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To the shareholders of China Communications Construction Company Limited

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

OPINION

We have audited the consolidated financial statements of China Communications Construction Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 125 to 247, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on construction services The Group derives most of its revenue from construction services that is accounted for by measuring progress towards completion of the performance obligations (measuring progress). The measuring progress method involves the use of significant judgements and estimates, including estimates of total contract revenue and total contract cost. The management of the Group will continue to reappraise total contract revenue and total cost according to the scope of deliveries and services required, remaining cost to completion, etc. In addition, revenue and cost realised on such contracts can vary (sometimes significantly) from the Group's original estimates because of changes in conditions. The accounting policies and disclosures for the revenue recognition on construction services are included in notes 2.4, 3, and 5 to the financial statements.	We evaluated and tested the Group's internal controls over the process to recognise revenue, including the records of expected contract costs and contract revenue, and revenue recognised based on the measurement of the progress toward satisfaction of the performance obligations. We selected material construction contracts to review key contract terms and checked the expected total contract revenue and contract costs. We examined the contract costs incurred by selecting samples to reconcile with related documents. We performed cut-off testing procedures to check if the costs had been recognised in the appropriate accounting period. We re-calculated the proportion of the actual cost incurred relative to the estimated total cost and the revenue recognised under the measuring progress method. In addition, we performed analytical procedures on the gross margins of material construction contracts of the Group.
Impairment of contract assets, trade receivables and long-term receivables The impairment of contract assets, trade receivables and long-term receivables was recognised based on the allowance for expected credit loss (ECL). The management of the Group determines the ECL of contract assets, trade receivables and long-term receivables based on historical information of settlement of contract assets and collection of trade receivables and long-term receivables, customers' creditworthiness, and forward-looking economic conditions, etc, involving the use of significant judgements and estimates. The accounting policies and disclosures for the impairment of contract assets, trade receivables and long-term receivables are included in notes 2.4, 3, 24 and 25 to the financial statements.	We evaluated and tested the Group's internal controls over the process to recognise the allowance for ECL of contract assets, trade receivables and long-term receivables. We reviewed the management's analysis of historical information of settlement of contract assets and collection of trade receivables and long-term receivables. We tested the accuracy of the ageing of trade receivables and long-term receivables balances by tracing details of selected samples to related documents. We evaluated the management's credit risk assessment on contract assets, trade receivables and long-term receivables.
Impairment assessment on concession assets For those concession assets with indications of impairment, the management of the Group performed impairment tests thereon to ascertain the recoverable amounts of such concession assets. The recoverable amounts of such assets are determined using the discounted cash flow method which requires the Group to make assumptions on the underlying cash flow forecasts. The assumptions include expectations for the traffic volume, necessary maintenance and operating costs incurred for the concession assets, and discount rates. The assessment of recoverable amounts involves significant judgements and estimation. The accounting policies and disclosures for the impairment assessment on concession assets are included in notes 2.4, 3 and 17 to the financial statements.	We evaluated and tested the Group's internal controls over the process of impairment assessment on concession assets. We evaluated the competence, capabilities and objectivity of management's specialists employed by the Group. We obtained an understanding of the work of management's specialists employed by the Group. We evaluated and concluded whether the results of the specialist's work supported the relevant assertions in the financial statements. We reviewed the basis and assumptions used in the cash flow forecasts by comparing with the projected traffic volume, the current operation of these concession assets and the development plan of relevant areas in which these concession assets operated. We compared the prior year's forecast with the Group's actual performance in 2019. We also evaluated the reasonableness of the discount rates.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheong Ming Yik, Hoffman.

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019** ***RMB million***	2018 *RMB million*
Revenue	*4, 5*	**552,542**	488,666
Cost of sales		**(483,411)**	(424,055)
Gross profit		**69,131**	64,611
Other income	*5*	**4,823**	4,051
Other gains, net	*5*	**2,180**	1,892
Selling and marketing expenses		**(1,158)**	(1,177)
Administrative expenses		**(34,902)**	(31,800)
Impairment losses on financial and contract assets, net		**(4,345)**	(2,753)
Other expenses		**(1,658)**	(1,503)
Operating profit		**34,071**	33,321
Finance income	*7*	**8,535**	5,314
Finance costs, net	*8*	**(15,229)**	(12,660)
Share of profits and losses of:			
– Joint ventures		**(117)**	168
– Associates		**202**	(97)
Profit before tax	*6*	**27,462**	26,046
Income tax expense	*11*	**(5,848)**	(5,608)
Profit for the year		**21,614**	20,438
Attributable to:			
– Owners of the parent		**20,094**	19,819
– Non-controlling interests		**1,520**	619
		21,614	20,438
Earnings per share attributable to ordinary equity holders of the parent	*13*		
Basic		**RMB1.16**	RMB1.16
Diluted		**RMB1.16**	RMB1.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 *RMB million*	2018 *RMB million*
Profit for the year	**21,614**	20,438
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax:		
Actuarial gains/(losses) on retirement benefit obligations	**15**	(49)
Share of other comprehensive loss of joint ventures and associates	**(4)**	–
Changes in fair value of equity investments designated at fair value through other comprehensive income	**5,732**	(3,017)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**5,743**	(3,066)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax:		
Cash flow hedges	**3**	(4)
Share of other comprehensive loss of joint ventures and associates	**(168)**	(106)
Exchange differences on translation of foreign operations	**390**	249
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**225**	139
Other comprehensive income/(loss) for the year, net of tax	**5,968**	(2,927)
Total comprehensive income for the year	**27,582**	17,511
Attributable to:		
– Owners of the parent	**26,047**	16,908
– Non-controlling interests	**1,535**	603
	27,582	17,511

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB million	2018 RMB million
Non-current assets			
Property, plant and equipment	14	**57,471**	56,365
Investment properties	15	**3,973**	3,463
Right-of-use assets	16(b)	**13,561**	–
Prepaid land lease payments	16(a)	**–**	9,683
Intangible assets	17	**219,227**	188,370
Investments in joint ventures	18	**24,715**	18,646
Investments in associates	19	**27,343**	23,019
Financial assets at fair value through profit or loss	20	**6,723**	5,893
Debt investments at amortised cost		**111**	109
Equity investments designated at fair value through other comprehensive income	21	**25,018**	21,257
Trade and other receivables	24	**178,008**	118,967
Contract assets	25	**30,268**	28,698
Deferred tax assets	31	**5,213**	4,504
Total non-current assets		**591,631**	478,974
Current assets			
Inventories	23	**62,070**	46,861
Trade and other receivables	24	**223,832**	195,887
Contract assets	25	**116,236**	103,981
Financial assets at fair value through profit or loss	20	**415**	155
Derivative financial instruments	26	**777**	250
Restricted bank deposits and time deposits with an initial term of over three months	27	**6,627**	6,955
Cash and cash equivalents	27	**118,812**	127,413
Total current assets		**528,769**	481,502
Current liabilities			
Trade and other payables	28	**362,773**	314,496
Contract liabilities	29	**82,808**	81,953
Derivative financial instruments	26	**5**	2
Tax payable		**5,932**	4,034
Interest-bearing bank and other borrowings	30	**74,372**	79,243
Retirement benefit obligations	32	**126**	141
Total current liabilities		**526,016**	479,869
Net current assets		**2,753**	1,633
Total assets less current liabilities		**594,384**	480,607

Continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB million	2018 RMB million
Total assets less current liabilities		**594,384**	480,607
Non-current liabilities			
Trade and other payables	28	**23,778**	17,185
Interest-bearing bank and other borrowings	30	**264,415**	215,384
Deferred income		**1,049**	827
Deferred tax liabilities	31	**6,345**	5,162
Retirement benefit obligations	32	**993**	1,152
Provisions	33	**1,425**	1,215
Total non-current liabilities		**298,005**	240,925
Net assets		**296,379**	239,682
Equity			
Equity attributable to owners of the parent			
Share capital	34	**16,175**	16,175
Share premium	34	**19,656**	19,656
Financial instruments classified as equity	35	**30,423**	24,426
Reserves	36	**163,899**	136,921
		230,153	197,178
Non-controlling interests		**66,226**	42,504
Total equity		**296,379**	239,682

Liu Qitao
Director

Song Hailiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Notes	Attributable to owners of the parent							
		Share capital RMB million	Share premium RMB million	Financial instruments classified as equity RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
As at 31 December 2018		16,175	19,656	24,426	26,312	110,609	197,178	42,504	239,682
Profit for the year		-	-	-	-	20,094	20,094	1,520	21,614
Other comprehensive income/(loss) for the year:									
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	-	5,732	-	5,732	-	5,732
Cash flow hedges, net of tax		-	-	-	3	-	3	-	3
Share of other comprehensive loss of joint ventures and associates		-	-	-	(172)	-	(172)	-	(172)
Actuarial gains on retirement benefit obligations, net of tax		-	-	-	15	-	15	-	15
Exchange differences on translation of foreign operations		-	-	-	375	-	375	15	390
Total comprehensive income for the year		-	-	-	5,953	20,094	26,047	1,535	27,582
Final 2018 dividend declared	12	-	-	-	-	(3,733)	(3,733)	-	(3,733)
Dividends to non-controlling shareholders		-	-	-	-	-	-	(280)	(280)
Capital contribution from non-controlling shareholders		-	-	-	5,894	-	5,894	18,182	24,076
Share of other reserves of joint ventures and associates		-	-	-	70	-	70	-	70
Issue of renewable corporate bonds and perpetual medium-term notes		-	-	10,960	-	-	10,960	6,980	17,940
Redemption of medium-term notes		-	-	(4,963)	-	-	(4,963)	(2,000)	(6,963)
Interests on perpetual medium-term notes		-	-	-	-	(566)	(566)	(1,607)	(2,173)
Dividend on preference shares		-	-	-	-	(718)	(718)	-	(718)
Transaction with non-controlling interests		-	-	-	(16)	-	(16)	(63)	(79)
Acquisition of subsidiaries	40	-	-	-	-	-	-	996	996
Disposal of subsidiaries	41	-	-	-	-	-	-	(21)	(21)
Transfer to statutory surplus reserve	36(b)	-	-	-	358	(358)	-	-	-
Transfer from general reserve	36(c)	-	-	-	(131)	131	-	-	-
Transfer from safety production reserve	36(d)	-	-	-	(14)	14	-	-	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	21	-	-	-	(3,110)	3,110	-	-	-
As at 31 December 2019		16,175	19,656	30,423	35,316*	128,583*	230,153	66,226	296,379

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

		Attributable to owners of the parent							
	Notes	Share capital *RMB million*	Share premium *RMB million*	Financial instruments classified as equity *RMB million*	Other reserve *RMB million*	Retained earnings *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
As at 31 December 2017		16,175	19,656	19,431	28,443	97,217	180,922	24,672	205,594
Effect of adoption of IFRS 9, net of tax		–	–	–	85	(718)	(633)	(9)	(642)
As at 1 January 2018		16,175	19,656	19,431	28,528	96,499	180,289	24,663	204,952
Profit for the year		–	–	–	–	19,819	19,819	619	20,438
Other comprehensive income/(loss) for the year:									
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	(3,017)	–	(3,017)	–	(3,017)
Cash flow hedges, net of tax		–	–	–	(4)	–	(4)	–	(4)
Share of other comprehensive loss of joint ventures and associates		–	–	–	(106)	–	(106)	–	(106)
Actuarial loss on retirement benefit obligations, net of tax		–	–	–	(49)	–	(49)	–	(49)
Exchange differences on translation of foreign operations		–	–	–	265	–	265	(16)	249
Total comprehensive income for the year		–	–	–	(2,911)	19,819	16,908	603	17,511
Final 2017 dividend declared		–	–	–	–	(3,913)	(3,913)	–	(3,913)
Dividends to non-controlling shareholders		–	–	–	–	–	–	(116)	(116)
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	3,402	3,402
Share of other reserves of joint ventures and associates		–	–	–	9	–	9	–	9
Issue of perpetual medium-term notes		–	–	4,995	–	–	4,995	14,223	19,218
Interests on perpetual medium-term notes		–	–	–	–	(300)	(300)	(617)	(917)
Dividend on preference shares		–	–	–	–	(718)	(718)	–	(718)
Transaction with non-controlling interests		–	–	–	(92)	–	(92)	(36)	(128)
Acquisition of subsidiaries		–	–	–	–	–	–	805	805
Disposal of subsidiaries	*41*	–	–	–	–	–	–	(423)	(423)
Transfer to statutory surplus reserve	*36(b)*	–	–	–	526	(526)	–	–	–
Transfer to general reserve	*36(c)*	–	–	–	113	(113)	–	–	–
Transfer to safety production reserve	*36(d)*	–	–	–	139	(139)	–	–	–
As at 31 December 2018		16,175	19,656	24,426	26,312*	110,609*	197,178	42,504	239,682

* As at 31 December 2019, these reserve accounts comprise the consolidated reserves of RMB163,899 million (31 December 2018: RMB136,921 million) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB million	2018 RMB million
Cash flows from operating activities			
Profit before tax		**27,462**	26,046
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties	6	**8,885**	8,395
– Depreciation of right-of-use assets	6	**1,424**	–
– Amortisation of prepaid land lease payments	6	**–**	125
– Amortisation of intangible assets	6	**1,919**	1,612
– Gains on disposal of items of property, plant and equipment and other long-term assets	5	**(527)**	(472)
– Gains from business combinations achieved in stages	5	**–**	(236)
– Fair value (gains)/losses on financial assets at fair value through profit or loss	5	**(614)**	12
– Fair value (gains)/losses on derivative financial instruments	5	**(179)**	236
– Gains on disposal of financial assets at fair value through profit or loss	5	**(9)**	(109)
– Gains on disposal of subsidiaries	5	**(741)**	(482)
– Losses on disposal of joint ventures and associates	5	**2**	1
– Dividend income from financial assets at fair value through profit or loss	5	**(119)**	(160)
– Dividend income from equity investments designated at fair value through other comprehensive income	5	**(1,087)**	(700)
– Income on derivative financial instruments	5	**(247)**	(83)
– Other income from investing activities		**(39)**	(68)
– Share of profits of joint ventures and associates, net	18, 19	**(85)**	(71)
– Write-down of inventories	6	**93**	5
– Provision for impairment of concession assets	6	**–**	35
– Provision for foreseeable gains on contract assets		**–**	(125)
– Provision for impairment of contract assets	6	**255**	254
– Provision for impairment of trade and other receivables	6	**4,089**	2,498
– Interest income	7	**(8,535)**	(5,495)
– Interest expenses	8	**13,834**	10,024
– Net foreign exchange losses on borrowings	8	**186**	249
		45,967	41,491
Increase in inventories		**(15,229)**	(5,513)
Increase in contract assets		**(16,819)**	(3,999)
Decrease/(increase) in restricted bank deposits		**328**	(1,753)
Increase in trade and other receivables		**(61,998)**	(67,480)
Increase in trade and other payables		**53,371**	44,934
Increase in contract liabilities		**1,411**	5,505
Decrease in retirement benefit obligations		**(173)**	(54)
Increase/(decrease) in provisions		**210**	(293)
Increase in deferred income		**222**	158
Cash generated from operations		**7,290**	12,996
Interest income from operating activities		**3,254**	1,562
Income tax paid		**(4,613)**	(5,460)
Net cash flows from operating activities		**5,931**	9,098

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB million	2018 RMB million
Net cash flows from operating activities		**5,931**	9,098
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(9,881)**	(14,005)
Additions to right-of-use assets/prepaid land lease payments		**(833)**	(2,256)
Purchases of intangible assets and long-term assets		**(52,992)**	(22,246)
Purchases of investment properties		**(53)**	(311)
Proceeds from disposal of items of property, plant and equipment		**1,395**	851
Proceeds from disposal of right-of-use assets/prepaid land lease payments		**49**	20
Proceeds from disposal of intangible assets		**2**	9
Additional investments in associates		**(5,529)**	(4,882)
Additional investments in joint ventures		**(6,488)**	(8,473)
Acquisition of subsidiaries	40	**(1)**	780
Net inflow/(outflow) of cash in respect of the disposal of subsidiaries, joint venture and associates		**39**	(309)
Purchases of equity investments designated at fair value through other comprehensive income		**(1,470)**	(637)
Purchases of financial assets at fair value through profit or loss		**(1,214)**	(1,995)
Purchases of derivative financial instruments		**(583)**	–
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**5,373**	5
Proceeds from disposal of financial assets at fair value through profit or loss		**225**	3,351
Proceeds from disposal of other debt instruments		**–**	116
Loans to joint ventures, associates and third parties		**(5,856)**	(8,629)
Repayment of loans from joint ventures, associates and third parties		**7,274**	4,332
Interest received		**1,693**	1,562
Changes in time deposits with an initial term of over three months		**(1)**	(78)
Cash consideration received of concession assets		**1,128**	931
Dividends received		**2,010**	1,552
Net cash flows used in investing activities		**(65,713)**	(50,312)
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		**22,111**	3,402
Redemption of medium-term notes		**(6,963)**	–
Dividend paid to non-controlling interests of subsidiaries		**(249)**	(120)
Proceeds from financial instruments classified as equity		**17,940**	19,218
Distributions paid to holders of financial instruments classified as equity		**(2,612)**	(1,646)
Proceeds from bank and other borrowings		**173,067**	144,998
Repayments of bank and other borrowings		**(131,031)**	(109,871)
Interest paid for bank and other borrowings		**(15,936)**	(13,206)
Repayments of loans from the parent company		**–**	(450)
Transaction with non-controlling interests		**(79)**	(115)
Dividends paid to equity holders of the parent		**(3,733)**	(3,913)
Principal portion of lease payments		**(1,592)**	–
Other financing		**–**	334
Net cash flows from financing activities		**50,923**	38,631
Net decrease in cash and cash equivalents		**(8,859)**	(2,583)
Cash and cash equivalents at beginning of year	27	**127,413**	129,197
Effect of foreign exchange rate changes, net		**258**	799
Cash and cash equivalents at end of year	27	**118,812**	127,413

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 (Limted). ("CCCG"), the parent company and a state-owned enterprise established in the PRC. The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 15 December 2006 and the A shares of the Company were listed on the Shanghai Stock Exchange on 9 March 2012. The address of the Company's registered office is 85 De Sheng Men Wai Street, Xicheng District, Beijing, the PRC.

