



中國交通建設股份有限公司

CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

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

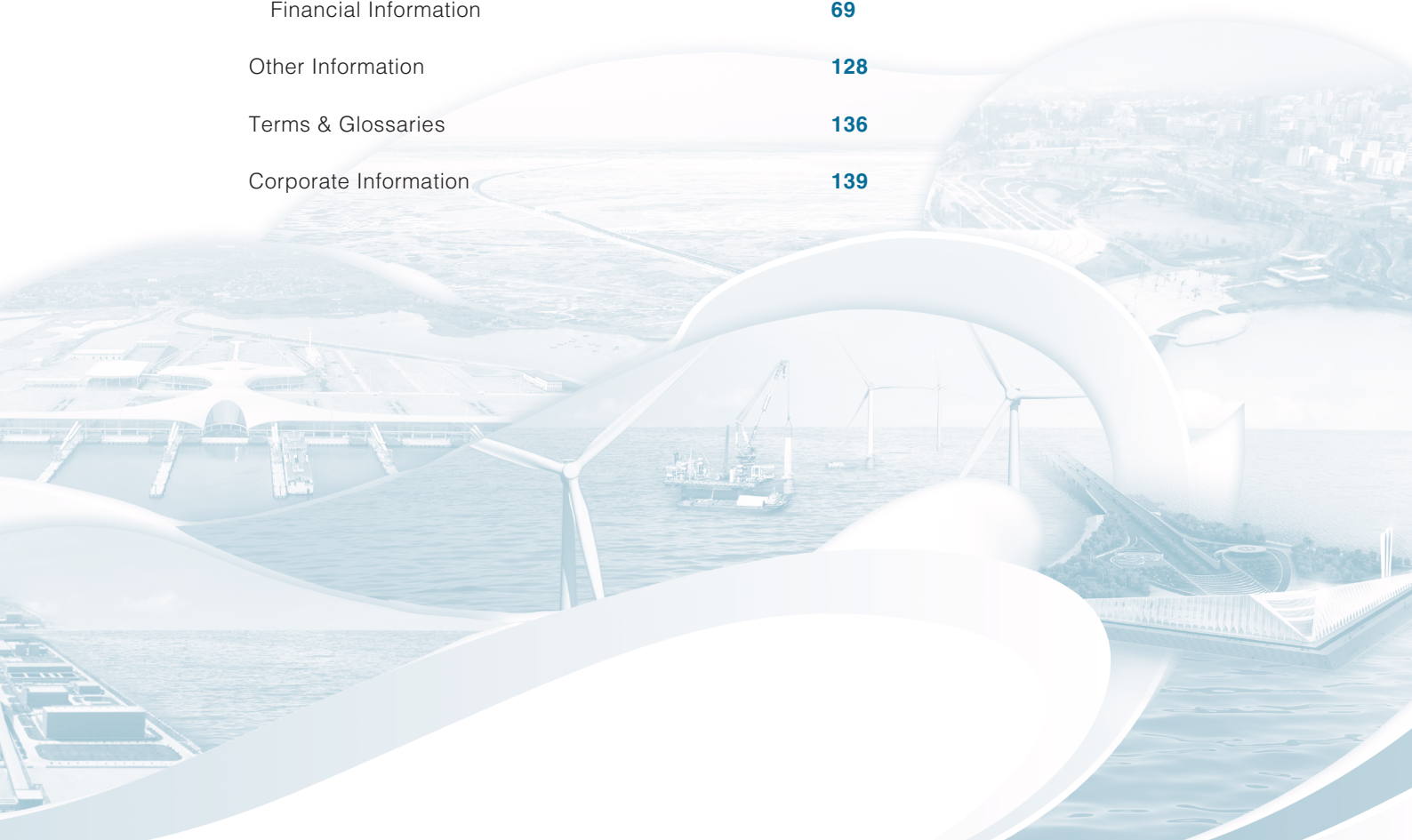


2023

INTERIM REPORT (H SHARE)

CONTENTS

Performance Highlights	2
Chairman's Statement	3
Business Overview	7
Management's Discussion and Analysis	38
Independent Review Report	59
Interim Condensed Consolidated Statement of Profit or Loss	60
Interim Condensed Consolidated Statement of Comprehensive Income	61
Interim Condensed Consolidated Statement of Financial Position	62
Interim Condensed Consolidated Statement of Changes In Equity	64
Interim Condensed Consolidated Statement of Cash Flows	66
Notes to Interim Condensed Consolidated Financial Information	69
Other Information	128
Terms & Glossaries	136
Corporate Information	139



PERFORMANCE HIGHLIGHTS

RMB million (except per share data)	For the six months ended 30 June		Change (%)
	2023	2022	
Revenue	364,450	362,854	0.4
Gross Profit	39,629	37,719	5.1
Operating Profit	19,613	21,072	-6.9
Profit attributable to owners of the parent	12,349	11,969	3.2
Basic earnings per share (RMB) ^(Note 1)	0.72	0.70	2.9

RMB million	As at		Change (%)
	30 June 2023	31 December 2022	
Total assets	1,746,448	1,511,467	15.5
Total liabilities	1,308,315	1,085,177	20.6
Total equity	438,133	426,290	2.8
Equity attributable to owners of the parent	290,034	282,069	2.8

RMB million	As at 30 June		Change (%)	
	2023	2022		
Value of New Contracts	Number of projects	Value of Contracts	Value of Contracts	
Infrastructure Construction Business	1,891	789,265	705,107	11.9
– Port Construction	249	43,862	38,386	14.3
– Road and Bridge Construction	273	205,866	178,914	15.1
– Railway Construction	20	18,995	17,931	5.9
– Urban Construction, etc.	1,189	387,840	359,867	7.8
– Overseas Projects	160	132,701	110,027	20.6
Infrastructure Design Business	2,383	26,787	29,280	-8.5
Dredging Business	597	62,240	60,052	3.6
Other Businesses	N/A	8,402	7,461	12.6
Total	N/A	886,693	801,900	10.6

RMB million	30 June 2023		31 December 2022	
	Number of projects	Value of Contracts	Number of projects	Value of Contracts
Infrastructure Construction Business	6,186	3,374,071	5,950	3,028,916
Infrastructure Design Business	16,573	191,437	19,089	148,112
Dredging Business	1,259	236,515	2,390	204,832
Other Businesses	N/A	4,663	N/A	6,465
Total	N/A	3,806,686	N/A	3,388,325

Notes:

- In calculating the amount of earnings per share for the six months ended 30 June 2023, the interests of perpetual bonds of RMB687 million were excluded.
- Any discrepancies between the amounts herein and the amounts set out in the tables herein are due to rounding.

Dear Shareholders,

On behalf of the Board, I am pleased to present to you the 2023 interim report of the Company for your review.

In 2023, with the new development goals of “one profit and five rates (一利五率)”, “One Increase, One Stabilization and Four Improvements (一增一穩四提升)”, the Company has coordinated and vigorously grasped the key points of stabilizing growth, optimizing structure, improving quality and efficiency, controlling risks and strengthening Party building, and has achieved steady growth in performance, the Company's distinctive advantages have been continuously consolidated, strategic projects have been implemented in an orderly manner, scientific and technological innovation has achieved remarkable progress, reform vitality has continued to enhance, and the co-operation has facilitated the cohesion.

In the first half of the year, revenue of the Group amounted to RMB364,450 million. Net profit attributable to the Shareholders amounted to RMB12,349 million, and net profit attributable to the Shareholders after extraordinary gains and losses amounted to RMB11,896 million^{Note 1}, representing a year-on-year growth of 31.2%, and earnings per share were RMB0.72. The value of new contracts of the Group amounted to RMB886,693 million, representing a year-on-year growth of 10.6%. As at 30 June 2023, the backlog of the Group amounted to RMB3,806,686 million.

As a major holding subsidiary of CCCG, the Company played an important role in the business performance of CCCG, which was ranked 63rd in the Fortune Global 500 in 2023. CCCG has ranked the first among Chinese enterprises in ENR's Top International Contractors for the seventeenth consecutive year and rated Level A in business performance appraisal of state-owned enterprises (organized by the SASAC) for the eighteenth consecutive year.

In accordance with the new strategic mission and new national responsibility, in order to fully implement the blueprint proposed at the beginning of the year, in the second half of the year, the Company will pay close attention to the performance of “one profit and five rates (一利五率)”, anchor at the mainline of “Year for Deepening High-quality Development”, focus on core business, deepen the improvement and promote the Party building to a better level, promote the reform and development of the Company and the Party building forward continuously, and spare no efforts to maintain the vitality of the enterprise's sustainable development.

I. TAKE HIGH-QUALITY DEVELOPMENT AS THE PRIMARY TASK, AND ENSURE THE SUCCESSFUL COMPLETION OF THE ANNUAL TARGETS

The Group will adhere to the principle of “contracts with revenues, revenues with profits, and profits with cash flows”. It will firmly dedicate to its full-year targets, speed up its efforts, implement precise measures and promote the implementation in order to shore up the weakness.

Firstly, taking multiple measures to develop the market. We will focus on stabilizing the fundamentals of corporate development by keeping up with the national strategy, coordinating and vigorously expanding overseas business, continuously optimizing the marketing system, and comprehensively consolidating the main responsibilities.

Note:

1. In calculating the amount of net profit after extraordinary gains and losses for the six months ended 30 June 2023, the extraordinary gains and losses attributable to owners of the parent of RMB453 million (six months ended 30 June 2022: RMB2,905million) were excluded. The extraordinary gains and losses includes net gains on disposal of long-term assets, government grants, interests income from non-financial enterprises, fair value gains and losses and disposal gain or loss of financial assets except for effective hedging instruments, reversal of individual impairment provisions for contract assets, trade and other receivables and others.

CHAIRMAN'S STATEMENT

I. TAKE HIGH-QUALITY DEVELOPMENT AS THE PRIMARY TASK, AND ENSURE THE SUCCESSFUL COMPLETION OF THE ANNUAL TARGETS (CONTINUED)

Secondly, firmly expanding our contracting projects. We will strive to enlarge the proportion of contribution from contracting projects, further strengthen the leading role of design consultation, give full play to the main role of specialized, refined, differential and innovative (專精特新) subsidiaries, and accelerate the implementation of key projects.

Thirdly, strengthening our investment in an orderly and coordinated manner. We value and develop our investment business as the 'stabilizer' when the market fluctuates, continue to optimize our investment in "regional structure, business structure, cycle structure, profitability structure, cash flow structure", focus on driving the Company's core competitiveness of "urbanization (進城)" to increasingly improve, and effectively promote the cultivation and growth of the businesses in new industry and innovative mode, so as to cultivate more growth points for the Company's high-quality development.

Fourthly, continuously improving the quality and efficiency of our assets. We will accelerate the realization of "non-major and non-advantaged business (兩非)" assets, speed up the disposal of inefficient and ineffective assets, and balance the transfer of high-quality and low-quality assets, and continuously increase the rates of return on assets and value appreciation.

Fifthly, preventing and resolving various risks. We will prevent the risks in "three chains" ((三鏈) referring to industry chain, supply chain, subcontracting chain), standardize and guide the establishment and improvement of suppliers and sub-contractors management mechanism, and prevent overseas risks to ensure compliance and safety in the construction, operation, procurement, bidding and other aspects of the Company's overseas projects, so as to safeguard corporate brand and national interests.

II. DEEPEN THE IMPLEMENTATION OF INNOVATION-DRIVEN DEVELOPMENT STRATEGY, AND ESTABLISH DEVELOPMENT ADVANTAGES BY FORGING NATIONAL STRATEGIC SCIENTIFIC AND TECHNOLOGICAL STRENGTH

We will effectively enhance the dominant position of scientific and technological innovation, insist on tackling key and core technologies to achieve tangible results, form long-term talent advantages by institutional building to improve quality and efficiency, and establish development advantages by forging national strategic scientific and technological strength.

Firstly, enhancing basic research as the point of strength. We will accurately keep to the development trend of material combination, construction, organization and design, new functions of modern architecture and other basic fields, and give full play to the role in the innovation platforms at national level, and build the Company as a cradle of cutting-edge technologies, an independent innovation chain of science and technology and an academic and technical talent pool in related fields.

