INDEPENDENT AUDITOR'S REPORT

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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 110 to 236, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from construction services The Group derives most of its revenue from construction services and accounted for such revenue by measuring progress towards completion of the performance obligations (measuring progress). The measuring progress method involves the use of significant judgements and estimates, including estimates of total contract revenue and total contract cost. The management of the Group will continue to reappraise items such as total contract revenue, total cost according to the scope of deliveries and services required and remaining cost to completion. In addition, revenue and cost realised on such contracts can vary (sometimes significantly) from the Group's original estimates because of changes in conditions. The accounting policies and disclosures for the recognition of revenue from construction services are included in notes 2.4, 3, and 5 to the financial statements.	We evaluated and tested the Group's internal controls over the process to recognise revenue, including the records of expected contract costs and contract revenue, and revenue recognised based on the measurement of the progress toward satisfaction of the performance obligations. We selected material construction contracts to review key contract terms and checked the expected total contract revenue and contract costs. We examined the contract costs incurred on a sample basis by tracing to related documents. We performed cut-off testing procedures to check if the costs had been recognised in the appropriate accounting period. We re-calculated the proportion of the actual cost incurred relative to the estimated total cost and the revenue recognised under the measuring progress method. In addition, we performed analytical procedures on the gross margins of material construction contracts of the Group.
Impairment of contract assets, trade receivables and long-term receivables The impairment of contract assets, trade receivables and long-term receivables was recognised based on the allowance for expected credit loss (ECL). The management of the Group determines the ECLs of contract assets, trade receivables and long-term receivables based on historical information of settlement of contract assets and collection of trade receivables and long-term receivables, customers' creditworthiness, and forward-looking economic conditions, involving the use of significant judgements and estimates. The accounting policies and disclosures for the impairment of contract assets, trade receivables and long-term receivables are included in notes 2.4, 3, 24 and 25 to the financial statements.	We evaluated and tested the Group's internal controls over the process to recognise the allowance for ECLs of contract assets, trade receivables and long-term receivables. We reviewed the management's analysis of historical information of settlement of contract assets and collection of trade receivables and long-term receivables. We tested the accuracy of the ageing of trade receivables and long-term receivables balances by tracing details of related documents on a sample basis. We evaluated the management's credit risk assessment on contract assets, trade receivables and long-term receivables.
Impairment assessment of concession assets For those concession assets with indications of impairment, the management of the Group performed impairment tests to revalue the recoverable amounts of such concession assets. The recoverable amounts of such assets are determined using the discounted cash flow method which requires the Group to make assumptions 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 of concession assets are included in notes 2.4, 3 and 17 to the financial statements.	We evaluated and tested the Group's internal controls over the process of impairment assessment on concession assets. We evaluated the competence, capabilities and objectivity of management's specialists employed by the Group. We obtained an understanding of the work of management's specialists employed by the Group. We evaluated 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 them with the forecasted traffic volume, the operation performance of these concession assets and the development plan of relevant areas in which these concession assets operated. We compared the prior year's forecast with the Group's actual performance in 2020. We also evaluated the reasonableness of the discount rates.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong
30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB million	2019 RMB million
Revenue	4, 5	**624,495**	553,114
Cost of sales		**(544,459)**	(483,817)
Gross profit		**80,036**	69,297
Other income	5	**5,124**	4,909
Other gains, net	5	**(1,129)**	2,184
Selling and marketing expenses		**(1,180)**	(1,175)
Administrative expenses		**(40,580)**	(35,021)
Impairment losses on financial and contract assets, net		**(5,449)**	(4,362)
Other expenses		**(2,417)**	(1,700)
Operating profit		**34,405**	34,132
Finance income	7	**10,305**	8,535
Finance costs, net	8	**(17,140)**	(15,373)
Share of profits and losses of:			
– Joint ventures		**(786)**	(117)
– Associates		**173**	172
Profit before tax	6	**26,957**	27,349
Income tax expense	11	**(7,328)**	(5,824)
Profit for the year		**19,629**	21,525
Attributable to:			
– Owners of the parent		**16,475**	19,999
– Non-controlling interests		**3,154**	1,526
		19,629	21,525
Earnings per share attributable to ordinary equity holders of the parent	13		
Basic		**RMB0.92**	RMB1.16
Diluted		**RMB0.92**	RMB1.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 *RMB million*	2019 *RMB million*
Profit for the year	**19,629**	21,525
Other comprehensive income		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax:		
Actuarial gains on retirement benefit obligations	**41**	15
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	**3,624**	5,732
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**3,665**	5,743
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax:		
Cash flow hedges	**7**	3
Share of other comprehensive loss of joint ventures and associates	**(43)**	(168)
Exchange differences on translation of foreign operations	**(3,070)**	390
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(3,106)**	225
Other comprehensive income for the year, net of tax	**559**	5,968
Total comprehensive income for the year	**20,188**	27,493
Attributable to:		
– Owners of the parent	**17,227**	25,952
– Non-controlling interests	**2,961**	1,541
	20,188	27,493

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** **RMB million**	2019 RMB million
Non-current assets			
Property, plant and equipment	14	**61,040**	60,400
Investment properties	15	**4,523**	3,973
Right-of-use assets	16(a)	**15,788**	13,623
Intangible assets	17	**229,482**	219,227
Investments in joint ventures	18	**33,534**	24,715
Investments in associates	19	**34,068**	26,683
Financial assets at fair value through profit or loss	20	**10,513**	6,723
Debt investments at amortised cost		**124**	111
Equity investments designated at fair value through other comprehensive income	21	**30,736**	25,018
Trade and other receivables	24	**262,698**	178,037
Contract assets	25	**30,520**	30,265
Deferred tax assets	31	**6,646**	5,270
Total non-current assets		**719,672**	594,045
Current assets			
Inventories	23	**72,877**	62,613
Trade and other receivables	24	**258,004**	223,768
Contract assets	25	**124,798**	116,236
Financial assets at fair value through profit or loss	20	**124**	415
Derivative financial instruments	26	**640**	799
Restricted bank deposits and time deposits with an initial term of over three months	27	**8,543**	6,630
Cash and cash equivalents	27	**119,511**	118,908
Total current assets		**584,497**	529,369
Current liabilities			
Trade and other payables	28	**404,230**	362,901
Contract liabilities	29	**88,558**	82,992
Derivative financial instruments	26	**11**	12
Tax payable		**7,303**	5,929
Interest-bearing bank and other borrowings	30	**82,490**	76,379
Retirement benefit obligations	32	**116**	126
Total current liabilities		**582,708**	528,339
Net current assets		**1,789**	1,030
Total assets less current liabilities		**721,461**	595,075

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB million	2019 RMB million
Total assets less current liabilities		**721,461**	595,075
Non-current liabilities			
Trade and other payables	28	**27,917**	23,743
Interest-bearing bank and other borrowings	30	**322,888**	265,048
Deferred income		**1,078**	1,111
Deferred tax liabilities	31	**7,721**	6,345
Retirement benefit obligations	32	**844**	993
Provisions	33	**3,209**	1,425
Total non-current liabilities		**363,657**	298,665
Net assets		**357,804**	296,410
Equity			
Equity attributable to owners of the parent			
Share capital	34	**16,166**	16,175
Share premium	34	**19,625**	19,656
Financial instruments classified as equity	35	**33,938**	30,423
Reserves	36	**175,342**	163,662
		245,071	229,916
Non-controlling interests		**112,733**	66,494
Total equity		**357,804**	296,410

Wang Tongzhou
Director

Liu Maoxun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

		Attributable to owners of the parent							
	Notes	Share capital RMB million	Share premium RMB million	Financial instruments classified as equity RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 31 December 2019		16,175	19,656	30,423	35,316	128,583	230,153	66,226	296,379
Business combination under common control		-	-	-	(49)	(188)	(237)	268	31
At 31 December 2019		16,175	19,656	30,423	35,267 *	128,395 *	229,916	66,494	296,410
Profit for the year		-	-	-	-	16,475	16,475	3,154	19,629
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		-	-	-	3,624	-	3,624	-	3,624
Cash flow hedges, net of tax		-	-	-	7	-	7	-	7
Share of other comprehensive loss of joint ventures and associates		-	-	-	(43)	-	(43)	-	(43)
Actuarial gains on retirement benefit obligations, net of tax		-	-	-	41	-	41	-	41
Exchange differences on translation of foreign operations		-	-	-	(2,877)	-	(2,877)	(193)	(3,070)
Total comprehensive income for the year		-	-	-	752	16,475	17,227	2,961	20,188
Final 2019 dividend declared		-	-	-	-	(3,765)	(3,765)	-	(3,765)
Interest on perpetual securities (i)		-	-	-	-	(721)	(721)	(1,780)	(2,501)
Dividends on preference shares		-	-	-	-	(718)	(718)	-	(718)
Dividends to non-controlling shareholders		-	-	-	-	-	-	(1,155)	(1,155)
Shares repurchased (ii)		(9)	(31)	-	-	-	(40)	(1,140)	(1,180)
Share of other reserves of joint ventures and associates		-	-	-	12	-	12	-	12
Capital contribution from non-controlling shareholders		-	-	-	-	-	-	5,148	5,148
Acquisition of subsidiaries	40	-	-	-	-	-	-	1,761	1,761
Issuance of perpetual securities		-	-	17,983	-	-	17,983	51,868	69,851
Redemption of perpetual securities		-	-	(14,468)	(32)	-	(14,500)	(11,514)	(26,014)
Transaction with non-controlling interests		-	-	-	(44)	-	(44)	90	46
Transfer to statutory surplus reserve	36(a)	-	-	-	1,694	(1,694)	-	-	-
Transfer from general reserve	36(b)	-	-	-	(248)	248	-	-	-
Transfer to safety production reserve	36(c)	-	-	-	269	(269)	-	-	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	21	-	-	-	(9)	9	-	-	-
Others		-	-	-	-	(279)	(279)	-	(279)
At 31 December 2020		16,166	19,625	33,938	37,661 *	137,681 *	245,071	112,733	357,804

* As at 31 December 2020, these reserve accounts comprise the consolidated reserves of RMB175,342 million (2019: RMB163,662 million) in the consolidated statement of financial position.

(i) The Company accrued interest on perpetual securities totalling RMB759 million, of which RMB38 million was distributed to CCCC Finance Company Limited ("CCCC Finance"), a subsidiary of the Company.

(ii) From 28 May 2020 to 9 June 2020, the Company repurchased a total of 9,024,000 H shares. As at 31 December 2020, all the repurchased shares have been cancelled.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent							
	Share capital *RMB million*	Share premium *RMB million*	Financial instruments classified as equity *RMB million*	Other reserves *RMB million*	Retained earnings *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 31 December 2018	16,175	19,656	24,426	26,312	110,609	197,178	42,504	239,682
Business combination under common control	–	–	–	(49)	(93)	(142)	270	128
At 31 December 2018	16,175	19,656	24,426	26,263	110,516	197,036	42,774	239,810
Profit for the year	–	–	–	–	19,999	19,999	1,526	21,525
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	19,999	25,952	1,541	27,493
Final 2018 dividend declared	–	–	–	–	(3,733)	(3,733)	–	(3,733)
Interest on perpetual securities	–	–	–	–	(566)	(566)	(1,607)	(2,173)
Dividends on preference shares	–	–	–	–	(718)	(718)	–	(718)
Dividends to non-controlling shareholders	–	–	–	–	–	–	(279)	(279)
Share of other reserves of joint ventures and associates	–	–	–	70	–	70	–	70
Capital contribution from non-controlling shareholders	–	–	–	5,894	–	5,894	18,173	24,067
Acquisition of subsidiaries	–	–	–	–	–	–	996	996
Disposal of subsidiaries	–	–	–	–	–	–	(21)	(21)
Issuance of perpetual securities	–	–	10,960	–	–	10,960	6,980	17,940
Redemption of perpetual securities	–	–	(4,963)	–	–	(4,963)	(2,000)	(6,963)
Transaction with non-controlling interests	–	–	–	(16)	–	(16)	(63)	(79)
Transfer to statutory surplus reserve	–	–	–	358	(358)	–	–	–
Transfer from general reserve	–	–	–	(131)	131	–	–	–
Transfer from safety production reserve	–	–	–	(14)	14	–	–	–
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	–	–	–	(3,110)	3,110	–	–	–
At 31 December 2019	16,175	19,656	30,423	35,267	128,395	229,916	66,494	296,410

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	**2020** **RMB million**	2019 RMB million
Cash flows from operating activities			
Profit before tax		**26,957**	27,349
Adjustments for:			
– Depreciation of property, plant and equipment, investment properties and right-of-use assets	*6*	**10,130**	10,455
– Amortisation of intangible assets	*6*	**2,212**	1,919
– Gains on disposal of items of property, plant and equipment, intangible assets and other long-term assets	*5*	**(427)**	(527)
– (Gains)/losses on disposal of joint ventures and associates	*5*	**(62)**	2
– Fair value gains on financial assets at fair value through profit or loss	*5*	**(347)**	(614)
– Fair value losses/(gains) on derivative financial instruments	*5*	**132**	(194)
– Gains on disposal of financial assets at fair value through profit or loss	*5*	**(81)**	(9)
– Gains on disposal of subsidiaries	*5*	**(147)**	(741)
– Dividend income from financial assets at fair value through profit or loss	*5*	**(125)**	(119)
– Dividend income from equity investments designated at fair value through other comprehensive income	*5*	**(778)**	(1,087)
– Dividend income on derivative financial instruments	*5*	**(206)**	(247)
– Other income from investing activities		**19**	(39)
– Share of profits of joint ventures and associates, net	*18, 19*	**613**	(55)
– Write-down of inventories	*6*	**198**	93
– Provision for impairment of contract assets	*6*	**140**	251
– Provision for impairment of property, plant and equipment	*14*	**3**	–
– Provision for impairment of trade and other receivables	*6*	**5,309**	4,107
– Interest income	*7*	**(10,305)**	(8,535)
– Interest expenses	*8*	**15,961**	13,954
– Net foreign exchange (gains)/losses on borrowings	*8*	**(75)**	186
		49,121	46,149
Increase in inventories		**(15,719)**	(15,403)
Increase in contract assets		**(11,814)**	(16,819)
(Increase)/decrease in restricted bank deposits		**(967)**	328
Increase in trade and other receivables		**(62,568)**	(61,705)
Increase in trade and other payables		**52,204**	52,705
Decrease in contract liabilities		**5,468**	1,228
Decrease in retirement benefit obligations		**(159)**	(173)
Increase in provisions		**1,784**	208
(Decrease)/increase in deferred income		**(33)**	220
Cash generated from operations		**17,317**	6,738
Interest income from operating activities		**3,594**	3,257
Income tax paid		**(7,060)**	(4,612)
Net cash flows generated from operating activities		**13,851**	5,383