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

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Unlisted –						
China Harbour Engineering Co., Ltd. ("CHEC")	PRC and other regions	Limited liability company	RMB3,278	50%	50%	Infrastructure construction
China Road and Bridge Corporation	PRC and other regions	Limited liability company	RMB3,889	96.37%	3.63%	Infrastructure construction
CCCC First Harbour Engineering Co., Ltd. ("CFHCC")	PRC	Limited liability company	RMB6,671	90.09%	–	Infrastructure construction
CCCC Second Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB4,397	86.64%	–	Infrastructure construction
CCCC Third Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB6,021	89.31%	–	Infrastructure construction
CCCC Fourth Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB4,966	86.23%	–	Infrastructure construction
CCCC First Highway Engineering Group Co., Ltd.	PRC	Limited liability company	RMB6,077	87.25%	–	Infrastructure construction
CCCC Second Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB3,465	81.94%	–	Infrastructure construction
Road & Bridge International Co., Ltd.	PRC	Limited liability company	RMB3,413	82.75%	–	Infrastructure construction
CCCC Third Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB2,156	70%	–	Infrastructure construction
CCCC Fourth Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB1,939	79.92%	–	Infrastructure construction
CCCC Water Transportation Consultants Co., Ltd.	PRC	Limited liability company	RMB818	100%	–	Infrastructure design

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1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CCCC Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB730	100%	–	Infrastructure design
CCCC First Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB723	100%	–	Infrastructure design
CCCC Second Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB428	100%	–	Infrastructure design
CCCC Third Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB731	100%	–	Infrastructure design
CCCC Fourth Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB630	100%	–	Infrastructure design
CCCC First Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB856	100%	–	Infrastructure design
CCCC Second Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB872	100%	–	Infrastructure design
China Highway Engineering Consultants Co., Ltd.	PRC	Limited liability company	RMB750	100%	–	Infrastructure design
China Infrastructure Maintenance Group Co., Ltd.	PRC	Limited liability company	RMB583	100%	–	Infrastructure design
CCCC Dredging (Group) Co., Ltd.	PRC	Limited liability company	RMB11,775	99.9%	0.1%	Dredging
CCCC Investment Co., Ltd. ("CCCC Investment")	PRC	Limited liability company	RMB10,551	100%	–	Investment holding
CCCC Xi'an Road Construction Machinery Co., Ltd.	PRC	Limited liability company	RMB433	54.31%	45.69%	Manufacture of road construction machinery
China Highway Vehicle & Machinery Co., Ltd.	PRC	Limited liability company	RMB168	100%	–	Trading of motor vehicle spare parts
Chuwa Bussan Co., Ltd.	Japan	Limited liability company	JPY12,021	99.82%	–	Trading of machinery
CCCC Shanghai Equipment Engineering Co., Ltd.	PRC	Limited liability company	RMB10	55%	–	Maintenance and repair of port machinery

Continued/...

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CCCC Mechanical & Electrical Engineering Co., Ltd.	PRC	Limited liability company	RMB833	60%	40%	Trading of machinery
China Communications Materials & Equipment Co., Ltd.	PRC	Limited liability company	RMB1,734	100%	–	Trading of construction materials and equipment
CCCC Finance Company Limited ("CCCC Finance")	PRC	Limited liability company	RMB3,500	95%	–	Financial service
CCCC International Holding Limited ("CCCI")	Hong Kong	Limited liability company	HK$2,372	100%	–	Investment holding
CCCC Financial Leasing Co., Ltd. ("CCCC Financial Leasing")	PRC	Limited liability company	RMB5,000	45%	25%	Financial service
CCCC Fund Management Co., Ltd.	PRC	Limited liability company	RMB100	100%	–	Fund management
CCCC Asset Management Co., Ltd.	PRC	Limited liability company	RMB18,062	21.04%	78.96%	Asset management
CCCC Urban Investment Co., Ltd.	PRC	Limited liability company	RMB3,710	100%	–	Investment holding
CCCC Beijing-Tianjin-Hebei Investment Development Co., Ltd.	PRC	Limited liability company	RMB300	100%	–	Investment holding

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, equity investments and certain other financial assets which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16

IFRS 16 replaces IAS *17 Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

New definition of a lease

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

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

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

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

- Applying the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

Financial impact at 1 January 2019

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (continued)

Financial impact at 1 January 2019 (continued)

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

	RMB million
Operating lease commitments as at 31 December 2018	2,929
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	939
Commitments relating to leases of low-value assets	1
Add: Payments for optional extension periods not recognised as at 31 December 2018	656
	2,645
Weighted average incremental borrowing rate as at 1 January 2019	4.80%
Discounted operating lease commitments as at 1 January 2019	2,238
Add: Commitments relating to leases previously classified as finance leases	797
Lease liabilities as at 1 January 2019	3,035

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform* [1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

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

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

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

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

Interests in joint operations

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

Merger accounting for common control combinations

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

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

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

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

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as expenses in the year in which they are incurred.

Acquisition method of accounting for non-common control combinations

The Group applies the acquisition method to account for non-common control business combinations. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Acquisition method of accounting for non-common control combinations (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments, equity investments and certain financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives used for this purpose are as follows:

– Freehold land	Not depreciated
– Buildings	20 to 40 years
– Machinery	5 to 20 years
– Vessels	10 to 25 years
– Vehicles	5 years
– Other equipment	2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, vessels and machinery under construction or pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for internal use purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of the asset over its estimated useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Concession assets

The Group is engaged in certain service concession arrangements in which the Group carries out construction work (e.g., toll highways, bridges and ports) in exchange for a right for the Group to operate the asset concerned in accordance with pre-established conditions set by the granting authority. In accordance with IFRIC Interpretation 12 *Service Concession Arrangements* (IFRIC 12), the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangibles if the operator receives a right (a license) to charge users of the public service or as financial assets if the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The Group classifies the non-current assets linked to the long-term investment in these concession arrangements as "concession assets" within intangible assets on the statement of financial position if the intangible asset model is adopted. Such concession assets represent the consideration received for its construction service rendered. Once the underlying infrastructure of the concession arrangements is completed, the concession assets are amortised over the term of the concession using the traffic flow method or straight-line method under the intangible asset model.

Trademarks, patents, proprietary technologies and copyrights

Separately acquired trademarks, patents, proprietary technologies and copyrights are shown at historical cost. Trademarks, patents, proprietary technologies and copyrights acquired in a business combination are recognised at fair value at the acquisition date. Trademarks, patents, proprietary technologies and copyrights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives.

Computer software

Acquired computer software license costs are recognised as assets are amortised over their estimated useful lives of 1 to 10 years.

Research and development costs

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 70 years
Buildings	1 to 10 years
Vessels	1 to 25 years
Vehicles	2 to 3 years
Machinery	1 to 5 years
Other equipment	1 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". When a right-of-use asset meets the definition of investment property, it is included in investment properties.

(b) Lease liabilities

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

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

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

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

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs) and presented as a receivable at an amount equal to the net investment in the lease. The finance income of such leases is recognised in the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, total return swaps, forward equity contracts and foreign exchange option. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Financial instruments classified as equity

Financial instruments issued by the Group are classified as equity instruments when all the following conditions have been met:

- The financial instruments have no contractual obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavourable circumstances;

- The financial instruments will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a variable number of its own equity instruments; if the financial instrument is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Financial instruments classified as equity instruments are recognised initially at fair value, net of transaction costs incurred.

Inventories

Inventories comprise raw materials, work in progress, properties under development, completed properties held for sale and finished goods. Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour, other direct costs and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Development cost of properties comprises cost of land use rights, construction costs and borrowing costs eligible for capitalisation incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion. Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the provision of construction services during the warranty period. Provision for these assurance-type warranties granted by the Group are recognised based on the best estimates of the Group, discounted to their present value as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Construction services

Revenue from the provision of infrastructure construction services is recognised over time, using an input method to measure progress toward satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the most likely amount or the expected value method to estimate the amounts of claims, whichever more appropriate, to best predict the amount of variable consideration to which the Group will be entitled.

(b) Provision of design and other services

Revenue from the provision of Infrastructure design and other services is recognised over time, using an input method to measure progress toward satisfaction of the service, because the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

(c) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(d) Significant financing component

For contracts that include a significant financing component, the Group adjusts the promised amount of consideration for the effects of a significant financing component and recognise revenue as the "cash selling price" of the underlying goods or services at the time of transfer. The "cash selling price" is generated by discounting the promised amount of consideration using the effective interest rate. The Group selects to use the practical expedient that it will not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

(e) Warranty

As required by law or agreed in the contract terms, the Group provides assurance-type warranties that promise the customer that the asset created in the construction services is as specified in the construction contract. The Group recognises such assurance-type warranties as provisions. For the warranties that provide a service to the customer in addition to assurance that the asset created is as specified in the contract, the Group identifies such service-type warranties as a separate performance obligation and allocates the transaction price between construction service and service-type warranties using the proportion of their standalone selling prices. The Group recognises the revenue of service-type warranties when the customer obtains control of the service. In assessing whether a warranty provides a customer with a service in addition to the assurance that the asset created in the construction services complies with the agreed specifications, the Group considers factors including whether the warranty is required by law, the length of the warranty coverage period, and the nature of the tasks that the entity promises to perform.

(f) Principal versus agent

The Group determines whether it is a principal or an agent in the transactions by evaluating whether it controls each specified good or service before that good or service is transferred to the customer. The Group is a principal and recognises revenue in the gross amount of consideration received or receivable if it controls the specified good or service before that good or service is transferred to a customer. Otherwise, the Group is an agent and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party, or is determined by certain agreed amounts or proportions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(g) Contract modifications

If the construction contract between the Group and the customers is modified:

(i) if the creation of new construction service and contract price are separately identified, and the new contract price reflects the separate selling price of the new construction service, the Group will treat the contract modification as a separate contract for accounting;

(ii) if the contract modification does not belong to the above situation (i), and there is a clear distinction between transferred construction services and non-transferred construction services at the date of contract modification, the Group will regard it as the termination of the original contract. Meanwhile, the unperformed part of the original contract and the part of contract modification will be merged into a new contract for accounting;

(iii) if the contract does not belong to the above situation (i), and there is no clear distinction between transferred construction services and non-transferred construction services at the date of contract modification, the Group will treat the part of modification as the component of original contract for accounting. The effect that the contract modification has on the transaction price is recognised as an adjustment to revenue at the date of the contract modification.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier). from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Offsetting of contract assets and contract liabilities

Contract assets and contract liabilities are offset and the net amount is reported in the statement of financial position if they belong to the same contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Past-service costs are recognised immediately in the consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

For defined contribution plans, the full-time employees of the Group in the PRC excluding Hong Kong and Macau ("Mainland China") are covered by the government-sponsored or privately administered pension plans under which the employees are entitled to a monthly pension based on certain formula. The Group pays contributions to these pension plans monthly, on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been made. The contributions are recognised as employee benefit expense as incurred.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or jurisdictions outside Mainland China. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries of fixed sums and length of service.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

(b) Other post-employment obligations

The Group provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Housing funds

All full-time employees of the Group in Mainland China are entitled to participate in various government sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(e) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Measurement of progress toward complete satisfaction of construction services

The Group uses input method to measure the progress toward satisfaction of the performance obligations, and specifically, the proportion of actual construction costs incurred relative to the estimated total costs. Actual construction costs incurred include direct and indirect costs in the process of transferring goods from the Group to customers. The Group believes that contract price is based on construction costs. Therefore, the proportion of actual construction costs incurred relative to the total expected costs can reflect the progress toward satisfaction of construction service. Since the duration of construction is relatively long that it may cover more than one accounting period, the Group will review and revise the budget as the contract carries forward, and adjust revenue accordingly.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Business model

The classification of financial assets upon initial recognition depends on the business model of the Group for managing financial assets. In judging the business model, the Group considers enterprises evaluation, the way of reporting the performance of financial assets to key management personnel, risks affecting the performance of financial assets and their management methods, as well as the way in which relevant business management personnel are paid, etc. In assessing whether to collect the contractual cash flow as the target, the Group needs to analyse and judge the reason, timing, frequency and amounts of the sale of financial assets before the maturity date.

Contractual cash flow characteristics

The classification of financial assets upon initial recognition depends on the contractual cash flow characteristics of financial assets. It is necessary to judge whether the contractual terms only give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, whether there are significant differences compared with the benchmark cash flow when evaluating the correction of the time value of money, and whether the fair value of the prepayment feature is insignificant for financial assets that include prepayment feature, etc.

Determination of control over structured entities

The Group invested in several structured entities which were mainly engaged in infrastructure investment activities. Based on the assessment following the basis of consolidation and accounting policies set out in notes 2.1 and 2.4 respectively, the Group has consolidated certain structured entities that it has control. For the investments that the Group has joint control on they are accounted for as joint ventures in accordance with IAS 28 *Investments in Associates and Joint Ventures*. Equities held indirectly through venture capital organisations, or mutual funds, unit trusts and similar entities including investment-linked insurance funds are accounted for as financial assets at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*. Judgement is involved when performing the assessment. Should those joint ventures and financial assets through profit or loss be consolidated, net assets, revenue and profit of the Group could be affected.

Management applies its judgement to determine whether the control indicators set out in note 2.1 indicate that the Group controls a structured entity.

The Group acts as manager to a number of structured entities and also carries interests in these entities. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity.

Further disclosure in respect of unconsolidated structured entities in which the Group has an interest has been set out in note 22.

Financial instruments classified as equity

Certain financial instruments of the Group, such as preference shares, are classified as equity, as the following conditions have been met:

(i) The financial instruments have no contractual obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavourable circumstances; and

(ii) For the financial instruments that will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a variable number of its own equity instruments; if the financial instrument is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Further details are disclosed in notes 35 and 37.

Determining whether an arrangement contains a lease

The Group entered into general equipment lease arrangements in some construction projects. According to these lease arrangements, there is no identified asset or the supplier has substantive substitution rights for the general equipment. Thus, these general equipment lease arrangements don't contain a lease, the Group take them as service acceptance.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for lease assets due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on operation if a replacement is not readily available.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment assessment on concession assets

The Group operates certain concession assets and their impairment is reviewed whenever events or changes in circumstances indicate that the carrying amounts of the concession assets may not be recoverable in accordance with the accounting policy stated in note 2.4.

The recoverable amounts of the concession assets have been determined based on a value-in-use method. The value-in-use calculations require the use of estimates on discount rates and projections of cash flows from the traffic volume and other income, deducting the necessary maintenance and operating costs incurred for the concession assets.

Based on management's best estimates, as at 31 December 2019, the Group recognised an accumulated impairment of RMB334 million (2018: RMB334 million) to profit or loss for concession assets. Further details are disclosed in note 17.

Fair value of financial instruments

The fair values of listed financial instruments are based on quoted market prices, while the fair values of unlisted financial instruments have been estimated by the most appropriate valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are included in note 46 to the financial statements.

Impairment of goodwill

The Group tests the goodwill for impairment at least annually. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

Based on management's best estimates, as at 31 December 2019, the Group recognised an accumulated impairment of RMB50 million (2018: RMB50 million) to profit or loss for goodwill. Details of the impairment test for goodwill are disclosed in note 17.

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

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's contract assets, trade receivables and long-term receivables is disclosed in note 25 and note 24 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Infrastructure construction and design services

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

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

Income taxes

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed. Further details are disclosed in note 31.

Pension benefits

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. The key assumptions for pension obligations and sensitivity analysis of the discount rate are disclosed in note 32.

Depreciation of property, plant and equipment

Depreciation on the Group's property, plant and equipment is calculated using the straight-line method to allocate cost up to residual values over the estimated useful lives of the assets. Management reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. The accounting estimate of the useful lives of property, plant and equipment is based on historical experience, taking into account anticipated technological changes. When the useful lives differ from the original estimated useful lives, management will adjust the estimated useful lives accordingly. It is possible that actual outcomes in the next financial period are different from estimates made based on historical experience, and then it could cause a material adjustment to the depreciation and carrying amount of the Group's property, plant and equipment. Further details are disclosed in note 14.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

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

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

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

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

(c) dredging (the "Dredging")

(d) others

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

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

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

Segment assets consist primarily of property, plant and equipment, investment properties, right-of-use assets, prepaid land lease payments, intangible assets, inventories, receivables, contract assets, 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 and the assets of headquarter of the Company and the Company's subsidiary, CCCC Finance.

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2019 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2019					
	Construction *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Eliminations** *RMB million*	**Total** *RMB million*
Total gross segment revenue	492,814	38,018	34,578	8,286	(21,154)	552,542
Intersegment sales	(9,289)	(4,287)	(515)	(7,063)	21,154	–
Revenue *(note 5)*	483,525	33,731	34,063	1,223	–	552,542
Segment results	28,336	3,761	1,761	362	31	34,251
Unallocated income						(180)
Operating profit						34,071
Finance income						8,535
Finance costs, net						(15,229)
Share of profits and losses of joint ventures and associates						85
Profit before tax						27,462
Income tax expense						(5,848)
Profit for the year						21,614
Other segment information						
Depreciation and amortisation	9,918	411	1,473	426	–	12,228
Write-down of inventories	59	–	–	34	–	93
Impairment losses recognised in the statement of profit or loss:						
Trade and other receivables	3,504	364	261	(40)	–	4,089
Contract assets	229	11	15	–	–	255
Capital expenditure	44,427	704	1,313	470	–	46,914

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December 2018					
	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Eliminations *RMB million*	Total *RMB million*
Total gross segment revenue	431,817	31,557	32,796	12,402	(19,906)	488,666
Intersegment sales	(7,070)	(3,964)	(310)	(8,562)	19,906	–
Revenue *(note 5)*	424,747	27,593	32,486	3,840	–	488,666
Segment results	27,726	3,510	1,769	604	(364)	33,245
Unallocated income						76
Operating profit						33,321
Finance income						5,314
Finance costs, net						(12,660)
Share of profits and losses of joint ventures and associates						71
Profit before tax						26,046
Income tax expense						(5,608)
Profit for the year						20,438
Other segment information						
Depreciation and amortisation	8,199	274	1,140	519	–	10,132
Write-down of inventories	(7)	–	–	12	–	5
Impairment losses recognised in the statement of profit or loss:						
Concession assets	35	–	–	–	–	35
Trade and other receivables	1,768	343	314	73	–	2,498
Contract assets	288	–	(33)	(1)	–	254
Capital expenditure	37,835	524	1,503	926	–	40,788

4. 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 that of the consolidated financial statements. These assets and liabilities are presented based on the operating segments they are associated with.