II. DEEPEN THE IMPLEMENTATION OF INNOVATION-DRIVEN DEVELOPMENT STRATEGY, AND ESTABLISH DEVELOPMENT ADVANTAGES BY FORGING NATIONAL STRATEGIC SCIENTIFIC AND TECHNOLOGICAL STRENGTH (CONTINUED)

Secondly, focusing on the industrial application as the starting point. In the “big transportation” and other traditional industrial fields, industries with characteristics and advantages, and the deep earth exploration and utilization, deep-sea resources exploration and development and other future development industrial fields, the Company will strive to achieve tangible results through overall planning and promotion and making breakthroughs by category.

Thirdly, strengthening innovative thinking as the point of support. We will enhance “thinking flexibly” and “subversive consciousness”, focus on original and leading innovation and endeavor to form a number of subversive and alternative technologies through pilot-operated innovation to break through the technological blockade and dependence from the source.

III. DEEPEN UNDERSTANDING OF THE OVERALL REQUIREMENTS OF THE NEW ROUND OF ENTERPRISE REFORM AND BOOST DEVELOPMENT VIGOR BY DEEPENING THE REFORM

We will comprehensively improve the enterprise's core competitiveness and core functions, combine the actual situation, focus on research and deployment, face up to the resistance encountered in the process of reform with practical actions and the spirit of struggle, reinforce the “sense of gain” of reform by taking well-targeted steps, and strengthen the “driving force” of reform through innovating ideas.

Firstly, making greater efforts to deploy in the strategic emerging industries. In terms of top-level design, a systematic work plan will be formed based on in-depth research and orderly promote the implementation of results. In terms of industrial scope, we will increase the cultivation in industries such as new generation information technology, new energy and new materials, and make good value judgments. In terms of target orientation, efforts will be made to achieve an annual increase in the revenue contribution from strategic emerging industries. In terms of methods and approaches, we strive to achieve fundamental breakthroughs as soon as possible through acquisition and reorganization, equity financing, industrial collaboration, joint research and other ways.

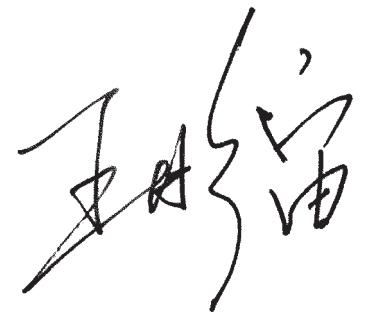
Secondly, promoting the high-end, intelligent, and green upgrading of traditional industries with greater determination. As a leading enterprise in infrastructure construction, we will collaborate with various upstream and downstream enterprises in the industry to coordinate the green upgrading of the industry and green industry layout by focusing on high-end manufacturing, smart transportation and smart cities with integrated resources. At the same time, we will seize the opportunities arising from the adjustment of global industrial structure and distribution, optimize the international industrial layout, and enhance our global allocation capabilities in various factors such as capital, resources, technology and talent under the premise of safety and controllability.

CHAIRMAN'S STATEMENT

IV. CONSOLIDATE THE DEVELOPMENT FOUNDATION WITH HIGH-QUALITY PROJECT MANAGEMENT BY STEADILY PROMOTING THE CONSTRUCTION OF MAJOR PROJECT DEMONSTRATION SITES

We will enhance basic project management skills by strengthening the principle of corporate project management, clarifying the interface of rights and responsibilities between legal persons and projects, and promoting the refinement of project management through quantitative authorization and effective incentives, so as to achieve practical project planning, efficient project performance, efficient technological innovation, guaranteed quality and safety, and valuable Party building leadership, thereby comprehensively raising the Company's project management and the ability to create benefits to a new level.

Dear Shareholders, the high-quality development of the Company has entered a critical and key phase. In the second half of the year, we will adhere to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and promote high-quality development with firm belief, stronger will and more resolute measures, so as to make new CCCC contributions to building a modern socialist country in all respects and comprehensively promoting the great rejuvenation of the Chinese nation. I would like to thank all Shareholders and friends for their support and help.



Wang Tongzhou
Chairman

Beijing, the PRC
28 August 2023

I. MAIN BUSINESS

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

II. BUSINESS MODEL

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

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

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

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

BUSINESS OVERVIEW

III. CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) Enhance the Strength and Expertise of the Main Responsibility and Principal Business, and Forge the Integration Advantages of the Full Industry Chain

The Company is the world's largest port, road and bridge design and construction company, and the world's largest dredging company. It is also the largest international contractor and the largest highway investor in China, and owns the largest engineering fleet in the world. The Company has 32 principal wholly-owned or holding subsidiaries, and operates businesses in China's all provinces, cities, autonomous regions, Hong Kong and Macau and 139 countries and regions across the world.

The Company is the world's largest port design and construction company. Driven by the advantages of smart port and shipping characteristics, it enhances its leadership in terms of the development of the port and waterway industry. It undertakes the design and construction of most of medium and large ports in coastal zones since the founding of PRC, and participates in the design and construction of many large ports overseas, fostering a strong competitiveness and brand influence. In China, there are limited peers that can compete with the Company.

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

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

III. CORE COMPETITIVENESS DURING THE REPORTING PERIOD (CONTINUED)

(I) Enhance the Strength and Expertise of the Main Responsibility and Principal Business, and Forge the Integration Advantages of the Full Industry Chain (continued)

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

(II) Actively Implement the Strategy of “Overseas Priority” and Jointly Build the Belt and Road with High Quality

From January to June 2023, the value of new contracts of the Company with countries along the Belt and Road was USD10,152 million. Since the proposal of jointly building the Belt and Road, the value of new contracts of the Company with countries along the Belt and Road accumulated to USD103,972 million. Based on a global perspective and taking advantage of its main business, the Company actively cooperated with and served national strategies, precisely dovetailed with the deployment of the Belt and Road Initiative, and made every effort to promote the interconnection of transportation infrastructure and improve people's livelihood along the routes, actively contributed Chinese wisdom and Chinese solutions. The Company will take the third “Belt and Road Summit” as an opportunity to give full play to its advantages in the fields of big cities, big transportation, rivers, lakes and seas, focus on the key country markets along the Belt and Road, strengthen the linkage between the front and the rear, and actively promote the implement of relevant key projects.

(III) Accelerate the Transformation and Upgrading of Digital Traditional Industries, and Spare No Effort to Develop Strategic Emerging Industries

For “big transportation” and other traditional industrial fields, the Company focuses on the industrial application as the starting point. On the one hand, based on the existing CCCC BIM centre platform, each of the BIM sub-centres improves the existing digital delivery standards according to various business fields, and accelerates the coordination of the industry chain. On the other hand, the Company carries out the selection of the top 100 industrial digitization scenarios and product evaluation, forms a batch of excellent scenario demonstrations with industry influence, and promotes the high-quality development of digitization in traditional industries.

The Company makes full use of its pilot role as a state-owned capital invested company, and accelerates the cultivation of strategic emerging industries. It continues to optimize the technical layout, focuses on and supports the development of strategic emerging industries and future industries, develops major cutting-edge and disruptive technologies in new fields and new tracks, and optimizes the source area and the technical layout. According to the function positioning and business structure and resources endowment conditions of subsidiaries, we focus on new technologies, new tracks, new platforms and new mechanisms, set differential development goals, optimize resource allocation to accelerate industrial structure adjustment and optimization and upgrading, establish a number of innovative enterprises in the key links of the industry chain, and promote the high-quality development of strategic emerging industries.

BUSINESS OVERVIEW

III. CORE COMPETITIVENESS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Be the “National Team” of Technological Innovation and Advance towards a World’s Leading “Sci-Tech” Enterprise

Focusing on its main responsibility and principal business, the Company attaches great importance to the key and core technologies as well as bottleneck problems and follows the guidance of pilot project to build national strength in transportation to continuously improve the technological innovation system and strengthen efforts to achieve breakthrough in core technologies. It is committed to improving the independent innovation capability, continuously deepening the technology system reform, enhancing technological innovation incentive and talent pool construction, taking multiple measures to promote the strategy of innovation driven development and staying determined to advance towards a world’s leading “Sci-Tech” enterprise by technological innovation.

Guided by the national strategic needs and industrial upgrading, the Company conducted technology research and the “National Key Laboratory of Green and Long-life Road Engineering in Extreme Environment (極端環境綠色長壽道路工程全國重點實驗室)” and the “National Key Laboratory of Safe and Long-life, Healthy Operation and Maintenance of Long Bridges (長大橋樑安全長壽與健康運維全國重點實驗室)” have been recognized by the Ministry of Science and Technology. The Company became the only central construction enterprise with two national engineering research centers upon selection of its Long Bridge Engineering Research Center (長大橋工程研究中心) and Dredging Technology and Equipment Research Center (疏浚技術裝備研究中心) into the National Science and Technology Innovation Base (國家科技創新基地), leading infrastructure construction to a new high end and making great strides on the road of strengthening the country with science and technology. The Company established the general research institute for strategy and innovation, which undertakes 15 key technological tasks for future industries. Furthermore, the Company owns 15 post-doctoral research centres and 4 academican research centres and has systematically nurtured a pool of scientific experts and a professional innovation team by leveraging on innovation platforms and the establishment of key scientific research projects and key engineering projects to create a “three-in-one” model integrating talents, teams and platforms to nurture scientific and technological talents team. Zhang Xigang (張喜剛), an academican of the Chinese Academy of Engineering, won the Bridge Award of the Mao Yisheng Science and Technology Award and Lin Ming (林鳴), an academican of the Chinese Academy of Engineering, won the Science and Technology Achievement Award of Ho Leung Ho Lee Foundation.

The Company overcomes a series of world-class technical issues in engineering projects regarding road construction and maintenance under complicated natural conditions, construction of expressway in high-cold permafrost regions, long-span bridge, long and large mountain tunnel, underwater tunnel, highway-railway bridge, offshore deep-water port, rapid island building in open seas, deep-water submerged tube tunnel, installation and construction of wind power infrastructure. The core technology of super large diameter tunnel shield machine manufacturing breaks the foreign technology blockade, realizes the domestication and industrialization of the whole machine, and is comparable to top-ranking enterprises of European and American markets. With the application of BIM and other new technologies, a large number of intelligent transportation infrastructures have been built, represented by the world’s largest single fully automated terminal, Shanghai Yangshan Port Phase IV, and the national first intelligent expressway, Hangzhou-Shaoxing-Ningbo Expressway. Applied technologies including Beidou satellite and high-resolution remote sensing develop rapidly with a leading position in the domestic industry.

III. CORE COMPETITIVENESS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Be the “National Team” of Technological Innovation and Advance towards a World’s Leading “Sci-Tech” Enterprise (continued)

Over the years, the Company has been accumulatively awarded with 40 National Science and Technology Advancement Awards, 5 National Technological Invention Awards, 126 Luban Awards, 362 National Quality Project Awards (including 43 golden awards), 112 Zhan Tianyou Awards, 2 Chinese Golden Patent Awards and 33 Chinese Outstanding Patent Awards. The Company has accumulatively participated in the compilation of 133 national standards and 495 industry standards that have been promulgated.¹

During the reporting period, the Group’s R&D cost was RMB9,417 million, accounting for 2.6% of the revenue, representing an increase of 0.1 percentage point compared with last year, and a number of “bottleneck” technologies have achieved breakthrough. In the research and development of main drive bearings for shield machines, a number of key core technologies in metal materials, heat treatment, gold machining and assembly have been broken through, and various indexes of the main bearings have reached the advanced level of similar imported products, and some indexes are in the international leading position. In the research and development of the main cylinder of pile driving vessel, the Company has broken through the domestic material preparation technology of cylinder V group seal. In the research and development of high wear-resistant and easy-to-shape steel for sediment transportation pipeline, the new steel pipe developed has doubled the wear-resistant and corrosion-resistant performance under actual working conditions, and the technical achievements have filled the gaps both at home and abroad, which has greatly improved the construction efficiency of dredging operation and strongly enhanced the competitiveness of China’s dredging business in the international market. In terms of important engineering projects and the application of the results, the Company has realized the research and development as well as application of Beidou-based far-sea intelligent integrated survey system, research on key technologies of multi-functional energy-saving and environment-friendly intelligent dredging equipment for river and lake basin management, research on the integration of immersed pipe self-navigating transportation and installation equipment and construction process, key technologies for the construction of deep-water cross-sea multi-tower cable-stayed bridges based on the European standard, development of non-contact circumferential automatic measurement technology and equipment for large-diameter steel piles, and research on the key technology of spraying ultra-high-performance concrete, etc., all of which have good economic and social benefits, and the prospects for popularizing and applying such products are promising.