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB million	2019 RMB million
Net cash flows generated from operating activities		**13,851**	5,383
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(10,485)**	(10,195)
Purchases of investment properties		**(175)**	(53)
Additions to right-of-use assets		**(2,220)**	(833)
Purchases of intangible assets		**(29,156)**	(27,943)
Purchases of other long-term assets		**(50,149)**	(25,049)
Proceeds from disposal of items of property, plant and equipment		**1,383**	1,395
Proceeds from disposal of right-of-use assets		**58**	49
Proceeds from disposal of intangible assets		**4,907**	2
Acquisition of subsidiaries	40	**(329)**	(1)
Additional investments in associates		**(8,508)**	(5,530)
Additional investments in joint ventures		**(7,776)**	(6,488)
Disposal of subsidiaries		**221**	17
Disposal of joint ventures and associates		**46**	2
Withdrawal from joint ventures and associates		**660**	20
Purchases of equity investments designated at fair value through other comprehensive income		**(1,063)**	(1,470)
Purchases of financial assets at fair value through profit or loss		**(7,359)**	(1,214)
Purchases of derivative financial instruments		**–**	(583)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**70**	5,373
Proceeds from disposal of financial assets at fair value through profit or loss		**4,093**	225
Loans to joint ventures, associates and third parties		**(10,037)**	(5,856)
Repayment of loans from joint ventures, associates and third parties		**5,603**	7,274
Interest received		**953**	1,694
Changes in time deposits with an initial term of over three months		**(946)**	(1)
Cash consideration received of concession assets		**2,862**	1,128
Dividends received		**1,660**	2,010
Net cash flows used in investing activities		**(105,687)**	(66,027)
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		**5,148**	22,102
Withdrawal of capital contribution to non-controlling interests		**(1,140)**	–
Dividends paid to non-controlling shareholders		**(1,079)**	(250)
Dividends paid to equity holders of the parent		**(3,765)**	(3,733)
Proceeds from perpetual securities		**69,851**	17,940
Interest paid for perpetual securities		**(3,079)**	(2,612)
Redemption of perpetual securities		**(26,046)**	(6,963)
Proceeds from bank and other borrowings		**278,519**	175,209
Repayments of bank and other borrowings		**(206,807)**	(132,487)
Interest paid for bank and other borrowings		**(17,834)**	(16,047)
Loans from joint ventures, associates and fellow subsidiaries		**2,868**	–
Repayments of joint ventures, associates and fellow subsidiaries borrowings		**(1,325)**	–
Transaction with non-controlling interests		**90**	(79)
H share repurchase		**(40)**	–
Lease payments		**(1,674)**	(1,592)
Net cash flows generated from financing activities		**93,687**	51,488
Net increase/(decrease) in cash and cash equivalents		**1,851**	(9,156)
Cash and cash equivalents at beginning of year	27	**118,908**	127,807
Effect of foreign exchange rate changes, net		**(1,248)**	257
Cash and cash equivalents at end of year	27	**119,511**	118,908

1. CORPORATE AND GROUP INFORMATION

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

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

In the opinion of the directors, the immediate and ultimate holding company of the Company is CCCG.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Unlisted						
China Harbour Engineering Co., Ltd. ("CHEC")	PRC and other regions	Limited liability company	RMB6,000	50.10%	49.90%	Infrastructure construction
China Road and Bridge Corporation	PRC and other regions	Limited liability company	RMB6,000	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
CCCC Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB730	100%	–	Infrastructure design

Continued/…

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CCCC First Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB723	100%	–	Infrastructure design
CCCC Second Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB428	100%	–	Infrastructure design
CCCC Third Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB731	100%	–	Infrastructure design
CCCC Fourth Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB630	100%	–	Infrastructure design
CCCC First Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB856	100%	–	Infrastructure design
CCCC Second Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB872	100%	–	Infrastructure design
China Highway Engineering Consultants Co., Ltd.	PRC	Limited liability company	RMB750	100%	–	Infrastructure design
China Infrastructure Maintenance Group Co., Ltd.	PRC	Limited liability company	RMB774	92.24%	7.76%	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	RMB12,500	100%	–	Investment holding
CCCC Xi'an Road Construction Machinery Co., Ltd.	PRC	Limited liability company	RMB433	54.31%	45.69%	Manufacture of road construction machinery
China Highway Vehicle & Machinery Co., Ltd.	PRC	Limited liability company	RMB168	100%	–	Trading of motor vehicle spare parts
Chuwa Bussan Co., Ltd.	Japan	Limited liability company	JPY100	99.82%	–	Trading of machinery
CCCC Shanghai Equipment Engineering Co., Ltd.	PRC	Limited liability company	RMB10	55%	–	Maintenance and design of port machinery
CCCC Mechanical & Electrical Engineering Co., Ltd.	PRC	Limited liability company	RMB833	60%	40%	Infrastructure construction

Continued/…

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
China Communications Materials & Equipment Co., Ltd.	PRC	Limited liability company	RMB1,734	100%	–	Trading of construction materials and equipment
CCCC Finance	PRC	Limited liability company	RMB3,500	95%	–	Financial services
CCCC International Holding Limited ("CCCI")	Hong Kong	Limited liability company	HK$2,372	50.98%	49.02%	Investment holding
CCCC Financial Leasing Co., Ltd. ("CCCC Leasing")	PRC	Limited liability company	RMB5,000	45%	25%	Financial leasing
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%	Investment holding
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
CCCC Tianhe Machinery and Equipment Manufacturing Co., Ltd. ("CCCC Tianhe")	PRC	Limited liability company	RMB1,341	61.12%	22.36%	Machinery and equipment manufacturing

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 2020. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. The amount of reduction in the lease payments arising from rent concessions was not material. The amendment did not have significant impact on the financial position and performance of the Group.

(e) 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, or both. The amendments did not have any impact on the financial position and 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	*Reference to the Conceptual Framework* [2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2* [1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
IFRS 17	*Insurance Contracts* [3]
Amendments to IFRS 17	*Insurance Contracts* [3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use* [2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract* [2]
Amendments to IAS 1	*Disclosure of Accounting Policies* [3]
Amendments to IAS 8	*Definition of Accounting Estimates* [3]
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 [2]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after 1 January 2023

[4] No mandatory effective date yet determined but available for adoption

[5] As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is 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, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in RMB and foreign currencies based on various Interbank Offered Rates as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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 by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to *IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

Interests in joint operations

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

Merger accounting for common control combinations

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

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

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

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

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

Acquisition method of accounting for non-common control combinations

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

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

– Buildings	20 to 40 years
– Machinery	5 to 20 years
– Vessels	10 to 25 years
– Vehicles	5 years
– Other equipment	2 to 5 years

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

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

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

Investment properties

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Concession assets

The Group is engaged in certain service concession arrangements in which the Group carries out construction work (e.g., toll highways, bridges and ports) in exchange for a right for the Group to operate the asset concerned in accordance with pre-established conditions set by the granting authority. In accordance with IFRIC Interpretation 12 *Service Concession Arrangements* (IFRIC 12), the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangibles if the operator receives a right (a 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

Computer software is measured on initial recognition cost and 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.

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee

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

(a) Right-of-use assets

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

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

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

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

(b) Lease liabilities

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

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

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

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

Cash flow hedges

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Current versus non-current classification

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

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

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

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

Financial instruments classified as equity

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

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

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

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Construction services

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

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

(b) Provision of design and other services

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

(c) Sale of goods

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

(d) Significant financing component

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

(e) 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 include 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 includes a service to the customer in addition to the assurance that the asset created in the construction services complies with the agreed specifications, the Group considers factors including whether the warranty is required by law, the length of the warranty coverage period, and the nature of the tasks that the entity promises to perform.

(f) Principal versus agent

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(g) Contract modifications

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

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

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

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

Revenue from other sources

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

Other income

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

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

Contract assets

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

Contract liabilities

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

Offsetting of contract assets and contract liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

Employee benefits

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

(a) Pension obligations

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

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

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

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

For defined contribution plans, the full-time employees of the Group in the PRC excluding Hong Kong and Macau ("Mainland China") are covered by 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.

(b) Other post-employment obligations

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

(c) Termination benefits

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

(d) Housing funds

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

(e) Bonus entitlements

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

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

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

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

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. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

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 interest 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 do not contain a lease, and 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 the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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

Impact of covid-19

Since the outbreak of the covid-19 pandemic in January 2020, Mainland China and other countries and regions have adopted measures to prevent and control the epidemic. The impact of the covid-19 pandemic on the Group's operations was mainly reflected in the slowdown of project progress, the conduct of business activities. The extent of the impact will depend on factors such as the situation of the pandemic, macro policies and the progress of work and production resumption of enterprises. The Group has strengthened its efforts on the prevention and control of the impact of the covid-19 epidemic through implementing various policies and arrangements of the central government, and meanwhile steadily promoted the resumption of the projects.

There are still uncertainties of the future impact of the covid-19, and the extent of the impact will depend on a number of factors, including the duration and severity of covid-19, the development and progress of distribution of covid-19 vaccine and other medical treatments, the actions taken by government authorities, particularly those to contain the outbreak, to stimulate the economy and to improve business condition, almost all of which are beyond the Company's control. As a result, certain of the Company's estimates and assumptions, including the impairment of contract assets, trade receivables and long-term receivables, the impairment assessment on concession assets, the valuation of certain debt and equity investments subject to impairment assessments, require significant judgments and carry a higher degree of variabilities and volatilities that could result in material changes to the Company's current estimates in future periods.

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 2020, the Group recognised an accumulated impairment of RMB334 million (2019: 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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 2020, the Group recognised an accumulated impairment of RMB50 million (2019: RMB50 million) to profit or loss for goodwill. Details of the impairment test for goodwill are disclosed in note 17.

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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, municipal and environmental engineering and others (the "Construction")

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

(c) dredging (the "Dredging")

(d) others

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

The segment results for the year ended 31 December 2020 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2020					
	Construction *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Eliminations** *RMB million*	**Total** *RMB million*
Total gross segment revenue	560,987	40,005	38,414	11,407	(26,318)	624,495
Intersegment sales	(8,277)	(8,879)	(234)	(8,928)	26,318	-
Revenue *(note 5)*	552,710	31,126	38,180	2,479	-	624,495
Segment results	29,030	3,433	1,940	257	175	34,835
Unallocated income						(430)
Operating profit						34,405
Finance income						10,305
Finance costs, net						(17,140)
Share of profits and losses of joint ventures and associates						(613)
Profit before tax						26,957
Income tax expense						(7,328)
Profit for the year						19,629
Other segment information						
Depreciation	8,114	383	1,262	371	-	10,130
Amortisation	2,161	51	-	-	-	2,212
Write-down of inventories	174	-	-	24	-	198
Impairment losses recognised in the statement of profit or loss:						
Trade and other receivables	3,949	271	949	140	-	5,309
Contract assets	134	6	-	-	-	140
Capital expenditure	45,514	649	2,245	408	-	48,816

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	9,627	(21,923)	553,114
Intersegment sales	(9,289)	(4,287)	(515)	(7,832)	21,923	–
Revenue *(note 5)*	483,525	33,731	34,063	1,795	–	553,114
Segment results	28,336	3,761	1,761	579	(125)	34,312
Unallocated income						(180)
Operating profit						34,132
Finance income						8,535
Finance costs, net						(15,373)
Share of profits and losses of joint ventures and associates						55
Profit before tax						27,349
Income tax expense						(5,824)
Profit for the year						21,525
Other segment information						
Depreciation	8,122	373	1,465	495	–	10,455
Amortisation	1,872	38	9	–	–	1,919
Write-down of inventories	59	–	–	34	–	93
Impairment losses recognised/(reversed) in the statement of profit or loss:						
Trade and other receivables	3,504	364	261	(22)	–	4,107
Contract assets	229	11	15	(4)	–	251
Capital expenditure	44,427	704	1,313	1,474	–	47,918

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December 2019					
	Construction	Design	Dredging	Others	Eliminations	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	856,078	46,613	96,232	72,271	(85,350)	985,844
Investments in joint ventures						24,715
Investments in associates						26,683
Other unallocated assets						86,172
Total assets						1,123,414
Segment liabilities	437,713	28,753	40,463	5,368	(52,447)	459,850
Unallocated liabilities						367,154
Total liabilities						827,004

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

	Assets	Liabilities
	RMB million	*RMB million*
Segment assets/liabilities	985,844	459,850
Unallocated:		
Investments in joint ventures	24,715	–
Investments in associates	26,683	–
Deferred tax assets/liabilities	5,270	6,345
Tax payable	–	5,929
Current borrowings	–	76,379
Non-current borrowings	–	265,048
Other unallocated assets/liabilities	80,902	13,453
Total assets/liabilities	1,123,414	827,004

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2020 **RMB million**	2019 RMB million
Mainland China	**525,963**	457,396
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**98,532**	95,718
	624,495	553,114

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

(b) Non-current assets

	2020 **RMB million**	2019 RMB million
Mainland China	**287,694**	275,510
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**32,384**	26,080
	320,078	301,590

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

Information about a major customer

No revenue derived from services or sales to a single customer accounted for 10% or more of the Group's revenue during 2020 and 2019.

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET

An analysis of revenue is as follows:

	2020	2019
	RMB million	*RMB million*
Revenue from contracts with customers		
Construction	**560,987**	492,814
Design	**40,005**	38,018
Dredging	**38,414**	34,578
Others	**11,407**	9,627
Intersegment eliminations	**(26,318)**	(21,923)
	624,495	553,114

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	**Construction**	**Design**	**Dredging**	**Others**	**Total**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Type of goods or services					
Infrastructure construction services	**521,835**	**18,781**	**–**	**77**	**540,693**
Infrastructure design services	**1,320**	**11,859**	**734**	**10**	**13,923**
Dredging services	**–**	**–**	**34,838**	**–**	**34,838**
Others	**29,555**	**486**	**2,608**	**2,392**	**35,041**
Total revenue from contracts with customers	**552,710**	**31,126**	**38,180**	**2,479**	**624,495**
Geographical markets					
Mainland China	**457,755**	**30,305**	**35,424**	**2,479**	**525,963**
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	**94,955**	**821**	**2,756**	**–**	**98,532**
Total revenue from contracts with customers	**552,710**	**31,126**	**38,180**	**2,479**	**624,495**
Timing of revenue recognition					
Services transferred over time	**522,689**	**30,609**	**35,179**	**199**	**588,676**
Services transferred at a point in time	**7,417**	**–**	**–**	**–**	**7,417**
Merchandise transferred at a point in time	**22,604**	**517**	**3,001**	**2,280**	**28,402**
Total revenue from contracts with customers	**552,710**	**31,126**	**38,180**	**2,479**	**624,495**

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31 December 2020

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 2019

Segments	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Others *RMB million*	Total *RMB million*
Type of goods or services					
Infrastructure construction services	455,219	20,636	–	68	475,923
Infrastructure design services	1,167	12,854	666	25	14,712
Dredging services	–	–	29,073	–	29,073
Others	27,139	241	4,324	1,702	33,406
Total revenue from contracts with customers	483,525	33,731	34,063	1,795	553,114
Geographical markets					
Mainland China	392,628	32,625	30,348	1,795	457,396
Other regions (primarily including Australia, Hong Kong, 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	1,795	553,114
Timing of revenue recognition					
Services transferred over time	474,743	33,688	31,627	228	540,286
Services transferred at a point in time	6,986	–	–	–	6,986
Merchandise transferred at a point in time	1,796	43	2,436	1,567	5,842
Total revenue from contracts with customers	483,525	33,731	34,063	1,795	553,114

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 2020

Segments	**Construction** *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Revenue from contracts with customers					
External customers	**552,710**	**31,126**	**38,180**	**2,479**	**624,495**
Intersegment sales	**8,277**	**8,879**	**234**	**8,928**	**26,318**
Intersegment adjustments and eliminations	**(8,277)**	**(8,879)**	**(234)**	**(8,928)**	**(26,318)**
Total revenue from contracts with customers	**552,710**	**31,126**	**38,180**	**2,479**	**624,495**

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	1,795	553,114
Intersegment sales	9,289	4,287	515	7,832	21,923
Intersegment adjustments and eliminations	(9,289)	(4,287)	(515)	(7,832)	(21,923)
Total revenue from contracts with customers	483,525	33,731	34,063	1,795	553,114

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.