The segment assets and liabilities at 31 December 2019 are as follows:

	As at 31 December 2019					
	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Eliminations *RMB million*	Total *RMB million*
Segment assets	856,221	46,613	96,232	68,531	(85,349)	982,248
Investments in joint ventures						24,715
Investments in associates						27,343
Other unallocated assets						86,094
Total assets						1,120,400
Segment liabilities	438,166	28,753	40,463	4,409	(52,447)	459,344
Unallocated liabilities						364,677
Total liabilities						824,021

Segment assets and liabilities at 31 December 2019 are reconciled to entity assets and liabilities as follows:

	Assets *RMB million*	Liabilities *RMB million*
Segment assets/liabilities	982,248	459,344
Investments in joint ventures	24,715	–
Investments in associates	27,343	–
Unallocated:		
Deferred tax assets/liabilities	5,213	6,345
Tax payable	–	5,932
Current borrowings	–	74,372
Non-current borrowings	–	264,415
Other corporate assets/corporate liabilities	80,881	13,613
Total assets/liabilities	1,120,400	824,021

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2019 **RMB million**	2018 *RMB million*
Mainland China	**456,824**	393,489
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**95,718**	95,177
	552,542	488,666

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

(b) Non-current assets

	2019 **RMB million**	2018 *RMB million*
Mainland China	**272,490**	241,291
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**26,080**	20,751
	298,570	262,042

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

Information about a major customer

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

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET

An analysis of revenue is as follows:

	2019 RMB million	2018 RMB million
Revenue from contracts with customers		
Construction	492,814	431,817
Design	38,018	31,557
Dredging	34,578	32,796
Others	8,286	12,402
Intersegment eliminations	(21,154)	(19,906)
	552,542	488,666

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Total RMB million
Type of goods or services					
Infrastructure construction and design services	456,386	33,490	–	93	489,969
Dredging services	–	–	29,739	–	29,739
Others	27,139	241	4,324	1,130	32,834
Total revenue from contracts with customers	483,525	33,731	34,063	1,223	552,542
Geographical markets					
Mainland China	392,628	32,625	30,348	1,223	456,824
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	90,897	1,106	3,715	–	95,718
Total revenue from contracts with customers	483,525	33,731	34,063	1,223	552,542
Timing of revenue recognition					
Services transferred over time	456,218	33,496	29,739	204	519,657
Goods transferred at a point in time	27,307	235	4,324	1,019	32,885
Total revenue from contracts with customers	483,525	33,731	34,063	1,223	552,542

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Total *RMB million*
Type of goods or services					
Infrastructure construction and design services	406,065	27,123	–	415	433,603
Dredging services	–	–	26,875	–	26,875
Others	18,682	470	5,611	3,425	28,188
Total revenue from contracts with customers	424,747	27,593	32,486	3,840	488,666
Geographical markets					
Mainland China	334,769	26,580	28,300	3,840	393,489
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	89,978	1,013	4,186	–	95,177
Total revenue from contracts with customers	424,747	27,593	32,486	3,840	488,666
Timing of revenue recognition					
Services transferred over time	406,303	27,134	27,483	1,116	462,036
Goods transferred at a point in time	18,444	459	5,003	2,724	26,630
Total revenue from contracts with customers	424,747	27,593	32,486	3,840	488,666

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

For the year ended 31 December 2019

Segments	**Construction** *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Revenue from contracts with customers					
External customers	**483,525**	**33,731**	**34,063**	**1,223**	**552,542**
Intersegment sales	**9,289**	**4,287**	**515**	**7,063**	**21,154**
Intersegment adjustments and eliminations	**(9,289)**	**(4,287)**	**(515)**	**(7,063)**	**(21,154)**
Total revenue from contracts with customers	**483,525**	**33,731**	**34,063**	**1,223**	**552,542**

For the year ended 31 December 2018

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

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period.

	2019	2018
	RMB million	*RMB million*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction and others	**32,271**	29,707
Design	**1,651**	1,552
Dredging	**1,614**	1,247
	35,536	32,506

(ii) Performance obligations

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

Construction, design and dredging services

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

Other services

Other services mainly include sale of goods. The performance obligation is satisfied upon delivery of the goods and payments is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

The remaining performance obligations expected to be recognised relate to construction, design, dredging and other services that are to be satisfied within 1 to 5 years.

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

Other income

	2019 **RMB million**	2018 RMB million
Rental income	**616**	747
Revenue from consulting services	**657**	481
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	**1,037**	632
– Unlisted equity instruments	**50**	68
Dividend income from financial assets at fair value through profit or loss	**119**	160
Government grants	**817**	471
Income from sale of waste and materials	**143**	79
Income on derivative financial instruments	**247**	83
Income on debt investments at amortised cost	**5**	8
Others	**1,132**	1,322
	4,823	4,051

Other gains, net

	2019 **RMB million**	2018 RMB million
Gains on disposal of items of property, plant and equipment and other long-term assets	**527**	472
Gains on disposal of subsidiaries	**741**	482
Losses on disposal of joint ventures and associates	**(2)**	(1)
Fair value gains/(losses), net:		
Financial assets at fair value through profit or loss	**614**	(12)
Derivative financial instruments – transactions not qualifying as hedges	**179**	(236)
Gains on disposal of financial assets at fair value through profit or loss	**9**	109
Losses on derecognition of financial assets measured at amortised cost	**(651)**	–
Foreign exchange difference, net	**763**	842
Gains from business combinations achieved in stages	**–**	236
	2,180	1,892

6. PROFIT BEFORE TAX

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

	Notes	2019 RMB million	2018 RMB million
Raw materials and consumables used*		**154,473**	135,420
Cost of goods sold		**15,438**	13,405
Subcontracting costs		**193,885**	164,427
Employee benefit expenses*:			
– Salaries, wages and bonuses		**28,781**	24,987
– Pension costs – defined contribution plans		**3,922**	3,587
– defined benefit plans		**119**	133
– Housing benefits		**1,904**	1,709
– Welfare, medical and other expenses		**14,968**	13,933
		49,694	44,349
Minimum lease payments under operating leases		**–**	12,957
Lease payments not included in the measurement of lease liabilities		**12,929**	–
Business tax and other transaction tax		**2,057**	1,506
Fuel		**3,736**	4,131
Utilities		**1,831**	1,833
Repair and maintenance expenses		**2,335**	2,733
Research and development costs (including raw materials and consumables used, employee benefit expenses, depreciation and amortisation)		**12,592**	10,014
Depreciation of property, plant and equipment and investment properties*	*14,15*	**8,885**	8,395
Depreciation of right-of-use assets* (2018: amortisation of prepaid land lease payments)	*16(a),16(b)*	**1,424**	125
Amortisation of intangible assets*	*17*	**1,919**	1,612
Auditors' remuneration		**24**	22
Write-down of inventories to net realisable value		**93**	5
Impairment of financial and contract assets, net:			
– Impairment of trade and other receivables		**4,089**	2,498
– Impairment of contract assets	25	**255**	254
Reversal of provision for impairment of concession assets		**–**	35

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

7. FINANCE INCOME

	2019 **RMB million**	2018 RMB million
Interest income from:		
– Bank deposits	**831**	811
– Deposit in the Central Bank and interbank placement	**335**	301
– Receivables from Public-Private-Partnership ("PPP") contracts	**3,016**	1,418
– Loan receivables	**1,262**	849
– Others	**3,091**	1,935
	8,535	5,314

8. FINANCE COSTS, NET

An analysis of finance costs is as follows:

	2019 **RMB million**	2018 RMB million
Interest expense incurred	**15,818**	13,235
Less: Interest capitalised	**(1,984)**	(2,556)
Net interest expense	**13,834**	10,679
Representing:		
– Bank borrowings	**11,749**	8,199
– Other borrowings	**172**	152
– Corporate bonds	**1,047**	1,266
– Debentures	**155**	190
– Non-public debt instruments	**497**	571
– Lease liabilities	**160**	–
– Finance Lease Liability	**–**	212
– Others	**54**	89
	13,834	10,679
Foreign exchange difference on borrowings, net	**186**	249
Others	**1,209**	1,732
	15,229	12,660

8. FINANCE COSTS, NET (CONTINUED)

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. A weighted average capitalisation rate of 4.34% (2018: 5.64%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets. Interest capitalised during the year was as follows:

	2019 ***RMB million***	2018 *RMB million*
Inventories	**336**	1,251
Concession assets	**1,594**	1,217
Construction-in-progress	**54**	88
	1,984	2,556

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Fees	**342**	248
Other emoluments:		
Salaries, allowances and benefits in kind	**2,494**	2,775
Performance related bonuses	**4,561**	4,055
Pension scheme contributions	**281**	393
	7,336	7,223
	7,678	7,471

(a) Independent non-executive directors

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

	2019 ***RMB'000***	2018 *RMB'000*
Mr. Huang Long	**60**	60
Mr. Zheng Changhong	**60**	60
Mr. Ngai Wai Fung	**222**	128
	342	248

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2019				
Executive directors				
Mr. Liu Qitao	**259**	**1,390**	**50**	**1,699**
Mr. Song Hailiang *(Chief executive)*	**259**	**1,035**	**50**	**1,344**
Mr. Chen Yun (i)	**138**	**1,076**	**31**	**1,245**
	656	**3,501**	**131**	**4,288**
Non-executive directors				
Mr. Qi Xiaofei	**–**	**–**	**–**	**–**
Mr. Liu Maoxun (ii)	**45**	**–**	**–**	**45**
	45	**–**	**–**	**45**
Supervisors				
Mr. Li Sen	**474**	**546**	**50**	**1,070**
Mr. Wang Yongbin	**662**	**257**	**50**	**969**
Mr. Yao Yanmin	**657**	**257**	**50**	**964**
	1,793	**1,060**	**150**	**3,003**
	2,494	**4,561**	**281**	**7,336**
2018				
Executive directors				
Mr. Liu Qitao	242	727	55	1,024
Mr. Song Hailiang *(Chief executive)* (iii)	227	674	55	956
Mr. Chen Fenjian (iv)	114	680	27	821
Mr. Fu Junyuan (v)	140	640	36	816
Mr. Chen Yun	221	702	55	978
	944	3,423	228	4,595
Non-executive directors				
Mr. Liu Maoxun	–	–	–	–
Mr. Qi Xiaofei	–	–	–	–
	–	–	–	–
Supervisors				
Mr. Li Sen	558	200	55	813
Mr. Wang Yongbin	636	216	55	907
Mr. Yao Yanmin	637	216	55	908
	1,831	632	165	2,628
	2,775	4,055	393	7,223

(i) Mr. Chen Yun resigned as the executive director on 1 August 2019.
(ii) Mr. Liu Maoxun was the principal of central enterprises who had left the current office and served as a non-executive director of the Company from April 2019, work subsidies have been paid since then.
(iii) Mr. Song Hailiang was elected as an executive director of the board on 20 November 2018.
(iv) Mr. Chen Fenjian retired as an executive director of the board on 16 July 2018.
(v) Mr. Fu Junyuan retired as an executive director of the board on 27 September 2018.

During the year, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

None of the directors' and supervisors' emoluments as disclosed in note 9 above was included in the emoluments paid to the five highest paid individuals. The emoluments of the five individuals whose emoluments were the highest in the Group during the year are as follows:

	2019 **RMB'000**	2018 *RMB'000*
Salaries, allowances and benefits in kind	**6,285**	3,161
Performance related bonuses	**5,154**	5,932
Pension scheme contributions	**558**	393
	11,997	9,486

The number of the above highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
HK$1,500,000 to HK$2,000,000 (equivalent to approximately RMB1,343,670 to RMB1,791,560)	**–**	2
HK$2,000,000 to HK$3,500,000 (equivalent to approximately RMB1,791,560 to RMB3,135,230)	**5**	3
	5	5

11. 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% (2018: 25%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC subsidiaries of the Company, which were exempted from tax or taxed at a preferential rate of 15% (2018: 15%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year.

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

	2019 **RMB million**	2018 *RMB million*
Current		
– PRC enterprise income tax	**5,606**	5,150
– Others	**904**	350
	6,510	5,500
Deferred	**(662)**	108
Total tax charge for the year	**5,848**	5,608

11. INCOME TAX (CONTINUED)

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

	2019		2018	
	RMB million	%	*RMB million*	%
Profit before tax	**27,462**		26,046	
Tax at PRC statutory tax rate of 25% (2018: 25%)	**6,866**	**25.0**	6,512	25.0
Tax for the appreciation of land in the PRC	**566**	**2.1**	340	1.3
Profits and losses attributable to joint ventures and associates	**(21)**	**(0.1)**	(18)	(0.1)
Income not subject to tax	**(319)**	**(1.2)**	(368)	(1.4)
Additional tax concession on research and development costs	**(609)**	**(2.2)**	(484)	(1.9)
Expenses not deductible for tax	**170**	**0.6**	135	0.5
Temporary differences utilised from previous periods	**–**	**–**	(175)	(0.7)
Temporary differences not recognised	**103**	**0.4**	48	0.2
Tax losses utilised from previous periods	**(564)**	**(2.1)**	(130)	(0.5)
Tax losses not recognised	**1,591**	**5.8**	1,330	5.1
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(1,935)**	**(7.0)**	(1,582)	(6.1)
Tax charge at the Group's effective rate	**5,848**	**21.3**	5,608	21.4

12. DIVIDENDS

	2019	2018
	RMB million	*RMB million*
Proposed final dividend of RMB0.23276 per ordinary share (2018: RMB0.23077)	**3,765**	3,733

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 16,174,735,425 (2018: 16,174,735,425) in issue during the year.

The calculation of basic earnings per share is based on:

	2019	2018
Profit attributable to ordinary equity holders of the parent *(RMB million)*	**20,094**	19,819
Less: Interests on perpetual medium-term notes *(RMB million)* (i)	**(566)**	(300)
Dividend on preference shares *(RMB million)* (ii)	**(718)**	(718)
	18,810	18,801
Weighted average number of ordinary shares in issue *(million)*	**16,175**	16,175
Basic earnings per share	**1.16**	1.16

(i) The perpetual medium-term notes (the "MTN") issued by the Company were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB566 million on the MTN which has been generated during the year was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2019.

(ii) The preference shares issued by the Company were classified as equity instruments with deferrable and non-cumulative dividend distribution and payment. As the conditions of mandatory distribution were triggered, a dividend of RMB718 million on the preference shares was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2019.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2019						
At 1 January 2019 (restated):						
Cost	15,901	29,948	39,511	13,521	7,027	105,908
Accumulated depreciation and impairment	(3,777)	(16,299)	(21,426)	(9,778)	–	(51,280)
Net carrying amount	12,124	13,649	18,085	3,743	7,027	54,628
At 31 December 2018, net of accumulated depreciation and impairment	12,124	13,908	19,563	3,743	7,027	56,365
Effect of adoption of IFRS 16	–	(259)	(1,478)	–	–	(1,737)
	12,124	13,649	18,085	3,743	7,027	54,628
At 1 January 2019 (restated)						
Additions	419	3,100	861	2,743	5,444	12,567
Disposals	(163)	(550)	(385)	(199)	(320)	(1,617)
Acquisition of subsidiaries	39	–	1	3	–	43
Disposal of subsidiaries	(1)	(18)	(1)	(17)	–	(37)
Transfer	576	336	1,435	66	(2,413)	–
Transfer from investment properties	15	–	–	–	–	15
Transfer to investment properties	(305)	–	–	–	(3)	(308)
Transfer from inventories	18	–	–	–	321	339
Transfer to inventories	–	–	–	–	(310)	(310)
Transfer from right-of-use assets	–	253	504	–	–	757
Depreciation provided during the year	(619)	(3,356)	(1,948)	(2,810)	–	(8,733)
Exchange realignment	25	(1)	99	4	–	127
At 31 December 2019, net of accumulated depreciation and impairment	12,128	13,413	18,651	3,533	9,746	57,471
At 31 December 2019:						
Cost	16,313	32,018	41,202	14,643	9,746	113,922
Accumulated depreciation and impairment	(4,185)	(18,605)	(22,551)	(11,110)	–	(56,451)
Net carrying amount	12,128	13,413	18,651	3,533	9,746	57,471

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2018						
At 31 December 2017 and at 1 January 2018:						
Cost	12,761	26,634	41,248	12,146	7,849	100,638
Accumulated depreciation and impairment	(3,293)	(14,538)	(21,180)	(8,876)	–	(47,887)
Net carrying amount	9,468	12,096	20,068	3,270	7,849	52,751
At 1 January 2018, net of accumulated depreciation and impairment	9,468	12,096	20,068	3,270	7,849	52,751
Additions	421	5,084	884	3,500	4,527	14,416
Disposals	(362)	(663)	(240)	(438)	(359)	(2,062)
Acquisition of subsidiaries	–	–	5	3	32	40
Disposal of subsidiaries	(28)	–	(3)	(5)	–	(36)
Transfer	2,982	376	665	179	(4,202)	–
Transfer from investment properties	106	–	–	–	–	106
Transfer to investment properties	(255)	–	–	–	–	(255)
Transfer from/(to) inventories	243	–	–	–	(820)	(577)
Depreciation provided during the year	(488)	(3,070)	(1,884)	(2,771)	–	(8,213)
Exchange realignment	37	85	68	5	–	195
At 31 December 2018, net of accumulated depreciation and impairment	12,124	13,908	19,563	3,743	7,027	56,365
At 31 December 2018:						
Cost	15,901	30,381	41,731	13,521	7,027	108,561
Accumulated depreciation and impairment	(3,777)	(16,473)	(22,168)	(9,778)	–	(52,196)
Net carrying amount	12,124	13,908	19,563	3,743	7,027	56,365

The net carrying amount of the Group's fixed assets held under finance leases in the carrying amount of vessels and machinery at 31 December 2018 was RMB1,737 million.

As at 31 December 2019, the Group was in the process of applying for the registration of the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB3,588 million (31 December 2018: RMB3,808 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

At 31 December 2019, the Group's property, plant and equipment of RMB110 million were pledged to secure general banking facilities granted to the Group (2018: Nil) (note 30(d), 42(b)).

15. INVESTMENT PROPERTIES

	2019 ***RMB million***	2018 *RMB million*
Carrying amount at 1 January	**3,463**	2,275
Additions	**53**	–
Transfer from property, plant and equipment	**308**	255
Transfer from inventories	**292**	1,319
Transfer to property, plant and equipment	**(15)**	(106)
Transfer to inventories	**–**	(98)
Depreciation provided during the year	**(152)**	(182)
Exchange realignment	**24**	–
Carrying amount at 31 December	**3,973**	3,463

As at 31 December 2019, the fair value of the Group's investment properties was mainly based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent and professionally qualified valuers.

The investment properties located in Mainland China were valued by the income approach by taking into account the net rental income of the properties derived mainly from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The fair value of these properties for commercial purpose was RMB10,561 million (2018: RMB9,465 million), which falls into the category of fair value measurements using significant unobservable inputs (Level 3) including future rental inflows, discount rates and capitalisation rates.

The rest of the investment properties for residential purpose located in Mainland China were valued by the comparison approach with reference to comparable market transactions. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. The fair value of these properties was RMB976 million (2018: RMB966 million), which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable price in the market.

The investment properties located outside Mainland China were mainly valued by the comparison approach with reference to comparable market transactions. The fair value of these properties was RMB1,010 million (2018: RMB251 million), which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable price in the market.

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

At 31 December 2019, the Group's investment properties of RMB1,079 million were pledged to secure general banking facilities granted to the Group (2018: RMB1,117 million) (note 30(d), 42(b)).