¹

Statistics from the awards received by the Company and its subsidiaries

BUSINESS OVERVIEW

III. CORE COMPETITIVENESS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Be the “National Team” of Technological Innovation and Advance towards a World’s Leading “Sci-Tech” Enterprise (continued)

In the future, the Company’s science and technology innovation should closely keep abreast of the trends of global leading science and technology and cross-border technology in relevant areas. It should closely integrate with the development trend of science and technology, national strategy and security as well as market and field demand, stress value creation and highlight the mutual synergy between the innovation chain and the industrial chain so as to achieve the target of “focusing on priorities, consolidating advantages, addressing inadequacies and shoring up points of weakness”. It will strive to make greater breakthroughs in “bottleneck” technology, in strengthening the country through transportation and manufacturing and other national strategic frontiers and in common key technologies, so as to firmly grasp the initiative of scientific and technological development. The Company should give full play to the national innovation platforms such as the “National Key Laboratory of Green and Long-life Road Engineering in Extreme Environment (極端環境綠色長壽道路工程全國重點實驗室)”, and build itself into a source of cutting-edge technologies, a chain of independent innovation in science and technology, and a pool of academic and technological talents in this field. It will cultivate the original technologies, endeavor to enhance the technological capabilities related to strategic emerging industries, and stride towards a world’s leading “Sci-tech” enterprise in an all-out effort.

(V) Continuously Enhance Industry Advantages and Make New Achievements in Business Qualifications

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

The Company has obtained a total of 55 extra-grade qualifications, including 16 extra-grade qualifications for general contracting of port and waterway engineering construction, 34 extra-grade qualifications for general contracting of highway project construction, 3 extra-grade qualifications for general contracting of architectural engineering construction and 2 extra-grade qualifications for general contracting of municipal utilities project construction. The Company now has obtained more than 1,200 qualifications for major engineering contracting and nearly 300 qualifications for engineering consulting, survey and design.

III. CORE COMPETITIVENESS DURING THE REPORTING PERIOD (CONTINUED)

(VI) Continue to Promote Financial Innovation and Enhance Long-term Value Creation Capability

During the reporting period, guided by the pilot reform of state-owned capital investment companies, the Company focused on the value restoration opportunities brought about by the “valuation system with Chinese specialties” (中特估), thoroughly implemented the “Task Plan on Enhancing the Quality of Listed Companies Controlled by Central Enterprises” (提高央企控股上市公司质量工作方案), insisted on optimizing capital, carrying out diversified innovative businesses, and continuously optimizing asset structure to strongly support the development of the principal business.

The first was to actively explore equity financing channels and focus on enhancing the Company’s direct financing capability. The proposal on the issuance of 30,000 million preference shares to specific targets by the Company has been approved by SASAC, as well as considered and approved by the general meeting on 30 June 2023, which attaches great significance in reducing the debt ratio and optimizing the capital structure.

The second was to vigorously grasp the capital cost window on the market and innovate various types of asset-backed securitization business models. The annual general meeting of the Company considered and approved the proposal of RMB120,000 million asset-backed securitization business plan, including but not limited to asset-backed securitization business of underlying assets such as supply chain receivables, leasing assets, partnership shares, government subsidies, infrastructure assets, commercial real estate and PPP projects.

The third was to strengthen the control of fund business and promote the transformation and upgrading of industrial funds. Combined with the Company’s fund business and the actual combination of production and financing, the Company comprehensively sorted out the fund business, put forward pressure control adjustment suggestions for the stock business, systematic planning and direction mode suggestions for the incremental business, and simultaneously put forward the follow-up management optimization plan for fund business. At the same time, it promoted the market-oriented transformation of fund business, facilitated the integration and development of the “three new” businesses of the Company, initiated the establishment of the specialized and new science and technology innovation fund, building national strength in transportation fund, and the pre-REITs fund, and promoted the Company to accelerate the layout of the strategic emerging industries through the fund’s outward investment and served the Company’s industrial transformation and upgrading.

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW

During the reporting period, the global economy faced downward pressure and the international situation was complex and severe, resulting in an increase in the unpredictability. However, the economy of China showed a recovery trend with a growth in GDP of 5.5% and 6.3% for the period from January to June and the second quarter of 2023, respectively. A new round of the reform and high-quality development of state-owned enterprises will lay a foundation for the long-term prosperity and development. The Company implemented the “three majors, two macros and two priorities” business strategy in depth and firmly grasped the cash remittance market, enabling the “big transportation” business maintain the leading position in the industry, the market share of the “big city” business continue to increase, and its advantages in the “rivers, lakes and seas” traditional business are consolidated, and thereby gracing the “gold-lettered signboard” of CCCC in abroad. The main business of the Company has covered important strategic areas at home and abroad, and the core industrial clusters facing the world and focusing on construction are taking shape.

During the reporting period, the value of new contracts of the Company amounted to RMB886,693 million, representing a year-on-year increase of 10.6%, which was mainly due to the increased construction demand from overseas projects, roads and bridges, key national strategic projects and other fields. The Company continuously improved the business structure, steadily expanded the scale of cash remittance and significantly enhanced the quality and efficiency of investment. As at 30 June 2023, the backlog of the Company amounted to RMB3,806,686 million.

During the reporting period, the value of new contracts of all businesses from overseas markets of the Company amounted to RMB141,175 million (equivalent to approximately USD20,983 million), representing a year-on-year increase of 22.2%, and accounting for approximately 16% of the Company’s new contracts value. Wherein, 15 new projects were entered into with each contract value of over USD300 million and a total contract value of USD13,146 million, accounting for 63% of total value of all overseas new contracts of the Company. Statistics showed that as at 30 June 2023, the Company operated businesses in 139 countries and regions.

The value of contracts of all businesses from infrastructure and other investment projects amounted to RMB107,624 million for domestic market and RMB12,178 million for overseas market as recognized in proportion to the Company’s shareholding, and the contract value of construction and installation contracts to be undertaken by the Company in the design and construction sector was estimated to RMB87,711 million.

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies

1. Domestic Market

In the first half of 2023, following general principle of pursuing progress while ensuring stability and leveraging on the synergetic effect of macro policies, the economic operation of China showed a good momentum of recovery and GDP recorded a year-on-year growth of 5.5%. In the first half of 2023, fixed asset investment in infrastructure recorded a year-on-year growth of 7.2%. Specifically, investment in railway transport business increased by 20.5%, investment in water conservancy management increased by 9.6%, investment in road transportation business increased by 3.1% and investment in public facility management increased by 2.1%.

During the reporting period, the economic operation in China faced new challenges and difficulties, mainly arising from insufficient domestic demand and numerous risks and hidden dangers in key areas. The state government proposed to further stabilize the expectation of society, enhance the development confidence, stimulate the market viability, promote the economy continue to recover and grow, and accelerate the launch of specialized and value-of-worth policies and measures. It proposed to strengthen macro policy control, enhance the counter-cyclical adjustments as well as the reserve of policies, focus on expanding domestic demand, enhance the citizen's confidence and prevent risks, continue to implement proactive fiscal policies and prudent monetary policies, make full use of tools of macroscopic and structural monetary policy. It also called for the continuity, optimization, improvement and implementation of the policies on tax reduction and fee reduction, the effective prevention of local debt risks, the accelerated issuance and utilization of the special bonds of local governments, aiming to continually promote the continuous improvement of economic operation, the continuous enhancement of endogenous power, the continuous improvement of the expectation of society, the continuous defusing of potential risks, and thereby, driving the effective improvement of quality and reasonable growth of quantity in the economy, solidly promoting the high-quality development of economy, and making the overall expectation of the infrastructure construction industry rise steadily.

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

1. Domestic Market (continued)

During the reporting period, bearing in mind the country's most fundamental interests, the Company firmly implemented the national strategy of strengthening the country through transportation, undertook the Pinglu Canal (平陸運河), a landmark project for the construction of a strong transportation country, and provided an integrated plan of design and construction. The deck closure of Lingdingyang Bridge, the main bridge of the Shenzhen-Zhongshan Bridge, which is a major national project, and the submarine immersed tunnel, were successfully completed, creating a number of "world's best"; the excavation of main tunnel of Yigong Tunnel (易貢隧道), the longest railway tunnel in China had commenced; the project of Tianshanshengli Tunnel (天山勝利隧道), the longest highway tunnel under construction in the world had achieved major breakthroughs; Dalian Bay Submarine Tunnel (大連灣海底隧道), the first cross-sea immersed tunnel in north of China, had achieved all line run-through. Besides, Zhoushan State Reserve Base (舟山國儲基地) and other new era national projects were under properly promotion. Focusing on the "3060" carbon peaking and carbon neutrality target and relying on digital and intelligent management, the Company continued to build China's No. 1 brand in offshore wind power, and won the bid for the Demonstration Project of Offshore Wind Power of Guangxi Fangchenggang. The Company has been playing an active role in the areas of rural revitalisation and urban renewal for the well-being of the people by fully aligning with the needs of economic and social development as well as the people to successfully implement a number of key projects with strong representative and influential effects, such as the municipal pipe network construction, old town renovation, and living environment and ecosystem upgrade. In addition, the Company promoted the research on advanced technology to traditional industries through relying on the national key laboratories to facilitate the high-end, intelligent and green upgrades of the industry. The Company utilized the advantages on industrial linkage among the "big city" business, the "big transportation" business and the "rivers, lakes and seas" business, to enhance the integration of internal and external resources and provide a comprehensive package of high-quality "CCCC solutions" to the market.

2. Overseas Market

During the reporting period, the world economy recovered slowly and the Russian-Ukrainian conflict continued, the effects of which on global politics and economy was increased, some economies still faced sovereign debt risks, and the competition of international infrastructure construction industry was increasing. Based on scientific and technological reform and industrial reform, high-quality economic and social development giving rise to many new industries and new models, the development of the infrastructure industry is facing a new round of integration, the demand for inter-regional transportation interconnection has increased, and major projects and high-quality projects are further clustered to the leading enterprises. The 10th anniversary of the Belt and Road Initiative with quality will provide more space for growth.

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

2. Overseas Market (continued)

During the reporting period, the Company actively coped with the material changes in international and industry situation, steadily promoted the works of “Internationalization of the Company”, continued to consolidate the foundation of interconnection cooperation, taking account of the advantages of the traditional main business and the expansion of emerging markets, forming a sound situation of diversification and making concurrent progress, leading to a steady enhancement of operating quality and business scale. The construction of station buildings of the East Coast railway project in Malaysia has commenced, the construction of the Bogota Metro Project has also commenced, while the Mombasa-Nairobi Railway has successfully operated for six years, and the Company had completed various major projects such as the Phnom Penh-Bavet Expressway in Cambodia and the Mtentu Bridge in South Africa. A number of environmental protection and pipe network projects were successfully signed in Guangdong, Hong Kong, Macao, Singapore and Central Asia areas, and new momentum was added to the development of emerging business, representing the abundant achievements regarding the Belt and Road Initiative.

The Company insists on the principle of “jointly negotiate, establish and share (共商共建共享)” and the goal of “building a shared future for mankind (構建人類命運共同體)”, takes “heart-to-heart bridge (連心橋)”, “road to wealth (致富路)”, “developed port (發展港)”, “happy city (幸福城)” and “Chinese equipment (中國裝備)” as target, plans and implements the livelihood projects along the Belt and Road at a high level to benefit the governments of two countries and local society, and firmly promotes the development of overseas business in the direction of “high quality, benefiting people’s livelihood and sustainability (高質量、惠民生、可持續)”.

3. Business Summary

(1) Infrastructure Construction Business

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

During the reporting period, the value of new infrastructure construction contracts entered into by the Company amounted to RMB789,265 million, representing a year-on-year increase of 11.9%. Wherein, the value of new contracts from overseas markets amounted to RMB132,701 million (equivalent to approximately USD19,724 million); the confirmed value of contracts from infrastructure and other investment projects amounted to RMB119,606 million, and the value of construction and installation contracts to be undertaken by the Company was estimated to be RMB87,290 million. As at 30 June 2023, the backlog amounted of the Company to RMB3,374,071 million.