	2020	2019
	RMB Million	*RMB million*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction	**36,413**	32,100
Design	**1,151**	1,651
Dredging	**1,908**	1,614
Others	**223**	193
	39,695	35,558

(ii) Performance obligations

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

Construction, design and dredging services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over the 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 are generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

The remaining performance obligations 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

	2020	2019
	RMB million	*RMB million*
Rental income	**660**	616
Revenue from consulting services	**522**	657
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	**728**	1,037
– Unlisted equity instruments	**50**	50
Government grants	**738**	821
Dividend income from financial assets at fair value through profit or loss	**125**	119
Income from sale of scraps	**147**	143
Dividend income on derivative financial instruments	**206**	247
Income on debt investments at amortised cost	**11**	5
Others	**1,937**	1,214
	5,124	4,909

Other gains, net

	2020	2019
	RMB million	*RMB million*
Gains on disposal of items of property, plant and equipment	**231**	274
Gains on disposal of items of intangible assets and other long-term assets	**196**	253
Gains on disposal of subsidiaries	**147**	741
Gains/(losses) on disposal of joint ventures and associates	**62**	(2)
Fair value gains/(losses), net:		
– Financial assets at fair value through profit or loss	**347**	614
– Derivative financial instruments – transactions not qualifying as hedges	**(132)**	194
Foreign exchange difference, net	**(1,420)**	752
Gains on disposal of financial assets at fair value through profit or loss	**81**	9
Losses on derecognition of financial assets at amortised cost	**(641)**	(651)
	(1,129)	2,184

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6. PROFIT BEFORE TAX

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

	Notes	**2020** **RMB million**	2019 RMB million
Raw materials and consumables used*		**182,249**	162,335
Cost of goods sold		**16,431**	15,443
Subcontracting costs		**234,534**	193,899
Employee benefit expenses*:			
– Salaries, wages and bonuses		**31,109**	30,555
– Pension costs – defined contribution plans		**3,194**	4,164
– defined benefit plans		**35**	42
– Housing benefits		**2,268**	2,024
– Welfare, medical and other expenses		**18,024**	15,944
		54,630	52,729
Equipment and plant usage costs		**14,434**	12,937
Business tax and other taxes		**1,568**	2,057
Fuel		**3,157**	3,736
Utilities		**1,753**	1,833
Repair and maintenance expenses		**2,716**	2,339
Research and development costs (including raw materials and consumables used, employee benefit expenses, depreciation and amortisation)		**20,094**	12,617
Depreciation of property, plant and equipment, investment properties and right-of-use assets*	*14, 15, 16(a)*	**10,130**	10,455
Amortisation of intangible assets*	*17*	**2,212**	1,919
Auditors' remuneration		**26**	24
Write-down of inventories to net realisable value		**198**	93
Impairment of trade and other receivables		**5,309**	4,107
Impairment of contract assets	*25*	**140**	251

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

7. FINANCE INCOME

	2020 **RMB million**	2019 RMB million
Interest income from:		
– Bank deposits	**702**	832
– Deposit in the Central Bank and interbank placement	**344**	335
– Receivables from Public-Private-Partnership ("PPP") contracts	**4,638**	3,016
– Loan receivables	**1,887**	1,262
– Others	**2,734**	3,090
	10,305	8,535

8. FINANCE COSTS, NET

An analysis of finance costs is as follows:

	2020 **RMB million**	2019 RMB million
Interest expense incurred	**18,062**	15,938
Less: Interest capitalised	**(2,101)**	(1,984)
Net interest expense	**15,961**	13,954
Representing:		
– Bank borrowings	**13,798**	11,870
– Other borrowings	**200**	172
– Corporate bonds	**979**	1,047
– Debentures	**364**	155
– Non-public debt instruments	**379**	497
– Lease liabilities	**145**	159
– Others	**96**	54
	15,961	13,954
Foreign exchange difference on borrowings, net	**(75)**	186
Others	**1,254**	1,233
	17,140	15,373

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 4.54% (2019: 4.34%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets.

8. FINANCE COSTS, NET (CONTINUED)

Interest capitalised during the year was as follows:

	2020	2019
	RMB million	*RMB million*
Inventories	**548**	336
Concession assets	**1,507**	1,594
Construction in progress	**46**	54
	2,101	1,984

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:

	2020	2019
	RMB'000	*RMB'000*
Fees	**220**	342
Other emoluments:		
Salaries, allowances and benefits in kind	**1,984**	2,494
Performance related bonuses	**1,991**	4,561
Pension scheme contributions	**108**	281
	4,083	7,336
	4,303	7,678

(a) Independent non-executive directors

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

	2020	2019
	RMB'000	*RMB'000*
Mr. Huang Long	**60**	60
Mr. Zheng Changhong	**60**	60
Mr. Ngai Wai Fung	**100**	222
	220	342

There were no other emoluments payable to the independent non-executive directors during the year (2019: 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*
2020				
Executive directors				
Mr. Wang Tongzhou *(Chief executive)* (i)	**87**	**74**	**17**	**178**
Mr. Liu Qitao (ii)	**218**	**367**	**11**	**596**
Mr. Song Hailiang (iii)	**174**	**477**	**22**	**673**
	479	**918**	**50**	**1,447**
Non-executive directors				
Mr. Qi Xiaofei (iv)	**–**	**–**	**–**	**–**
Mr. Liu Maoxun	**60**	**–**	**–**	**60**
	60	**–**	**–**	**60**
Supervisors				
Mr. Li Sen	**114**	**529**	**8**	**651**
Mr. Wang Yongbin	**664**	**274**	**11**	**949**
Mr. Yao Yanmin	**667**	**270**	**39**	**976**
	1,445	**1,073**	**58**	**2,576**
	1,984	**1,991**	**108**	**4,083**
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 (v)	138	1,076	31	1,245
	656	3,501	131	4,288
Non-executive directors				
Mr. Qi Xiaofei	–	–	–	–
Mr. Liu Maoxun (vi)	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

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

(i) Mr. Wang Tongzhou was elected as the executive director of the board on 22 October 2020.
(ii) Mr. Liu Qitao resigned as the executive director on 22 October 2020.
(iii) Mr. Song Hailiang resigned as the executive director on 17 September 2020.
(iv) Mr. Qi Xiaofei resigned as the non-executive director on 13 February 2020.
(v) Mr. Chen Yun resigned as the executive director on 1 August 2019.
(vi) 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.

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 as mentioned in note 9 above was included in the five highest paid individuals. The emoluments of the five individuals whose emoluments were the highest in the Group during the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**4,601**	6,285
Performance related bonuses	**5,364**	5,154
Pension scheme contributions	**911**	558
	10,876	11,997

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

	Number of employees	
	2020	2019
HK$2,500,000 to HK$3,000,000 (equivalent to approximately RMB2,104,100 to RMB2,524,920)	**5**	4
HK$3,000,000 to HK$3,500,000 (equivalent to approximately RMB2,524,920 to RMB2,945,740)	**–**	1
	5	5

11. INCOME TAX

Most of the companies of the Group are subject to PRC enterprise income tax, which was provided based on the statutory income tax rate of 25% (2019: 25%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC subsidiaries of the Company which were taxed at a preferential rate of 15% (2019: 15%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which was provided at the rate of 16.5% (2019: 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.

	2020 ***RMB million***	2019 *RMB million*
Current		
– PRC enterprise income tax	**7,319**	5,606
– Others	**1,115**	904
	8,434	6,510
Deferred	**(1,106)**	(686)
Total tax charge for the year	**7,328**	5,824

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

	2020 ***RMB million***	**%**	2019 *RMB million*	%
Profit before tax	**26,957**		27,349	
Tax at PRC statutory tax rate of 25%	**6,739**	**25.0**	6,837	25.0
Tax for the appreciation of land in the PRC	**920**	**3.4**	566	2.1
Profits and losses attributable to joint ventures and associates	**153**	**0.6**	(14)	(0.1)
Income not subject to tax	**(301)**	**(1.1)**	(319)	(1.1)
Additional tax concession on research and development costs	**(890)**	**(3.3)**	(616)	(2.3)
Expenses not deductible for tax	**94**	**0.4**	169	0.6
Temporary differences utilised from previous periods	**(20)**	**(0.1)**	–	–
Temporary differences not recognised	**600**	**2.2**	103	0.4
Tax losses utilised from previous periods	**(220)**	**(0.8)**	(564)	(2.0)
Tax losses not recognised	**1,888**	**7.0**	1,591	5.8
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(1,850)**	**(6.9)**	(1,986)	(7.3)
Adjustments in respect of current income tax of previous years	**242**	**0.9**	86	0.3
Others	**(27)**	**(0.1)**	(29)	(0.1)
Tax charge at the Group's effective rate	**7,328**	**27.2**	5,824	21.3

12. DIVIDENDS

	2020 *RMB million*	2019 *RMB million*
Proposed final dividend of RMB0.18088 per ordinary share (2019: RMB0.23276)	**2,924**	3,765

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 16,169,656,343 (2019: 16,174,735,425) in issue during the year.

The calculation of basic earnings per share is based on:

	2020	2019
Profit attributable to ordinary equity holders of the parent *(RMB million)*	**16,475**	19,999
Less: Interest on perpetual securities *(RMB million)* (i)	**(868)**	(566)
Dividend relating to preference shares *(RMB million)* (ii)	**(718)**	(718)
	14,889	18,715
Weighted average number of ordinary shares in issue *(million)* (iii)	**16,170**	16,175
Basic earnings per share	**RMB0.92**	RMB1.16

(i) The perpetual securities issued by the Company were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB868 million on the perpetual securities which has been generated during the year was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2020.

(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 2020.

(iii) The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

The Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

14. PROPERTY, PLANT AND EQUIPMENT

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings *RMB million*	Machinery *RMB million*	Vessels and vehicles *RMB million*	Other equipment *RMB million*	Construction in progress *RMB million*	Total *RMB million*
31 December 2019						
At 1 January 2019 (restated):						
Cost	16,345	30,794	39,522	13,535	7,970	108,166
Accumulated depreciation and impairment	(3,849)	(16,422)	(21,434)	(9,787)	–	(51,492)
Net carrying amount	12,496	14,372	18,088	3,748	7,970	56,674
At 31 December 2018, net of accumulated depreciation and impairment	12,496	14,631	19,566	3,748	7,970	58,411
Effect of adoption of IFRS 16	–	(259)	(1,478)	–	–	(1,737)
	12,496	14,372	18,088	3,748	7,970	56,674
At 1 January 2019 (restated)						
Additions	420	2,331	863	2,746	7,250	13,610
Disposals	(163)	(550)	(385)	(199)	(163)	(1,460)
Acquisition of subsidiaries	39	–	1	3	–	43
Disposal of subsidiaries	(1)	(18)	(1)	(17)	–	(37)
Transfer	576	1,809	1,435	66	(3,886)	–
Transfer from investment properties	15	–	–	–	–	15
Transfer from right-of-use assets	–	253	504	–	–	757
Transfer from inventories	18	–	–	–	321	339
Transfer to investment properties	(305)	–	–	–	(3)	(308)
Transfer to right-of-use assets	–	–	–	–	(157)	(157)
Transfer to inventories	–	–	–	–	(310)	(310)
Depreciation provided during the year	(558)	(3,575)	(1,949)	(2,811)	–	(8,893)
Exchange realignment	25	(1)	99	4	–	127
At 31 December 2019, net of accumulated depreciation and impairment	12,562	14,621	18,655	3,540	11,022	60,400
At 31 December 2019						
Cost	16,758	33,500	41,214	14,660	11,022	117,154
Accumulated depreciation and impairment	(4,196)	(18,879)	(22,559)	(11,120)	–	(56,754)
Net carrying amount	12,562	14,621	18,655	3,540	11,022	60,400

As at 31 December 2020, the Group was in the process of applying for the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB3,141 million (2019: RMB3,588 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 2020, the Group's property, plant and equipment of RMB5 million were pledged to secure general banking facilities granted to the Group (2019: RMB110 million) (notes 30(d) and 42(b)).

15. INVESTMENT PROPERTIES

	2020	2019
	RMB million	*RMB million*
Carrying amount at 1 January	**3,973**	3,463
Additions	**175**	53
Transfer from property, plant and equipment	**570**	308
Transfer from inventories	**137**	292
Acquisition of a subsidiary	**72**	–
Transfer to property, plant and equipment	**(59)**	(15)
Disposals	**(155)**	–
Depreciation provided during the year	**(188)**	(152)
Exchange realignment	**(2)**	24
Carrying amount at 31 December	**4,523**	3,973
Fair value at 31 December (a)	**11,903**	12,547

(a) As at 31 December 2020, 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 fair value of the investment properties located in Mainland China as at 31 December 2020 was determined based on the income approach, the comparison approach and the residual method.

Major of the investment properties located in Mainland China were valued by the income approach 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 was RMB9,470 million (2019: RMB10,561 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.

An investment property which is under construction located in Mainland China was valued by the residual method, assuming that it is newly completed in accordance with the development proposal provided to us in term of property use, respective saleable areas and construction schedule to establish the gross development value ("GDV") of the property. The total unexpended costs of the development including construction costs, professional fees and other associated expenditure, together with an allowance for interest expenses, and developer's profits are estimated and deducted from the established GDV of the property. The resultant residual figures are then adjusted back to the valuation date to arrive at the fair value of the property concerned in its existing state. The fair value of the property was RMB503 million, which falls into the category of fair value measurement using significant unobservable inputs (Level 3) including future rental inflows, discount rates and unexpended costs.

The rest of the investment properties 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 RMB999 million (2019: RMB976 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 RMB931 million (2019: RMB1,010 million), which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable price in the market.

15. INVESTMENT PROPERTIES (CONTINUED)

(a) (continued)

The fair value falls into the category of fair value measurements using significant unobservable inputs (level 3) including future rental cash inflows, capitalisation rate and current prices in an active market for similar properties.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties as at 31 December 2020 using significant unobservable inputs (Level 3):

Valuation techniques	Significant unobservable inputs	Range 2020	2019
Income approach and residual method (2019: Income approach)	Discount rate	**1.0%-12.0%**	2.5%–12.0%
	Average monthly rental (per square meter)	**RMB2-RMB390 per square meter**	RMB3–RMB493 per square meter

There were no transfers between Level 1 and Level 2 and into or out of Level 3 during the year (2019: Nil).