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, building, vessels, machinery, vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 70 years and no ongoing payments will be made under the terms of these land leases. Leases of building generally have lease terms between 1 and 10 years. The terms of vessels lease are generally 1 and 10 years under operating leases, while the lease period is 10 to 25 years under finance leases. Machinery generally have lease terms between 1 and 5 years and vehicles generally have lease terms between 2 and 3 years. Other equipment generally has lease terms of 1 to 3 years or less and/or is individuall1y of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB million
Carrying amount at 1 January 2018	7,230
Additions	2,566
Disposals	(20)
Amortisation during the year	(125)
Exchange realignment	32
Carrying amount at 31 December 2018	9,683

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments *RMB million*	**Buildings** *RMB million*	**Vessels** *RMB million*	**Machinery** *RMB million*	**Vehicles** *RMB million*	**Other equipment** *RMB million*	**Total** *RMB million*
As at 1 January 2019	**9,683**	**1,945**	**1,808**	**316**	**76**	**–**	**13,828**
Additions	**986**	**514**	**185**	**167**	**22**	**40**	**1,914**
Depreciation charge	**(163)**	**(731)**	**(355)**	**(115)**	**(48)**	**(12)**	**(1,424)**
Transfer to property, plant and equipment	**–**	**–**	**(504)**	**(253)**	**–**	**–**	**(757)**
As at 31 December 2019	**10,506**	**1,728**	**1,134**	**115**	**50**	**28**	**13,561**

As at 31 December 2019, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB6,040million (2018: prepaid land lease payments with a net carrying amount of approximately RMB5,028 million) were pledged to secure general banking facilities granted to the Group (note 30(d), 42(b)).

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2019 **Lease liabilities** ***RMB million***	2018 Financial lease payables *RMB million*
Carrying amount at 1 January	**3,035**	1,109
New leases	**918**	6
Interest expense	**160**	212
Payments	**(1,592)**	(597)
Carrying amount at 31 December	**2,521**	730
Analysed into:		
Current portion	**1,118**	286
Non-current portion	**1,403**	444

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 47(c) to the financial statements.

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 ***RMB million***
Interest on lease liabilities	**160**
Depreciation charge of right-of-use assets	**1,424**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	**1,617**
Expense relating to leases of low-value assets (included in administrative expenses)	**17**
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	**262**
Total amount recognised in profit or loss	**3,480**

(e) On adoption of IFRS 16, in the statement of cash flows, the Group classify:

- Cash payments for the principal portion of the lease liability within financing activities;
- Cash payments for the interest portion of the lease liability applying the requirements in IAS 7 *Statement of Cash Flows* for interest paid;
- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(e) (continued)

The following tables give an indication of the estimated impact of adoption of IFRS 16 on the Group's consolidated cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to be applied to 2019 instead of IFRS 16.

	Amounts reported under IFRS 16	Estimated amounts related to operating leases as if under IAS 17*	Estimated impact
	RMB million	*RMB million*	*RMB million*
Net cash generated from operating activities	5,931	4,715	1,216
Net cash used in financing activities	50,923	52,139	(1,216)

* The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still been applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still been applied in 2019. Any potential net tax effect is ignored.

The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 38(c) and 43(b), respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of certain of commercial and industrial properties in Mainland China and overseas under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB616 million (2018: RMB747 million).

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019	2018
	RMB million	*RMB million*
Within one year	**331**	384
After one year but within two years	**239**	291
After two years but within three years	**163**	239
After three years but within four years	**143**	148
After four years but within five years	**121**	117
After five years	**233**	384
	1,230	1,563

17. INTANGIBLE ASSETS

	Concession assets *RMB million*	Goodwill *RMB million*	Trademarks, patents, proprietary technologies and copyrights *RMB million*	Computer software *RMB million*	Others *RMB million*	Total *RMB million*
31 December 2019						
Cost at 1 January 2019, net of accumulated amortisation and impairment	**181,460**	**5,161**	**1,234**	**349**	**166**	**188,370**
Additions	**31,840**	**–**	**11**	**293**	**7**	**32,151**
Acquisition of subsidiaries	**539**	**139**	**–**	**3**	**–**	**681**
Disposal of subsidiaries	**–**	**–**	**–**	**(3)**	**–**	**(3)**
Disposal	**–**	**–**	**–**	**(1)**	**(123)**	**(124)**
Amortisation provided during the year	**(1,717)**	**–**	**(22)**	**(168)**	**(12)**	**(1,919)**
Impairment during the year	**–**	**–**	**–**	**–**	**–**	**–**
Exchange realignment	**–**	**71**	**–**	**–**	**–**	**71**
At 31 December 2019	**212,122**	**5,371**	**1,223**	**473**	**38**	**219,227**
At 31 December 2019:						
Cost	**217,816**	**5,421**	**1,466**	**1,139**	**406**	**226,248**
Accumulated amortisation and impairment	**(5,694)**	**(50)**	**(243)**	**(666)**	**(368)**	**(7,021)**
Net carrying amount	**212,122**	**5,371**	**1,223**	**473**	**38**	**219,227**
31 December 2018						
Cost at 1 January 2018, net of accumulated amortisation and impairment	153,957	5,426	1,286	417	72	161,158
Additions	23,829	5	14	107	129	24,084
Acquisition of subsidiaries	7,225	–	–	1	–	7,226
Disposal of subsidiaries	(2,170)	–	–	(1)	–	(2,171)
Disposal	–	–	(1)	(9)	–	(10)
Amortisation provided during the year	(1,346)	–	(65)	(166)	(35)	(1,612)
Impairment during the year	(35)	–	–	–	–	(35)
Exchange realignment	–	(270)	–	–	–	(270)
At 31 December 2018	181,460	5,161	1,234	349	166	188,370
At 31 December 2018:						
Cost	185,437	5,211	1,513	895	402	193,458
Accumulated amortisation and impairment	(3,977)	(50)	(279)	(546)	(236)	(5,088)
Net carrying amount	181,460	5,161	1,234	349	166	188,370

As at 31 December 2019, concession assets represent assets under "Build-Operate-Transfer" service concession arrangements and mainly consist of toll roads in Mainland China. Certain concession projects have been put into operations, the cost of related concession assets amounted to RMB160,699 million (2018: RMB139,080 million). The cost of concession assets where the related projects were under construction amounted to RMB51,423 million (2018: RMB42,380 million).

17. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2019, the Group recognised an accumulated impairment of RMB334 million (2018: RMB334 million), based on the impairment tests for concession assets in the infrastructure construction segment.

As at 31 December 2019, certain of the Group's concession assets with a net carrying amount of approximately RMB164,790 million (2018: RMB141,261 million) were pledged to secure general banking facilities granted to the Group (note 30(d), 42(b)).

Impairment testing of goodwill

Goodwill is allocated to the Group's cash generating units identified in accordance with individual acquisition groups within respective operating segments. The goodwill of the Group mainly relates to the following acquisition groups:

(a) the goodwill included in the Construction segment that arose in connection with the Group's acquisition of the 100% equity interest in John Holland Group Pty Limited ("John Holland") in April 2015 and acquisition of the 100% equity interest in RCR Holdings ("RCR") in February 2019, collectively referred to as John Holland cash-generating unit ("John Holland CGU");

(b) the goodwill included in the Design segment that arose in connection with the Group's acquisition of the 80% equity interest in Concremat Engenharia e Tecnologia S.A. ("Concremat") in January 2017; and

(c) the goodwill included in the Other segment that arose in connection with the Group's acquisition of the 100% equity interest in Friede Goldman United, Ltd. ("F&G") in August 2010.

The following is a summary of goodwill allocation for each acquisition group:

	2019 ***RMB million***	2018 *RMB million*
John Holland CGU (i)	**4,793**	4,608
F&G	**245**	245
Concremat	**252**	252
Others	**81**	56
	5,371	5,161

(i) For goodwill arose in connection with John Holland CGU, the recoverable amount was determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 2%. The growth rate does not exceed the long-term average growth rate for the industry in which John Holland operates.

Summary of the key assumptions are set out below:

	2019	2018
Terminal growth rate [1]	**2%**	2%
Post-tax discount rate [2]	**10.4%**	12.5%

[1] The terminal growth rate is the average annual revenue growth rate over the five-year forecast period. It is based on past performance and management's expectations of market development.

[2] The discount rate used is post-tax and reflects specific risks relating to the acquisition group.

No impairment was recognised based on the assessment in relation of goodwill allocated to John Holland CGU as at 31 December 2019 and 2018.

18. INVESTMENTS IN JOINT VENTURES

	2019 **RMB million**	2018 *RMB million*
At 1 January	**18,646**	11,133
Additions	**6,562**	8,490
Disposals	**(3)**	(3)
Share of profits or losses, net	**(117)**	168
Dividend distribution	**(400)**	(459)
Residual interests in joint ventures arising from disposal of subsidiaries	**29**	178
Conversion into subsidiaries arising from increase in equity interests in joint ventures	**–**	(862)
Share of other comprehensive income of joint ventures	**–**	1
Others	**(2)**	–
At 31 December	**24,715**	18,646

In the opinion of the directors, none of the joint ventures is individually material to the Group.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019 **RMB million**	2018 *RMB million*
Share of the joint ventures' (losses)/profit for the year	**(117)**	168
Share of the joint ventures' other comprehensive income	**–**	1
Share of the joint ventures' total comprehensive (loss)/income	**(117)**	169
Aggregate carrying amount of the Group's investments in the joint ventures	**24,715**	18,646

All of the joint ventures of the Group are accounted for using the equity method.

The Group's receivable and payable balances with and guarantees provided to the joint ventures are disclosed in notes 44(b) and 44(c) to the financial statements.

19. INVESTMENTS IN ASSOCIATES

	2019 RMB million	2018 RMB million
At 1 January	**23,019**	19,409
Additions	**4,593**	4,882
Disposals	**(20)**	(29)
Share of profits or losses, net	**202**	(97)
Dividend distribution	**(325)**	(238)
Residual interests in associates arising from disposal of subsidiaries	**414**	324
Conversion into subsidiaries arising from increase in equity interests in associates	**(334)**	(1,083)
Share of other comprehensive loss of associates	**(227)**	(149)
Others	**21**	–
At 31 December	**27,343**	23,019

Particulars of the Group's material associate is as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Shanghai Zhenhua Heavy Industries Co., Ltd. ("ZPMC")	Ordinary shares	Mainland China	16.24%	Manufacture of heavy-duty equipment

ZPMC, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the manufacture of heavy-duty equipment and is accounted for using the equity method.

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information in respect of ZPMC and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB million	2018 RMB million
Non-current assets	38,841	35,891
Current assets	35,636	34,707
Total assets	74,477	70,598
Current liabilities	(44,341)	(34,591)
Non-current liabilities	(11,565)	(18,394)
Total liabilities	(55,906)	(52,985)
Non-controlling interests	(3,028)	(2,427)
Equity attributable to owners of the parent	15,543	15,186
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership *(%)*	16.24%	16.24%
Group's share of net assets of the associate, excluding goodwill	2,536	2,466
Goodwill on acquisition (less cumulative impairment)	1,911	1,911
Carrying amount of the investment	4,447	4,377
Revenue	24,596	21,812
Profit attributable to owners of the parent	515	443
Other comprehensive income attributable to owners of the parent	16	(50)
Total comprehensive income for the year attributable to owners of the parent	531	393
Dividend received	43	36

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019 RMB million	2018 RMB million
Share of the associates' profit/(loss) for the year	98	(169)
Share of the associates' other comprehensive loss	(193)	(140)
Share of the associates' total comprehensive loss	(95)	(309)
Aggregate carrying amount of the Group's investments in the associates	22,896	18,642

All of the associates of the Group are accounted for using the equity method.

The Group's trade receivable and payable balances with and the guarantees provided to the associates are disclosed in notes 44 (b) and 44(c) to the financial statements.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB million	2018 RMB million
Listed equity investments (note a)	383	135
Other unlisted investments (note b)	6,755	5,913
	7,138	6,048
Less: Non-current portion		
Unlisted investments (note b)	6,723	5,893
Current portion	415	155

(a) The listed equity investments at 31 December 2019 were classified as financial assets at fair value through profit or loss as they were held for trading. The fair value of these investments was based on the quoted market prices at the end of the reporting period.

(b) The unlisted investments at 31 December 2019 mainly include unlisted equity investments and wealth management products issued by financial institutions in Mainland China. The above equity investments were classified 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.

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

	2019	2018
	RMB million	*RMB million*
Listed equity instruments		
– China Merchants Bank	**15,888**	14,411
– China Merchants Securities Co., Ltd.	**3,867**	2,833
– Zhengzhou Yutong Bus Co., Ltd.	**583**	484
– China Everbright Bank	**329**	276
– CECEP Environmental Protection Equipment Co., Ltd.	**214**	184
– China Development Bank Financial Leasing Co., Ltd.	**207**	270
– Bank of Communications	**170**	175
– Tysan Holdings Limited*	**153**	361
– Others	**345**	289
	21,756	19,283
Unlisted equity instruments		
– Lunan High Speed Railway Co., Ltd.	**1,398**	967
– Tianjin CCCC Greentown City Construction Development Co., Ltd.	**1,014**	–
– Beijing CEDC Ltd.	**303**	298
– Hubei Jiaotou Shiwu Expressway Co., Ltd.	**136**	129
– China-ASEAN Investment Cooperation Fund	**113**	149
– Dalian Taipingwan Investment Holding Co., Ltd.	**65**	135
– Others	**233**	296
	3,262	1,974
	25,018	21,257

* Tysan Holdings Limited was renamed from Hong Kong International Construction Investment Management Group Co., Limited in 2019.

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 year ended 31 December 2019, the Group sold certain shares of a listed bank and other equity investments, accumulated changes in fair value of RMB3,455 million had been transferred from other comprehensive income to retained earnings with the amount of RMB3,110 million and to statutory surplus reserve with the amount of RMB345 million.

During the year ended 31 December 2019, the Group received dividends in total amounts of RMB1,087 million, mainly including RMB505 million, RMB412 million and RMB56 million from China Merchants Bank, Tysan Holdings Limited and China Merchants Securities Co., Ltd., respectively.

22. UNCONSOLIDATED STRUCTURED ENTITIES MANAGED BY THE GROUP

The Group is principally involved with structured entities through financial investments. These structured entities generally purchase assets through financing. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. The unconsolidated structured entities include private equity funds, unit trust funds, trust products and asset management plans, etc. The nature and purpose of these structured entities are to engage in infrastructure investment activities. These structured entities were financed through the issue of units to investors.

As at 31 December 2019, the maximum exposure to loss and the book values of relevant investments of the Group arising from the interests held in invested structured entities that are sponsored by the Group or the third party financial institutions are set out as below:

	2019		2018	
	Carrying amount	**Maximum exposure to loss**	Carrying amount	Maximum exposure to loss
	RMB million	***RMB million***	*RMB million*	*RMB million*
Financial assets at fair value through profit or loss	**5,335**	**5,335**	4,049	4,049
Interests in associates and joint ventures	**7**	**7**	7	7
	5,342	**5,342**	4,056	4,056

In 2019, the Group received management fees, commission and performance fees amounting to RMB62 million (2018: RMB58 million) from unconsolidated structured entities sponsored by the Group.

As at 31 December 2019, there were no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities (2018: Nil).

23. INVENTORIES

	2019 RMB million	2018 RMB million
Raw materials	**18,361**	16,719
Work in progress	**950**	699
Properties under development (note a)	**35,537**	24,092
Completed properties held for sale (note b)	**5,944**	4,136
Finished goods	**1,070**	851
Others	**208**	364
	62,070	46,861

At 31 December 2019, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amount of RMB2,408 million (2018: RMB3,597 million) were pledged to secure the Group's bank loans (note 30(d), 42(b)).

(a) Properties under development comprise:

	2019 RMB million	2018 RMB million
Land use rights	**22,830**	12,443
Construction cost	**11,107**	9,889
Finance costs capitalised	**1,600**	1,760
	35,537	24,092

All of the properties under development are expected to be completed within the Group's normal operating cycle and are included under current assets.

(b) The amount of completed properties held for sale expected to be recovered beyond one year is RMB3,736 million (2018: RMB1,712 million). The remaining amount is expected to be recovered within one year.

24. TRADE AND OTHER RECEIVABLES

	2019 RMB million	2018 RMB million
Trade and bills receivables (note a)	**113,088**	100,176
Impairment	**(13,872)**	(12,380)
	99,216	87,796
Long-term receivables (note b)	**217,812**	152,384
Impairment	**(2,788)**	(1,474)
	215,024	150,910
Other receivables:		
Prepayments	**26,348**	18,431
Deposits (note c)	**23,078**	19,494
Others	**40,629**	40,237
	90,055	78,162
Impairment	**(2,455)**	(2,014)
	87,600	76,148
	401,840	314,854
Portion classified as non-current		
Long-term receivables	**172,224**	113,090
Other receivables:		
Prepayments	**4,290**	4,161
Deposits	**1,446**	1,716
Others	**48**	–
	178,008	118,967
Current portion	**223,832**	195,887

24. 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

	2019 ***RMB million***	2018 *RMB million*
Within 6 months	**67,432**	61,140
6 months to 1 year	**8,379**	9,417
1 year to 2 years	**13,855**	9,218
2 years to 3 years	**5,416**	3,950
Over 3 years	**4,134**	4,071
	99,216	87,796

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

	2019 ***RMB million***	2018 *RMB million*
At beginning of year	**12,380**	10,158
Impairment losses, net	**2,604**	2,221
Acquisition of subsidiaries	**5**	11
Disposal of subsidiaries	**(58)**	(10)
Amount reversal or written off as uncollectible*	**(841)**	–
Others	**(218)**	–
At end of year	**13,872**	12,380

* During the year ended 31 December 2019, an accumulated impairment of RMB791 million was reversed as uncollectible because of the relevant trade and bill receivables amounted to RMB33,500 million were derecognized due to non-recourse factoring agreements, asset-backed securities (ABS), asset-backed notes (ABN), endorsement and discount.

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

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (continued)

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

As at 31 December 2019

	Ageing						
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**
Expected credit loss rate	**0.96%**	**13.56%**	**24.77%**	**39.13%**	**55.15%**	**80.03%**	**8.63%**
Gross carrying amount *(RMB million)*	**76,262**	**13,661**	**6,683**	**2,597**	**2,113**	**3,251**	**104,567**
Expected credit losses *(RMB million)*	**731**	**1,852**	**1,656**	**1,016**	**1,166**	**2,601**	**9,022**

As at 31 December 2018

	Ageing						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Expected credit loss rate	0.91%	13.69%	24.72%	39.13%	55.09%	80.00%	8.75%
Gross carrying amount *(RMB million)*	69,288	10,599	4,819	3,052	2,264	3,037	93,059
Expected credit losses *(RMB million)*	632	1,451	1,191	1,195	1,247	2,430	8,146

In addition to the above provision matrix, for certain customers with credit risk increased significantly, the Group has made individual loss allowance. As at 31 December 2019, the accumulated individual loss allowance was RMB4,850 million (2018: RMB4,234 million) with a carrying amount before loss allowance of RMB8,521 million (2018: RMB7,117 million).

(b) Long-term receivables mainly represented amounts due from customers for PPP projects and certain construction works with payment periods over one year.