Categorised by project type and location, the value of new contracts in terms of port construction, road and bridge construction, railway construction, urban construction and overseas projects amounted to RMB43,862 million, RMB205,866 million, RMB18,995 million, RMB387,840 million and RMB132,701 million, representing 6%, 26%, 2%, 49% and 17% of the total value of new infrastructure construction contracts, respectively.

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

① Port Construction

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

During the reporting period, the value of new contracts of the Company for port construction projects in Mainland China amounted to RMB43,862 million, representing a year-on-year increase of 14.3%, and accounting for 6% of that of the infrastructure construction business.

Data published by the Ministry of Transport of the PRC showed that fixed asset investment in coastal and inland water transport construction after completion amounted to approximately RMB93,645 million from January to June 2023, representing a year-on-year increase of 26.7%. The major investing targets in coastal ports include the construction of international hub seaports, north-south sea transportation channels, national energy and resource strategic reserve bases and other fields, while as for the inland river regions, the investments are mainly targeting the newly added navigation target of 2,500 kilometers for the “14th Five-Year Plan” period of the “four verticals, four horizontals and two networks”, the national high-grade waterway networks.

Following the business layout in strategic regions, the Company deeply got involved in Beijing-Tianjin-Hebei, the Yangtze River Delta, Guangdong, Hong Kong and Macao and other key regions, focused on major projects, and successfully completed the main works of the Pinglu Canal, Phase I of Container Terminal Project of Eastern Operating Area in Yantian Zone, Shenzhen Port and Laomukong Navigation Power Junctions in Minjiang.

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

② Road and Bridge Construction

As one of the largest road and bridge construction enterprises in China, the Company enjoys remarkable technical and scale advantages in construction of expressways, high-grade highways as well as river-crossing and sea-crossing bridges, and is the market leader in the same industry in China, with significant advantages in the whole industry chain of infrastructure. Major competitors of the Company are some large-scale central enterprises and local state-owned infrastructure enterprises.

During the reporting period, the value of new contracts of the Company for road and bridge construction projects in Mainland China reached RMB205,866 million, representing a year-on-year increase of 15.1%, and accounting for 26% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects amounted to RMB22,045 million.

Data published by the Ministry of Transport of the PRC showed that fixed asset investment in road transport construction amounted to approximately RMB1,383,037 million from January to June 2023, representing a year-on-year increase of 8.9%. During the “14th Five-Year Plan” period, China will construct its expressways with a target of accelerating the construction of a country with strong transportation network and guided by developing integrated and multi-dimensional transportation networks. China will alleviate the imbalance of road network development needs between regions, so as to enhance the quality of national expressway networks and develop a modern and integrated transportation system. From the perspective of market layout, Guangdong, Hong Kong and Macao, the Yangtze River Delta, Central China, Northeast China, Northwest China and Beijing-Tianjin-Hebei regions have a relatively broad market.

During the reporting period, following the construction of a country with strong transportation network and a national integrated and multi-dimensional transportation networks, the Company focused on the incremental markets of comprehensive transportation hubs, highway urbanization reconstruction, smart transportation and “transportation + new energy”, and has continuously won a number of high-quality highway projects such as Zhaosu-Wensu Highway and Wenquan-Horgos Highway of Line G219 in Xinjiang, Jiangjin-Yibin (via Luzhou) Expressway (Sichuan Section) and Beijing-Taipei Expressway – Huanghua Port Section of Qugang Expressway in Hebei Province. The Company continued to lead the core technology of long bridges and long-diameter shields, created many “world’s best (世界之最)” showpiece, and successfully won the tender for National Highway 209 Wangguan Yellow River Bridge, Jinsha River Bridge and Quanzhou Baiqi Channel, with the world’s leading technology, constantly refreshing the world record in road and bridge construction.

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

③ *Railway Construction*

As one of the largest railway construction enterprises in China, the Company sticks to the strategic target of completely becoming a first-class rail transportation comprehensive service provider with leading technology, advanced management and outstanding quality. As for the domestic market, the Company has developed into the main force of China's railway construction by virtue of its outstanding construction level and excellent management capability, but a large gap still exists between the Company and the two domestic traditional railway infrastructure enterprises in terms of market shares in China. As for the overseas market, the Company has successfully entered into the railway construction markets in Africa, Southeast Asia, etc., and several major railway projects have been completed or operated or are under construction by the Company, and the brand of "CCCC Railway" shows vital influence in the international market.

During the reporting period, the railway business focused on improving the construction of the "eight verticals and eight horizontals" high-speed railway network, actively promoting intercity railways, accelerating the development of urban railways, enhancing the road network layout, and the excavation of main tunnel of Yigong Tunnel, the longest railway tunnel in China had commenced. The Company has formed a full industry chain layout of rail transportation business around design and consult, construction, equipment manufacturing, operation and maintenance. Relying on the Company's industrial advantages in highways and airports, the Company innovated to build "rail+" integrated urban operation solutions. The Company firmly implemented the national strategy of strengthening the country through transportation, and successfully won the bidding for the construction projects of Section TYZQ-4 of Pre-Station and Related Project of the Advance Section of the New Nantong-Ningbo High Speed Railway, Section XCTJ10 of Pre-Station Project of Gansu-Qinghai Section of the New Xining-Chengdu Railway, polishing the brand of "CCCC Railway".

During the reporting period, China State Railway Group Co., Ltd. promoted the railway construction in a scientific and orderly manner with an investment on fixed assets of national railway field of RMB304,900 million, representing a year-on-year increase of 6.9%. The value of new contracts of the Company for railway construction projects in Mainland China amounted to RMB18,995 million, representing a year-on-year increase of 5.9%, and accounting for 2% of that of the infrastructure construction business.

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

④ *Urban Construction*

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

During the reporting period, the value of new contracts of the Company for urban construction projects in Mainland China reached RMB387,840 million, representing a year-on-year increase of 7.8%, and accounting for 49% of that of the infrastructure construction business. Wherein, the confirmed value of contracts from infrastructure and other investment projects was RMB85,384 million.

Categorised by project type, the value of new contracts for building construction, comprehensive urban development, municipal engineering, urban rail transit, environmental improvement and other projects accounted for 35%, 18%, 14%, 10%, 3% and 20%, respectively, of the value of new contracts for urban construction projects.

In April 2023, it was pointed out at the meeting of the Political Bureau of the Central Committee of the Party that the renovations of villages in super-large and mega cities should be actively and steadily promoted. We accelerated new urbanization process, and urban construction ushered in new challenges and opportunities. People's livelihood projects released new momentum for the development of the industry, and the market demand for the old community renovation, collective rental house, affordable house, hospitals and schools, public services continued to increase. Under the strategy of carbon peaking and carbon neutrality target, the way of housing construction transformed quickly, and digital construction, green construction and construction industrialization developed fast. The gathering of urban population put forward higher requirements for public supporting facilities, and the market demand for urban renewal, comprehensive development of underground space, intelligent parking and pipe network renovation continued to be released.

During the reporting period, the Company catered to a new round of demands for district development and construction brought by the strategy of new type of urbanization, national land space planning and adjustment and urban renewal actions. The Company signed a number of large urban complex projects such as Haikou Henggou Village Urban Renewal, one of the first batch of pilot projects for urban renewal in Haikou city, and organic renewal projects for the renovation of villages in Xinmuqiao village, Jianqiang village and the land parcel of Fengxi resident committee in Fengxi community, Huaxin town, Qingpu district, Shanghai. Focusing on the needs of people's livelihood and taking up its corporate responsibility, the Group has signed resettlement housing projects in Shaanxi, and promoted renovation and expansion projects in Shanghai, Tianjin and Wuhan, so as to deepen and expand in the field of livelihood housing construction. The Company entered areas with high technology such as complex urban transportation and smart parking. The Company implemented municipal projects including Phase II of Chongqing Public Parking Building Project to improve the urban modernization and build livable, resilient and smart cities. The Company is committed to building a beautiful China and has participated in watershed management and sewage treatment projects in Yunan and Chongqing. Focusing on the carbon peaking and carbon neutrality target and building a professional platform of "CCCC Offshore Wind Power (中交海風)", the Company has obtained a number of national leading offshore construction and operation and maintenance technologies, and has initially realized the scale effect of emerging businesses.

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

⑤ Overseas Projects

The Company's scope of overseas projects in the infrastructure construction business includes all kinds of large-scale infrastructure projects such as roads and bridges, ports, railways, airports, environmental protection, subways, buildings, etc., with remarkable competitive edges in the market.

During the reporting period, the value of new contracts of the Company for overseas projects in the infrastructure construction business amounted to RMB132,701 million (equivalent to approximately USD19,724 million), representing a year-on-year increase of 20.6%, and accounting for 17% of that of the infrastructure construction business.

Categorised by project type, the value of new contracts for roads and bridges, urban construction, ports, urban rail transit, railways and others accounted for 39%, 29%, 11%, 5%, 4% and 12% of the value of new contracts for overseas projects, respectively.

Categorised by project location, the value of new infrastructure construction contracts for Africa, Southeast Asia and Western Asia, Oceania, Europe, Hong Kong, Macau and Taiwan, and other regions accounted for 33%, 31%, 17%, 2% and 17% of the value of new contracts for overseas projects, respectively.

Based on a global perspective and taking advantage of its main business, the Company actively cooperated with and served national strategies, precisely dovetailed with the deployment of "the Belt and Road" initiative, and made every effort to promote the interconnection of transportation infrastructure and improve people's livelihood along the routes, actively contributed Chinese wisdom and Chinese solutions. During the reporting period, the rehabilitation and widening works for Kayonza-Rusumo road in Rwanda have been successfully accepted, which was an important artery traffic between Rwanda and Tanzania; the entire Kuala Lumpur Metro Line 2 in Malaysia has been opened to traffic; E763 New Belgrade-Surčin section in Serbia has been opened to traffic, which was the fastest road connecting Belgrade to the southern cities; the first phase of the Kaifei Road project in Nigeria has been completed and accepted, which was an important channel connecting Abuja, the capital of Nigeria, and the golden triangle region in the southeast; the Karnaphuli tunnel project in Bangladesh has been officially accepted, which was of great significance to promoting the construction of the Bangladesh-China-India-Myanmar economic corridor as an important fulcrum project of "the Belt and Road" construction and an important part of the "Bangladesh-China-India-Myanmar" economic corridor. The Company has participated in the construction of the Sedera III, IV and V infrastructure projects in Riyadh, Saudi Arabia and other series of landmark projects, making important contributions to the high-quality development of China-Saudi Arabia economic and trade cooperation.

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

3. Business Summary (continued)

(1) Infrastructure Construction Business (continued)

⑤ Overseas Projects (continued)

During the reporting period, the Company steadily promoted the international development and the pilot of localization and separate operations. The coordination of major projects was strongly promoted. We optimized the business structure with larger contracting projects and stronger investments, enhanced the operating structure continuously and controlled the investment risks effectively. We accelerated the digital transformation, broke through a number of key technologies of Beidou high-precision positioning and systematically built an overseas safety service platform. We coordinated the construction of overseas “smart site (智慧工地)” control platform, and the refinement and digital transformation of the projects under construction took a new step. The Company has done well in the prevention and control of overseas risks, accelerated the improvement of overseas compliance systems, conducted comprehensive checks on overseas operation risks and implemented list management by levels and classification.

(2) Infrastructure Design Business

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

As the largest port design enterprise in China, as well as the world's leading highway, bridge and tunnel design enterprise, the Company enjoys remarkable competitive edges in related business fields. As compared with the Company, other participants in the market have relatively weak competitiveness. During the reporting period, the first extraordinary general meeting of the Company considered and approved the reorganization and listing plan of the CCCC design to build up the brand of CCCC design, give full play to the Company's technological advantages and vigorously expand the high-end market.

In terms of the railway infrastructure design business, the Company has entered into the market during the “11th Five-Year Plan” period, and its operations mainly involve overseas railway projects and domestic rail transit projects.

During the reporting period, the value of new contracts of the Company in infrastructure design business reached RMB26,787 million, representing a year-on-year decrease of 8.5%. Wherein, the value of new contracts from overseas markets amounted to RMB912 million (equivalent to approximately USD135 million). As at 30 June 2023, the backlog of the Company amounted to RMB191,437 million.