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

(c) As at 31 December 2020, the Group was in the process of applying for the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB832 million (2019: RMB2,357 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

(d) At 31 December 2020, none of the Group's investment properties was pledged to secure general banking facilities granted to the Group (2019: RMB1,079 million) (notes 30(d) and 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 buildings generally have lease terms between 1 and 10 years. The terms of vessels lease are generally 1 to 10 years under operating leases, while the lease period is 8 to 25 years under finance leases. Machinery generally have lease terms between 1 and 5 years and vehicles generally have lease terms between 1 and 5 years. Other equipment generally has lease terms of 1 to 5 years or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	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*
31 December 2020							
At 31 December 2019, net of accumulated depreciation	10,589	1,728	1,134	94	50	28	13,623
Additions	2,220	1,309	46	128	271	80	4,054
Transfer from property, plant and equipment	185	-	-	-	-	-	185
Transferred from inventories	202	-	-	-	-	-	202
Acquisition of subsidiaries	117	8	-	-	-	-	125
Depreciation charge	(224)	(972)	(197)	(107)	(59)	(35)	(1,594)
Disposal of subsidiaries	-	(1)	-	-	-	-	(1)
Transfer to property, plant and equipment	(126)	-	(251)	-	(2)	-	(379)
Disposal, retirement, or others	(102)	(240)	(67)	(11)	(4)	(3)	(427)
At 31 December 2020	12,861	1,832	665	104	256	70	15,788

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

	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*
31 December 2019							
At 1 January 2019, net of accumulated depreciation	9,768	1,945	1,808	316	76	–	13,913
Additions	833	900	202	121	20	40	2,116
Transfer from property, plant and equipment	157	–	–	–	–	–	157
Depreciation charge	(165)	(731)	(355)	(99)	(48)	(12)	(1,410)
Disposal of subsidiaries	(49)	–	–	–	–	–	(49)
Transfer to property, plant and equipment	–	–	(504)	(253)	–	–	(757)
Disposal, retirement, or others	45	(386)	(17)	9	2	–	(347)
At 31 December 2019	10,589	1,728	1,134	94	50	28	13,623

As at 31 December 2020, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB6,435 million (2019: RMB6,040 million) were pledged to secure general banking facilities granted to the Group (notes 30(d) and 42(b)).

(b) Lease liabilities

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

	2020 **Lease liabilities** ***RMB million***	2019 Financial lease payables *RMB million*
Carrying amount at 1 January	**2,499**	3,035
New leases	**1,575**	897
Interest expense	**145**	159
Payments	**(1,674)**	(1,592)
Carrying amount at 31 December	**2,545**	2,499
Analysed into:		
Current portion	**1,036**	1,118
Non-current portion	**1,509**	1,381

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

16. LEASES (CONTINUED)

The Group as a lessee (continued)

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

	2020 RMB million	2019 RMB million
Interest on lease liabilities	145	159
Depreciation charge of right-of-use assets	1,594	1,410
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)	1,520	1,617
Expense relating to leases of low-value assets (included in administrative expenses)	2	17
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	96	262
Total amount recognised in profit or loss	3,357	3,465

(d) 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 47(c), 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 RMB660 million (2019: RMB616 million).

At 31 December 2020, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB million	2019 RMB million
Within 1 year	776	678
1 year to 2 years	370	278
2 years to 3 years	256	181
3 years to 4 years	159	143
4 years to 5 years	89	121
Over 5 years	76	233
	1,726	1,634

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 2020						
Cost at 1 January 2020, net of accumulated amortisation and impairment	**212,122**	**5,371**	**1,223**	**473**	**38**	**219,227**
Additions	**33,574**	**–**	**47**	**140**	**69**	**33,830**
Acquisition of subsidiaries	**7,879**	**11**	**–**	**–**	**80**	**7,970**
Disposal of subsidiaries	**(23,869)**	**–**	**–**	**–**	**–**	**(23,869)**
Disposal	**(5,559)**	**–**	**(33)**	**(7)**	**–**	**(5,599)**
Amortisation provided during the year	**(1,984)**	**–**	**(19)**	**(180)**	**(29)**	**(2,212)**
Exchange realignment	**–**	**135**	**–**	**–**	**–**	**135**
At 31 December 2020	**222,163**	**5,517**	**1,218**	**426**	**158**	**229,482**
At 31 December 2020:						
Cost	**229,842**	**5,567**	**1,463**	**1,242**	**435**	**238,549**
Accumulated amortisation and impairment	**(7,679)**	**(50)**	**(245)**	**(816)**	**(277)**	**(9,067)**
Net carrying amount	**222,163**	**5,517**	**1,218**	**426**	**158**	**229,482**
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)
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	286	226,128
Accumulated amortisation and impairment	(5,694)	(50)	(243)	(666)	(248)	(6,901)
Net carrying amount	212,122	5,371	1,223	473	38	219,227

As at 31 December 2020, 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 net carrying amount of the related concession assets was RMB171,716 million (2019: RMB160,699 million). The net carrying amount of concession assets where the related projects were under construction was RMB50,447 million (2019: RMB51,423 million).

17. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2020, the Group recognised an accumulated impairment of RMB334 million (2019: RMB334 million), based on the impairment tests for concession assets in the infrastructure construction segment.

As at 31 December 2020, certain bank and other borrowings were secured by concession assets and trade receivables from PPP projects with a total carrying amount of approximately RMB254,432 million (2019: RMB183,235 million) notes 30(d) and 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:

	2020	2019
	RMB million	*RMB million*
John Holland CGU (i)	**4,928**	4,793
Concremat	**252**	252
F&G	**245**	245
Others	**92**	81
	5,517	5,371

(i) For goodwill arose in connection with John Holland CGU, the recoverable amount was determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 1.5%. 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 is set out below:

	2020	2019
Terminal growth rate [1]	**1.5%**	2%
Before tax discount rate [2]	**14.9%**	14.9%

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

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

No impairment was recognised based on the assessment in relation of goodwill allocated to John Holland CGU as at 31 December 2020 and 2019.

18. INVESTMENTS IN JOINT VENTURES

	2020 **RMB million**	2019 RMB million
At 1 January	**24,715**	18,646
Additions	**7,771**	6,562
Disposals	**(213)**	(3)
Share of profits or losses, net	**(786)**	(117)
Dividend distribution	**(254)**	(400)
Residual interests in joint ventures arising from disposal of subsidiaries	**1,866**	29
Conversion into subsidiaries arising from increase in equity interests in joint ventures	**(175)**	–
Conversion into a joint venture from an associate	**795**	–
Share of other comprehensive income of joint ventures	**(1)**	–
Others	**(184)**	(2)
At 31 December	**33,534**	24,715

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:

	2020 **RMB million**	2019 RMB million
Share of the joint ventures' losses for the year	**(786)**	(117)
Share of the joint ventures' other comprehensive loss	**(1)**	–
Share of the joint ventures' total comprehensive loss	**(787)**	(117)
Aggregate carrying amount of the Group's investments in the joint ventures	**33,534**	24,715

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

	2020 **RMB million**	2019 RMB million
At 1 January	**26,683**	22,390
Additions	**9,122**	4,593
Disposals	**(431)**	(20)
Share of profits or losses, net	**173**	172
Dividend distribution	**(259)**	(325)
Residual interests in associates arising from disposal of subsidiaries	**29**	414
Conversion into subsidiaries arising from increase in equity interests in associates	**(287)**	(334)
Conversion into a joint venture from an associate	**(795)**	–
Share of other comprehensive loss of associates	**(42)**	(227)
Others	**(125)**	20
At 31 December	**34,068**	26,683

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

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 and is accounted for using the equity method.

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

	2020 *RMB million*	2019 *RMB million*
Non-current assets	**38,518**	38,841
Current assets	**40,802**	35,636
Total assets	**79,320**	74,477
Current liabilities	**(42,575)**	(44,341)
Non-current liabilities	**(19,670)**	(11,565)
Total liabilities	**(62,245)**	(55,906)
Non-controlling interests	**(2,504)**	(3,028)
Perpetual securities	**(500)**	–
Equity attributable to ordinary equity holders of the parent	**14,071**	15,543
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	**2,302**	2,536
Goodwill on acquisition (less cumulative impairment)	**1,911**	1,911
Carrying amount of the investment	**4,213**	4,447
Revenue	**22,655**	24,596
Profit attributable to owners of the parent	**422**	515
Other comprehensive (loss)/income attributable to owners of the parent	**(86)**	16
Total comprehensive income for the year attributable to owners of the parent	**336**	531
Dividend received	**43**	43

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2020 **RMB million**	2019 RMB million
Share of the associates' profit for the year	**105**	69
Share of the associates' other comprehensive loss	**(28)**	(193)
Share of the associates' total comprehensive income/(loss)	**77**	(124)
Aggregate carrying amount of the Group's investments in the associates	**29,855**	22,236

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

	2020 **RMB million**	2019 RMB million
Listed equity investments *(note a)*	**124**	383
Unlisted investments *(note b)*	**10,513**	6,755
	10,637	7,138
Less: Non-current portion		
Unlisted investments	**10,513**	6,723
Current portion	**124**	415

(a) The listed equity investments at 31 December 2020 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 2020 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

	2020 **RMB million**	2019 RMB million
Listed equity instruments		
– China Merchants Bank Co., Ltd.	**18,581**	15,888
– China Merchants Securities Co., Ltd.	**6,415**	3,867
– Zhengzhou Yutong Bus Co., Ltd.	**692**	583
– China Everbright Bank Co., Ltd.	**298**	329
– China Development Bank Financial Leasing Co., Ltd.	**149**	207
– CECEP Environmental Protection Equipment Co., Ltd.	**144**	214
– Bank of Communications Co., Ltd.	**136**	170
– Others	**414**	498
	26,829	21,756
Unlisted equity instruments		
– Lunan High Speed Railway Co., Ltd.	**1,434**	1,398
– Tianjin CCCC Greentown City Construction Development Co., Ltd.	**1,043**	1,014
– Hubei Jiaotou Shiwu Expressway Co., Ltd.	**332**	136
– Beijing CEDC Ltd.	**316**	303
– Shandong Expressway Jiqing Midline Highway Co., Ltd.	**150**	–
– Shanghai Kerry Oils & Grains Industries Co., Ltd.	**121**	36
– China-ASEAN Investment Cooperation Fund	**101**	113
– Others	**410**	262
	3,907	3,262
	30,736	25,018

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 2020, the Group sold certain shares of equity investments, and accumulated changes in fair value of RMB9 million (2019: RMB3,455 million) which had been transferred from other comprehensive income to retained earnings with the amount of RMB9 million (2019: RMB3,110 million) and none of accumulated changes in fair value was transferred to statutory surplus reserve (2019: RMB345 million).

During the year ended 31 December 2020, the Group received dividends in a total amount of RMB778 million, mainly including RMB507 million, RMB92 million and RMB41 million from China Merchants Bank Co., Ltd, China Merchants Securities Co., Ltd. and Zhengzhou Yutong Bus Co., Ltd., respectively.

22. UNCONSOLIDATED STRUCTURED ENTITIES

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 2020, 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:

	2020		2019	
	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	**9,256**	**9,256**	5,335	5,335
Interests in associates and joint ventures	**10**	**10**	7	7
	9,266	**9,266**	5,342	5,342

In 2020, the Group received management fees, commission and performance fees amounting to RMB58 million (2019: RMB62 million) from unconsolidated structured entities sponsored by the Group.

As disclosed in notes 24(e) and 39(c), 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 2020, the Group has invested in certain subordinated tranches of ABS and ABN with an aggregated amount of RMB62 million (2019: RMB62 million). The directors of the Company evaluate that the position of subordinated tranches invested is low, and therefore determined not to consolidate such special-purpose vehicles (SPVs).

As at 31 December 2020, there were no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities (2019: Nil).

23. INVENTORIES

	2020 RMB million	2019 RMB million
Raw materials	19,778	18,667
Work in progress	1,753	1,187
Properties under development *(note a)*	43,783	35,537
Completed properties held for sale *(note b)*	6,553	5,944
Finished goods	728	1,070
Others	282	208
	72,877	62,613

At 31 December 2020, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amount of RMB6,543 million (2019: RMB2,408 million) were pledged to secure the Group's bank loans (notes 30(d) and 42(b)).

(a) Properties under development comprise:

	2020 RMB million	2019 RMB million
Land use rights	29,627	22,830
Construction cost	12,268	11,107
Finance costs capitalised	1,888	1,600
	43,783	35,537

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 RMB3,661 million (2019: RMB3,736 million). The remaining amount is expected to be recovered within one year.

24. TRADE AND OTHER RECEIVABLES

	2020 RMB million	2019 RMB million
Trade and bills receivables *(note a)*	**123,030**	113,315
Impairment	**(16,129)**	(13,904)
	106,901	99,411
Long-term receivables *(note b)*	**322,174**	217,812
Impairment	**(4,301)**	(2,788)
	317,873	215,024
Other receivables:		
Prepayments	**21,262**	26,091
Deposits *(note c)*	**23,559**	23,093
Others	**54,085**	40,641
	98,906	89,825
Impairment	**(2,978)**	(2,455)
	95,928	87,370
	520,702	401,805
Portion classified as non-current		
Long-term receivables	**252,114**	172,224
Other receivables:		
Prepayments	**2,759**	4,319
Deposits	**1,375**	1,446
Others	**6,450**	48
	262,698	178,037
Current portion	**258,004**	223,768

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.

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

	2020	2019
	RMB million	*RMB million*
Within 6 months	**73,279**	67,623
6 months to 1 year	**7,706**	8,305
1 year to 2 years	**12,599**	13,914
2 years to 3 years	**7,379**	5,433
Over 3 years	**5,938**	4,136
	106,901	99,411

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

	2020	2019
	RMB million	*RMB million*
At beginning of year	**13,904**	12,405
Impairment losses, net	**3,149**	2,621
Acquisition of subsidiaries	**6**	5
Disposal of subsidiaries	**–**	(58)
Amount written off*	**(791)**	(841)
Others	**(139)**	(228)
At end of year	**16,129**	13,904

* During the year ended 31 December 2020, an accumulated impairment of RMB767 million (2019: RMB791 million) was written off because of the relevant trade and bill receivables amounting to RMB32,221 million (2019: RMB33,500 million) were derecognised due to the arrangement of non-recourse factoring agreements, ABS, 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 and bills receivables using a provision matrix:

As at 31 December 2020

	Ageing						
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**
Expected credit loss rate	**1.05%**	**13.56%**	**24.78%**	**39.18%**	**55.15%**	**80.07%**	**9.76%**
Gross carrying amount *(RMB million)*	**81,351**	**13,612**	**8,160**	**4,826**	**1,991**	**4,296**	**114,236**
Expected credit losses *(RMB million)*	**(857)**	**(1,846)**	**(2,022)**	**(1,891)**	**(1,098)**	**(3,440)**	**(11,154)**

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	0.97%	13.56%	24.77%	39.16%	55.13%	80.04%	8.64%
Gross carrying amount *(RMB million)*	76,393	13,729	6,705	2,602	2,113	3,252	104,794
Expected credit losses *(RMB million)*	(744)	(1,862)	(1,661)	(1,019)	(1,165)	(2,603)	(9,054)

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 2020, the accumulated individual loss allowance was RMB4,975 million (2019: RMB4,850 million) with a carrying amount before loss allowance of RMB8,794 million (2019: RMB8,521 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 2020, the relevant outstanding trade receivables and long-term receivables with recourse factoring clauses in the agreements amounted to RMB747 million (2019: RMB1,243 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 2020, outstanding trade receivables of RMB17,644 million (2019: RMB18,514 million) had been transferred to the banks in accordance with the relevant non-recourse factoring agreements. In the opinion of the directors, the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition of the relevant receivables.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) The Group has entered into certain agreements with certain financial institution so as to establish ABS and ABN. The ABS and ABN are bonds or notes backed by trade receivables and long-term receivables. The Group sell pools of trade receivables and long-term receivables to a SPV, whose sole function is to buy such assets in order to securitise them. The SPV, which is usually a corporation, then sells them to a trust. The trust repackages the loans as interest-bearing securities and issues them. As at 31 December 2020, the relevant outstanding trade receivables and long-term receivables under the ABS and ABN amounted to RMB12,607 million (2019: RMB9,823 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 2020, outstanding bills receivable of RMB649 million (2019: RMB267 million) were endorsed to suppliers or discounted with banks. In the opinion of directors, the Group has retained the substantial risks and rewards, which include default risks relating to such bills receivable, and accordingly, it continued to recognise the full carrying amounts of the bills receivable. In addition, as at 31 December 2020, outstanding bills receivable of RMB1,970 million (2019: RMB5,164 million) were endorsed to suppliers or discounted with banks. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to such bills receivable which were fully derecognised.