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

(d) As part of its normal business, the Group has entered into certain recourse and non-recourse factoring agreements with certain banks so as to obtain bank advances. As at 31 December 2019, the relevant outstanding trade receivables and long-term receivables with recourse factoring clauses in the agreements amounted to RMB1,180 million (2018: RMB820 million). In the opinion of the directors, such transactions did not qualify for derecognition of the relevant receivables and were accounted for as secured borrowings. In addition, as at 31 December 2019, outstanding trade receivables of RMB19,459 million (2018: RMB15,666 million) had been transferred to the banks in accordance with the relevant non-recourse factoring agreements, among which outstanding trade receivables and long-term receivables of RMB19,396 million (2018: RMB13,894 million) were derecognised as the directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition of the relevant receivables, whilst substantial risks and rewards of the other outstanding trade receivables of RMB63 million (2018: RMB1,772 million) have not been transferred and hence were not qualified for derecognition and the relevant transactions were accounted for as secured borrowings.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) The Group has entered into certain agreements with certain financial institution so as to establish asset-backed securities (ABS) and asset-backed notes (ABN). The ABS and ABN are bonds or notes backed by trade receivables and long-term receivables. The Group sell pools of trade receivables and long-term receivables to a special-purpose vehicle (SPV), whose sole function is to buy such assets in order to securitise them. The SPV, which is usually a corporation, then sells them to a trust. The trust repackages the loans as interest-bearing securities and issues them. As at 31 December 2019, the relevant outstanding trade receivables and long-term receivables under the ABS and ABN amounted to RMB10,694 million (2018: RMB7,230 million). Such trade receivables and long-term receivables were derecognised as the directors are of the opinion that the substantial risks and rewards associated with the trade receivables and long-term receivables have been transferred and therefore qualified for derecognition.

(f) As at 31 December 2019, outstanding bills receivable of RMB198 million (2018: RMB217 million) were endorsed to suppliers, with RMB68 million (2018: RMB81 million) discounted with banks. In the opinion of directors, the Group has retained the substantial risks and rewards, which include default risks relating to such bills receivable, and accordingly, it continued to recognise the full carrying amounts of the bills receivable. In addition, as at 31 December 2019, outstanding bills receivable of RMB1,050 million (2018: RMB296 million) were endorsed to suppliers, with RMB4,114 million (2018: RMB574 million) discounted with banks. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to such bills receivable which were fully derecognised.

(g) As at 31 December 2019, certain of the Group's outstanding trade and other receivables with a net carrying amount of approximately RMB34,435 million (2018: RMB27,261 million) were pledged to secure general banking facilities granted to the Group (note 30(d), 42(b)).

25. CONTRACT ASSETS

	31 December 2019 ***RMB million***	31 December 2018 *RMB million*	1 January 2018 *RMB million*
Contract assets arising from:			
Infrastructure construction	**129,598**	117,416	99,606
Infrastructure design	**5,464**	4,105	2,864
Dredging	**12,783**	10,346	12,777
Others	**29**	1,951	1,690
	147,874	133,818	116,937
Impairment	**(1,370)**	(1,139)	(885)
	146,504	132,679	116,052
Portion classified as non-current	**30,268**	28,698	19,818
Current portion	**116,236**	103,981	96,234

Contract assets are initially recognised for revenue earned from the provision of construction, design and dredging services. Upon settlement with the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2019 and 2018 was the result of the increase in the ongoing provision of construction and design services at the end of each of the years.

During the year ended 31 December 2019, RMB255 million (2018: RMB254 million) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 24 to the financial statements.

As at 31 December 2019, the expected timing of recovery or settlement for contract assets was subject to the specific contracts terms and the progress of the performance obligations.

25. CONTRACT ASSETS (CONTINUED)

The movements in the loss allowance for impairment of contract assets are as follows:

	2019	2018
	RMB million	*RMB million*
At beginning of year	**1,139**	885
Impairment losses, net *(note 6)*	**255**	254
Disposal of subsidiaries	**(8)**	–
Exchange realignment	**(16)**	–
At end of year	**1,370**	1,139

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

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

	2019	2018
Expected credit loss rate	**0.93%**	0.85%
Gross carrying amount *(RMB million)*	**147,874**	133,819
Expected credit losses *(RMB million)*	**1,370**	1,139

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	***RMB million***	*RMB million*	*RMB million*
Forward currency contracts				
– Cash flow hedges	**9**	**5**	2	2
Total return swap (note a)	**224**	**-**	21	–
Forward equity contracts (note b)	**233**	**-**	227	–
Foreign exchange option (note c)	**311**	**-**	–	–
	777	**5**	250	2

(a) In 2016 and 2018, CCCI entered into several agreements with banks, and paid US$100 million and US$125 million respectively, to secure the subscriptions of US$400 million and US$500 million, respectively, by the banks in senior perpetual securities. Both of the senior perpetual securities were issued by a subsidiary of Greentown China Holding Limited ("Greentown China"). According to the agreements, CCCI could earn any distribution by reference to the banks' subscription, and also have to pay a fixed amount of rewards and any loss on the subscription to the banks. As Greentown China is a subsidiary of CCCG, the total return swap constitutes a related party transaction of the Company.

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) In 2016, the Group disposed of 85% equity interests in certain subsidiaries engaged in toll roads operation to a joint venture (a fund engaged in infrastructure investment activities) of the Company, and entered into certain forward equity contracts to obtain the options to repurchase these equity interests in future with discounts under some conditions. The fair value of these forward equity contracts was RMB122 million (2018: RMB104 million) as at 31 December 2019.

In 2017, the Group disposed of 99% equity interests in certain subsidiaries engaged in toll roads operation to a joint venture (a fund engaged in infrastructure investment activities) of the Company, and entered into certain forward equity contracts to obtain the options to repurchase these equity interests in future with discounts under some conditions. The fair value of these forward equity contracts was RMB111 million (2018: RMB123 million) as at 31 December 2019.

(c) In October 2019, a subsidiary of the Company entered into a foreign exchange option contract with a bank to acquire a right, but not any obligation, to exchange United States Dollar ("USD") with Columbia Peso on fixed dates and at a fixed rate. This foreign exchange option is used as a hedge against exchange rate fluctuations of this subsidiary's bank loans denominated in USD. The fair value of this foreign exchange option was RMB311 million as at the transaction date and there is no material changes in its fair value at as 31 December 2019.

27. CASH AND BANK BALANCES

	2019 ***RMB million***	2018 *RMB million*
Restricted bank deposits (note a)	**4,305**	4,633
Time deposits with an initial term of over three months (note b)	**2,322**	2,322
	6,627	6,955
Cash and cash equivalents	**118,812**	127,413
	125,439	134,368

(a) As at 31 December 2019, 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 RMB82,555 million (2018: RMB89,296 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2019, less than 3% (2018: 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.

28. TRADE AND OTHER PAYABLES

	2019 RMB million	2018 RMB million
Trade and bills payables (note a)	**277,763**	242,167
Deposits from suppliers	**27,979**	25,020
Retentions	**28,077**	19,110
Deposits in CCCC Finance (note b)	**5,429**	9,283
Other taxes	**22,633**	17,256
Payroll and social security	**2,625**	2,247
Accrued expenses and others	**22,045**	16,598
	386,551	331,681
Portion classified as non-current		
Retentions	**20,051**	13,192
Other taxes	**153**	144
Others	**3,574**	3,849
	23,778	17,185
Current portion	**362,773**	314,496

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

	2019 RMB million	2018 RMB million
Within 1 year	**241,519**	214,046
1 year to 2 years	**20,836**	19,779
2 years to 3 years	**9,903**	4,943
Over 3 years	**5,505**	3,399
	277,763	242,167

(b) CCCC Finance, a subsidiary of the Company, accepted deposits from CCCG and fellow subsidiaries. These deposits were due within one year with an average annual interest rate of 0.8% (2018: 0.9%).

29. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2019 RMB million	2018 RMB million
Contract liabilities arising from:		
Infrastructure construction	**74,015**	65,445
Infrastructure design	**6,211**	5,489
Dredging	**2,064**	2,910
Others	**518**	8,109
	82,808	81,953

Contract liabilities mainly include short-term advances received to render construction, design and dredging services. The increase in contract liabilities in 2019 and 2018 was mainly due to the increase in short-term advances received from customers in relation to the provision of services at the end of the year.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2019 RMB million	2018 RMB million
Non-current			
Long-term bank borrowings			
– secured	(d)	**167,364**	132,721
– unsecured	(e)	**58,582**	59,985
		225,946	192,706
Long-term other borrowings			
– secured	(d)	**1,170**	–
– unsecured	(e)	**1,649**	1,120
		2,819	1,120
Corporate bonds	(f)	**23,729**	15,974
Non-public debt instruments	(h)	**10,518**	5,140
Lease liabilities	16	**1,403**	–
Financial lease liabilities	(i)	**–**	444
		35,650	21,558
Total non-current borrowings		**264,415**	215,384
Current			
Current portion of long-term bank borrowings			
– secured	(d)	**4,653**	4,185
– unsecured	(e)	**14,638**	14,393
		19,291	18,578
Short-term bank borrowings			
– secured	(d)	**2,270**	3,901
– unsecured	(e)	**48,120**	41,400
		50,390	45,301
Current portion of long-term other borrowings			
– secured	(d)	**4**	–
– unsecured	(e)	**634**	12
		638	12
Short-term other borrowings			
– secured	(d)	**100**	–
– unsecured	(e)	**195**	57
		295	57
Corporate bonds	(f)	**275**	8,406
Debentures	(g)	**1,009**	5,003
Non-public debt instruments	(h)	**1,356**	1,600
Lease liabilities	16	**1,118**	–
Finance lease liabilities	(i)	**–**	286
		3,758	15,295
Total current borrowings		**74,372**	79,243
Total borrowings		**338,787**	294,627

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

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

	2019 RMB million	2018 RMB million
Bank borrowings		
– Within one year	**69,681**	63,879
– In the second year	**33,266**	29,775
– In the third to fifth years, inclusive	**43,347**	39,251
– Beyond five years	**149,333**	123,680
	295,627	256,585
Others, excluding lease liabilities/finance lease liabilities		
– Within one year or on demand	**3,573**	15,078
– In the second year	**8,710**	6,734
– In the third to fifth years, inclusive	**20,384**	11,115
– Beyond five years	**7,972**	4,385
	40,639	37,312
	336,266	293,897

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

	2019 RMB million	2018 RMB million
RMB	**317,184**	272,367
USD	**14,533**	14,925
JPY	**3,805**	3,992
HKD	**1,169**	1,404
EUR	**1,190**	1,386
Others	**906**	553
	338,787	294,627

(c) Borrowings of the Group, excluding corporate bonds, medium-term notes, debentures, non-public debt instruments and lease liabilities/finance lease liabilities, bear interest at effective rates ranging from 0.30% to 8.34% (2018: 0.30% to 8.39%) per annum at the end of the reporting period and excluding the borrowing bearing an interest rate of 11.36% for a Columbia subsidiary of the Company.

(d) As at 31 December 2019 and 2018, the borrowings in note 30(c) above were secured by the Group's property, plant and equipment (note 14, 42(b)), investment properties (note 15, 42(b)), right-of-use assets/prepaid land lease payments (note 16, 42(b)), intangible assets (note 17, 42(b)), inventories (note 23, 42(b)) and trade and other receivables (note 24(g), 42(b)).

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

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

(f) As approved by China Securities Regulatory Commission ("CSRC") document [2009] No. 761, the Group issued domestic corporate bonds with an aggregate principal amount of RMB7.9 billion in August 2009. These corporate bonds bore interest at a rate of 5.2% per annum and have been fully repaid during 2019.

As approved by CSRC document [2012] No. 998, the Group issued domestic corporate bonds with an aggregate principal amount of RMB12 billion in August 2012. Bonds of RMB6 billion bore interest at a rate of 4.4% per annum with maturity through 2017 and have been fully repaid, bonds of RMB2 billion bear interest at a rate of 5.0% per annum with maturity through 2022 and bonds of RMB4 billion bear interest at a rate of 5.15% per annum with maturity through 2027. These corporate bonds are guaranteed by CCCG.

As approved by CSRC document [2016] No. 162, the Group issued domestic corporate bonds in February, July and July 2016 with principal amounts of RMB2 billion, RMB3 billion and RMB1 billion, respectively, totalling RMB6 billion, and the maturity of these corporate bonds is five years from the issue date, bearing interest at rates of 2.99%, 3.01% and 3.35% per annum respectively. The Group has the right to increase the nominal interest rates and the investors could sell back at the end of the third year from the issue date.

As approved by CSRC document [2018] No. 159, the Group issued domestic corporate bonds in October 2018 with a principal amount of RMB4 billion, and the maturity of these corporate bonds is five years from the issue date, bearing interest at a rate of 4.25% per annum. The Group has the right to increase the nominal interest rate and the investors could sell back at the end of the third year from the issue date.

As approved by CSRC document [2019] No. 1024, the Group issued domestic corporate bonds in July 2019 with principal amounts of RMB3 billion and RMB1 billion, respectively, and the maturity of these corporate bonds is five years and seven years from the issue date, bearing interest at rates of 3.50% and 3.97% per annum, respectively. The Group has the right to increase the nominal interest rates and the investors could sell back at the end of the third year and fifth year, respectively, from the issue date.

As approved by CSRC document [2019] No. 1024, the Group issued domestic corporate bonds in August 2019 with principal amounts of RMB2 billion and RMB2 billion, respectively, and the maturity of these corporate bonds is five years and ten years from the issue date, bearing interest at rates of 3.35% and 4.35% per annum, respectively. The Group has the right to increase the nominal interest rate for the corporate bond with the rate of 3.35%, and the investors could sell back at the end of the third year from the issue date.

The corporate bonds are stated at amortised cost with effective rates ranging from 3.00% to 5.23%. Interest is payable once a year. Accrued interest is included in the current borrowings.

(g) The Group issued the following debentures as approved by National Association of Financial Market Institutional Investors ("NAFMII"):

- Three tranches of debentures were issued in August, November and November 2018, respectively, at nominal values of RMB3 billion, RMB0.5 billion and RMB1.5 billion, respectively, with maturity of 270 days, 270 days and 270 days from the issue date respectively. The interest rates were 3.75%, 3.87% and 3.85% per annum, respectively. These debentures have been fully repaid during 2019.

- Five tranches of debentures were issued in January, January, March, August and August 2019, respectively, at nominal values of RMB1 billion, RMB1.5 billion, RMB0.5 billion, RMB1.5 billion, RMB1.5 billion, respectively, with maturity of 239 days, 226 days, 270 days, 125 days and 123 days from the issue date respectively. The interest rates were 3.38%, 3.40%, 3.40%, 2.98% and 2.97% per annum, respectively. These debentures have been fully repaid during 2019.

- Two tranches of debentures were issued in August and November 2019 at nominal values of RMB0.5 billion and RMB0.5 billion, respectively, with maturity of 270 days and 269 days from the issue date, respectively. The interest rates are 3.27% and 3.30% per annum, respectively.

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

(h) The Group issued the following non-public debt instruments:

- Two tranches of non-public debt instruments were issued in April 2013 and one tranche of non-public debt instrument was issued in October 2013, respectively, at nominal values of RMB1,500 million, RMB800 million and RMB500 million, respectively, totalling RMB2,800 million, with maturity of five years from the issue date. The interest rates were 5.10%, 6.00% and 6.30% per annum, respectively. These non-public debt instruments have been fully repaid during 2018.

- Two tranches of non-public debt instruments were issued in August and September 2014, respectively, at nominal values of RMB500 million and RMB1,000 million, respectively, totalling RMB1,500 million, with maturity of five years. The interest rates were 7.00% and 6.00% per annum, respectively. These non-public debt instruments have been fully repaid during 2019.

- Non-public debt instrument with a nominal value of RMB2,000 million was issued in August 2015, with maturity of five years from the issue date, bearing interest at a rate of 4.80% per annum. RMB860 million of these non-public debt instruments has been repaid during 2018.

- Two tranches of non-public debt instruments were issued in July and November 2018, respectively, at nominal values of RMB2,000 million and RMB2,000 million, with maturity of three years from the issue date. The interest rates are 4.97% and 4.70% per annum, respectively. These non-public debt instruments will be repaid in 2021.

- Four tranches of non-public debt instruments were issued in January, June, July and September 2019, respectively, at nominal values of RMB2,000 million, RMB1,500 million, RMB1,500 million and RMB1,500 million, respectively, with maturity of three years from the issue date. The interest rates are 3.88% 3.65% 3.60% and 3.55% per annum, respectively. These non-public debt instruments will be repaid in 2022.

The non-public debt instruments are stated at amortised cost with effective rates ranging from 4.80% to 7.00%. Interest is payable once a year. The accrued interest is included in current borrowings.

(i) Financial lease payables:

The Group leases certain of its plant and machinery and these leases were classified as finance leases prior to IFRS 16 becoming effective on 1 January 2019, and had have remaining lease terms ranging from four to six years.

As at 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments *RMB million*	Present value of minimum lease payments *RMB million*
Amounts payable:		
– Within one year	286	286
– In the second to fifth years, inclusive	511	444
– Beyond five years	–	–
Total minimum finance lease payments	797	730
Future finance charges	(67)	
Total net finance lease payables	730	
Portion classified as current liabilities	286	
Non-current portion	444	

31. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	2019			
	Fair value adjustments of equity investments at fair value through other comprehensive income *RMB million*	Undistributed profits in subsidiaries *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2019	3,724	1,299	2,003	7,026
Charged/(credited) to profit or loss during the year *(note 11)*	–	181	294	475
Charged/(credited) to other comprehensive income	646	–	2	648
Exchange differences	(2)	–	13	11
At 31 December 2019	4,368	1,480	2,312	8,160

Deferred tax assets:

	2019							
	Impairment of financial and contract assets *RMB million*	Depreciation and amortisation *RMB million*	Provision for foreseeable contract losses *RMB million*	Provision for employee benefits *RMB million*	Tax losses *RMB million*	Discount on long-term receivables *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2019	2,764	75	142	235	1,661	476	1,015	6,368
(Charged)/credited to profit or loss during the year *(note 11)*	383	(10)	(6)	(28)	226	(158)	730	1,137
(Charged)/credited to other comprehensive income	-	-	-	(3)	(592)	-	119	(476)
Acquisition of a subsidiary	2	-	-	-	-	-	-	2
Disposal of subsidiaries	(18)	(2)	(7)	(7)	-	-	2	(32)
Exchange differences	(38)	2	9	-	73	(2)	(15)	29
At 31 December 2019	3,093	65	138	197	1,368	316	1,851	7,028

31. DEFERRED TAX (CONTINUED)

Deferred tax liabilities:

	2018			
	Fair value adjustments of equity investments at fair value through other comprehensive income	Undistributed profits in subsidiaries	Others	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
At 1 January 2018	4,667	1,081	1,994	7,742
Charged to profit or loss during the year	–	218	57	275
Credited to other comprehensive income	(944)	–	(1)	(945)
Disposal of subsidiaries	–	–	(25)	(25)
Exchange differences	1	–	(22)	(21)
At 31 December 2018	3,724	1,299	2,003	7,026

Deferred tax assets:

	2018							
	Impairment of financial and contract assets	Depreciation and amortisation	Provision for foreseeable contract losses	Provision for employee benefits	Tax losses	Discount on long-term receivables	Others	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2018	2,416	94	145	242	1,312	889	1,090	6,188
(Charged)/credited to profit or loss during the year	390	(15)	(26)	(19)	385	(402)	(146)	167
Credited to other comprehensive income	–	–	–	11	–	–	83	94
Acquisition of a subsidiary	–	–	–	–	–	–	43	43
Disposal of subsidiaries	–	–	–	–	(4)	–	(27)	(31)
Exchange difference	(42)	(4)	23	1	(32)	(11)	(28)	(93)
At 31 December 2018	2,764	75	142	235	1,661	476	1,015	6,368

31. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019		2018	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	RMB million	***RMB million***	*RMB million*	*RMB million*
The gross balance	**7,028**	**8,160**	6,368	7,026
Offsetting	**(1,815)**	**(1,815)**	(1,864)	(1,864)
	5,213	**6,345**	4,504	5,162

Deferred tax assets of RMB4,914 million (2018: RMB4,126 million) have not been recognised in respect of these losses amounting to RMB19,988 million (2018: RMB16,834 million) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Most of these tax losses will expire in one to five years for offsetting against future taxable profits.