Categorized by project type, the value of new contracts for survey and design, EPC general contracting, and other projects (including PPP projects) amounted to RMB10,710 million, RMB15,971 million and RMB106 million, representing 40%, 59.6% and 0.4% of the value of new contracts for infrastructure design business, respectively. For the corresponding period of 2022, the value of new contracts of the above items accounted for 30%, 47% and 23% of the value of new contracts for infrastructure design business, respectively.

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

3. Business Summary (continued)

(2) Infrastructure Design Business (continued)

During the reporting period, the Company continued to strengthen the role of ballast stone of traditional infrastructure design business, focusing on integrated and multi-dimensional transportation networks and large-scale integrated projects, and marching steadfastly in the field of large transportation and big cities; strengthened the leading role of the front-end of the design consulting, and closely surrounded the industrial pattern formed by the national strategy and the new growth points, increased high-end planning, and led by scientific and technological innovations, explored the synergistic joint efforts of the whole industry chain, and fully developed the comprehensive advantages of the whole industry to promote the landing of large projects. In the construction of the Pinglu Canal (平陸運河), the Company fully participated in the hubs, waterways, bridges and other relevant projects with an integrated solution, and played an important role in the planning and implementation of such projects. In terms of water transportation business, the Company focused on “carbon peaking and carbon neutrality target”, and successfully signed the Design, Procurement and Construction of General Contracting Projects of Supporting Terminal Project of LNG Receiving Station Project in Huizhou, Terminal Project of Liquefied Natural Gas (LNG) Phase III Expansion Project in Guangxi around the construction of new energy ports to promote the green transformation of energy structure. The Company focused on the market opportunities in upgrading and reconstruction of seaports and improvement of inland waterways, and signed contracts such as the 2*50,000-ton Terminal Project in Bili Operation Area of Luoyuan Bay of Fuzhou Port and the Passenger and Cargo Ro-ro Terminal Project in Nanshan Operation Area of Xuwen Port of Zhanjiang Port, etc., and continued to consolidate its market share in its traditional main business. In terms of road and bridge business, the Company gave full play to its absolute leading edge in highway design, landing a number of highway construction projects with strong regional influence, such as the highway construction projects of G309 Heshui (Laocheng)-Xifeng section and G217 Altay-Burqin in Xinjiang. In response to the national strategy of rural revitalization, the Company signed contracts for rural road construction, such as the supporting rural road of the Yibin Sanjiang New District Modern Agricultural Industrial Park to expand its sinking market share. In terms of urban business, the Company continued to root in cities, cultivate cities and operate at the cities, and signed contracts for urban development projects such as the Infrastructure Construction Project of the Intelligent Science and Technology Industrial Park in Xingwen County, Yibin City, and the Bundled Project of Upgrading the Capacity of Urban Renewal in Jiuqing District, Xingwen County. In terms of emerging industries, the Company continued to build the “CCCC Offshore Wind Power” brand and carry out offshore wind power survey, supervision and consulting in Shantou, Fangchenggang, Weihai and other parts of China.

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

3. Business Summary (continued)

(3) Dredging Business

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

As the largest dredging enterprise in China and even in the world, the Company enjoys absolute influence in China's coastal dredging market. The Company won the bidding for the Dongting Lake Ecological Restoration Pilot Project.

During the reporting period, the value of new contracts of the Company in dredging business reached RMB62,240 million, representing a year-on-year increase of 3.6%. Wherein, the value of new contracts from overseas markets amounted to RMB7,196 million (equivalent to approximately USD1,070 million), the confirmed contract value from infrastructure and other investment projects amounted to RMB196 million, and the value of construction and installation contracts to be undertaken by the Company was estimated to be RMB421 million. As at 30 June 2023, the backlog of the Company amounted to RMB236,515 million.

During the reporting period, the Company continued to optimize its asset structure by investing in the construction and acquisition of major dredging vessels and equipment, eliminating some old and inefficient outdated vessels, optimizing the dispatching mechanism of equipment such as cutter suction dredgers to improve the construction utilization rate. Currently, the Company has the largest and most advanced fleet of dredging vessels in China and ranks in the forefront in the global market in terms of the total number of trailing suction hopper dredgers and cutter suction dredgers. As at 30 June 2023, the Company's dredging capacity amounted to approximately 764 million cubic meters under standard operating conditions.

National coastal investment gradually slowed down and the traditional reclamation business was relatively sluggish due to the impact of water transport and environmental protection policies. However, as the country rolled out the blueprint for "four horizontals, four verticals and two networks" and the green development concept was widely accepted, smart upgrading of coastal ports, improvement of high-grade inland waterways, ecological improvement and protection of watershed brought out new market opportunities.

During the reporting period, the Company focused on its strengths and promoted the operation of major projects, winning bids for a number of major projects such as the Dongting Lake, Waterway Engineering of the Pinglu Canal and Chongqing Zaodu Reservoir, and making breakthroughs in the areas of lake and reservoir desilting, inland waterways, water conservancy projects and other areas of restructuring. To promote green development and build a beautiful China, the Company actively put efforts in the large ecological and environmental protection and water resources incremental market, promoting the implementation of a number of target-oriented key projects with global drive, such as the Water Ecology Restoration Project of Yanghe Reservoir in Huailai County, the Marine Ecological Protection and Restoration Project in Tianjin City, and the Upgrading and Renovation of Daxi Governance Project in Lishui City.

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

3. Business Summary (continued)

(4) Other businesses

Other businesses mainly include the equipment manufacturing of shield machines along the Company's entire industrial chain, centralized procurement of materials and financial industry support, etc.

During the reporting period, the Company's shield machine equipment and complete set of technologies realized the development of the whole industry chain, and competed and innovated with international first-class shield machine manufacturers in large shield machine projects such as the Nanjing Weisan Road/Heyan Road, the Shanghai Airport Liaison Line, the Reconstruction Project of the Sixth Eastern Ring Road in Beijing, and the Karnaphuli Tunnel Project in Bangladesh, and built up a core advantage in the field of intensive development of mega and ultra mega cities across rivers and lakes. The Company continues to optimize the procurement mode of materials, establish the control scheme for domestic trade enterprises, and strengthen the source procurement in practice; dynamically adjust the procurement catalog, explore the regional procurement of different categories, and implement the procurement of flooring materials, so as to expand the benefits of procurement; and carry out regional procurement with overseas markets to improve the system construction of the Company's overseas supply chain, and enhance the internationalization of the procurement management standard.

During the reporting period, the value of new contracts of the Company in other businesses amounted to RMB8,402 million, representing a year-on-year increase of 12.6%. As at 30 June 2023, the backlog of the Company amounted to RMB4,663 million.

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

(1) Infrastructure Construction Business

Port Construction

No.	Contract Name	Contract Value
①	Section NO.SN3 of the Waterway Engineering Construction of the Pinglu Canal	5,278
②	Section NO.SN5 of the Waterway Engineering Construction of the Pinglu Canal	4,146
③	Section NO.SN12 of the Waterway Engineering Construction of the Pinglu Canal	3,028
④	Section NO.HD9 of the Waterway Engineering Construction of the Pinglu Canal	1,466
⑤	Section 1 of Phase IV of the Project of Shatian Port, Dongguan Port, Guangdong Province	1,414

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

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

(1) Infrastructure Construction Business (continued)

Road and Bridge Construction

No.	Contract Name	Contract Value
①	Project of G1816 Wuhai-Maqin Cooperation – Saierlong Expressway (between Gansu and Qinghai)	13,514
②	The package of projects for Highways including Taihangshan Highway in Hebei Province (I) Public-Private-Partnership (PPP) Project – Zunhua-Qinhuangdao Section of Beijing- Qinhuangdao Expressway	13,482
③	General Contracting Project of Dejiang-Yuqing Highway in Guizhou Province	10,216
④	PPP Project of Guigang–Xingye–Bobai Expressway in Guangxi Province	8,969
⑤	Reconstruction and Expansion Project of National Highway 208 between Jinzhong Changzhi Border to Tunliu Xiaohebei Section in Shanxi Province	5,459

Railway Construction

No.	Contract Name	Contract Value
①	Section TYZQ-4 of Pre-Station and Related Project of the Advance Section of the New Nantong-Ningbo High Speed Railway	7,058
②	Project of Chizhou Bridge (Bid I) in Anhui Province	2,845
③	Section XCTJ10 of Pre-Station Project of Gansu-Qinghai Section of the New Xining-Chengdu Railway	2,665
④	Project of Xiong'an New District Underground Civil Engineering and Related Ancillary Works (Bid VI) of Xiongyi High Speed Railway in Hebei Province	2,603
⑤	Survey, Design and Construction (EPC) General Contracting of Client Railway Special Line Project in Hebei Province	851

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

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

(1) Infrastructure Construction Business (continued)

Urban Construction

No.	Contract Name	Contract Value
①	Renovation Project of “Urban Villages” of Xinmuqiao Village, Jianqiang Village and Fengxi Residential Committee Plot in Fengxi Community, Huaxin Town, Qingpu District, Shanghai	30,186
②	City-industry Integration Comprehensive Development Project of Junshan New City in Wuhan Economic Development Zone	9,000
③	Guxing Urban Renewal (Phase I) Project in Huiji District, Zhengzhou City	5,697
④	Comprehensive Development Project of Linping International Future Industrial and Residential Eco-city in Hangzhou City	4,960
⑤	Comprehensive Development Project of the Ecological Smart City in Tianqiao District, Jinan City	4,667

Overseas Projects

No.	Contract Name	Contract Value
①	Road Project of Rajaa-Timsa, Rumbek, Avier, Wau and Kwajok in South Sudan	10,085
②	BOT Project of Phnom Penh-Bavet Expressway in Cambodia	9,258
③	Improvement and Upgrade Project of M7-M12 Highway in Sydney	6,170
④	Comprehensive Municipal Projects in Dobreka Province, Guinea	6,095
⑤	Operation and Maintenance Project of Keffi to Makurdi Highway in Nigeria	5,840

IV. BUSINESS OVERVIEW (CONTINUED)

(I) Business Review and Market Strategies (continued)

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

(2) Infrastructure Design Business

No.	Contract Name	Contract Value
①	Construction General Contracting for the Highway of G309 Heshui (Old Town) to Xifeng Section	5,511
②	Highway Construction Project (EPC Mode) of G217 Altay- Burqin in Xinjiang (Contractual Section I)	1,270
③	Design and Construction General Contracting Project of Guaranteed Rental Housing in the New Town of Power Battery of Sanjiang New Special District, Yibin City, Sichuan Province	1,200
④	Design and Construction General Contracting Project of Industrial Boulevard in Hi-Tech District, Yibin City, Sichuan Province	669
⑤	Development and Construction Project of Yangkou New Town in Rudong Coastal Economic Development Zone, Jiangsu Province	520

(3) Dredging Business

No.	Contract Name	Contract Value
①	Iron Ore Project Offshore Cagayan, Philippines	6,605
②	EPC General Contracting of Infrastructure Construction Projects of Hongqiao Industrial Park, Fenghuangshan Industrial Park and Yangchang Industrial Park in Xuanwei Economic and Technological Development Zone, Yunnan Province	3,203
③	General Contracting of Infrastructure Construction Projects (Package 2) in Huangshi Airport Economic Zone, Hubei Province	3,160
④	General Contracting Project of Mining Mine Construction Service in Yusheng, Dalian City	1,885
⑤	Land Formation and Deep Ground Treatment Project of Container Terminal and Ancillary Projects (Phase I) West Area 1 in Xiaoyangshan North Operation Area, International Shipping Center Yangshan Deepwater Port Area, Shanghai	1,867

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW (CONTINUED)

(II) Major Production and Operational Data

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

Business Segment	April-June 2023		Accumulated in 2023		Aggregate for the same period of 2022	Year-on-year change
	Number	Amount	Number	Amount	Amount	(%)
Infrastructure						
Construction Business	986	388,044	1,891	789,265	705,107	11.9
Port Construction	80	5,326	249	43,862	38,368	14.3
Road and Bridge						
Construction	112	100,750	273	205,866	178,914	15.1
Railway Construction	6	6,017	20	18,995	17,931	5.9
Urban Construction, etc	703	218,901	1,189	387,840	359,867	7.8
Overseas Projects	85	57,051	160	132,701	110,027	20.6
Infrastructure Design						
Business	1,002	9,387	2,383	26,787	29,280	-8.5
Dredging Business	434	26,686	597	62,240	60,052	3.6
Other Businesses	N/A	4,763	N/A	8,402	7,461	12.6
Total	N/A	428,880	N/A	886,693	801,900	10.6