(g) As at 31 December 2020, certain of the Group's outstanding trade and other receivables with a net carrying amount of approximately RMB13,342 million (2019: RMB15,989 million) were pledged to secure general banking facilities granted to the Group (notes 30(d) and 42(b)).

25. CONTRACT ASSETS

	31 December 2020	31 December 2019	1 January 2019
	RMB million	*RMB million*	*RMB million*
Contract assets arising from:			
Infrastructure construction	**138,579**	129,595	117,416
Infrastructure design	**6,406**	5,464	4,105
Dredging	**11,802**	12,783	10,346
Others	**30**	29	1,951
	156,817	147,871	133,818
Impairment	**(1,499)**	(1,370)	(1,139)
	155,318	146,501	132,679
Portion classified as non-current	**30,520**	30,265	28,698
Current portion	**124,798**	116,236	103,981

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 2020 and 2019 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 2020, RMB140 million (2019: RMB251 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 2020, the expected timing of recovery or settlement for contract assets was subject to the specific contract 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:

	2020 RMB million	2019 RMB million
At beginning of year	1,370	1,139
Impairment losses, net *(note 6)*	140	251
Disposal of subsidiaries	–	(8)
Exchange realignment	(11)	(12)
At end of year	1,499	1,370

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

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

	2020	2019
Expected credit loss rate	0.96%	0.93%
Gross carrying amount *(RMB million)*	156,817	147,871
Expected credit losses *(RMB million)*	1,499	1,370

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Assets RMB million	Liabilities RMB million	Assets RMB million	Liabilities RMB million
Forward currency contracts				
– Cash flow hedges	25	11	9	12
Total return swap *(note a)*	104	–	224	–
Forward equity contracts *(note b)*	206	–	233	–
Foreign exchange option *(note c)*	305	–	333	–
	640	11	799	12

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) In 2018, CCCI entered into several agreements with banks, and paid US$125 million to secure the subscriptions of US$500 million, by the banks in senior perpetual securities. 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 Group.

(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 RMB121 million (2019: RMB122 million) as at 31 December 2020.

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 RMB85 million (2019: RMB111 million) as at 31 December 2020.

(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 RMB305 million (2019: RMB311 million) as at 31 December 2020.

27. CASH AND BANK BALANCES

	2020 ***RMB million***	2019 *RMB million*
Restricted bank deposits *(note a)*	**5,275**	4,308
Time deposits with an initial term of over three months *(note b)*	**3,268**	2,322
	8,543	6,630
Cash and cash equivalents	**119,511**	118,908
	128,054	125,538

(a) As at 31 December 2020, restricted bank deposits mainly included deposits for issuance of bank acceptance notes, performance bonds, letters of credit to customers, and mandatory reserve deposits placed with the People's Bank of China by CCCC Finance.

(b) Time deposits with an initial term of over three months are excluded from cash and cash equivalents, as management is of the opinion that these time deposits are not readily convertible to known amounts of cash without significant risk of changes in value.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB84,867 million (2019: RMB82,534 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 2020, less than 3% (2019: 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

	2020 RMB million	2019 RMB million
Trade and bills payables *(note a)*	300,003	277,959
Deposits from suppliers	33,752	27,984
Retentions	34,754	28,042
Deposits in CCCC Finance *(note b)*	6,178	5,374
Other taxes	28,329	22,647
Payroll and social security	2,115	2,625
Accrued expenses and others	27,016	22,013
	432,147	386,644
Portion classified as non-current		
Retentions	23,894	20,016
Other taxes	173	153
Others	3,850	3,574
	27,917	23,743
Current portion	404,230	362,901

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

	2020 RMB million	2019 RMB million
Within 1 year	263,688	241,739
1 year to 2 years	23,392	20,813
2 years to 3 years	6,067	9,903
Over 3 years	6,856	5,504
	300,003	277,959

(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% (2019: 0.8%).

29. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2020 RMB million	2019 RMB million
Contract liabilities arising from:		
Infrastructure construction	78,385	74,015
Infrastructure design	6,050	6,211
Dredging	3,132	2,064
Others	991	702
	88,558	82,992

Contract liabilities mainly include short-term advances received to render construction, design and dredging services. The increase in contract liabilities in 2020 and 2019 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	2020 RMB million	2019 RMB million
Non-current			
Long-term bank borrowings			
– secured	*(d)*	**215,492**	167,364
– unsecured	*(e)*	**73,131**	59,238
		288,623	226,602
Long-term other borrowings			
– secured	*(d)*	**4,625**	1,170
– unsecured	*(e)*	**2,144**	1,648
		6,769	2,818
Corporate bonds	*(f)*	**17,959**	23,729
Non-public debt instruments	*(h)*	**8,028**	10,518
Lease liabilities	*16(b)*	**1,509**	1,381
Total non-current borrowings		**322,888**	265,048
Current			
Current portion of long-term bank borrowings			
– secured	*(d)*	**9,543**	4,653
– unsecured	*(e)*	**13,685**	15,151
		23,228	19,804
Short-term bank borrowings			
– secured	*(d)*	**6,388**	2,270
– unsecured	*(e)*	**39,118**	49,614
		45,506	51,884
Current portion of long-term other borrowings			
– secured	*(d)*	**173**	4
– unsecured	*(e)*	**145**	634
		318	638
Short-term other borrowings			
– secured	*(d)*	**273**	100
– unsecured	*(e)*	**166**	195
		439	295
Corporate bonds	*(f)*	**6,047**	275
Debentures	*(g)*	**1,720**	1,009
Non-public debt instruments	*(h)*	**4,196**	1,356
Lease liabilities	*16(b)*	**1,036**	1,118
Total current borrowings		**82,490**	76,379
Total borrowings		**405,378**	341,427

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

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

	2020	2019
	RMB million	*RMB million*
Bank borrowings		
– Within one year	**68,734**	71,688
– In the second year	**31,870**	33,271
– In the third to fifth years, inclusive	**66,136**	43,999
– Beyond five years	**190,617**	149,332
	357,357	298,290
Others, excluding lease liabilities		
– Within one year or on demand	**12,720**	3,573
– In the second year	**17,523**	8,710
– In the third to fifth years, inclusive	**8,000**	20,383
– Beyond five years	**7,233**	7,972
	45,476	40,638
	402,833	338,928

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

	2020	2019
	RMB million	*RMB million*
Renminbi	**385,713**	319,288
United States dollar	**12,851**	14,537
Japanese Yen	**3,378**	3,892
Euro	**2,186**	1,169
Hong Kong dollar	**414**	1,490
Others	**836**	1,051
	405,378	341,427

(c) Borrowings of the Group, excluding corporate bonds, debentures, non-public debt instruments, and lease liabilities, bore interest at effective rates ranging from 0.21% to 8.34% (2019: 0.30% to 8.34%) per annum at the end of the reporting period, and an overseas bank borrowing bore an interest rate of 11.27%.

(d) As at 31 December 2020 and 2019, the borrowings in note 30(c) above were secured by the Group's property, plant and equipment (notes 14 and 42(b)), investment properties (notes 15 and 42(b)), right-of-use assets (notes 16 and 42(b)), intangible assets (notes 17 and 42(b)), inventories (notes 23 and 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 [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 of 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 a number of debentures as approved by National Association of Financial Market Institutional Investors ("NAFMII"), the interest rates range from 1.30% to 3.30% per annum, with maturity ranging from 30 days to 282 days.

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

- 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.

- Two tranches of non-public debt instruments were issued in April and August 2020, respectively, at nominal values of RMB500 million and RMB1,000 million, respectively, with maturity of three years from the issue date. The interest rates are 2.80% and 3.78% per annum, respectively. These non-public debt instruments will be repaid in 2023.

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.

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

	2020			
	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 2020	4,228	1,480	2,452	8,160
Charged to profit or loss during the year *(note 11)*	–	161	1,018	1,179
Charged to other comprehensive income	1,145	–	6	1,151
Acquisition of subsidiaries	–	–	3	3
Exchange differences	1	–	14	15
At 31 December 2020	5,374	1,641	3,493	10,508

Deferred tax assets

	2020				
	Impairment of financial and contract assets *RMB million*	Tax losses *RMB million*	Discount on long-term receivables *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2020	3,097	1,369	316	2,303	7,085
Credited to profit or loss during the year *(note 11)*	492	935	21	837	2,285
Charged to other comprehensive income	–	–	–	(3)	(3)
Acquisition of a subsidiary	14	12	–	130	156
Disposal of subsidiaries	(5)	–	–	–	(5)
Exchange differences	(2)	49	–	(132)	(85)
At 31 December 2020	3,596	2,365	337	3,135	9,433

31. DEFERRED TAX (CONTINUED)

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	3,601	1,299	2,126	7,026
Charged to profit or loss during the year *(note 11)*	–	181	311	492
Charged to other comprehensive income	629	–	2	631
Exchange differences	(2)	–	13	11
At 31 December 2019	4,228	1,480	2,452	8,160

Deferred tax assets

	2019				
	Impairment of financial and contract assets *RMB million*	Tax losses *RMB million*	Discount on long-term receivables *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2019	2,769	1,661	476	1,519	6,425
Credited/(charged) to profit or loss during the year *(note 11)*	383	226	(158)	727	1,178
(Charged)/credited to other comprehensive income	–	(592)	–	75	(517)
Acquisition of a subsidiary	2	–	–	–	2
Disposal of subsidiaries	(18)	–	–	(14)	(32)
Exchange differences	(39)	74	(2)	(4)	29
At 31 December 2019	3,097	1,369	316	2,303	7,085

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:

	2020		2019	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	RMB million	***RMB million***	*RMB million*	*RMB million*
The gross balance	**9,433**	**10,508**	7,085	8,160
Offsetting	**(2,787)**	**(2,787)**	(1,815)	(1,815)
	6,646	**7,721**	5,270	6,345

Deferred tax assets of RMB6,353 million (2019: RMB4,914 million) have not been recognised in respect of these losses amounting to RMB25,743 million (2019: RMB19,988 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. All of these tax losses will expire in one to five years for offsetting against future taxable profits.

As at 31 December 2020, the Group did not recognise deferred tax assets of RMB1,167 million (2019: RMB787 million) in respect of deductible temporary differences amounting to RMB5,520 million (2019: RMB3,199 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:

	2020	2019
	RMB million	*RMB million*
Present value of defined benefit obligations	**960**	1,119
Portion classified as current portion	**116**	126
Non-current portion	**844**	993

32. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2020 ***RMB million***	2019 *RMB million*
At 1 January	**1,119**	1,293
Past service cost	**3**	3
Interest cost	**32**	39
	1,154	1,335
Remeasurements		
– Gains from changes in financial assumptions	**(16)**	(17)
– Experience gains	**(36)**	(4)
	1,102	1,314
Payments	**(142)**	(163)
Disposal of subsidiaries	**–**	(32)
At 31 December	**960**	1,119

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:

	2020	2019
Discount rate	**3.25%**	3.00%
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	
	2020 ***RMB million***	2019 *RMB million*
Discount rate:		
– 0.25% increase	**(15)**	(19)
– 0.25% decrease	**16**	19
Medical cost growth rate:		
– 1.00% increase	**10**	15
– 1.00% decrease	**(9)**	(14)

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.

32. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2020 ***RMB million***	2019 *RMB million*
Within 1 year	**116**	126
1 year to 2 years	**109**	119
2 years to 5 years	**282**	315
Over 5 years	**701**	837
	1,208	1,397

The average duration of the defined benefit plan obligation at the end of the reporting period was 6 years (2019: 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 2020	**121**	**703**	**601**	**1,425**
Additional provisions	**1**	**1,894**	**444**	**2,339**
Utilised/reversed during the year	**(89)**	**(458)**	**(8)**	**(555)**
At 31 December 2020	**33**	**2,139**	**1,037**	**3,209**
Non-current portion	**33**	**2,139**	**1,037**	**3,209**

	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

34. SHARE CAPITAL AND PREMIUM

	2020 RMB million	2019 RMB million
Issued and fully paid:		
11,747,235,425 (2019: 11,747,235,425) A shares of RMB1.00 each	**11,747**	11,747
4,418,476,000 (2019: 4,427,500,000) H shares of RMB1.00 each	**4,419**	4,428
	16,166	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.

From May 2020 to June 2020, the Company repurchased a total of 9,024,000 H shares and all the repurchased shares have been cancelled as at 31 December 2020. The Company repurchased approximately RMB40 million, of which paid-up share capital was RMB9 million and share premium was approximately RMB31 million.

As at 31 December 2020, the Company's share capital was RMB16,165,711,425 (2019: RMB16,174,735,425), comprising 11,747,235,425 A shares and 4,418,476,000 H shares, representing approximately 72.7% and 27.3% of the registered capital, respectively.

35. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY

	2020 RMB million	2019 RMB million
Perpetual securities *(note a)*	14,950	8,966
Renewable corporate bonds *(note b)*	18,988	6,989
Preference shares *(note c)*	–	14,468
	33,938	30,423

(a) As approved by NAFMII, three tranches of perpetual securities 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 perpetual securities and the holders have no right to receive a return of principal. The initial interest rates of these perpetual securities 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 perpetual securities, 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 perpetual securities 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 perpetual securities 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 perpetual securities and the holders have no right to receive a return of principal. The initial interest rates of these perpetual securities were 3.83% and 3.83% per annum respectively, which will be reset once in every three years since the issuance date. Pursuant to the terms of these perpetual securities, 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 perpetual securities 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, three tranches of perpetual securities were issued by the Company in 2020, with nominal values of RMB2,000 million, RMB2,000 million and RMB2,000 million, respectively. There is no maturity date for these perpetual securities and the holders have no right to receive a return of principal. The initial interest rates of these perpetual securities were 3.85%, 4.34% and 3.85% per annum respectively, which will be reset once in every three years, three years and two years, respectively, since the issuance date. Pursuant to the terms of these perpetual securities, 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 perpetual securities are subject to redemption in whole, at the option of the Company, three years, three years and two years, respectively, 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 perpetual securities, and these perpetual securities should be classified as equity.

35. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY (CONTINUED)

(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.

As approved by CSRC, one tranche of renewable corporate bonds were issued by the Company in 2020, with a nominal value of RMB2,000 million. There is no maturity date for the bonds and the holders have no right to receive a return of principal. Pursuant to the terms of this bond, 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 this tranche of bonds were 3.85% per annum, which will be reset once in every three years since the issuance date. The Company has the right to redeem the bonds if it has the unavoidable liability to pay additional taxes for the survival of bond 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 bond 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 Company signed two investment contracts with two holders to implement the infrastructure bond investment plans in 2020, with nominal values of RMB6,000 million and RMB4,000 million, respectively. There is no maturity date for these contracts and the holders have no right to receive a return of principal. The initial interest rates of these contracts were 4.80%, 4.72% and 4.77% per annum, respectively, for the first contract, and 4.69% per annum for the first ten years for the second contract, which will be reset once in every three years after ten years of the issuance date. Pursuant to the terms of these contracts, the Company may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. These contracts are subject to redemption in whole, at the option of the Company, ten years after the issue date, at its principal amount together with accrued interest.

The directors of the Company are of the opinion that the Company has no contractual obligations to repay the principal or to pay any distribution for these renewable 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 Company 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.