As at 31 December 2019, the Group did not recognise deferred tax assets of RMB787 million (2018: RMB684 million) in respect of deductible temporary differences amounting to RMB3,199 million (2018: RMB2,789 million) as the directors believe it is not probable that such deductible temporary differences would be recognised.

32. RETIREMENT BENEFIT OBLIGATIONS

The Group provided supplementary pension subsidies and medical benefits to its normal retired or early retired employees in Mainland China who retired prior to 1 January 2006, which are considered to be defined benefit plans, and recognised a liability for the unfunded employee benefit obligations in the consolidated statement of financial position as follows:

	2019	2018
	RMB million	*RMB million*
Present value of defined benefit obligations	**1,119**	1,293
Portion classified as current portion	**126**	141
Non-current portion	**993**	1,152

32. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2019 **RMB million**	2018 RMB million
At 1 January	**1,293**	1,347
Past service cost	**3**	6
Interest cost	**39**	51
	1,335	1,404
Remeasurements		
– Gains from changes in financial assumptions	**(17)**	65
– Experience gains	**(4)**	(5)
	1,314	1,464
Payments	**(163)**	(171)
Disposal of subsidiaries	**(32)**	–
At 31 December	**1,119**	1,293

The above obligations were determined based on actuarial valuation performed by an independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch, using the projected unit credit method. The significant actuarial assumptions are as follows:

	2019	2018
Discount rate	**3.00%**	3.25%
Medical cost growth rate	**4.00%–8.00%**	4.00%–8.00%

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Impact on defined benefit obligations	
	2019 **RMB million**	2018 RMB million
Discount rate:		
– 0.25% increase	**(19)**	(22)
– 0.25% decrease	**19**	23
Medical cost growth rate:		
– 1.00% increase	**15**	21
– 1.00% decrease	**(14)**	(19)

32. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the retirement benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the retirement benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The following undiscounted payments are expected contributions to the defined benefit plan in future years:

	2019 ***RMB million***	2018 *RMB million*
Within 1 year	**126**	141
1 year to 2 years	**119**	133
2 years to 5 years	**315**	358
Over 5 years	**837**	1,032
	1,397	1,664

The average duration of the defined benefit plan obligation at the end of the reporting period was 7 years (2018: 7 years).

33. PROVISIONS

	Pending lawsuits ***RMB million***	**Provision for foreseeable losses on contract assets** ***RMB million***	**Others** ***RMB million***	**Total** ***RMB million***
At 1 January 2019	**125**	**703**	**387**	**1,215**
Additional provisions	**10**	**453**	**214**	**677**
Utilised/reversed during the year	**(14)**	**(453)**	**–**	**(467)**
At 31 December 2019	**121**	**703**	**601**	**1,425**
Non-current portion	**121**	**703**	**601**	**1,425**

	Pending lawsuits *RMB million*	Provision for foreseeable losses on contract assets *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2018	442	828	238	1,508
Additional provisions	16	448	149	613
Utilised/reversed during the year	(333)	(573)	–	(906)
At 31 December 2018	125	703	387	1,215
Non-current portion	125	703	387	1,215

34. SHARE CAPITAL AND PREMIUM

	2019 RMB million	2018 RMB million
Issued and fully paid:		
11,747,235,425 (2018: 11,747,235,425) A shares of RMB1.00 each	**11,747**	11,747
4,427,500,000 (2018: 4,427,500,000) H shares of RMB1.00 each	**4,428**	4,428
	16,175	16,175

The Company was incorporated on 8 October 2006, with an initial registered share capital of RMB10,800 million, divided into 10,800,000,000 domestic shares with a nominal value of RMB1.00 each which were issued to CCCG, the parent company.

In December 2006, the Company completed its H share listing on the Hong Kong Stock Exchange and 4,025,000,000 H shares with a nominal value of RMB1.00 each were issued at HK$4.6 (equivalent to approximately RMB4.63) each. The Company raised net proceeds of approximately RMB17,878 million (equivalent to HK$17,772 million) from the issuance of H shares, of which paid-up share capital was RMB4,025 million and share premium was approximately RMB13,853 million. Upon the issuance of H shares, 402,500,000 domestic shares (10% of the number of H shares issued) were converted into H shares and transferred to the National Social Security Fund.

In March 2012, the Company completed an initial public offering of A shares on the Shanghai Stock exchange. In this connection, the Company issued 1,349,735,425 A shares, of which 925,925,925 A shares were issued to domestic investors by way of public offering, and 423,809,500 A shares were issued for the purpose of implementing the merger agreement through share exchange with the non-controlling shareholders of Road & Bridge International Co., Ltd., a former A share listed company and a subsidiary of the Company. The Company raised net proceeds of approximately RMB7,153 million, of which paid-up share capital was RMB1,350 million and share premium was approximately RMB5,803 million. Upon the completion of this A share issuance and listing, 92,592,593 A shares (10% of the number of new A shares issued by public offering) were transferred to the National Social Security Fund.

As at 31 December 2019, the Company's share capital was RMB16,174,735,425 (2018: RMB16,174,735,425), comprising 11,747,235,425 A shares and 4,427,500,000 H shares, representing approximately 72.6% and 27.4% of the registered capital, respectively.

35. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY

	2019	2018
	RMB million	*RMB million*
Medium-term notes (note a)	**8,966**	9,958
Renewable corporate bonds (note b)	**6,989**	–
Preference shares (note c)	**14,468**	14,468
	30,423	24,426

(a) As approved by NAFMII, three tranches of MTNs were issued by the Company in 2018, with nominal values of RMB2,000 million, RMB2,000 million and RMB1,000 million, respectively. There is no maturity date for these MTNs and the holders have no right to receive a return of principal. The initial interest rates of these MTNs were 4.58%, 4.55% and 4.55% per annum respectively, which will be reset once in every three years since the issuance date. Pursuant to the terms of these MTNs, the Company may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. These MTNs are subject to redemption in whole, at the option of the Company, three years after the issue date, at its principal amount together with accrued interest.

As approved by NAFMII, two tranches of MTNs were issued by the Company in 2019, with nominal values of RMB2,500 million and RMB2,500 million, respectively. Among the total nominal value of RMB5,000 million, RMB1,000 million was purchased by one of the Company's subsidiaries. There is no maturity date for these MTNs and the holders have no right to receive a return of principal. The initial interest rates of these MTNs were 2.84% and 2.84% per annum respectively, which will be reset once in every three years since the issuance date. Pursuant to the terms of these MTNs, the Company may elect to defer the distribution of interest and is not subject to any restriction as to the number of times the distribution can be deferred. These MTNs are subject to redemption in whole, at the option of the Company, three years after the issue date, at its principal amount together with accrued interest.

The directors of the Company are of the opinion that the Group has no contractual obligations to repay the principal or to pay any distribution for these MTNs, and these MTNs should be classified as equity.

A tranche of MTN was redeemed by the Company in 2019, which was issued by the Company in 2014, with a nominal value of RMB5,000 million.

(b) As approved by CSRC, two tranches of renewable corporate bonds were issued by the Company in 2019, with nominal values of RMB5,000 million and RMB2,000 million, respectively. There is no maturity date for these bonds and the holders have no right to receive a return of principal. Pursuant to the terms of these bonds, the Company may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The initial interest rates of these bonds were 4.10% and 3.88% per annum respectively, which will be reset once in every three years since the issuance date. The Company has the right to redeem the bonds if it has the unavoidable liability to pay additional taxes for the survival of bonds due to changes or amendments to laws, regulations or judicial interpretations of relevant laws and regulations. The Company has the right to redeem the bonds if the Company can no longer account the bonds as equity in its consolidated financial statements due to changes in the accounting standards of the enterprise or other laws and regulations. Except for the above two cases, the Company has no rights or obligations to redeem the bonds.

The directors of the Company are of the opinion that the Group has no contractual obligations to repay the principal or to pay any distribution for these renewable corporate bonds, and these renewable corporate bonds should be classified as equity.

(c) As approved by the CSRC, two tranches of preference shares were issued in 2015, with a total number of shares of 145 million. The initial dividend rates of these tranches of preference shares were 5.1% and 4.7% respectively, which will be reset at the end of the fifth year since the issuance dates. The declaration of dividend is optional for the issuer and the undeclared dividend is non-cumulative. The subscription price of these preference shares was RMB100 per share and the total net proceeds were RMB14,468 million.

The directors of the Company are of the opinion that the Group has no contractual obligations to repay the principal or to pay any dividend for the preference shares, and the preference shares should be classified as equity.

36. RESERVES

	Capital reserve (a)	Statutory surplus reserve	General reserve	Remeasurement reserve	Investment revaluation reserve	Hedging reserve	Safety reserve	Exchange reserve	Retained earnings	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB Million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2019	4,850	5,242	1,088	(97)	12,105	(1)	2,355	770	110,609	136,921
Profit for the year	-	-	-	-	-	-	-	-	20,094	20,094
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	5,732	-	-	-	-	5,732
Cash flow hedges, net of tax	-	-	-	-	-	3	-	-	-	3
Share of other comprehensive loss of joint ventures and associates		-	-	-	(172)	-	-	-	-	(172)
Share of other reserves of joint ventures and associates	70	-	-	-	-	-	-	-	-	70
Actuarial gains on retirement benefit obligations, net of tax	-	-	-	15	-	-	-	-	-	15
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	375	-	375
Final 2018 dividend declared	-	-	-	-	-	-	-	-	(3,733)	(3,733)
Capital contribution from non-controlling interests(a)	5,894	-	-	-	-	-	-	-	-	5,894
Transaction with non-controlling interests	(16)	-	-	-	-	-	-	-	-	(16)
Interest on perpetual medium-term notes	-	-	-	-	-	-	-	-	(566)	(566)
Divided on preference shares	-	-	-	-	-	-	-	-	(718)	(718)
Transfer to statutory surplus reserve (b)	-	358	-	-	-	-	-	-	(358)	-
Transfer from general reserve (c)	-	-	(131)	-	-	-	-	-	131	-
Transfer from safety production reserve (d)	-	-	-	-	-	-	(14)	-	14	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	-	345	-	-	(3,455)	-	-	-	3,110	-
At 31 December 2019	10,798	5,945	957	(82)	14,210	2	2,341	1,145	128,583	163,899

36. RESERVES (CONTINUED)

	Capital reserve (a)	Statutory surplus reserve	General reserve	Remeasurement reserve	Investment revaluation reserve	Hedging reserve	Safety reserve	Exchange reserve	Retained earnings	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB Million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 31 December 2017	4,933	4,716	975	(48)	15,143	3	2,216	505	97,217	125,660
Effect of adoption of IFRS 9, net of tax	–	–	–	–	85	–	–	–	(718)	(633)
At 1 January 2018(restated)	4,933	4,716	975	(48)	15,228	3	2,216	505	96,499	125,027
Profit for the year	–	–	–	–	–	–	–	–	19,819	19,819
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	(3,017)	–	–	–	–	(3,017)
Cash flow hedges, net of tax	–	–	–	–	–	(4)	–	–	–	(4)
Share of other comprehensive loss of joint ventures and associates	9	–	–	–	(106)	–	–	–	–	(97)
Actuarial loss on retirement benefit obligations, net of tax	–	–	–	(49)	–	–	–	–	–	(49)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	265	–	265
Final 2017 dividend declared	–	–	–	–	–	–	–	–	(3,913)	(3,913)
Transaction with non-controlling interests	(92)	–	–	–	–	–	–	–	–	(92)
Interest on perpetual medium-term notes	–	–	–	–	–	–	–	–	(300)	(300)
Divided on preference shares	–	–	–	–	–	–	–	–	(718)	(718)
Transfer to statutory surplus reserve	–	526	–	–	–	–	–	–	(526)	–
Transfer to general reserve	–	–	113	–	–	–	–	–	(113)	–
Transfer to safety production reserve	–	–	–	–	–	–	139	–	(139)	–
At 31 December 2018	4,850	5,242	1,088	(97)	12,105	(1)	2,355	770	110,609	136,921

36. RESERVES (CONTINUED)

(a) Capital reserve

During 2019, the Group entered into investment agreements and subscription agreements with six investors (the "Investors").

Pursuant to the investment agreements and the subscription agreements, the Investors respectively agreed to invest in certain subsidiaries of the Company, CCCC Forth Harbor Engineering Co., Ltd., CCCC Second Harbor Engineering Co., Ltd., CCCC First Highway Engineering Group Co., Ltd., Road & Bridge International Co., Ltd., CCCC Second Highway Engineering Co., Ltd., CCCC Third Harbor Engineering Co., Ltd., CCCC First Harbor Engineering Co., Ltd., CCCC Forth Highway Engineering Co., Ltd. and CCCC Third Highway Engineering Co., Ltd. ("Target Companies") by cash amounting to approximately RMB18,000 million in aggregate. The investment did not result in a loss of the Company's control over the subsidiaries. On the capital injection date, the carrying amount of the net assets of Target Companies attributed to the Investors was RMB12,106 million, therefore, the difference amounting to RMB5,894 million was recorded in capital reserve.

(b) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to owners. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2019, the board of directors proposed an appropriation of 10% (2018: 10%) of the Company's profit after tax, as determined under PRC GAAP, of RMB358 million (2018: RMB526 million) to the statutory surplus reserve. During the year ended 31 December 2019, the Group sold certain stock shares of a listed bank and other equity investments, which were accounted as equity investments designated at fair value through other comprehensive income, accumulated changes in fair value of RMB3,455 million were then transferred from other comprehensive income to retained earnings with the amount of RMB3,110 million and to statutory surplus reserve with the amount of RMB345 million.

(c) General reserve

CCCC Finance, one of the subsidiaries of the Company, is required by the Ministry of Finance to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year-end balance of its risk assets.

The general reserve balance of CCCC Finance as at 31 December 2019 amounted to RMB957 million (2018: RMB1,088 million).

(d) Safety reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside from profit after tax an amount to a safety reserve at different rates ranging from 1.5% to 2% of the total construction contract revenue recognised for the year. The reserve can be utilised for improvements of safety on the construction work, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred, and at the same time the corresponding amounts of safety reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Percentage of equity interests held by non-controlling interests:

	2019	2018
	(%)	*(%)*
CCCC (Beijing) One-term Equity Investment Fund LLP	**39.98**	39.98
CCCC Financial Leasing	**30.00**	30.00
CCCC First Highway Engineering Group Co., Ltd.	**12.75**	–
CCCC Second Highway Engineering Co., Ltd.	**18.06**	–
CCCC Third Highway Engineering Co., Ltd.	**30.00**	–
CCCC Forth Highway Engineering Co., Ltd.	**20.08**	–
CCCC First Harbor Engineering Co., Ltd.	**9.91**	–
CCCC Second Harbor Engineering Co., Ltd.	**13.36**	–
CCCC Third Harbor Engineering Co., Ltd.	**10.69**	–
CCCC Forth Harbor Engineering Co., Ltd.	**13.77**	–
Road & Bridge International Co., Ltd.	**17.25**	–

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

	2019	2018
	RMB million	*RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**(4)**	(1)
CCCC Financial Leasing	**89**	87
CCCC First Highway Engineering Group Co., Ltd.	**24**	–
CCCC Second Highway Engineering Co., Ltd.	**14**	–
CCCC Third Highway Engineering Co., Ltd.	**4**	–
CCCC Forth Highway Engineering Co., Ltd.	**30**	–
CCCC First Harbor Engineering Co., Ltd.	**2**	–
CCCC Second Harbor Engineering Co., Ltd.	**31**	–
CCCC Third Harbor Engineering Co., Ltd.	**3**	–
CCCC Forth Harbor Engineering Co., Ltd.	**29**	–
Road & Bridge International Co., Ltd.	**30**	–

Dividends paid to non-controlling interests:

	2019	2018
	RMB million	*RMB million*
CCCC Financial Leasing	**10**	47

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

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

	2019	2018
	RMB million	*RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**4,461**	1,761
CCCC Financial Leasing	**1,799**	1,719
CCCC First Highway Engineering Group Co., Ltd.	**1,572**	–
CCCC Second Highway Engineering Co., Ltd.	**1,417**	–
CCCC Third Highway Engineering Co., Ltd.	**908**	–
CCCC Forth Highway Engineering Co., Ltd.	**1,183**	–
CCCC First Harbor Engineering Co., Ltd.	**1,098**	–
CCCC Second Harbor Engineering Co., Ltd.	**1,535**	–
CCCC Third Harbor Engineering Co., Ltd.	**1,062**	–
CCCC Forth Harbor Engineering Co., Ltd.	**2,092**	–
Road & Bridge International Co., Ltd.	**1,405**	–

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2019	**CCCC Financial Leasing**	**CCCC (Beijing) One-term Equity Investment Fund LLP**	**CCCC Forth Harbor Engineering Co., Ltd.**	**CCCC Second Harbor Engineering Co., Ltd.**	**CCCC First Highway Engineering Group Co., Ltd.**	**Road & Bridge International Co., Ltd.**	**CCCC Second Highway Engineering Co., Ltd.**	**CCCC Third Harbor Engineering Co., Ltd.**	**CCCC First Harbor Engineering Co., Ltd.**	**CCCC Forth Highway Engineering Co., Ltd.**	**CCCC Third Highway Engineering Co., Ltd.**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Revenue	**2,052**	**-**	**35,959**	**74,349**	**102,514**	**37,383**	**45,492**	**36,804**	**39,172**	**37,200**	**22,302**
Profit/(loss) for the year	**297**	**(10)**	**2,235**	**1,251**	**848**	**1,172**	**1,327**	**391**	**1,361**	**1,170**	**320**
Total comprehensive income/ (loss)	**387**	**(10)**	**2,487**	**1,263**	**822**	**1,034**	**1,254**	**435**	**1,371**	**1,176**	**318**
Current assets	**19,939**	**-**	**24,541**	**62,214**	**77,267**	**20,969**	**32,570**	**38,434**	**41,618**	**30,039**	**18,945**
Non-current assets	**21,340**	**11,166**	**45,166**	**31,104**	**65,017**	**43,741**	**22,505**	**22,751**	**32,990**	**22,033**	**6,877**
Current liabilities	**21,497**	**16**	**37,455**	**64,228**	**83,004**	**31,196**	**41,038**	**43,112**	**54,241**	**32,380**	**19,699**
Non-current liabilities	**11,265**	**-**	**11,247**	**11,471**	**35,916**	**18,455**	**3,083**	**6,404**	**4,368**	**10,321**	**2,728**
Net cash flows (used in)/ generated from operating activities	**(61)**	**-**	**4,108**	**1,948**	**5,320**	**2,779**	**301**	**369**	**1,481**	**294**	**(1,205)**
Net cash flows used in investing activities	**(93)**	**(6,761)**	**(11,325)**	**(3,957)**	**(8,802)**	**(9,216)**	**(3,499)**	**(2,108)**	**(6,711)**	**(3,997)**	**(659)**
Net cash flows (used in)/ generated from financing activities	**(1,002)**	**6,759**	**7,307**	**2,667**	**6,672**	**8,861**	**3,294**	**1,616**	**4,962**	**5,387**	**2,069**
Exchange gains/(losses) on cash and cash equivalents	**2**	**-**	**21**	**41**	**2**	**(3)**	**5**	**12**	**11**	**(8)**	**3**
Net increase/(decrease) in cash and cash equivalents	**(1,154)**	**(2)**	**111**	**699**	**3,192**	**2,421**	**101**	**(111)**	**(257)**	**1,676**	**208**

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

2018	CCCC Financial Leasing *RMB million*	CCCC (Beijing) One-term Equity Investment Fund LLP *RMB million*
Revenue	1,693	–
Profit/(loss) for the year	352	(3)
Total comprehensive income/(loss)	354	(3)
Current assets	16,768	2
Non-current assets	14,387	4,406
Current liabilities	14,391	–
Non-current liabilities	9,283	6
Net cash flows used in operating activities	(1,108)	–
Net cash flows used in investing activities	(505)	(4,406)
Net cash flows generated from financing activities	2,668	4,406
Exchange gains on cash and cash equivalents	4	–
Net increase in cash and cash equivalents	1,059	–

In addition, the other information of partly-owned subsidiaries with material non-controlling interests is as below:

In 2019, eight tranches of debt instruments were issued by subsidiaries of the Company, with nominal value in a total amount of RMB7,000 million. There is no maturity date for these debt instruments and the holders have no right to receive returns of principal, so these financial instruments were classified as equity of the issuer, and consequently, as non-controlling interests of the Group. The initial interest rates of these debt instruments were in the range from 4.20% to 5.19%, which will be reset every three or five years after the issuance date. In 2019, two tranches of debt instruments were redeemed by subsidiaries of the Company, with nominal value in a total amount of RMB2,000 million.