Values of infrastructure construction contracts newly entered into outside the PRC during the reporting period (RMB million)

Region of projects	Number of projects	Total value
Africa	51	43,698
Southeast Asia and Western Asia	50	41,111
Oceania	16	22,636
Europe	6	2,093
Hong Kong, Macau, Taiwan and other regions	37	23,163
Total	160	132,701

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

IV. BUSINESS OVERVIEW (CONTINUED)

(II) Major Production and Operational Data (continued)

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

Total number of projects		N/A	
Total project value		118,329	
		Number	Value
Categorised by region	Domestic	N/A	117,718
	Overseas	N/A	611
Categorised by business type	Infrastructure construction business	336	97,989
	Infrastructure design business	64	1,572
	Dredging business	71	18,709
	Other businesses	N/A	59

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

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

Total number of projects		N/A	
Total project value		4,625,247	
		Number	Value
Categorised by region	Domestic	N/A	3,967,177
	Overseas	N/A	658,070
Categorised by business type	Infrastructure construction business	5,002	4,157,087
	Infrastructure design business	14,166	201,121
	Dredging business	954	239,556
	Other businesses	N/A	27,483

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW (CONTINUED)

(II) Major Production and Operational Data (continued)

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

		Contracted but not yet commenced		Under construction and not yet completed	
Total number of projects		N/A		N/A	
Total project value		557,462		3,249,224	
		Number	Value	Number	Value
Categorised by region	Domestic	N/A	421,405	N/A	2,763,961
	Overseas	N/A	136,057	N/A	485,263
Categorised by business type	Infrastructure construction business	1,148	487,040	5,038	2,887,031
	Infrastructure design business	227	15,847	16,346	175,590
	Dredging business	363	54,512	896	182,003
	Other businesses	N/A	63	N/A	4,600

5. Infrastructure and Other Investment Projects

In March 2023, the Report on the Work of the Government pointed out that the government has launched several major projects set out in the “14th Five-Year Plan” ahead of schedule, expedited the processes of issuing and utilising local government special-purpose bonds, and replenished the capital for construction of major projects. In the first half of the year, the state ministries and committees have intensively issued a number of policy documents, organised and carried out various special actions, and gradually detailed the regulatory requirements for PPP, fund business, non-main business investments, overseas investments, and financing guarantees, etc., under which it is required to fully and faithfully apply the new development philosophy on all fronts, focus on promoting high-quality development, highlight the work of stabilising investment, effectively prevent and resolve investment risks, and achieve effective qualitative improvement and reasonable quantitative growth in investment.

IV. BUSINESS OVERVIEW (CONTINUED)**(II) Major Production and Operational Data (continued)****5. Infrastructure and Other Investment Projects (continued)**

During the reporting period, the Company adhered to the concept of value investment, optimised the “regional structure, business structure, cycle structure, profit structure, and cash flow structure” of investment, focused on driving the Company’s core competitiveness of “entering cities” to continuously improve, promoted the development and growth of the “three new” businesses, and cultivated more growth points for the Company’s high-quality development. The Company has landed a series of high-quality road and bridge projects including the Project of Jiangjin-Yibin (via Luzhou) (Sichuan Section) Expressway in Sichuan Province, and the advantages of the main business in the field of “big transportation” have been consolidated. The Company participated in major projects with regional influence, such as the Renovation Project of “Urban Villages” of the Plot in Fengxi Community, Huaxin Town, Qingpu District, Shanghai, and the City-industry Integration Comprehensive Development Project of Junshan New City in Wuhan Economic Development Zone in Wuhan, Hubei Province. The investment model in the field of “big city” continues to mature and the quality and efficiency of investment continues to improve. In key regions such as Guangdong-Hong Kong-Macao, Yangtze River Delta and West Side of the Strait, the Company has participated in a number of eco-environmental transformation projects, practicing the concept of sustainable development in the field of “rivers, lakes and seas”.

Since the “14th Five-Year Plan”, the Company strengthened top-level design and coordination to guide all kinds of resources to invest in key businesses and areas, and to prevent industrial, regional and model-related system risks; improved system construction through comprehensively reviewing and upgrading the existing systems and establishing a unified investment system covering the entire process; strengthened lifecycle management by emphasizing on project selection, strict pre-investment review, enhancing intra-investment management and control, proper risk defusion and severe accountability for negligence, in an effort to steadily improve project quality and business structure.

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW (CONTINUED)

(II) Major Production and Operational Data (continued)

5. Infrastructure and Other Investment Projects (continued)

(1) New Contracts of Infrastructure and Other Investment Projects

During the reporting period, the Company actively adjusted market development and operation strategies according to macro policies, followed the main direction of “controlling the total, improving the structure, managing the risk and improving the quality and efficiency”, and focused resources on key projects, important regions, major markets and short-and mid-cycle projects. The confirmed value of contracts from infrastructure and other investment projects was RMB107,624 million for domestic projects and RMB12,178 million for overseas projects. The value of construction and installation contracts to be undertaken was estimated to be RMB87,711 million, among which, the confirmed values of contracts from BOT projects, government paid projects and urban comprehensive development projects were RMB25,533 million, RMB16,263 million and RMB78,006 million respectively, accounting for 21%, 14% and 65% of that of infrastructure and other investment projects respectively.

(2) Government Paid Projects and Urban Comprehensive Development Projects

The accumulative completed investment in government paid projects by the Company amounted RMB355,400 million with cumulatively RMB58,700 million recovered.

The accumulative completed investment in urban comprehensive development projects by the Company was RMB153,200 million and RMB142,800 million had been received by the Company.

(3) Concession Projects

As at 30 June 2023, according to statistics of the consolidated items contracted and financed by the Company (the latest statistics shall prevail if there was any change), the accumulative completed investment in concession projects amounted to RMB224,100 million. 31 concession projects together with 30 share-participation projects had been put into operation, and the operating revenue and net loss for the reporting period were RMB3,909 million and RMB510 million, respectively. The reviewed uncompleted investment amounted to RMB48,879 million.

IV. BUSINESS OVERVIEW (CONTINUED)

(II) Major Production and Operational Data (continued)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

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

No.	Project Name	Project Type	Total Investment Budget Estimate	Contract Value according to Shareholding Ratio of the Company	Expected Construction and Installation Contract Value	Operating Project or Not	Consolidated or Not	Construction Period (Year)	Toll Collection/ Operation Period (Year)
1	Renovation Project of "Urban Villages" of Xinmujiao Village, Jiangqiang Village and Fengxi Residential Committee Plot in Fengxi Community, Huaxin Town, Qingpu District, Shanghai	Comprehensive urban development	33,540	30,186	11,086	Yes	Yes	9	3
2	City-industry Integration Comprehensive Development Project of Junshan New City in Wuhan Economic Development Zone in Wuhan, Hubei Province	Comprehensive urban development	12,479	10,800	8,440	Yes	Yes	4	8
3	Guxing Urban Renewal (Phase I) Project in Huiji District, Zhengzhou City, Henan Province	Comprehensive urban development	10,865	9,323	6,999	Yes	Yes	6	2
4	Project of Phnom Penh-Bavet Expressway in Cambodia	BOT	9,258	9,258	7,415	Yes	Yes	4	50
5	Project of Jiangjin-Yibin (via Luzhou) (Sichuan Section) Expressway in Sichuan Province	BOT	19,262	6,833	4,415	Yes	No	3	30
6	Urban Renewal Project in Xiyingmen Area, Nankai District, Tianjin Municipality	Comprehensive urban development	14,560	5,708	6,300	Yes	No	5	0
7	Comprehensive Development Project of Linping International Future Industrial and Residential Eco-city in Hangzhou City, Zhejiang Province	Comprehensive urban development	5,456	4,959	4,159	Yes	Yes	4	2
8	Comprehensive Development Project of the Ecological Smart City in Tianqiao District, Jinan City, Shandong Province	Comprehensive urban development	4,851	4,926	2,956	Yes	Yes	7	0
9	Project of the Ningxia (Zhongwei) Cloud Data Centre in Zhongwei, Ningxia	BOT	3,798	3,797	3,253	Yes	Yes	8	10
10	New Construction of Xinyang-Xinmi Section of Jiaozuo-Pingdingshan Highway in Henan Province	PPP	9,953	3,733	4,483	No	No	3	5
11	Supporting Project of Infrastructure and Public Services in Jingkai New City (South Area) in Jingzhou, Hubei Province	Comprehensive urban development	8,646	3,186	5,069	Yes	No	8	2
12	Others		97,443	27,093	23,136	-	-	-	-
	Total		230,111	119,802	87,711	-	-	-	-

BUSINESS OVERVIEW

IV. BUSINESS OVERVIEW (CONTINUED)

(II) Major Production and Operational Data (continued)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

② Concession Projects under Development² (RMB million)

No.	Project Name	Contract Value according to Shareholding Ratio	Investment Amount in the Period	Accumulated Investment Value
1	Highways including Taihangshan Highway in Hebei Province	14,570	Share participation	Share participation
2	PPP Project of Quanzhou-Rongxian Highway (Pingnan-Rongxian Section) in Guangxi Province	12,755	468	504
3	Chengde (Lijiyang)-Pinggu (Hebei and Beijing Conjunction) Section Project of the Capital Region Ring Expressway (G95)	11,453	755	4,909
4	Highways including Urumchi-Yuli Highway in Xinjiang Uygur Autonomous Region	10,616	Share participation	Share participation
5	Project of Guiyang-Jinsha-Gulin (between Guizhou and Sichuan) Highway in Guizhou Province	9,999	Share participation	Share participation
6	Project of Chongqing-Hunan Parallel Line (City Center to Youyang Section) and Wulong-Daozhen (Chongqing Section) Highway in Chongqing	9,687	Share participation	Share participation
7	Project of Dejiang-Yuqing Highway in Guizhou Province	9,388	1,830	8,513
8	Project of Quanzhou-Rongxian Highway (Pingle-Zhaoping Section) in Guangxi Province	9,192	719	1,143
9	Project of Chongqing-Wuhan Highway Expansion in Chongqing	9,080	2,017	6,423
10	PPP Project of Gansu G1816 Wuhai-Maqin Cooperation-Saierlong Expressway (between Gansu and Qinghai)	8,581	283	285
11	Jianglu North Line Expressway in Chongqing	8,498	1,598	6,893
12	Phase I of Project of Urumchi Rail Transit Line 4 in Xinjiang Uygur Autonomous Region	8,287	Share participation	Share participation
13	PPP Project of Health Production Area in Jinxian Medical Park in Nanchang, Jiangxi	6,558	67	104
14	Tong'an Expressway in Chongqing	6,047	1,496	5,268
15	Project of Phase I of Expressway from Lingtai to Huating of Line S28 in Gansu Province	4,050	Share participation	Share participation
16	Project of Mengxi Industrial Park-Sanbei Yangchang Railway in Ordos, Inner Mongolia	3,383	Share participation	Share participation
17	Project of Naomao Lake-Jiangjun Temple Railway in Xinjiang Uygur Autonomous Region	3,313	Share participation	Share participation
18	Concession Project of Long-distance Centralized Heat Supply Project (Phase I) of Huaguang Power Plant-Lvliang City in Liulin, Lvliang, Shanxi	3,062	1,174	1,950
	Others	32,468	(730)	3,099
	Total	180,988	9,677	39,091

² The breakdown of concession projects under development does not include the concession projects acquired overseas

IV. BUSINESS OVERVIEW (CONTINUED)

(II) Major Production and Operational Data (continued)

5. Infrastructure and Other Investment Projects (continued)

(3) Concession Projects (continued)

③ Concession Projects in Operation Period (RMB million)