On 26 August 2020 and 16 October 2020, the Company has redeemed the two tranches of preferred shares issued in August 2015. The redemption prices of the preferred shares were RMB9,459 million and RMB5,759 million respectively, including the face values of RMB9,000 million and RMB5,500 million, and the current dividends of RMB459 million and RMB259 million, respectively.

36. RESERVES

	Capital reserve (a) RMB million	Statutory surplus reserve RMB million	General reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB Million	Hedging reserve RMB million	Safety production reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
At 31 December 2019	10,798	5,945	957	(82)	14,210	2	2,341	1,145	128,583	163,899
Business combination under common control	(52)	-	-	-	-	-	3	-	(188)	(237)
At 31 December 2019	10,746	5,945	957	(82)	14,210	2	2,344	1,145	128,395	163,662
Profit for the year	-	-	-	-	-	-	-	-	16,475	16,475
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	3,624	-	-	-	-	3,624
Cash flow hedges, net of tax	-	-	-	-	-	7	-	-	-	7
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	(43)	-	-	-	-	(43)
Share of other reserves of joint ventures and associates	12	-	-	-	-	-	-	-	-	12
Actuarial gains on retirement benefit obligations, net of tax	-	-	-	41	-	-	-	-	-	41
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(2,877)	-	(2,877)
Redemption of perpetual securities	(32)	-	-	-	-	-	-	-	-	(32)
Final 2019 dividend declared	-	-	-	-	-	-	-	-	(3,765)	(3,765)
Transaction with non-controlling interests	(44)	-	-	-	-	-	-	-	-	(44)
Interest on perpetual securities	-	-	-	-	-	-	-	-	(721)	(721)
Dividends on preference shares	-	-	-	-	-	-	-	-	(718)	(718)
Transfer to statutory surplus reserve (a)	-	1,694	-	-	-	-	-	-	(1,694)	-
Transfer from general reserve (b)	-	-	(248)	-	-	-	-	-	248	-
Transfer to safety production reserve (c)	-	-	-	-	-	-	269	-	(269)	-
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(9)	-	-	-	9	-
Others	-	-	-	-	-	-	-	-	(279)	(279)
At 31 December 2020	10,682	7,639	709	(41)	17,782	9	2,613	(1,732)	137,681	175,342

36. RESERVES (CONTINUED)

	Capital reserve (a) *RMB million*	Statutory surplus reserve *RMB million*	General reserve *RMB million*	Remeasurement reserve *RMB million*	Investment revaluation reserve *RMB Million*	Hedging reserve *RMB million*	Safety production reserve *RMB million*	Exchange reserve *RMB million*	Retained earnings *RMB million*	Total *RMB million*
At 31 December 2018	4,850	5,242	1,088	(97)	12,105	(1)	2,355	770	110,609	136,921
Business combination under common control	(52)	–	–	–	–	–	3	–	(93)	(142)
At 31 December 2018	4,798	5,242	1,088	(97)	12,105	(1)	2,358	770	110,516	136,779
Profit for the year	–	–	–	–	–	–	–	–	19,999	19,999
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)
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)
Share of other reserves of joint ventures and associates	70	–	–	–	–	–	–	–	–	70
Capital contribution from non-controlling shareholders	5,894	–	–	–	–	–	–	–	–	5,894
Transaction with non-controlling interests	(16)	–	–	–	–	–	–	–	–	(16)
Interest on perpetual securities	–	–	–	–	–	–	–	–	(566)	(566)
Dividends on preference shares	–	–	–	–	–	–	–	–	(718)	(718)
Transfer to statutory surplus reserve	–	358	–	–	–	–	–	–	(358)	–
Transfer from general reserve	–	–	(131)	–	–	–	–	–	131	–
Transfer from safety production reserve	–	–	–	–	–	–	(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	10,746	5,945	957	(82)	14,210	2	2,344	1,145	128,395	163,662

36. RESERVES (CONTINUED)

(a) Statutory surplus reserve

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

For the year ended 31 December 2020, the board of directors proposed an appropriation of 10% (2019: 10%) of the Company's profit after tax, as determined under PRC GAAP, of RMB1,694 million (2019: RMB358 million) to the statutory surplus reserve.

(b) General reserve

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

The general reserve balance of CCCC Finance as at 31 December 2020 amounted to RMB709 million (2019: RMB957 million).

(c) Safety production reserve

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

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

Percentage of equity interests held by non-controlling interests:

	2020 (%)	2019 (%)
CCCC (Beijing) One-term Equity Investment Fund LLP	39.98	39.98
CCCC Leasing	30.00	30.00
CCCC First Highway Engineering Group Co., Ltd.	12.75	12.75
CCCC Second Highway Engineering Co., Ltd.	18.06	18.06
CCCC Third Highway Engineering Co., Ltd.	30.00	30.00
CCCC Forth Highway Engineering Co., Ltd.	20.08	20.08
CFHCC	9.91	9.91
CCCC Second Harbour Engineering Co., Ltd.	13.36	13.36
CCCC Third Harbour Engineering Co., Ltd.	10.69	10.69
CCCC Forth Harbour Engineering Co., Ltd.	13.77	13.77
Road & Bridge International Co., Ltd.	17.25	17.25

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

	2020 RMB million	2019 RMB million
CCCC (Beijing) One-term Equity Investment Fund LLP	(7)	(4)
CCCC Leasing	118	89
CCCC First Highway Engineering Group Co., Ltd.	145	24
CCCC Second Highway Engineering Co., Ltd.	116	14
CCCC Third Highway Engineering Co., Ltd.	58	4
CCCC Forth Highway Engineering Co., Ltd.	116	30
CFHCC	116	2
CCCC Second Harbour Engineering Co., Ltd.	116	31
CCCC Third Harbour Engineering Co., Ltd.	87	3
CCCC Forth Harbour Engineering Co., Ltd.	174	29
Road & Bridge International Co., Ltd.	116	30

Dividends paid to non-controlling interests:

	2020 RMB million	2019 RMB million
CCCC Leasing	20	10
CCCC First Highway Engineering Group Co., Ltd.	117	–
CCCC Second Highway Engineering Co., Ltd.	90	–
CCCC Third Highway Engineering Co., Ltd.	42	–
CCCC Forth Highway Engineering Co., Ltd.	107	–
CFHCC	79	–
CCCC Second Harbour Engineering Co., Ltd.	106	–
CCCC Third Harbour Engineering Co., Ltd.	57	–
CCCC Forth Harbour Engineering Co., Ltd.	143	–
Road & Bridge International Co., Ltd.	106	–

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

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

	2020 ***RMB million***	2019 *RMB million*
CCCC (Beijing) One-term Equity Investment Fund LLP	**5,023**	4,461
CCCC Leasing	**1,897**	1,799
CCCC First Highway Engineering Group Co., Ltd.	**1,600**	1,572
CCCC Second Highway Engineering Co., Ltd.	**1,443**	1,417
CCCC Third Highway Engineering Co., Ltd.	**924**	908
CCCC Forth Highway Engineering Co., Ltd.	**1,192**	1,183
CFHCC	**1,135**	1,098
CCCC Second Harbour Engineering Co., Ltd.	**1,545**	1,535
CCCC Third Harbour Engineering Co., Ltd.	**1,092**	1,062
CCCC Forth Harbour Engineering Co., Ltd.	**2,123**	2,092
Road & Bridge International Co., Ltd.	**1,415**	1,405

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

2020	**CCCC (Beijing) One-term Equity Investment Fund LLP** ***RMB million***	**CCCC Leasing** ***RMB million***	**CCCC First Highway Engineering Group Co., Ltd.** ***RMB million***	**CCCC Second Highway Engineering Co., Ltd.** ***RMB million***	**CCCC Third Highway Engineering Co., Ltd.** ***RMB million***	**CCCC Forth Highway Engineering Co., Ltd.** ***RMB million***	**CFHCC** ***RMB million***	**CCCC Second Harbour Engineering Co., Ltd.** ***RMB million***	**CCCC Third Harbour Engineering Co., Ltd.** ***RMB million***	**CCCC Forth Harbour Engineering Co., Ltd.** ***RMB million***	**Road & Bridge International Co., Ltd.** ***RMB million***
Revenue	**-**	**-**	**119,919**	**53,427**	**28,506**	**43,598**	**44,457**	**76,152**	**41,785**	**38,176**	**41,227**
Profit/(loss) for the year	**(18)**	**527**	**1,280**	**1,614**	**329**	**1,817**	**1,272**	**1,055**	**337**	**2,293**	**1,647**
Total comprehensive income/(loss)	**(18)**	**523**	**1,163**	**1,479**	**328**	**1,819**	**1,253**	**1,058**	**273**	**1,918**	**1,379**
Current assets	**-**	**22,820**	**77,283**	**34,164**	**23,769**	**36,714**	**41,927**	**63,788**	**39,951**	**27,058**	**24,208**
Non-current assets	**12,588**	**24,486**	**91,062**	**28,973**	**11,092**	**32,477**	**38,757**	**41,496**	**31,262**	**37,854**	**33,919**
Current liabilities	**34**	**22,432**	**89,882**	**39,950**	**26,564**	**38,216**	**56,596**	**67,285**	**48,709**	**35,040**	**30,980**
Non-current liabilities	**-**	**14,939**	**48,628**	**9,543**	**3,646**	**16,895**	**6,289**	**16,848**	**8,904**	**7,874**	**13,289**
Net cash flows (used in)/generated from operating activities	**-**	**(1,850)**	**3,093**	**3,357**	**1,589**	**4,039**	**1,576**	**(1,109)**	**1,113**	**3,499**	**2,643**
Net cash flows (used in)/generated from investing activities	**(1,422)**	**238**	**(18,716)**	**(8,465)**	**(1,307)**	**(6,921)**	**(5,374)**	**(8,600)**	**(2,740)**	**(11,454)**	**(8,372)**
Net cash flows generated from financing activities	**1,422**	**2,005**	**13,397**	**4,923**	**1,400**	**7,860**	**1,084**	**6,709**	**3,473**	**7,681**	**5,218**
Exchange gains/(losses) on cash and cash equivalents	**-**	**-**	**8**	**(5)**	**(11)**	**9**	**(122)**	**99**	**(39)**	**(38)**	**(2)**
Net increase/(decrease) in cash and cash equivalents	**-**	**393**	**(2,218)**	**(190)**	**1,671**	**4,987**	**(2,836)**	**(2,901)**	**1,807**	**(312)**	**(513)**

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

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

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

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

As of 31 December 2020, the total balance of perpetual securities issued by subsidiaries of the Company was RMB73,103 million (2019: RMB32,798 million). These perpetual securities 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:

	2020 RMB million	2019 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	139	89

(b) Changes in liabilities arising from financing activities

2020	Bank and other loans RMB million	Lease liabilities RMB million	Corporate bonds RMB million	Debentures RMB million	Non-public debt instruments RMB million	Dividend RMB million	Total RMB million
At 31 December 2019	302,041	2,499	24,004	1,009	11,874	587	342,014
Changes from financing cash flows	54,547	(1,674)	(993)	347	(23)	(7,923)	44,281
New leases	–	1,575	–	–	–	–	1,575
Foreign exchange movement	(75)	–	–	–	–	–	(75)
Declared dividends	–	–	–	–	–	8,139	8,139
Interest expense	16,195	145	979	364	379	–	18,062
Increase arising from acquisition of subsidiaries	7,226	–	–	–	–	–	7,226
Decrease arising from disposal of subsidiaries	(15,051)	–	–	–	–	–	(15,051)
Others	–	–	16	–	(6)	–	10
At 31 December 2020	364,883	2,545	24,006	1,720	12,224	803	406,181

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

(b) Changes in liabilities arising from financing activities (continued)

2019	Bank and other loans *RMB million*	Lease liabilities *RMB million*	Corporate bonds *RMB million*	Debentures *RMB million*	Non-public debt instruments *RMB million*	Dividend *RMB million*	Total *RMB million*
At 31 December 2018	259,740	730	24,380	5,003	6,740	279	296,872
Effect of adoption of IFRS 16	–	2,305	–	–	–	–	2,305
At 1 January 2019 (restated)	259,740	3,035	24,380	5,003	6,740	279	299,177
Changes from financing cash flows	28,225	(1,592)	(1,434)	(4,149)	4,635	(6,595)	19,090
New leases	–	897	–	–	–	–	897
Foreign exchange movement	186	–	–	–	–	–	186
Declared dividends	–	–	–	–	–	6,903	6,903
Interest expense	14,080	159	1,047	155	497	–	15,938
Decrease arising from disposal of subsidiaries	(190)	–	–	–	–	–	(190)
Others	–	–	11	–	2	–	13
At 31 December 2019	302,041	2,499	24,004	1,009	11,874	587	342,014

(c) Total cash outflow for leases

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

	2020 ***RMB million***	2019 *RMB million*
Within operating activities	**1,265**	1,532
Within investing activities	**2,220**	833
Within financing activities	**1,674**	1,592
	5,159	3,957

39. CONTINGENT LIABILITIES

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

	2020 *RMB million*	2019 *RMB million*
Pending lawsuits *(note a)*	**1,672**	1,201
Outstanding loan guarantees *(note b)*	**3,540**	2,951
	5,212	4,152

(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 RMB1,672 million (2019: RMB1,201 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 is required.

(c) As disclosed in note 24(e), the Group has entered into certain agreements with certain financial institution so as to establish ABS and ABN. As at 31 December 2020, certain of the ABS and ABN in issue with an aggregate amount of RMB14,969 million (2019: RMB10,387 million) included the ABS and ABN issued to preferential investors of an aggregate amount of RMB13,976 million (2019: RMB9,669 million). For ABS and ABN issued to preferential investors of an aggregate amount of RMB12,226 million (2019: RMB7,919 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 2020, the outstanding balance of guarantees provided by the Group was approximately RMB3,456 million.

40. BUSINESS COMBINATION

(a) Acquisition of subsidiaries not under common control

During the year ended 31 December 2020, the Group obtained control over several companies from certain independent third parties, with a total consideration of RMB2,796 million.

Information of major acquired companies and transactions was as follows:

Name	**Type of transaction**	**Consideration** *RMB million*	**Percentage of equity attributable to the Group**	**Acquisition date**
Lekki Port Lftz Enterprise Ltd.	Additional equity contribution	1,566	53%	31 March 2020
Puentes y Calzadas Grupo de Empresas,S.A.	Equity transfer	540	67%	30 June 2020
Hami CCCC First Highway Tiankun Construction Company Limited	Equity transfer	287	98%	1 January 2020
Guangdong CCCC Yuzhan Highway Development Company Limited	Equity transfer	100	100%	30 June 2020

40. BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of subsidiaries not under common control (continued)

The fair values and book values of assets and liabilities of all of the acquired companies at the date of acquisition were as follows:

	Acquisition date fair value *RMB million*	**Acquisition date book value** *RMB million*
Non-current assets		
Property, plant and equipment	158	143
Investment properties	72	72
Right-of-use assets	125	125
Intangible assets	7,960	7,091
Investments in joint ventures and associates	119	119
Equity instruments at fair value through other comprehensive income	71	71
Trade and other receivables	393	393
Deferred tax assets	156	156
	9,054	8,170
Current assets		
Inventories	152	152
Trade and other receivables	2,013	2,013
Contract assets	68	68
Financial assets at fair value through profit or loss	85	85
Cash and cash equivalents	2,005	2,005
	4,323	4,323
Current liabilities		
Trade and other payables	(1,231)	(1,231)
Contract liabilities	(143)	(143)
Interest-bearing bank and other borrowings	(287)	(287)
	(1,661)	(1,661)
Non-current liabilities		
Trade and other payables	(209)	(209)
Deferred tax liabilities	(3)	(1)
Interest-bearing bank and other borrowings	(6,958)	(6,958)
	(7,170)	(7,168)
Net assets	4,546	3,664
Non-controlling interests	1,761	
Goodwill on acquisition	11	
Consideration	2,796	
Less: Initial investment costs remeasured at fair value	462	
Satisfied by cash	2,334	

40. BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of subsidiaries not under common control (continued)

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

	2020 *RMB million*
Total consideration	**2,796**
Cash paid for acquisition of subsidiaries	**2,334**
Cash and bank balances of subsidiaries acquired	**2,005**
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**329**

Since the acquisition, the acquirees contributed RMB953 million to the Group's revenue and caused a loss of RMB159 million to the consolidated profit for the year ended 31 December 2020.