As of 31 December 2019, the total balance of perpetual bonds and perpetual medium-term notes issued by subsidiaries of the Company was RMB32,798 million. These perpetual bonds and perpetual medium-term notes are classified as equity and presented as non-controlling interests in the consolidated financial statements.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group has below significant non-cash transactions:

	2019 ***RMB million***	2018 *RMB million*
Trade and other payables transferred to non-controlling interests	**1,965**	–
Bank acceptance bills received for sale of goods and services endorsed to engineering contractors or equipment suppliers	**89**	10

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

(b) Changes in liabilities arising from financing activities

2019	**Bank and other loans** *RMB million*	**Finance lease payables/ lease liabilities** *RMB million*	**Corporate bonds** *RMB million*	**Debentures** *RMB million*	**Non-public debt instruments** *RMB million*	**Dividend** *RMB million*	**Total** *RMB million*
At 31 December 2018	**257,774**	**730**	**24,380**	**5,003**	**6,740**	**317**	**294,944**
Effect of adoption of IFRS 16	**–**	**2,305**	**–**	**–**	**–**	**–**	**2,305**
At 1 January 2019 (restated)	**257,774**	**3,035**	**24,380**	**5,003**	**6,740**	**317**	**297,249**
Changes from financing cash flows	**27,704**	**(1,592)**	**(1,434)**	**(4,149)**	**4,635**	**(6,633)**	**18,531**
New leases	**–**	**918**	**–**	**–**	**–**	**–**	**918**
Foreign exchange movement	**186**	**–**	**–**	**–**	**–**	**–**	**186**
Declared dividends	**–**	**–**	**–**	**–**	**–**	**6,904**	**6,904**
Interest expense	**13,905**	**160**	**1,047**	**155**	**497**	**–**	**15,764**
Discounted amounts	**–**	**–**	**11**	**–**	**2**	**–**	**13**
Decrease arising from disposal of subsidiaries	**(190)**	**–**	**–**	**–**	**–**	**–**	**(190)**
At 31 December 2019	**299,379**	**2,521**	**24,004**	**1,009**	**11,874**	**588**	**339,375**

2018	Bank and other loans *RMB million*	Finance lease payables *RMB million*	Corporate bonds *RMB million*	Debentures *RMB million*	Non-public debt instruments *RMB million*	Dividend *RMB million*	Total *RMB million*
At 1 January 2018	233,390	1,109	20,244	–	6,459	304	261,506
Changes from financing cash flows	15,644	(597)	2,865	4,813	(291)	(5,679)	16,757
New finance lease	–	6	–	–	–	–	6
Foreign exchange movement	249	–	–	–	–	–	249
Declared dividends	–	–	–	–	–	5,664	5,664
Interest expense	11,907	212	1,266	190	571	–	13,146
Discounted amounts	–	–	5	–	1	–	6
Increase arising from acquisition of subsidiaries	2,153	–	–	–	–	122	2,275
Decrease arising from disposal of subsidiaries	(4,569)	–	–	–	–	(94)	(4,663)
At 31 December 2018	257,774	730	24,380	5,003	6,740	317	294,944

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

(c) Total cash outflow for leases

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

	2019
	RMB million
Within operating activities	**1,532**
Within investing activities	**833**
Within financing activities	**1,592**
	3,957

39. CONTINGENT LIABILITIES

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

	2019	2018
	RMB million	*RMB million*
Pending lawsuits (note a)	**1,201**	626
Outstanding loan guarantees (note b)	**2,951**	8,217
	4,152	8,843

(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 of the legal advice. No provision has been made for the above pending lawsuits of RMB1,201 million (2018: RMB626 million) as 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.

After the assessment of the financial position of these joint ventures and associates, the directors concluded there is no significant default risk and no provision for such guarantees are required.

(c) As disclosed in note 24 (e), the Group has entered into certain agreements with certain financial institution so as to establish asset-backed securities (ABS) and asset-backed notes (ABN). As at 31 December 2019, certain of the ABS and ABN in issue with an aggregate amount of RMB10,387 million (2018: RMB6,710 million) included the ABS and ABN issued to preferential investors of an aggregate amount of RMB7,919 million (2018: RMB6,322 million). Under the clauses of the agreements, the Group is subject to the obligations of liquidity supplementary payments to preferential investors when the cash available for distribution of the principal and fixed return at the due date is not sufficient. The directors of the Company evaluate the possibilities and assume that the obligations of liquidity supplementary payments is low.

(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 31 December 2019, the outstanding balance of guarantees provided by the Group was approximately RMB3,994 million.

40. BUSINESS COMBINATION

During the year ended 31 December 2019, the Group obtained control over several companies from certain independent third parties, with a total consideration of RMB864 million.

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 *RMB million*	**Acquisition date book value** *RMB million*
Non-current assets		
Long-term receivables	1,205	1,205
Property, plant and equipment	43	29
Intangible assets	542	542
Deferred tax assets	2	2
	1,792	1,778
Current assets		
Trade and other receivables	30	30
Contract assets	6	6
Inventories	50	50
Cash and cash equivalents	260	260
	346	346
Current liabilities		
Trade and other payables	(183)	(183)
Contract liabilities	(2)	(2)
	(185)	(185)
Non-current liabilities		
Trade and other payables	(232)	(232)
	(232)	(232)
Net assets	1,721	1,707
Non-controlling interests	996	
Goodwill on acquisition	139	
Consideration	864	
Satisfied by cash	261	

40. BUSINESS COMBINATION (CONTINUED)

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

	2019 *RMB million*
Total consideration	**864**
Cash paid for acquisition of subsidiaries	**(261)**
Cash and bank balances of subsidiaries acquired	**260**
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(1)**

Since the acquisition, the acquirees contributed RMB32 million to the Group's revenue and caused a loss of RMB6 million to the consolidated profit for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB553,154 million and RMB21,658 million, respectively.

41. DISPOSAL OF SUBSIDIARIES

(a) On 30 June 2019, CFHCC, a subsidiary of the Company, entered into an equity transfer agreement with China Airport Construction Group Co., Ltd. ("CACC"), pursuant to which CFHCC disposed of 67% equity interests in CCCC First Harbour Fourth Engineering Co., Ltd. to CACC for a consideration of RMB798 million. Thereafter, the Group no longer has control over CCCC First Harbour Fourth Engineering Co., Ltd.. Revaluation gain of RMB216 million on residual interests in CCCC First Harbour Fourth Engineering Co., Ltd. was recognised and included in the gains on disposal of subsidiaries below.

(b) On 30 June 2019, the Company and its subsidiaries, China Harbour Engineering Co., Ltd., China Highway Engineering Consultants Co., Ltd. and CCCC Fourth Harbour Consultants Co., Ltd. (the "Acquiring Group") entered into an equity transfer agreement with CACC, pursuant to which the Acquiring Group disposed of 100% equity interests in CCCC Airport Investigation and Design Institute Co., Ltd. to CACC for a consideration of RMB123 million.

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c) The aggregate financial information of the subsidiaries mentioned above and other subsidiaries disposed of by the Group, at the date of disposal in 2019, is as follows:

	2019 *RMB million*
Non-current assets	**825**
Current assets	**8,693**
Current liabilities	**(8,023)**
Non-current liabilities	**(650)**
	845
Non-controlling interests	**(21)**
	824
Gains on disposal of subsidiaries	**741**
	1,565
Represented by:	
Residual interests in joint ventures	**29**
Residual interests in associates	**414**
Financial assets at fair value through profit or loss	**64**
Cash consideration	**1,058**
	1,565

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019 *RMB million*	2018 *RMB million*
Cash received from disposal of subsidiaries in the current year	**921**	859
Cash received from disposal of subsidiaries in the prior year	**87**	593
Cash and bank balances of subsidiaries disposed of	**(991)**	(1,792)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**17**	(340)

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(d) The information of disposal of subsidiaries that occurred and has been completed in 2018 is as follows:

On 27 December 2018, the Group entered into an equity transfer agreement with China Communications Real Estate Co., Ltd. ("CCCC Real Estate") to transfer 100% equity interests in Beijing United Real Estate Co., Ltd. to CCCC Real Estate for a consideration of RMB866 million. Upon the completion of equity transfer, Beijing United Real Estate Co., Ltd. ceased to be subsidiary of the Company.

On 27 December 2018, two third parties made capital contributions to Yulin Zhongjiao Construction Investment Co., Ltd. ("Yulin Zhongjiao") of RMB80 million through Zhongjiao Yulin Road Network Upgrade and Private Investment No. 1 Fund ("No. 1 Fund"), and of RMB200 million through Zhongjiao Yulin Road Network Upgrade and Private Investment No. 2 Fund ("No. 2 Fund"), respectively. Upon the completion of equity transfer, CFHCC, No. 1 Fund and No. 2 Fund jointly control Yulin Zhongjiao, and the Group no longer has the control over Yulin Zhongjiao.

On 24 December 2018, Zhongjiao Jianyin (Xiamen) Equity Investment Fund Management Co., Ltd. made a capital contribution of RMB70 million to Guangdong Zhongjiao Yuzhan Expressway Development Co., Ltd. ("Guangdong Yuzhan") through Beijing Zhongjiao Luqiao Investment Phase III Fund LLP. Upon the completion of equity transfer, CFHCC and Beijing Zhongjiao Luqiao Investment Phase III Fund LLP jointly control Guangdong Yuzhan, and the Group no longer has the control over Guangdong Yuzhan.

On 21 December 2018, China Communications Water Transportation Consultants Co., Ltd. ("Water Transportation Consultants") and CCCG entered into a capital increase agreement, pursuant to which CCCG agreed to make a capital contribution in cash of RMB318 million to China Communications Information Center, while Water Transportation Consultants agreed to make a capital contribution to China Communications Information Center with its 58% equity interests in Beijing Zhongjiao Ziguang Technology Co., Ltd.. Upon the completion of equity transfer, the Group no longer has the control over China Communications Information Center.

In addition, during 2018, the Group disposed of certain other companies, and the aggregate financial information of the subsidiaries disposed of by the Group, at the date of disposal in 2018, is as follows:

	Total *RMB million*
Non-current assets	3,555
Current assets	6,191
Current liabilities	(3,310)
Non-current liabilities	(4,910)
Non-controlling interests	(423)
	1,103
Gains on disposal of subsidiaries	482
	1,585
Represented by:	
Residual interests in joint ventures	178
Residual interests in associates	324
Financial assets at fair value through profit or loss	138
Cash consideration	945
	1,585

42. PLEDGE OF ASSETS

(a) At 31 December 2019, the restricted deposits were RMB4,305 million (2018: RMB4,633 million).

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

	2019 **RMB million**	2018 RMB million
Property, plant and equipment *(note 14)*	**110**	–
Investment properties *(note 15)*	**1,079**	1,117
Right-of-use assets/prepaid land lease payments *(note 16)*	**6,040**	5,028
Intangible assets *(note 17)*	**164,790**	141,261
Inventories *(note 23)*	**2,408**	3,597
Trade and other receivables *(note 24)*	**34,435**	27,261
	208,862	178,264

43. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 **RMB million**	2018 RMB million
Intangible assets – concession assets	**100,846**	122,293
Property, plant and equipment	**1,231**	1,387
	102,077	123,680

(b) Operating lease commitments as at 31 December 2018

The Group leases certain of its offices, warehouses, residential properties, machinery and vessels under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB million
Within one year	1,439
In the second to fifth year, inclusive	1,249
Beyond five years	241
	2,929

44. RELATED PARTY TRANSACTIONS

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

	2019 RMB million	2018 RMB million
Transactions with CCCG		
– Rental fee	171	108
– Deposit-taking	16,533	20,252
– Interest expense on deposits	19	39
– Loans to CCCG	700	–
– Interest income from loans	7	–
– Other borrowings from CCCG	60	2,000
– Interest expense on loans	29	128
Transactions with fellow subsidiaries		
– Revenue from the provision of construction and construction related services	4,552	2,290
– Revenue from sale of goods	297	286
– Revenue from sale of property	339	–
– Rental income	5	2
– Deposit-taking	78,408	41,193
– Interest expense on deposits	49	43
– Purchase of materials	481	1,604
– Subcontracting and services charges	2,936	74
– Rental fee	58	50
– Purchase of right-of-use assets	37	–
– Loans to fellow subsidiaries	855	723
– Interest income from loans	14	43
– Factoring to fellow subsidiaries	82	–
– Interest income from factoring	1	1
– Finance lease loans to fellow subsidiaries	413	459
– Interest income from finance lease loans	111	155
Transactions with fellow subsidiaries' joint ventures and associates		
– Revenue from the provision of construction and construction related services	179	46
– Interest income on finance lease loans	–	1
– Subcontracting and services charges	25	1
Transactions with joint ventures and associates		
– Revenue from the provision of construction and construction related services	51,571	51,928
– Revenue from sale of goods	1,599	2,156
– Purchase of materials	840	2,373
– Subcontracting and services charges	821	877
– Rental income	1	2
– Deposit-taking	10,796	7,663
– Interest expense from deposits	12	10
– Loans to joint ventures and associates	4,807	3,284
– Interest income from loans	589	427
– Factoring to joint ventures and associates	510	1,491
– Interest income from factoring	58	44
– Finance lease loans to joint ventures and associates	2,280	425
– Interest income on finance lease loans	71	21

These transactions were carried out on terms based on those terms in the ordinary course of business.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

Balances with related parties other than government-related entities:

	2019 RMB million	2018 RMB million
Trade and bills receivables due from		
– Fellow subsidiaries	2,351	2,527
– Joint ventures and associates	5,000	6,512
– Fellow subsidiaries' joint ventures	58	–
	7,409	9,039
Long-term trade receivables due from		
– Fellow subsidiaries	3,262	3,445
– Joint ventures and associates	14,916	12,621
– Fellow subsidiaries' joint ventures	197	–
	18,375	16,066
Prepayments to		
– Fellow subsidiaries	2,618	1,289
– Joint ventures and associates	220	457
	2,838	1,746
Other receivables due from		
– CCCG	8	2
– Fellow subsidiaries	1,881	1,198
– Joint ventures and associates	2,569	3,303
	4,458	4,503
Contract assets		
– CCCG	169	–
– Fellow subsidiaries	246	115
– Joint ventures and associates	3,006	3,686
– Fellow subsidiaries' joint ventures	35	4
	3,456	3,805
	36,536	35,159

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties: (continued)

	2019 RMB million	2018 RMB million
Trade and other payables due to		
– Fellow subsidiaries	4,698	1,739
– Joint ventures and associates	1,861	2,211
– Fellow subsidiaries' joint ventures	–	6
	6,559	3,956
Long-term trade payables due to		
– Fellow subsidiaries	1,494	204
– Joint ventures and associates	639	749
	2,133	953
Advances from customers		
– Fellow subsidiaries	319	186
– Joint ventures and associates	10,535	9,621
– Fellow subsidiaries' joint ventures	12	7
	10,866	9,814
Contract liabilities		
– Fellow subsidiaries	119	147
– Joint ventures and associates	1,715	2,738
	1,834	2,885
Deposits from		
– CCCG	1,338	3,900
– Fellow subsidiaries	3,742	4,877
– Joint ventures and associates	1,636	1,044
	6,716	9,821
Other payables due to		
– CCCG	304	391
– Fellow subsidiaries	1,107	466
– Joint ventures and associates	1,650	1,333
– Fellow subsidiaries' joint ventures	3	–
	3,064	2,190
Other borrowings		
– CCCG	560	2,500
Lease liabilities		
– CCCG	–	–
– Joint ventures and associates	30	–
– Fellow subsidiaries	40	–
	70	–
	31,802	32,119

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees with related parties

	2019 RMB million	2018 RMB million
Outstanding loan guarantees provided to		
– Joint ventures	**1,196**	6,546
– Associates	**1,755**	1,671
	2,951	8,217
Outstanding guarantees provided by CCCG	**6,148**	14,158

(d) Commitments with related parties:

	2019 RMB million	2018 RMB million
Provision of construction services		
– Fellow subsidiaries	**3,353**	3,565
– Joint ventures and associates	**114,218**	158,487
– Fellow subsidiaries' joint ventures	**53**	191
	117,624	162,243
Purchase of services		
– Fellow subsidiaries	**1,067**	140
– Joint ventures and associates	**80**	434
	1,147	574
Operating lease as lessee		
– CCCG	**–**	108

(e) Key management compensation

	2019 RMB'000	2018 RMB'000
Short term employee benefits	**14,945**	11,129
Post-employment benefits	**601**	690
	15,546	11,819

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Other transactions with related parties

(i) During the year, the equity investments together with the related parties are set below:

	2019
	RMB million
Transactions with CCCG	
– Establishment of associates of the Group	**70**
Transactions with fellow subsidiaries	
– Establishment of associates of the Group	**100**
– Establishment of joint ventures of the Group	**832**
	932
Transactions with joint ventures and associates	
– Establishment of an associate of the Group	**2**
	1,004

(ii) Details of the Group's other equity transactions with related parties are included in note 41 to the financial statements.