No.	Project Name	Accumulated Investment Value	Operating Revenue in the First Half of 2023	Toll Collection Rights Period (Year)	Completed Toll Collection Rights Period (Year)
1	New Songming-Kunming Expressway, Xuanwei-Qujing Expressway, and Mengzi-Wenshan-Yanshan Expressway in Yunnan Province	27,447	536	30	5.5
2	Daozhen-Weng'an Expressway in Guizhou Province	26,610	388	30	7.5
3	Jiangkou-Weng'an Expressway in Guizhou Province	14,244	435	30	7.5
4	Phnom Penh-Port of Sihanoukville Expressway in Cambodia	12,898	118	50	0.7
5	Guiyang-Qianxi Expressway in Guizhou Province	9,199	224	30	6.5
6	Yanhe-Dejiang Expressway in Guizhou Province	7,536	71	30	7.5
7	Guiyang-Duyun Expressway in Guizhou Province	7,435	259	30	12.3
8	Concessions of Lekki Port in Nigeria	6,402	32	45	0.2
9	Yulin-Jiaxian Expressway in Shaanxi Province	6,135	134	30	9.5
10	Yongchuan-Jiangjin Expressway in Chongqing	6,023	40	30	8.5
11	Fengdu-Fuling Expressway in Chongqing	5,982	142	30	9.5
12	Fengdu-Shizhu Expressway in Chongqing	5,584	76	30	9.5
13	South-North Highway in Jamaica	5,241	183	50	7.5
14	Foshan-Guangming Expressway in Guangdong Province	5,135	303	25	14.0
15	Quanzhou Section of Quanzhou-Xiamen-Zhangzhou City Alliance Expressway in Fujian Province	5,047	47	24	2.5
16	Zhuankou Yangtze River Bridge Project in Wuhan, Hubei Province	4,860	161	30	5.5
17	BOT Project of Expressway in Nairobi, Kenya	4,249	97	27	1.5
18	Xianning-Tongshan Expressway in Hubei Province	3,126	55	30	9.5
	Others	21,856	608		
	Total	185,009	3,909		

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

OVERVIEW

For the six months ended 30 June 2023, revenue of the Group amounted to RMB364,450 million, representing an increase of 0.4% from RMB362,854 million in the corresponding period of 2022. Among which, revenue derived from overseas markets amounted to RMB56,263 million, accounted for 15.4% of the total revenue, representing an increase of 10.4%. Infrastructure construction business, infrastructure design business, dredging business and other businesses accounted for 85.8%, 4.8%, 6.8% and 2.6% (all before elimination of inter-segment transactions) of the total revenue for the six months ended 30 June 2023, respectively.

Gross profit for the six months ended 30 June 2023 amounted to RMB39,629 million, representing an increase of 5.1% from RMB37,719 million in the corresponding period of 2022. Gross profit margin increased to 10.9% for the six months ended 30 June 2023 as compared to 10.4% for the six months ended 30 June 2022.

Operating profit for the six months ended 30 June 2023 amounted to RMB19,613 million, representing a decrease of 6.9% from RMB21,072 million in the corresponding period of 2022. This decrease was primarily due to one-time gains from disposal of subsidiaries in the corresponding period of 2022.

For the six months ended 30 June 2023, profit attributable to owners of the parent amounted to RMB12,349 million, representing an increase of 3.2% from RMB11,969 million in the corresponding period of 2022. For the six months ended 30 June 2023, earnings per share of the Group was RMB0.72, compared with RMB0.70 in the corresponding period of 2022.

The following is a comparison of financial results between the six months ended 30 June 2023 and 2022.

CONSOLIDATED RESULTS OF OPERATIONS

Revenue

Revenue for the six months ended 30 June 2023 increased by 0.4% to RMB364,450 million from RMB362,854 million in the corresponding period of 2022. Revenue from infrastructure construction business and other businesses amounted to RMB327,822 million and RMB9,870 million (all before elimination of inter-segment transactions), representing an increase of 1.2% and 10.1% respectively, and infrastructure design business and dredging business amounted to RMB18,509 million and RMB26,059 million, representing a decrease of 15.9% and 0.8%. The change of infrastructure design business scale was attributable to the adjustment of business structure and focusing on main design business.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Cost of Sales and Gross Profit

Cost of sales for the six months ended 30 June 2023 amounted to RMB324,821 million, representing a decrease of 0.1%, from RMB325,135 million in the corresponding period of 2022. Cost of sales from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB294,442 million, RMB15,457 million, RMB23,399 million and RMB9,327 million (all before elimination of inter-segment transactions) respectively. Compared with the cost in 2022, ones from infrastructure design business and dredging business representing a decrease of 19.6% and 1.1%, while ones from infrastructure construction business and other business increased 0.8% and 11.2% respectively.

As a result of decreasing cost and steady business expansion, gross profit for the six months ended 30 June 2023 amounted to RMB39,629 million, representing an increase of 5.1% from RMB37,719 million in the corresponding period of 2022. Gross profit from infrastructure construction business, infrastructure design business and dredging business increased by 5.4%, 9.6% and 1.6% respectively, while other business decreased by 6.5%, from the corresponding period of 2022. Gross profit margin increased to 10.9% for the six months ended 30 June 2023 as compared to 10.4% for the six months ended 30 June 2022. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business and other businesses were 10.2%, 16.5%, 10.2% and 5.5%, respectively, as compared with 9.8%, 12.6%, 10.0% and 6.5% in the corresponding period of 2022. The increase of gross profit margin in infrastructure design business was credited to the adjustment of structure and focusing on main design business.

Administrative Expenses

Administrative expenses for the six months ended 30 June 2023 amounted to RMB18,240 million, representing an increase of 3.1% from RMB17,691 million in the corresponding period of 2022.

Other Income

Other income for the six months ended 30 June 2023 amounted to RMB2,721 million, representing an increase of RMB169 million from RMB2,552 million in the corresponding period of 2022.

Other Gains, Net

Other gains for the six months ended 30 June 2023 amounted to RMB436 million, compared with RMB3,054 million of other gains in the corresponding period of 2022, primarily because of the one-time gains of considerable amount from disposal of equity interests of project companies in the corresponding period of 2022 whereas there was no such gains during the period.

Impairment Losses on Financial and Contract Assets, Net

Impairment losses on financial and contract assets for the six months ended 30 June 2023 amounted to RMB2,844 million, representing an increase of 2.1% from RMB2,786 million in the corresponding period of 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Operating Profit

Operating profit for the six months ended 30 June 2023 amounted to RMB19,613 million, representing a decrease of 6.9% from RMB21,072 million in the corresponding period of 2022. The decline was mainly due to the one-time gains from disposal of the equity interest of the project company in the corresponding period of 2022.

For the six months ended 30 June 2023, operating profit from infrastructure construction business, infrastructure design business, dredging business and other business were RMB16,517 million, RMB1,424 million, RMB1,228 million and RMB478 million respectively, as compared with RMB17,566 million, RMB1,697 million, RMB1,130 million and RMB419 million (all before elimination of inter-segment transactions and unallocated cost) in the corresponding period of 2022.

Due to less other gains and increasing research and development expenses, operating profit margin decreased to 5.4% for the six months ended 30 June 2023 from 5.8% in the corresponding period of 2022.

Finance Income

Finance income for the six months ended 30 June 2023 amounted to RMB11,038 million, representing an increase of 29.6% from RMB8,515 million in the corresponding period of 2022. The increase was primarily attributable to the increase of contract assets and trade receivables from PPP contracts.

Finance Costs, Net

Net finance costs for the six months ended 30 June 2023 amounted to RMB11,493 million, representing an increase of 10.7% from RMB10,386 million in the corresponding period of 2022. The increase was mainly due to the larger expense on borrowings and foreign exchange expenses on borrowings.

Share of Losses of Joint Ventures

Share of losses of joint ventures for the six months ended 30 June 2023 amounted to RMB715 million, representing an increase of 14.4% from RMB625 million in the corresponding period of 2022. This increase was primarily due to more concession projects had been entered the early stage of operation.

Share of Profits of Associates

Share of profits of associates for the six months ended 30 June 2023 amounted to RMB218 million, as compared with share of losses of RMB187 million in the corresponding period of 2022.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax for the six months ended 30 June 2023 amounted to RMB18,661 million, representing an increase of 1.5% from RMB18,389 million in the corresponding period of 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Income Tax Expense

Income tax expense for the six months ended 30 June 2023 amounted to RMB3,213 million, representing a decrease of 19.7% from RMB4,001 million in the corresponding period of 2022, mainly due to more preferential tax treatment as a result of the increase in high-tech enterprises.

Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests for the six months ended 30 June 2023 amounted to RMB3,099 million, representing an increase of 28.1% from RMB2,419 million in the corresponding period of 2022, because of more profit attributable to minority shareholders of subsidiaries.

Discussion of Segment Operations

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for the six months ended 30 June 2023 and 2022.

Business	Revenue		Gross Profit		Gross Profit Margin		Operating Profit ⁽¹⁾		Operating Profit Margin	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(%)	(%)	(RMB million)	(RMB million)	(%)	(%)
Infrastructure Construction	327,822	323,881	33,380	31,669	10.2	9.8	16,517	17,566	5.0	5.4
% of total	85.8	84.9	84.2	84.1	-	-	84.1	84.4	-	-
Infrastructure Design	18,509	22,020	3,052	2,785	16.5	12.6	1,424	1,697	7.7	7.7
% of total	4.8	5.8	7.7	7.4	-	-	7.2	8.2	-	-
Dredging	26,059	26,268	2,660	2,617	10.2	10.0	1,228	1,130	4.7	4.3
% of total	6.8	6.9	6.7	7.0	-	-	6.3	5.4	-	-
Other businesses	9,870	8,966	543	581	5.5	6.5	478	419	4.8	4.7
% of total	2.6	2.4	1.4	1.5	-	-	2.4	2.0	-	-
Subtotal	382,260	381,135	39,635	37,652	10.4	9.9	19,647	20,812	5.1	5.5
Intersegment elimination and unallocated profit/ (costs)	(17,810)	(18,281)	(6)	67	-	-	(34)	260	-	-
Total	364,450	362,854	39,629	37,719	10.9	10.4	19,613	21,072	5.4	5.8

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023 (RMB million)	2022 (RMB million)
Revenue	327,822	323,881
Cost of sales	(294,442)	(292,212)
Gross profit	33,380	31,669
Selling and marketing expenses	(496)	(354)
Administrative expenses	(14,606)	(14,577)
Impairment losses on financial and contract assets, net	(2,286)	(2,252)
Other income/(expenses), net and Other gains/(losses), net	525	3,080
Segment result	16,517	17,566
Depreciation and amortisation	5,327	4,925

Revenue. Revenue from the infrastructure construction business for the six months ended 30 June 2023 was RMB327,822 million, representing an increase of 1.2% from RMB323,881 million in the corresponding period of 2022. The increase was mainly due to the increase of revenue generated from overseas projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Infrastructure Construction Business (continued)

Cost of sales and gross profit. Cost of sales for the infrastructure construction business for the six months ended 30 June 2023 was RMB294,442 million, representing an increase of 0.8% from RMB292,212 million in the corresponding period of 2022. Cost of sales as a percentage of revenue decreased to 89.8% for the six months ended 30 June 2023 from 90.2% in the corresponding period of 2022.

Gross profit from the infrastructure construction business for the six months ended 30 June 2023 increased 5.4% to RMB33,380 million from RMB31,669 million in the corresponding period of 2022, due to the increase in revenue contributed by overseas projects. Gross profit margin increased to 10.2% for the six months ended 30 June 2023 from 9.8% in the corresponding period of 2022, primarily due to proper cost control and structural adjustment of domestic projects.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business for the six months ended 30 June 2023 were RMB496 million, as compared with RMB354 million in the corresponding period of 2022.

Administrative expenses. Administrative expenses for the infrastructure construction business were RMB14,606 million for the six months ended 30 June 2023, representing an increase of 0.2% from RMB14,577 million in the corresponding period of 2022. Administrative expenses as a percentage of revenue remained 4.5% for the six months ended 30 June 2023, compared with the one in the corresponding period of 2022.

Impairment losses on financial and contract assets, net. Net impairment losses on financial and contract assets for the infrastructure construction business for the six months ended 30 June 2023 were RMB2,286 million, representing an increase of 1.5% from RMB2,252 million in the corresponding period of 2022. Net impairment losses on financial and contract assets as a percentage of revenue remained 0.7% as that for the corresponding period of 2022.

Other income/(expenses), net and Other gains/(losses), net. Other income/(expenses), net and Other gains/(losses), net, for the infrastructure construction business decreased to RMB525 million for the six months ended 30 June 2023 from RMB3,080 million in the corresponding period of 2022, due to foreign exchange gains in 2023 and less one-time gains.