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 RMB625,399 million and RMB19,514 million, respectively.

(b) Business combinations under common control

In June 2020, the Company, together with its subsidiaries CCCC Tianjin Dredging Co., Ltd. ("CCCC Tianjin Dredging") and Chuwa Bussan Company Limited ("Chuwa Bussan"), entered into an agreement with ZPMC, a fellow subsidiary of the Company, pursuant to which the Company will increase the equity investment to CCCC Tianhe, a subsidiary of ZPMC, by RMB1 billion. Upon the completion of the investment, the Company held 61.12% and the Group totally held 83.48% of equity interests in CCCC Tianhe, the Company and the Group then obtained control over CCCC Tianhe.

Since the Company, CCCC Tianjin Dredging, Chuwa Bussan, ZPMC and CCCC Tianhe are ultimately controlled by CCCG both before and after the above acquisition, the acquisition of CCCC Tianhe is regarded as business combination involving enterprises under common control. The Group accounts for the combination applying the pooling of interest method, which means the assets and liabilities of CCCC Tianhe are consolidated by the Group using the existing book values from the controlling parties' perspective, as if the current group structure had been in existence throughout the periods presented, or since the date when the companies first came under the control of ultimate controlling party, whichever is a shorter period.

The comparative figures of this consolidated financial information have been restated. Inter-company transactions, balances and unrealised gains/losses on transactions between the Group and CCCC Tianhe have been eliminated on consolidation.

40. BUSINESS COMBINATION (CONTINUED)

(b) Business combinations under common control (continued)

The book values of CCCC Tianhe's assets and liabilities as at 4 June 2020 and 31 December 2019 were as follows:

	4 June 2020 Book value *RMB million*	31 December 2019 Book value *RMB million*
Non-current assets		
Property, plant and equipment	**2,774**	2,666
Intangible assets	**83**	83
Investment in joint ventures and associates	**47**	47
Contract assets	**–**	29
Trade and other receivables	**1**	1
Deferred tax assets	**31**	31
	2,936	2,857
Current assets		
Inventories	**1,145**	989
Trade and other receivables	**1,321**	1,243
Financial assets at fair value through profit or loss	**39**	22
Cash and cash equivalents	**1,244**	220
	3,749	2,474
Current liabilities		
Trade and other payables	**(1,140)**	(1,645)
Contract liabilities	**(570)**	(571)
Tax payable	**–**	(1)
Derivative financial instruments	**–**	(7)
Interest-bearing bank and other borrowings	**(1,879)**	(1,492)
	(3,589)	(3,716)
Non-current liabilities		
Trade and other payables	**(1)**	(1)
Interest-bearing bank and other borrowings	**(1,124)**	(645)
Deferred income	**(61)**	(62)
	(1,186)	(708)
Net assets	**1,910**	907
Non-controlling interests	**(316)**	
Incorporating price difference	**20**	
Consideration	**1,614**	

41. DISPOSAL OF SUBSIDIARIES

(a) In March 2020, CFHCC disposed of 70% equity interests in Yulin CCCC Urban Utility Tunnel Investment Co., Ltd. ("Yulin CCCC") to Beijing CCCC Road and Bridge Phase IV Investment Fund LLP for a consideration of RMB106 million. Upon the completion of equity transfer, CFHCC no longer has control over Yulin CCCC.

(b) In March 2020, CFHCC disposed of 70% equity interests in Guangxi CCCC Puqing Highway Co., Ltd. ("Guangxi Puqing") to Beijing CCCC Road and Bridge Phase I Investment Fund LLP for a consideration of RMB140 million. Upon the completion of equity transfer, CFHCC no longer has control over Guangxi Puqing.

(c) In April 2020, CFHCC City Investment Development (Tianjin) Co., Ltd. ("CFHCC City Investment"), a subsidiary of the Company, together with another subsidiary of the Company, entered into an agreement with CCCG Real Estate Corporation Limited ("CCCG Real Estate"), a fellow subsidiary of the Company, pursuant to which CCCG Real Estate will invest in Guangxi CCCC Urban Investment Development Co., Ltd. ("Guangxi CCCC Urban Investment") to acquire 40% equity interest in Guangxi CCCC Urban Investment. Both CCCG Real Estate and Guangxi CCCC Urban Investment are engaged in real estate development. Upon the completion of capital increase of Guangxi CCCC Urban Investment in May, the aggregated interests of the Group in Guangxi CCCC Urban Investment decreased from 100% to 60%. In April 2020, CFHCC City Investment also signed a shareholders' voting agreement with CCCG Real Estate, whereby CFHCC City Investment has agreed to vote unanimously with the CCCG Real Estate. Considering the above mentioned factors, the directors of Company are of the opinion that the Group no longer has control over Guangxi CCCC Urban Investment.

(d) In April 2020, China Communications Construction Bank (Xiamen) Equity Investment Fund Management Co., Ltd. ("CCCB Xiamen Equity Investment Fund"), an associate of the Group, invested in Haikou CCCC Guoxing Industrial Co., Ltd. ("Haikou CCCC Guoxing"), a real estate development company indirectly controlled by the Company, to acquire a 49% equity interest in Haikou CCCC Guoxing. Upon the completion of capital increase of Haikou CCCC Guoxing in April 2020, the Group lost control over Haikou CCCC Guoxing, and Haikou CCCC Guoxing was jointly controlled by the Group and CCCB Xiamen Equity Investment Fund.

(e) In June 2020, Huizhou Kehui Investment Development Co., Ltd. invested in Huizhou Huitong Real Estate Co., Ltd. ("Huizhou Huitong"), a real estate development company indirectly controlled by the Company, to acquire a 51% equity interest in Huizhou Huitong. Upon the completion of capital increase of Huizhou Huitong in June 2020, the Group no longer has control over Huizhou Huitong, and Huizhou Huitong was jointly controlled by the Group and Huizhou Kehui Investment Development Co., Ltd.

(f) In June 2020, Shenzhen China Merchants Real Estate Co., Ltd. and Shenzhen Jindi Shengan Real Estate Development Co., Ltd. invested in Huizhou Zhaole Real Estate Co., Ltd. ("Huizhou Zhaole"), a real estate development company indirectly controlled by the Company, to acquire a 70% equity interest in Huizhou Zhaole. Upon the completion of capital increase of Huizhou Zhaole in June 2020, the Group no longer has control over Huizhou Zhaole, and Huizhou Zhaole was jointly controlled by the Group, Shenzhen China Merchants Real Estate Co., Ltd. and Shenzhen Jindi Shengan Real Estate Development Co., Ltd.

(g) In August 2020, Hubei CCCC Xiantong Expressway Co., Ltd. disposed of 100% equity interests in Hubei Jiatong Real Estate Development Co., Ltd ("Hubei Jiatong") to Chongqing Zhongang Real Estate Co., Ltd. for a consideration of RMB129 million. Upon the completion of equity transfer, the Group no longer has control over Hubei Jiatong.

(h) In December 2020, CCCC Fourth Harbour Engineering Co., Ltd. ("CCCC Fourth Harbour") disposed of 66.67% equity interests in CCCC (Zhaoqing) Investment Development Co., Ltd. ("CCCC Zhaoqing") to Guangdong Harbour Engineering Co., Ltd., an associate of the Group, for a consideration of RMB46 million. Upon the completion of equity transfer, CCCC Fourth Harbour no longer has control over CCCC Zhaoqing.

(i) In December 2020, CCCC Fourth Harbour and another subsidiary of the Company disposed of 48.75% and 16.25% equity interests, respectively, in CCCC Guanglian Expressway Investment Development Co., Ltd. ("CCCC Guanglian") to China Communications Construction Beijing Yuexing Road and Bridge Infrastructure Equity Investment Fund LLP for a total consideration of RMB3,252 million. Upon the completion of equity transfer, the Group no longer has control over CCCC Guanglian.

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(j) The financial information of CCCC Guanglian and the aggregate financial information of the subsidiaries mentioned above and other subsidiaries disposed of by the Group, at the date of disposal in 2020, are as follows:

	CCCC Guanglian *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Non-current assets	22,121	2,965	25,086
Current assets	1,563	5,702	7,265
Current liabilities	(5,391)	(7,834)	(13,225)
Non-current liabilities	(13,292)	(413)	(13,705)
	5,001	420	5,421
Non-controlling interests	–	–	–
	5,001	420	5,421
Gains on disposal of subsidiaries	1	146	147
	5,002	566	5,568
Represented by:			
Residual interests in joint ventures	1,750	116	1,866
Residual interests in associates	–	29	29
Consideration	3,252	421	3,673
	5,002	566	5,568

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

	2020 ***RMB million***	2019 *RMB million*
Cash received from disposal of subsidiaries in the current year	**401**	921
Cash received from disposal of subsidiaries in the prior year	**–**	87
Cash and bank balances of subsidiaries disposed of	**(180)**	(991)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**221**	17

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(k) The information of disposal of subsidiaries that occurred and has been completed in 2019 is as follows:

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. A 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.

On 30 June 2019, the Company and its subsidiaries, CHEC, 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.

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
Consideration	1,058
	1,565

42. PLEDGE OF ASSETS

(a) At 31 December 2020, the restricted deposits were RMB5,275 million (2019: RMB4,308 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:

	2020 *RMB million*	2019 *RMB million*
Property, plant and equipment *(note 14)*	**5**	110
Investment properties *(note 15)*	**–**	1,079
Right-of-use assets *(note 16)*	**6,435**	6,040
Concession assets and trade receivables from PPP projects *(note 17)*	**254,432**	183,235
Inventories *(note 23)*	**6,543**	2,408
Trade and other receivables (excluding PPP projects) *(note 24)*	**13,342**	15,989
	280,757	208,861

43. COMMITMENTS

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

	2020 *RMB million*	2019 *RMB million*
Intangible assets – concession assets	**92,611**	100,846
Property, plant and equipment	**2,385**	1,231
	94,996	102,077

The Group has lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these not commenced lease contracts are RMB1 million (2019: RMB59 million).

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:

	2020 RMB million	2019 RMB million
Transactions with CCCG		
– Revenue from the provision of construction services	4,715	–
– Rental income	3	–
– Rental fee	181	171
– Interest expense on deposits placed in CCCC Finance	26	19
– Interest expense on loans	3	29
– Loans to CCCG by CCCC Finance	–	700
– Interest income from loans provided by CCCC Finance	–	7
– Other borrowings from CCCG	105	60
Transactions with fellow subsidiaries		
– Revenue from the provision of construction and construction related services	7,715	4,526
– Revenue from sale of goods	1,058	296
– Revenue from sale of property	–	339
– Rental income	6	5
– Interest expenses on deposits placed in CCCC Finance	83	40
– Loans from fellow subsidiaries	9,815	6,990
– Interest expenses on loans	6	8
– Purchases of materials	1,737	490
– Subcontracting and service charges	3,494	2,928
– Rental fee	23	34
– Loans to fellow subsidiaries by CCCC Finance	3,300	855
– Interest income from loans provided by CCCC Finance	27	10
– Interest income from other loans	–	4
– Factoring to fellow subsidiaries	2,776	82
– Interest income from factoring	93	1
– Finance lease loans to fellow subsidiaries	1,283	413
– Interest income from finance lease loans	127	111
Transactions with fellow subsidiaries' joint ventures and associates		
– Revenue from the provision of construction and construction related services	205	179
– Revenue from sale of goods	4	–
– Subcontracting and services charges	–	25
Transactions with joint ventures and associates		
– Revenue from the provision of construction and construction related services	55,386	51,571
– Revenue from sale of goods	1,541	1,599
– Purchases of materials	2,181	840
– Subcontracting and service charges	483	821
– Rental income	–	1
– Interest expense on deposits placed in CCCC Finance	5	1
– Loans from joint ventures and associates	11,917	9,252
– Interest expenses on loans	16	11
– Loans to a joint venture by CCCC Finance	138	–
– Loans to joint ventures and associates	9,134	4,807
– Interest income from other loans	570	589
– Factoring to joint ventures and associates	90	510
– Interest income from factoring	25	58
– Finance lease loans to joint ventures and associates	452	2,280
– Interest income from finance lease loans	170	71

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:

	2020 *RMB million*	2019 *RMB million*
Trade and bills receivables due from		
– CCCG	**1,099**	178
– Fellow subsidiaries	**2,656**	1,913
– Joint ventures and associates	**7,209**	5,000
– Fellow subsidiaries' joint ventures	**20**	58
	10,984	7,149
Long-term trade receivables due from		
– CCCG	**1,024**	–
– Fellow subsidiaries	**3,064**	3,258
– Joint ventures and associates	**23,269**	14,916
– Fellow subsidiaries' joint ventures	**130**	197
	27,487	18,371
Prepayments to		
– Fellow subsidiaries	**1,668**	2,075
– Joint ventures and associates	**651**	220
	2,319	2,295
Other receivables due from*		
– CCCG	**153**	8
– Fellow subsidiaries	**4,231**	1,825
– Joint ventures and associates	**5,859**	2,569
	10,243	4,402
Contract assets		
– CCCG	**5**	169
– Fellow subsidiaries	**746**	246
– Joint ventures and associates	**2,426**	3,006
– Fellow subsidiaries' joint ventures	**66**	35
	3,243	3,456
	54,276	35,673

* Including loans to related parties

44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2020 RMB million	2019 RMB million
Trade and bills payables due to		
– Fellow subsidiaries	3,908	4,155
– Joint ventures and associates	1,715	1,861
– Fellow subsidiaries' joint ventures	14	–
	5,637	6,016
Long-term trade payables due to		
– Fellow subsidiaries	2,975	1,458
– Joint ventures and associates	460	639
	3,435	2,097
Contract liabilities		
– CCCG	46	–
– Fellow subsidiaries	506	438
– Joint ventures and associates	11,590	12,250
– Fellow subsidiaries' joint ventures	26	12
	12,168	12,700
Other payables*		
– CCCG	1,227	1,645
– Fellow subsidiaries	6,033	4,656
– Joint ventures and associates	4,327	3,286
– Fellow subsidiaries' joint ventures	3	3
	11,590	9,590
Other borrowings		
– CCCG	105	560
Lease liabilities		
– Joint ventures and associates	15	30
– Fellow subsidiaries	1	1
	16	31
	32,951	30,994

* Including deposits from related parties

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees with related parties:

	2020	2019
	RMB million	*RMB million*
Outstanding loan guarantees provided to		
– Joint ventures	**1,545**	1,196
– Associates	**1,765**	1,755
– Fellow subsidiaries	**60**	–
	3,370	2,951
Outstanding guarantees provided by CCCG	**12,148**	12,147

