
4. Financial Services Agreement		
Maximum daily balance (including the interests accrued thereon) of credit services provided by CCCC Finance to CCCG Group	3,965	3,495
Fees receivable to be charged by CCCC Finance from CCCG Group for provision of other financial services	1	-
5. Finance Lease and Commercial Factoring Agreement		
Aggregate amount of the finance lease services provided by CCCC Leasing to CCCG Group	6,000	1,304
Aggregate amount of the commercial factoring services provided by CCCC Leasing to CCCG Group	6,000	2,601
6. Finance Lease and Commercial Factoring Framework Agreement		
Aggregate amount of the finance lease services provided by CCCC Leasing to the Group	26,000	2,741
Aggregate amount of the commercial factoring services provided by CCCC Leasing to the Group	26,000	3,080
7. Product Purchase Framework Agreement		
Purchase of engineering products by the Group from CCCC Tianhe and its subsidiaries	500	73
8. Product Leasing Framework Agreement		
Leasing of engineering products by CCCC Tianhe and its subsidiaries to the Group	1,000	151

OTHER INFORMATION

	Annual cap for 2021 <i>(RMB million)</i>	Actual amount for the first half of 2021 <i>(RMB million)</i>
9. Project Contracting Framework Agreement		
Project contracting service fees receivable by the Group from CCCC Intelligence Transportation	200	–
10. Financial Services Framework Agreement		
Maximum daily loan balance (including the interests accrued thereon) provided by CCCC Finance to CCCC Intelligence Transportation and its subsidiaries	460	–

The Company has effective and sufficient control mechanism in place to control the annual caps of continuing connected transactions and ensure such caps will not be exceeded. The control measures adopted by the Company are as follows:

- (i) leveraging historical experience and operation plans, the Company enters into continuing connected transaction framework agreements for a term of three years and set annual caps on the basis of the assessment on necessity and fairness of potential connected transactions. These agreements and proposed annual caps are subject to necessary decision-making and approval procedures, including but not limited to review and consideration by independent directors, the audit and internal control committee under the Board, the Board, the supervisory committee and the Shareholders' general meeting of the Company pursuant to their respective authorisation. Implementation will be organized upon approval after review and consideration;
- (ii) the Company carries out daily supervision on the overall implementation and actual transaction amounts of continuing connected transactions. For financial services agreement and finance lease and commercial factoring agreement, CCCC Finance and CCCC Leasing (subsidiaries of the Company), as non-bank financial institutions, report actual maximum daily loan balance (including the interests accrued thereon) and actual aggregate amount of finance lease services and commercial factoring services provided on a monthly basis, and predict the transaction amount of the outstanding period of the relevant year on a quarterly basis. For other continuing connected transaction agreements, the subsidiaries of the Company report actual transaction amount (including the actual transaction amount of the relevant quarter and accumulated actual transaction amount) and predict the transaction amount of the outstanding period of the relevant year on a quarterly basis. Meanwhile, the Company will allocate the caps of continuing connected transactions for the next year to the implementers of relevant transactions at the end of every year;
- (iii) the implementers shall bring forward the need for increasing the caps of continuing connected transactions in time when it occurs during implementation based on changes in business development. The Company will start decision-making procedures for revising caps in due course after assessing necessity and fairness of the continuing connected transactions;
- (iv) whenever the actual transaction amount of relevant continuing connected transaction reaches 80% of the existing annual caps, the transaction implementers shall make a new prediction on whether the transaction amount of the outstanding period of the relevant year will satisfy operation needs and shall provide the Company with relevant transaction information so that the Company can realize better supervision and start decision-making procedures for revising caps in time after assessing necessity and fairness; and
- (v) by the end of every year, the Company will make a new prediction about the proposed caps of continuing connected transaction for the next year based on the latest actual situation of the relevant transaction of the current year, and re-assess the plan for the continuing connected transaction for next year after evaluating the necessity and fairness. If the re-assessment is consistent with the existing annual caps, the transactions shall be implemented following above procedures, and if it is expected to exceed the caps, the decision-making procedure for revising caps shall be started.

OTHER INFORMATION

In the first half of 2021, in view of the changes encountered in the management of connected transactions during the reform and development of the Company, the Company has been focusing on the following tasks:

- (i) Developed the Special Working Plan for Related-Party (Connected) Transaction Management. The Company focused to have improvements in 5 aspects: responsibility identification, training enhancement, intelligent management, key enterprises supervision and accountability, with an aim to implement practicable management and develop a full coverage and specific accountability management system regarding connected transactions.
- (ii) Established and operated a related-party (connected) transaction management system. The Company implemented a monthly reporting system at all levels regarding connected transactions, to supervise monthly statistics and annual caps by connected persons identification, reporting and verification through the system. The Company also enhanced standardized and refined management gradually, and provided the Company with the information regarding connected transactions on a timely manner so as to have a basis for decision-making at the Board and general meetings.
- (iii) Organized training courses on related-party (connected) transactions to all levels of the Company. The Company invited its legal advisors to explain key regulatory and punitive measures for A+H shares listed in China and Hong Kong. The Company also propagandized the Special Working Plan for Related-Party (Connected) Transaction Management, explained Related-Party (Connected) Transaction Management Measures, and introduced the Manual for Risk Prevention for Related-Party (Connected) Transaction, to reach consensus among all-level units regarding the urgency, importance and necessity for strengthening connected transaction management, to avoid the weak awareness by the lower level and to enhance compliance awareness over connected transactions of all members.
- (iv) Conducted special supervision for key enterprises and implemented targeted and differentiated management for each enterprise with respective policy. The Company helped each unit to develop a management system for related-party (connected) transactions that meets its own business development needs in accordance with its own business situation, management characteristics and workflow to establish a mechanism for managing related-party (connected) transactions.
- (v) Formulated the Manual for Risk Prevention for Related-Party (Connected) Transaction. According to the type and nature of related-party (connected) transactions, the risk points of related-party (connected) transactions are sorted out and risk prevention measures are provided, with the aim of improving the standardization of related-party (connected) transaction management and preventing compliance risks.

TERMS & GLOSSARIES

“Board”	the board of directors of the Company
“CCCC Finance”	CCCC Finance Company Limited* (中交財務有限公司), a subsidiary of the Company
“CCCC Intelligence Transportation”	CCCC Intelligence Transportation Company Limited* (中交智運有限公司), a connected subsidiary of the Company
“CCCC Leasing”	CCCC Financial Leasing Co., Ltd.* (中交融資租賃有限公司), a connected subsidiary of the Company
“CCCC Tianhe”	CCCC Tianhe Machinery and Equipment Manufacturing Co., Ltd.* (中交天和機械設備製造有限公司), a connected subsidiary of the Company
“CCCG”	China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds approximately 57.99% equity interest in the Company
“CCCG Group”	CCCG and its subsidiaries, excluding the Company and its subsidiaries
“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
“Director(s)”	the director(s) of the Company
“Group”	the Company itself and all of its subsidiaries
“HKD”	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” or “China” or “Mainland China”	the People’s Republic of China, for the purposes of this announcement, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB” or “Renminbi”	the lawful currency of the PRC

TERMS & GLOSSARIES

“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Shareholder(s)”	the shareholder(s) of the Company
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“USD”	United States dollars, the lawful currency of the United States of America
“%”	percent

I. CORPORATE INFORMATION

Legal name of the Company in Chinese: 中國交通建設股份有限公司
Legal Chinese abbreviation of the Company: 中國交建
Legal name of the Company in English: China Communications Construction Company Limited
Legal English abbreviation of the Company: CCCC
Legal representative of the Company: WANG Tongzhou

II. CONTACT PERSON AND CONTACT DETAILS

Secretary to the Board of the Company: ZHOU Changjiang
Address: 85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Tel: 8610-82016562
Fax: 8610-82016524
E-mail: ir@ccccltd.cn

III. BASIC INFORMATION

Registered address of the Company: 85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Postal code: 100088
Office address of the Company: 85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Postal code: 100088
Company website: <http://www.ccccltd.cn>
E-mail: ir@ccccltd.cn

IV. INFORMATION DISCLOSURE AND PLACE AVAILABLE FOR INSPECTION

Newspapers designated by the Company for disclosure of information (A Shares):
China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by China Securities Regulatory Commission for publishing interim reports of A Shares:
www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publishing interim reports of H Shares:
www.hkexnews.hk

Place available for inspection of the Company's interim reports of A Shares:
19th Floor, 85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Place available for inspection of the Company's interim reports of H Shares:
Room 2805, 28th Floor, Convention Plaza Office Tower, 1 Harbour Road, Wanchai, Hong Kong, China

CORPORATE INFORMATION

V. BASIC INFORMATION ON SHARES OF THE COMPANY

Listing place of A Shares: Shanghai Stock Exchange
Abbreviation of A Shares: 中國交建
Stock code of A Shares: 601800

Listing place of H Shares: The Stock Exchange of Hong Kong Limited
Abbreviation of H Shares: CHINA COMM CONS
Stock code of H Shares: 01800

VI. OTHER INFORMATION OF THE COMPANY

Domestic Auditors:
Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue,
Dong Cheng District, Beijing, China
Signing auditors: CHEN Jing and WANG Jing

International Auditors:
Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Signing auditor: WONG Man Kit

Hong Kong legal advisors:
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14/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

PRC legal advisors:
Guantao Law Firm
18/F, Tower B, Xincheng Plaza, 5 Finance Street, Xicheng District, Beijing, China

Authorised representatives of H Shares: WANG Tongzhou, ZHOU Changjiang

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



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