(iii) During the period, the Company's subsidiary, CCCC Urban Investment Holding Co., Ltd. entered into an equity transfer agreement with Hangzhou Greentown Zhizhen Investment Co., Ltd., which disposed 30% equity interests in Hangzhou Zhaolian Investment Co., Ltd. to CCCC Urban Investment Holding Co., Ltd. for a consideration of RMB2 million.

(iv) During the period, the Company's subsidiary, CCCC Urban Investment Holding Co., Ltd. entered into an equity acquisition agreement with CCCC Real Estate Co., Ltd., which disposed 100% equity interests in Ningbo CCCC Urban Future Real Estate Co., Ltd. to CCCC Urban Investment Holding Co., Ltd. for a consideration of RMB11 million.

(v) During the period, the Company's subsidiary, Shanghai CCCC Head Communication Technology Co., Ltd. issued 27 million shares to China Communications Information Technology Group Co.,Ltd. ("CCITG") for a consideration of RMB38 million.

(vi) During the period, the Company's subsidiaries, CFHCC and CCCC Beijing-Tianjin-Hebei Investment and Development Co., Ltd. entered into investment agreements with a fellow subsidiaries of the Group, Tianjin CCCC Greentown City Construction Development Co., Ltd. ("Tianjin CCCC Greentown"), and paid RMB670 million and RMB344 million respectively, to purchase the perpetual capital securities issued by Tianjin CCCC Greentown.

(vii) Details of the Group's arrangement of the total return swap with related parties are included in note 26(a).

ZPMC, Airport Construction Engineering Co., Ltd. ("ACEC") and CCITG are associates of the Group, and a fellow subsidiaries of the Group as well. The transaction with ZPMC, ACEC and CCITG and these companies' subsidiaries during the 2019 and 2018, and the outstanding balances with ZPMC, ACEC and CCITG and these companies' subsidiaries as at 31 December 2019 and 2018 were included within the category of transactions and balances with fellow subsidiaries.

The related party transactions with CCCG and fellow subsidiaries also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

45. 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:

2019

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss		
	Debt investments *RMB million*	**Equity investments** *RMB million*	**Held for trading** *RMB million*	**Financial assets at amortised cost** *RMB million*	**Total** *RMB million*
Financial assets at fair value through profit or loss	–	–	7,138	–	7,138
Equity investments designated at fair value through other comprehensive income	–	25,018	–	–	25,018
Derivative financial instruments	–	–	777	–	777
Debt investments at amortised cost	–	–	–	111	111
Trade and other receivables excluding prepayments and other non-financial assets	2,073	–	–	352,882	354,955
Cash and bank balances	–	–	–	125,439	125,439
	2,073	25,018	7,915	478,432	513,438

Financial liabilities

	Financial liabilities at fair value through profit or loss *RMB million*	Financial liabilities at amortised cost *RMB million*	Total *RMB million*
Borrowings (excluding lease liabilities)	–	336,266	336,266
Lease liabilities	–	2,521	2,521
Derivative financial instruments	5	–	5
Trade and other payables excluding statutory and other non-financial liabilities	–	361,309	361,309
	5	700,096	700,101

45. 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)

2018

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss		
	Debt investments	Equity investments	Held for trading	Financial assets at amortised cost	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial assets at fair value through profit or loss	–	–	6,048	–	6,048
Equity investments designated at fair value through other comprehensive income	–	21,257	–	–	21,257
Derivative financial instruments	–	–	250	–	250
Debt investments at amortised cost	–	–	–	109	109
Trade and other receivables excluding prepayments and other non-financial assets	4,341	–	–	272,341	276,682
Cash and bank balances	–	–	–	134,368	134,368
	4,341	21,257	6,298	406,818	438,714

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 finance lease liabilities)	–	293,897	293,897
Finance lease liabilities	–	730	730
Derivative financial instruments	2	–	2
Trade and other payables excluding statutory and other non-financial liabilities	–	312,423	312,423
	2	607,050	607,052

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*
Financial liabilities				
Non-current				
Bank borrowings	**225,946**	192,706	**226,027**	192,755
Other borrowings (other than lease liabilities)	**2,819**	1,120	**2,819**	1,120
Corporate bonds	**23,729**	15,974	**23,729**	15,974
Non-public debt instruments	**10,518**	5,140	**10,518**	5,140
	263,012	214,940	**263,093**	214,989

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 have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and 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 price of comparable property.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments, including forward currency contracts 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 and total return swaps are the same as their fair values.

As at 31 December 2019, 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 discounted cash flow method. The unobservable inputs are weighted average capital costs and long-term growth rate.

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

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

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

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

Fair value hierarchy

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

Assets and liabilities measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
Assets				
Bills receivables	–	2,073	–	2,073
Equity investments designated at fair value through other comprehensive income	21,756	–	3,262	25,018
Financial assets at fair value through profit or loss	415	–	6,723	7,138
Derivative financial instruments				
– Forward currency contracts	–	9	–	9
– Total return swap	–	–	224	224
– Forward equity contracts	–	–	233	233
– Foreign exchange option	–	–	311	311
	22,171	2,082	10,753	35,006
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	5	–	5

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

Fair value hierarchy (continued)

Assets and liabilities measured at fair value: (continued)

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
Assets				
Bills receivables	–	4,341	–	4,341
Equity investments designated at fair value through other comprehensive income	19,283	–	1,974	21,257
Financial assets at fair value through profit or loss	155	–	5,893	6,048
Derivative financial instruments				
– Forward currency contracts	–	2	–	2
– Total return swap	–	–	21	21
– Forward equity contracts	–	–	227	227
	19,438	4,343	8,115	31,896
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	2	–	2

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

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

	2019	2018
	RMB million	*RMB million*
At 1 January	**8,115**	4,090
Effect of adoption of IFRS 9	**–**	2,896
At 1 January (restated)	**8,115**	6,986
Total gains/(losses) recognised in the statement of profit or loss included in other gains	**734**	(213)
Total losses recognised in other comprehensive income	**(81)**	(226)
Purchases	**3,870**	2,860
Disposals	**(1,885)**	(1,292)
At 31 December	**10,753**	8,115

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB million	***RMB million***	***RMB million***	***RMB million***
Bank borrowings	**–**	**226,027**	**–**	**226,027**
Other borrowings (other than lease liabilities)	**–**	**2,819**	**–**	**2,819**
Corporate bonds	**5,995**	**17,734**	**–**	**23,729**
Non-public debt instruments	**–**	**10,518**	**–**	**10,518**
	5,995	**257,098**	**–**	**263,093**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
Bank borrowings	–	192,755	–	192,755
Other borrowings (other than lease liabilities)	–	1,120	–	1,120
Corporate bonds	5,993	9,981	–	15,974
Non-public debt instruments	–	5,140	–	5,140
	5,993	208,996	–	214,989

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance department under policies approved by the board of directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign currency risk

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

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

As at 31 December 2019, the Group's aggregate net assets of RMB26,048 million, including trade and other receivables, cash and bank balances, trade and other payables and borrowings, were denominated in foreign currencies, mainly USD.

To manage the impact of currency exchange rate fluctuations, the Group continually assesses its exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments when management considers necessary.

As at 31 December 2019, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, pre-tax profit for the year would had been decreased/increased by approximately RMB249 million, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents.

(ii) Price risk

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

The table below summarises the impact of increases/decreases of quoted price in open markets on the Group's pre-tax profit for the year and on equity. The analysis is based on the assumption that the equity price had increased/decreased by 10% with all other variables held constant:

	2019	2018
Increases/decreases in quoted price in open markets	**10%**	10%

	2019 ***RMB million***	2018 *RMB million*
Impact on profit before tax for the year	**38**	14
Impact on equity (excluding retained profits)	**2,176**	1,928

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2019 and 2018, the Group's borrowings at variable rates were mainly denominated in RMB, USD, Euro and HKD..

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

Increases in interest rates will increase the cost of new borrowings and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position. Management continuously monitors the interest rate position of the Group, and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the directors did not consider it was necessary to do so in 2019 and 2018.

As at 31 December 2019, the Group's borrowings of approximately RMB215,097 million (2018: RMB178,216 million) were at variable rates. As at 31 December 2019, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit before tax for the year would have been decreased/increased by RMB2,151 million (2018: RMB1,782 million), mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The carrying amounts of cash and bank balances, trade and other receivables except for prepayments, derivative financial instruments and contract assets, represent the Group's maximum exposure to credit risk in relation to financial assets.

Maximum exposure and year-end staging as at 31 December 2019

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are net carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Contract assets*	–	–	–	**146,504**	**146,504**
Trade and other receivables*	**234,626**	**20,905**	**162**	**97,189**	**352,882**
Debt investments at amortised cost	–	–	–	**111**	**111**
Restricted bank deposits and time deposits with an initial term of over three months					
– Not yet past due	**6,627**	–	–	–	**6,627**
Cash and cash equivalents					
– Not yet past due	**118,812**	–	–	–	**118,812**
Guarantees given to banks in connection with facilities granted to associates and joint ventures					
– Facilities drawn					
– Not yet past due	**2,950**	–	–	–	**2,950**
	363,015	**20,905**	**162**	**243,804**	**627,886**

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2019 (continued)

As at 31 December 2018

	12-month ECLs		Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Contract assets*	–	–	–	132,679	132,679
Trade and other receivables*	166,690	21,700		87,796	276,186
Debt investments at amortised cost	–	–	–	109	109
Pledged deposits					
– Not yet past due	6,955	–	–	–	6,955
Cash and cash equivalents					
– Not yet past due	127,413	–	–	–	127,413
Guarantees given to banks in connection with facilities granted to associates and joint ventures					
– Facilities drawn					
– Not yet past due	8,217	–	–	–	8,217
	309,275	21,700	–	220,584	551,559

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 25 to the financial statements, respectively.

As at 31 December 2019, the financial assets classified to stage 3 for lifetime ECLs are other receivables and long-term receivables with a gross carrying amount of approximately RMB1,009 million (2018: RMB585 million). Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

(c) Liquidity risk

Liquidity risk encompasses the risk that the Group cannot meet its financial obligations in full.

The Group's maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in note 30.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the capital intensive nature of the Group's business, the Group ensures that it maintains flexibility through keeping sufficient cash and cash equivalents and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and banks and other borrowings.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates, and the amounts disclosed in the table are the contractual undiscounted cash flows.

2019	**Less than 1 year** *RMB million*	**Between 1 and 2 years** *RMB million*	**Between 2 and 5 years** *RMB million*	**Over 5 years** *RMB million*	**Total** *RMB million*
Borrowings (excluding lease liabilities)	**87,316**	**55,459**	**90,007**	**213,636**	**446,418**
Lease liabilities	**1,186**	**686**	**701**	**242**	**2,815**
Trade and other payables (excluding statutory and non-financial liabilities)	**337,905**	**10,981**	**10,507**	**2,400**	**361,793**
Net-settled derivative financial instruments	**5**	**–**	**–**	**–**	**5**
	426,412	**67,126**	**101,215**	**216,278**	**811,031**

2018	Less than 1 year *RMB million*	Between 1 and 2 years *RMB million*	Between 2 and 5 years *RMB million*	Over 5 years *RMB million*	Total *RMB million*
Borrowings	90,504	44,924	71,994	179,862	387,284
Finance lease payables	287	191	320	–	798
Trade and other payables (excluding statutory and non-financial liabilities)	295,558	10,966	5,829	527	312,880
Net-settled derivative financial instruments	2	–	–	–	2
	386,351	56,081	78,143	180,389	700,964

Derivative financial instruments comprise forward currency contracts used by the Group to hedge the exposure to foreign currency risk.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Capital risk management

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

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

	31 December 2019 *RMB million*	1 January 2019 *RMB million*	31 December 2018 *RMB million*
Total borrowings *(note 30)*	**338,787**	296,322	294,627
Less: Cash and cash equivalents *(note 27)*	**(118,812)**	(127,413)	(127,413)
Net debt	**219,975**	168,909	167,214
Equity	**296,379**	239,682	239,682
Total capital	**516,354**	408,591	406,896
Gearing ratio	**42.6%**	41.3%	41.1%

The Group has adopted IFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 41.1% to 41.3% on 1 January 2019 when compared with the position as at 31 December 2018.

48. EVENTS AFTER THE REPORTING PERIOD

On 31 March 2020, the board of directors of the Company resolved that a final dividend of RMB0. 23276 per share, totalling approximately RMB3,765 million, is to be distributed to shareholders, subject to approval of shareholders at the forthcoming AGM. Such final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

On 21 February 2020, CCCI Treasure Limited, a subsidiary of the Company, completed the issue of subordinated perpetual securities guaranteed by the Company with principal amounts of US$1,000 million (with original interest rate of 3.425% per annum) and US$500 million (with original interest rate of 3.650% per annum), respectively.

On 21 April 2015, CCCI Treasure Limited issued unsubordinated guaranteed perpetual securities with principal amount of US$1,100 million (with original interest rate of 3.500% per annum). As of 31 December 2019, the remaining principal amount of the securities was US$1,100 million. On 19 March 2020, CCCI Treasure Limited announced that it will fully redeem the securities on 21 April 2020 (the "Redemption Date") at the principal amount together with the amount of interest accrued but remained unpaid up to the Redemption Date.

Since the outbreak of the COVID-19 epidemic (the "Epidemic") in January 2020, Mainland China and other countries and regions have adopted measures to prevent and control the Epidemic. The impact of the Epidemic on the Group's operations was mainly reflected in the slowdown of project progress as a result of the delay in project resumption caused by the Epidemic. 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 Epidemic through implementing various policies and arrangements of the central government, and mean while steadily promoted the resumption of the projects. The Company will closely monitor the situation of the Epidemic and continuously assess its impact on the financial positions and operating results of the Group in the future.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB million	2018 RMB million
Non-current assets		
Property, plant and equipment	1,668	143
Right-of-use assets	26	–
Intangible assets	200	231
Investments in subsidiaries	124,490	113,690
Investments in joint ventures	2,682	2,668
Investments in associates	8,025	6,741
Financial assets at fair value through profit or loss	538	460
Equity investments designated at fair value through other comprehensive income	15,469	14,453
Contract assets	1,575	2,509
Trade and other receivables	4,135	5,444
Loans to subsidiaries	455	455
Amounts due from subsidiaries	321	544
Total non-current assets	159,584	147,338
Current assets		
Inventories	439	436
Contract assets	12,659	11,620
Trade and other receivables	9,362	11,486
Loans to subsidiaries	31,727	25,741
Amounts due from subsidiaries	28,011	21,322
Restricted bank deposits	178	106
Cash and cash equivalents	48,655	58,558
Total current assets	131,031	129,269
Current liabilities		
Trade and other payables	3,744	3,139
Contract liabilities	3,976	5,290
Amounts due to subsidiaries	104,156	100,076
Tax payables	582	20
Interest-bearing bank and other borrowings	25,283	32,980
Retirement benefit obligations	5	–
Total current liabilities	137,746	141,505
Net current liabilities	(6,715)	(12,236)
Total assets less current liabilities	152,869	135,102

Continued/...

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

	2019 RMB million	2018 RMB million
Total assets less current liabilities	**152,869**	135,102
Non-current liabilities		
Trade and other payables	**23**	398
Amounts due to subsidiaries	**2,683**	3,252
Interest-bearing bank and other borrowings	**25,896**	17,759
Deferred tax liabilities	**3,247**	2,862
Retirement benefit obligations	**42**	54
Provisions	**84**	81
Total non-current liabilities	**31,975**	24,406
Net assets	**120,894**	110,696
Equity		
Share capital	**16,175**	16,175
Share premium	**19,656**	19,656
Financial instruments classified as equity	**31,423**	24,426
Reserves *(note)*	**53,640**	50,439
Total equity	**120,894**	110,696

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

Note:

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

	Capital reserve *RMB million*	Statutory surplus reserve *RMB million*	Remeasurement reserve *RMB million*	Investment revaluation reserve *RMB million*	Exchange reserve *RMB million*	Retained earnings *RMB million*	Total *RMB million*
At 31 December 2018	**21,181**	**5,246**	**61**	**9,780**	**(15)**	**14,186**	**50,439**
Profit for the year	-	-	-	-	-	3,583	3,583
Changes in fair value of equity instruments designated at fair value through other comprehensive income, net of tax	-	-	-	4,603	-	-	4,603
Share of other reserves of joint ventures and associates	42	-	-	-	-	-	42
Actuarial gains on retirement benefit obligations, net of tax	-	-	3	-	-	-	3
Share of other comprehensive loss of joint ventures and associates	-	-	-	(33)	-	-	(33)
Exchange differences on translation of foreign operations	-	-	-	-	20	-	20
Final 2018 dividend declared	-	-	-	-	-	(3,733)	(3,733)
Interest on perpetual medium-term notes	-	-	-	-	-	(566)	(566)
Dividend on preference shares	-	-	-	-	-	(718)	(718)
Transfer to statutory surplus reserve	-	358	-	-	-	(358)	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	-	345	-	(3,450)	-	3,105	-
At 31 December 2019	**21,223**	**5,949**	**64**	**10,900**	**5**	**15,499**	**53,640**

	Capital reserve *RMB million*	Statutory surplus reserve *RMB million*	Remeasurement reserve *RMB million*	Investment revaluation reserve *RMB million*	Exchange reserve *RMB million*	Retained earnings *RMB million*	Total *RMB million*
At 1 January 2018	21,176	4,720	64	11,616	(8)	14,381	51,949
Profit for the year	–	–	–	–	–	5,262	5,262
Changes in fair value of equity instruments designated at fair value through other comprehensive loss, net of tax	–	–	–	(1,828)	–	–	(1,828)
Actuarial gains on retirement benefit obligations, net of tax	–	–	(3)	–	–	–	(3)
Share of other comprehensive income/(loss) of joint ventures and associates	5	–	–	(8)	–	–	(3)
Exchange differences on translation of foreign operations	–	–	–	–	(7)	–	(7)
Final 2017 dividend declared	–	–	–	–	–	(3,913)	(3,913)
Interest on perpetual medium-term notes	–	–	–	–	–	(300)	(300)
Dividend on preference shares	–	–	–	–	–	(718)	(718)
Transfer to statutory surplus reserve	–	526	–	–	–	(526)	–
At 31 December 2018	21,181	5,246	61	9,780	(15)	14,186	50,439

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 31 March 2020.