(d) Commitments with related parties:

	2020	2019
	RMB million	*RMB million*
Provision of construction services		
– CCCG	**4,403**	321
– Fellow subsidiaries	**10,839**	3,032
– Joint ventures and associates	**143,547**	114,218
– Fellow subsidiaries' joint ventures	**468**	53
	159,257	117,624
Purchase of services and goods		
– Fellow subsidiaries	**2,172**	1,067
– Joint ventures and associates	**146**	80
	2,318	1,147

(e) Key management compensation:

	2020	2019
	RMB'000	*RMB'000*
Short term employee benefits	**14,598**	14,945
Post-employment benefits	**382**	601
	14,980	15,546

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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:

	2020 *RMB million*
Transactions with fellow subsidiaries	
– Establishment of joint ventures and associates of the Group	7,333
– Establishment of subsidiaries of the Group	1,675
	9,008

(ii) Details of the Group's other equity transactions with related parties are set below:

a) In January 2020, CCCC First Highway Engineering Group Co., Ltd. and CCCC Beijing-Tianjin-Hebei Investment and Development Co., Ltd., two subsidiaries of the Company, acquired 20% and 10% equity interests in CRED (Tianjin) Real Estate Development Ltd., respectively, from CCCG Property Co., Ltd., a fellow subsidiary of the Company at a total consideration of RMB840 million.

b) In April 2020, CFHCC City Investment, a subsidiary of the Company, together with another subsidiary of the Company, entered into an agreement with CCCG Real Estate, a fellow subsidiary of the Company, pursuant to which CCCG Real Estate will invest Guangxi CCCC Urban Investment to acquire a 40% equity interest in Guangxi CCCC Urban Investment. Both CCCG Real Estate and Guangxi CCCC Urban Investment are primarily engaged in real estate development. Upon the completion of capital increase of Guangxi CCCC Urban Investment in May 2020, the aggregated interest of the Group in Guangxi CCCC Urban Investment decreased from 100% to 60%. In April 2020, CFHCC City Investment signed a shareholders' voting agreement with CCCG Real Estate, whereby CFHCC City Investment has agreed to vote unanimously with the CCCG Real Estate. Considering the above-mentioned factors, the directors of Company are of the opinion that the Group lost the control over Guangxi CCCC Urban Investment.

c) In April 2020, CCCB Xiamen Equity Investment Fund, an associate of the Group, invested in Haikou CCCC Guoxing, a real estate development company indirectly controlled by the Company, to acquire a 49% equity interest in Haikou CCCC Guoxing. Upon the completion of capital increase of Haikou CCCC Guoxing in April 2020, the Group lost control over Haikou CCCC Guoxing, and Haikou CCCC Guoxing was then jointly controlled by the Group and CCCB Xiamen Equity Investment Fund.

d) In June 2020, the Company, together with its subsidiaries CCCC Tianjin Dredging and Chuwa Bussan, entered into an agreement with ZPMC, a fellow subsidiary of the Company, pursuant to which the Company will increase the equity investment to CCCC Tianhe, a subsidiary of ZPMC, by RMB1 billion. Upon the completion of the investment, the Company held 61.12% and the Group totally held 83.48% of equity interests in CCCC Tianhe, and the Company and the Group then obtained control over CCCC Tianhe.

e) In December 2020, CCCC Fourth Harbour disposed of 66.67% equity interests in CCCC Zhaoqing to Guangdong Harbor Engineering Co., Ltd. for a consideration of RMB46 million. Upon the completion of equity transfer, CCCC Fourth Harbour no longer has control over CCCC Zhaoqing.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Other transactions with related parties (continued)

In December 2018, Greentown China Holdings Limited ("Greentown"), a fellow subsidiary of the Company entered into a subscription agreement with several financial institutions (the "Subscribers") to issue principal amount of US$500 million (the "Principal Amount") senior perpetual securities. As one of the conditions precedent of the subscription agreement, CCCI Treasure Limited ("CCCI Treasure") entered into several agreements (the "Agreements 2018") with the each of the Subscribers. Under the Agreements 2018, CCCI Treasure paid a total of US$125 million as deposit, (the "Deposit Amount") each of the Subscribers shall pass through the distribution of the Securities to CCCI Treasure, and CCCI Treasure shall pay each of the Subscribers a fixed amount of distribution with reference to the difference between the Principal Amount and the Deposit Amount. The whole arrangement constitutes a related party transaction of the Company. During the period, the fair value losses and investment gains on the total return swap are RMB115 million and RMB206 million, respectively (2019: fair value gains of RMB202 million and investment gains of RMB247 million).

ZPMC is an associate and also a fellow subsidiary of the Group. The transaction with ZPMC and its subsidiaries for 2020 and 2019, and the outstanding balances with ZPMC and its subsidiaries as at 31 December 2020 and 31 December 2019 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:

2020

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

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)

2020 (continued)

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)	–	402,833	402,833
Lease liabilities	–	2,545	2,545
Derivative financial instruments	11	–	11
Trade and other payables excluding statutory and other non-financial liabilities	–	401,586	401,586
	11	806,964	806,975

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	–	–	799	–	799
Debt investments at amortised cost	–	–	–	111	111
Trade and other receivables excluding prepayments and other non-financial assets	2,086	–	–	353,059	355,145
Cash and bank balances	–	–	–	125,538	125,538
	2,086	25,018	7,937	478,708	513,749

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)

2019 (continued)

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)	–	338,928	338,928
Lease liabilities	–	2,499	2,499
Derivative financial instruments	12	–	12
Trade and other payables excluding statutory and other non-financial liabilities	–	361,389	361,389
	12	702,816	702,828

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**	
	2020 *RMB million*	2019 *RMB million*	**2020** *RMB million*	2019 *RMB million*
Financial liabilities				
Non-current				
Bank borrowings	**288,623**	226,602	**288,448**	226,682
Corporate bonds	**17,959**	23,729	**17,958**	23,730
Non-public debt instruments	**8,028**	10,518	**8,028**	10,518
Other borrowings (other than lease liabilities)	**6,769**	2,818	**6,739**	2,818
	321,379	263,667	**321,173**	263,748

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 2020 were assessed to be insignificant.

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

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 flows, PBR (price/book ratio) of companies in same category and unit prices of comparable property.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments, including forward currency contracts 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 2020, the market-to-market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

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

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

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

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

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

Fair value hierarchy

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

Assets and liabilities measured at fair value:

As at 31 December 2020

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

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 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB million*	Significant observable inputs (Level 2) *RMB million*	Significant unobservable inputs (Level 3) *RMB million*	Total *RMB million*
Assets				
Bills receivables	–	2,086	–	2,086
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	–	–	333	333
	22,171	2,095	10,775	35,041
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	12	–	12

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 (2019: Nil).

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

	2020 ***RMB million***	2019 *RMB million*
At 1 January	**10,775**	8,115
Total gains recognised in the statement of profit or loss included in other gains	**66**	756
Total gains/(losses) recognised in other comprehensive income	**136**	(81)
Purchases	**4,309**	3,870
Disposals	**(251)**	(1,885)
At 31 December	**15,035**	10,775

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 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB million*	Significant observable inputs (Level 2) *RMB million*	Significant unobservable inputs (Level 3) *RMB million*	Total *RMB million*
Bank borrowings	–	288,448	–	288,448
Corporate bonds	5,995	11,963	–	17,958
Non-public debt instruments	–	8,028	–	8,028
Other borrowings (other than lease liabilities)	–	6,739	–	6,739
	5,995	315,178	–	321,173

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB million*	Significant observable inputs (Level 2) *RMB million*	Significant unobservable inputs (Level 3) *RMB million*	Total *RMB million*
Bank borrowings	–	226,682	–	226,682
Corporate bonds	5,995	17,735	–	23,730
Non-public debt instruments	–	10,518	–	10,518
Other borrowings (other than lease liabilities)	–	2,818	–	2,818
	5,995	257,753	–	263,748

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 2020, the Group's aggregate net assets of RMB25,258 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 2020, 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 RMB420 million (2019: RMB248 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:

	2020	2019
Increase/decrease in quoted price in open markets	**10%**	10%

	2020 ***RMB million***	2019 *RMB million*
Impact on profit before tax for the year	**12**	38
Impact on equity (excluding retained profits)	**2,683**	2,176

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 2020 and 2019, the Group's borrowings at variable rates were mainly denominated in RMB, USD, Euro and Hong Kong dollar.

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

Increase in interest rates will increase the cost of new borrowings and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position. Management continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the directors did not consider it was necessary to do so in 2020 and 2019.

As at 31 December 2020, the Group's borrowings of approximately RMB221,299 million (2019: RMB215,097 million) were at variable rates. As at 31 December 2020, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit before tax for the year would have decreased/increased by RMB2,213 million (2019: RMB2,151 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 2020

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 2020

	12-month ECLs		Lifetime ECLs		
	Stage 1 RMB million	Stage 2 RMB million	Stage 3 RMB million	Simplified approach RMB million	RMB million
Contract assets*	–	–	–	155,318	155,318
Trade and other receivables*	339,609	27,375	162	104,365	471,511
Debt investments at amortised cost	–	–	–	124	124
Restricted bank deposits and time deposits with an initial term of over three months					
– Not yet past due	8,543	–	–	–	8,543
Cash and cash equivalents					
– Not yet past due	119,511	–	–	–	119,511
Guarantees given to banks in connection with facilities granted to associates and joint ventures					
– Facilities drawn					
– Not yet past due	3,540	–	–	–	3,540
	471,203	27,375	162	259,807	758,547

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2020 (continued)

As at 31 December 2019

	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*	–	–	–	146,501	146,501
Trade and other receivables*	234,791	20,736	162	97,370	353,059
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	6,630	–	–	–	6,630
Cash and cash equivalents					
– Not yet past due	118,908	–	–	–	118,908
Guarantees given to banks in connection with facilities granted to associates and joint ventures					
– Facilities drawn					
– Not yet past due	2,951	–	–	–	2,951
	363,280	20,736	162	243,982	628,160

* 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 2020, the financial assets classified to stage 3 for lifetime ECLs are other receivables and long-term receivables with a gross carrying amount of approximately RMB1,039 million (2019: RMB1,009 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.

2020	**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)	**93,271**	**60,690**	**101,029**	**253,833**	**508,823**
Lease liabilities	**1,159**	**706**	**769**	**208**	**2,842**
Trade and other payables (excluding statutory and non-financial liabilities)	**374,542**	**20,929**	**5,588**	**1,497**	**402,556**
Net-settled derivative financial instruments	**11**	**–**	**–**	**–**	**11**
	468,983	**82,325**	**107,386**	**255,538**	**914,232**

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)	89,356	55,500	90,660	213,636	449,152
Lease liabilities	1,170	680	701	242	2,793
Trade and other payables (excluding statutory and non-financial liabilities)	338,019	10,946	10,507	2,400	361,872
Net-settled derivative financial instruments	12	–	–	–	12
	428,557	67,126	101,868	216,278	813,829

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 2020	31 December 2019
	RMB million	*RMB million*
Total borrowings *(note 30)*	**405,378**	341,427
Less: Cash and cash equivalents *(note 27)*	**(119,511)**	(118,908)
Net debt	**285,867**	222,519
Equity	**357,804**	296,410
Total capital	**643,671**	518,929
Gearing ratio	**44.4%**	42.9%

The Group's gearing ratio increased from 42.9% to 44.4% on 31 December 2020 when compared with the ratio as at 31 December 2019.

48. EVENT AFTER THE REPORTING PERIOD

On 30 March 2021, the board of directors of the Company resolved that a final dividend of RMB0.18088 per share, totalling approximately RMB2,924 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.

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:

	2020	2019
	RMB million	*RMB million*
Non-current assets		
Property, plant and equipment	**1,616**	1,668
Right-of-use assets	**11**	26
Intangible assets	**145**	200
Investments in subsidiaries	**130,769**	124,490
Investments in joint ventures	**3,192**	2,682
Investments in associates	**8,849**	8,025
Financial assets at fair value through profit or loss	**576**	538
Equity investments designated at fair value through other comprehensive income	**19,871**	15,469
Contract assets	**1,431**	1,575
Trade and other receivables	**3,310**	4,135
Loans to subsidiaries	**455**	455
Amounts due from subsidiaries	**645**	321
Total non-current assets	**170,870**	159,584
Current assets		
Inventories	**446**	439
Contract assets	**14,353**	12,659
Trade and other receivables	**12,734**	9,362
Loans to subsidiaries	**37,359**	31,727
Amounts due from subsidiaries	**33,926**	28,011
Restricted bank deposits	**149**	178
Cash and cash equivalents	**40,562**	48,655
Total current assets	**139,529**	131,031
Current liabilities		
Trade and other payables	**6,661**	3,744
Contract liabilities	**4,633**	3,976
Amounts due to subsidiaries	**104,127**	104,156
Tax payables	**11**	582
Interest-bearing bank and other borrowings	**18,988**	25,283
Retirement benefit obligations	**5**	5
Total current liabilities	**134,425**	137,746
Net current assets/(liabilities)	**5,104**	(6,715)
Total assets less current liabilities	**175,974**	152,869

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

	2020	2019
	RMB million	*RMB million*
Total assets less current liabilities	**175,974**	152,869
Non-current liabilities		
Trade and other payables	**35**	23
Amounts due to subsidiaries	**3,248**	2,683
Interest-bearing bank and other borrowings	**29,788**	25,896
Deferred tax liabilities	**4,238**	3,247
Retirement benefit obligations	**36**	42
Provisions	**4**	84
Total non-current liabilities	**37,349**	31,975
Net assets	**138,625**	120,894
Equity		
Share capital	**16,166**	16,175
Share premium	**19,625**	19,656
Financial instruments classified as equity	**34,938**	31,423
Reserves *(note)*	**67,896**	53,640
Total equity	**138,625**	120,894

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 2019	21,223	5,949	64	10,900	5	15,499	53,640
Profit for the year	-	-	-	-	-	16,941	16,941
Changes in fair value of equity instruments designated at fair value through other comprehensive income, net of tax	-	-	-	2,942	-	-	2,942
Share of other comprehensive loss of joint ventures and associates	-	-	-	(14)	-	-	(14)
Share of other reserves of joint ventures and associates	4	-	-	-	-	-	4
Exchange differences on translation of foreign operations	-	-	-	(23)	-	-	(23)
Business combination under common control	(71)	-	-	-	-	-	(71)
Shares repurchased	(31)	-	-	-	-	-	(31)
Final 2019 dividend declared	-	-	-	-	-	(3,765)	(3,765)
Interest on perpetual securities	-	-	-	-	-	(759)	(759)
Dividend on preference shares	-	-	-	-	-	(718)	(718)
Transfer to statutory surplus reserve	-	1,694	-	-	-	(1,694)	-
Others	-	-	-	-	-	(250)	(250)
At 31 December 2020	21,125	7,643	64	13,828	(18)	25,254	67,896

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

Note: (continued)

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

	Capital reserve *RMB million*	Statutory surplus reserve *RMB million*	Remeasurement reserve *RMB million*	Investment revaluation reserve *RMB million*	Exchange reserve *RMB million*	Retained earnings *RMB million*	Total *RMB million*
At 31 December 2018	21,181	5,246	61	9,780	(15)	14,186	50,439
Profit for the year	–	–	–	–	–	3,583	3,583
Final 2018 dividend declared	–	–	–	–	–	(3,733)	(3,733)
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
Interest on perpetual securities	–	–	–	–	–	(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

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 30 March 2021.