Segment result. As a result of the above, segment result for the infrastructure construction business for the six months ended 30 June 2023 was RMB16,517 million, representing a decrease of 6.0% from RMB17,566 million in the corresponding period of 2022. Segment result margin slightly declined to 5.0% for the six months ended 30 June 2023 from 5.4% in the corresponding period of 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Infrastructure Design Business

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

The following table sets out the principal profit and loss information for infrastructure design business for the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023 (RMB million)	2022 (RMB million)
Revenue	18,509	22,020
Cost of sales	(15,457)	(19,235)
Gross profit	3,052	2,785
Selling and marketing expenses	(194)	(165)
Administrative expenses	(1,365)	(1,189)
Impairment losses on financial and contract assets, net	(166)	(187)
Other income/(expenses), net and Other gains/(losses), net	97	453
Segment result	1,424	1,697
Depreciation and amortization	235	198

Revenue. Revenue from the infrastructure design business for the six months ended 30 June 2023 was RMB18,509 million, representing a decrease of 15.9% from RMB22,020 million in the corresponding period of 2022. The change of infrastructure design business scale was attributable to the adjustment of business structure and focusing on main design business.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Infrastructure Design Business (continued)

Cost of sales and gross profit. Cost of sales for the infrastructure design business for the six months ended 30 June 2023 was RMB15,457 million, representing a decrease of 19.6% from RMB19,235 million in the corresponding period of 2022. Cost of sales as a percentage of revenue decreased to 83.5% for the six months ended 30 June 2023 from 87.4% in the corresponding period of 2022.

Gross profit from the infrastructure design business for the six months ended 30 June 2023 increased to RMB3,052 million from RMB2,785 million in the corresponding period of 2022. Gross profit margin increased to 16.5% for the six months ended 30 June 2023 from 12.6% in the corresponding period of 2022, mainly attributable to the adjustment of business structure and focusing on main design business.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business for the six months ended 30 June 2023 increased to RMB194 million from RMB165 million in the corresponding period of 2022.

Administrative expenses. Administrative expenses for the infrastructure design business for the six months ended 30 June 2023 were RMB1,365 million, representing an increase of 14.8% from RMB1,189 million in the corresponding period of 2022. Administrative expenses as a percentage of revenue increased to 7.4% for the six months ended 30 June 2023 from 5.4% in the corresponding period of 2022, due to the increase in research and development expenses.

Impairment losses on financial and contract assets, net. Net impairment losses on financial and contract assets for the infrastructure design business for the six months ended 30 June 2023 were RMB166 million, compared with RMB187 million in the corresponding period of 2022. Net impairment losses on financial and contract assets as a percentage of revenue increased to 0.9% for the six months ended 30 June 2023 from 0.8% in the corresponding period of 2022.

Other income/(expenses), net and Other gains/(losses), net. Other income/(expenses), net and Other gains/(losses), net, for the infrastructure design business for the six months ended 30 June 2023 was RMB97 million, as compared with RMB453 million in the corresponding period of 2022, due to the one-time gains from disposal of subsidiaries in the corresponding period of 2022.

Segment result. As a result of the above, segment result for the infrastructure design business for the six months ended 30 June 2023 was RMB1,424 million, representing a decrease of 16.1% from RMB1,697 million in the corresponding period of 2022. Segment result margin remained 7.7% as that for the corresponding period of 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Dredging Business

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

The following table sets out the principal profit and loss information for the dredging business for the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023 (RMB million)	2022 (RMB million)
Revenue	26,059	26,268
Cost of sales	(23,399)	(23,651)
Gross profit	2,660	2,617
Selling and marketing expenses	(118)	(107)
Administrative expenses	(1,500)	(1,296)
Impairment losses on financial and contract assets, net	(251)	(315)
Other income/(expenses), net and Other gains/(losses), net	437	231
Segment result	1,228	1,130
Depreciation and amortisation	527	544

Revenue. Revenue from the dredging business for the six months ended 30 June 2023 was RMB26,059 million, representing a decrease of 0.8% from RMB26,268 million in the corresponding period of 2022.

Cost of sales and gross profit. Cost of sales for the dredging business for the six months ended 30 June 2023 was RMB23,399 million, representing a decrease of 1.1% as compared with RMB23,651 million in the corresponding period of 2022. Cost of sales as a percentage of revenue for the dredging business for the six months ended 30 June 2023 decreased to 89.8% from 90.0% in the corresponding period of 2022.

Gross profit from the dredging business for the six months ended 30 June 2023 was RMB2,660 million, representing an increase from RMB2,617 million in the corresponding period of 2022. Gross profit margin for the dredging business increased to 10.2% for the six months ended 30 June 2023 from 10.0% in the corresponding period of 2022.

Selling and marketing expenses. Selling and marketing expenses for the dredging business for the six months ended 30 June 2023 were RMB118 million, as compared with RMB107 million in the corresponding period of 2022.

Administrative expenses. Administrative expenses for the dredging business for the six months ended 30 June 2023 were RMB1,500 million, representing an increase of 15.7% from RMB1,296 million in the corresponding period of 2022, due to increasing expenses on research and development. Administrative expenses as a percentage of revenue increased to 5.8% for the six months ended 30 June 2023 from 4.9% in the corresponding period of 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

Dredging Business (continued)

Impairment losses on financial and contract assets, net. Net impairment losses on financial and contract assets for the dredging business for the six months ended 30 June 2023 were RMB251 million, representing a decrease of 20.3% from RMB315 million in the corresponding period of 2022, mainly due to the decrease in growth scale of contract assets compared to that of the corresponding period of last year. Net impairment losses on financial and contract assets as a percentage of revenue decreased to 1.0% for the six months ended 30 June 2023 from 1.2% in the corresponding period of 2022.

Other income/(expenses), net and Other gains/(losses), net. Other income/(expenses), net and Other gains/(losses), net, for the dredging business for the six months ended 30 June 2023 increased to RMB437 million from RMB231 million in the corresponding period of 2022. This increase was primarily due to gains on foreign exchange and the rental income from leasing asset.

Segment result. As a result of the above, segment result for the dredging business for the six months ended 30 June 2023 was RMB1,228 million, representing an increase of 8.7% from RMB1,130 million in the corresponding period of 2022. Segment result margin for the six months ended 30 June 2023 increased to 4.7% from 4.3% in the corresponding period of 2022.

Other Businesses

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

The following table sets out the revenue, cost of sales and gross profit information for the other businesses for the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023 (RMB million)	2022 (RMB million)
Revenue	9,870	8,966
Cost of sales	(9,327)	(8,385)
Gross profit	543	581

Revenue. Revenue from the other businesses for the six months ended 30 June 2023 was RMB9,870 million, representing an increase of 10.1% from RMB8,966 million in the corresponding period of 2022. The increase was mainly due to the increase in income from equipment manufacturing.

Cost of sales and gross profit. Cost of sales for the other businesses for the six months ended 30 June 2023 was RMB9,327 million, compared with RMB8,385 million in the corresponding period of 2022. Cost of sales as a percentage of revenue increased to 94.5% for the six months ended 30 June 2023 from 93.5% in the corresponding period of 2022.

Gross profit from the other businesses for the six months ended 30 June 2023 was RMB543 million, compared with RMB581 million in the corresponding period of 2022. Gross profit margin decreased to 5.5% for the six months ended 30 June 2023 from 6.5% in the corresponding period of 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

The Group's business requires a significant amount of working capital to finance the purchase of raw materials and to finance the engineering, construction and other work on projects before payment is received from clients. The Group historically met its working capital and other capital requirements principally from cash provided by operations, while financing the remainder of the Group's requirements primarily through borrowings. As at 30 June 2023, the Group had unutilised credit facilities in the amount of RMB1,275,831 million. The Group's access to financial markets since its public offering in Hong Kong Stock Exchange and Shanghai Stock Exchange has provided additional financing flexibility.

Cash Flow Data

The following table presents selected cash flow data from the Group's consolidated cash flow statements for the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023 (RMB million)	2022 (RMB million)
Net cash used in operating activities	(49,378)	(45,716)
Net cash used in investing activities	(32,869)	(22,344)
Net cash generated from financing activities	130,888	109,454
Net increase in cash and cash equivalents	48,641	41,394
Cash and cash equivalents at beginning of period	103,202	95,898
Effect of foreign exchange rate changes, net	337	730
Cash and cash equivalents at end of period	152,180	138,022

Cash flow from operating activities

For the six months ended 30 June 2023, net cash used in operating activities increased to RMB49,378 million from RMB45,716 million in the corresponding period of 2022.

Cash flow from investing activities

Net cash used in investing activities for the six months ended 30 June 2023 was RMB32,869 million, representing an increase of 47.1% from RMB22,344 million in the corresponding period of 2022, which was due to the receipt of cash from disposal of equity interests of subsidiaries in the corresponding period of 2022 whereas there was no such effects during the period, and the increase in cash outflow resulting from the purchase of wealth management products.

Cash flow from financing activities

Net cash generated from financing activities for the six months ended 30 June 2023 increased to RMB130,888 million from RMB109,454 million in the corresponding period of 2022. The increase of 19.6% of cash inflow was primarily attributable to increasing borrowings to expand the operation scale.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Capital Expenditure

The Group's capital expenditure principally comprises expenditure from investment in BOT projects, purchases of machinery, equipments and vessels, and the building of plants. The following table set forth the Group's capital expenditure by business for the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023 (RMB million)	2022 (RMB million)
Infrastructure Construction Business	18,845	21,343
– BOT projects	12,306	16,843
Infrastructure Design Business	472	272
Dredging Business	446	98
Other	642	194
Total	20,405	21,907

Capital expenditure for the six months ended 30 June 2023 was RMB20,405 million, as compared with RMB21,907 million in the corresponding period of 2022.

Working Capital

Trade and bills receivables and trade and bills payables

The following table sets forth the turnover of the Group's average trade and bills receivables and average trade and bills payables for the six months ended 30 June 2023 and the year ended 31 December 2022.

	For the	
	Six months ended 30 June 2023 (Number of days)	Twelve months ended 31 December 2022 (Number of days)
Turnover of average trade and bills receivables ⁽¹⁾	56	54
Turnover of average trade and bills payables ⁽²⁾	211	192

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Working Capital (continued)

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

- (1) For the six months ended 30 June 2023, average trade and bills receivables equals trade and bills receivables net of provisions at the beginning of the six-month period plus trade and bills receivables net of provisions at the end of the six-month period divided by 2. Turnover of average trade and bills receivables (in days) equals average trade and bills receivables divided by revenue and multiplied by 180. For the twelve months ended 31 December 2022, average trade and bills receivables equals trade and bills receivables net of provisions at the beginning of the year plus trade and bills receivables net of provisions at the end of the year divided by 2. Turnover of average trade and bills receivables (in days) equals average trade and bills receivables divided by revenue and multiplied by 365.
- (2) For the six months ended 30 June 2023, average trade and bills payables equals trade and bills payables at the beginning of the six-month period plus trade and bills payables at the end of the six-month period divided by 2. Turnover of average trade and bills payables (in days) equals average trade and bills payables divided by cost of sales and multiplied by 180. For the twelve months ended 31 December 2022, average trade and bills payables equals trade and bills payables at the beginning of the year plus trade and bills payables at the end of the year divided by 2. Turnover of average trade and bills payables (in days) equals average trade and bills payables divided by cost of sales and multiplied by 365.

The following table sets forth an ageing analysis of trade and bills receivables, net of provision, as at 30 June 2023 and 31 December 2022.

	As at	
	30 June 2023 (RMB million)	31 December 2022 (RMB million)
Within 6 months	71,594	61,646
6 months to 1 year	17,042	9,867
1 year to 2 years	12,066	22,007
2 years to 3 years	11,238	5,871
Over 3 years	8,165	9,099
Total	120,105	108,490

Management closely monitors the recovery of the Group's overdue trade and bills receivables on a regular basis, and, when appropriate, provides for impairment of these trade and bills receivables. As at 30 June 2023, the Group had a provision for impairment of RMB22,174 million, as compared with RMB22,070 million as at 31 December 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Retentions

The following table sets forth the fair value of the retentions as at 30 June 2023 and 31 December 2022.

	As at	
	30 June	31 December
	2023	2022
	(RMB million)	(RMB million)
Current	54,927	46,817
Non-current	40,951	35,699
Total	95,878	82,516

INDEBTEDNESS

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 30 June 2023 and 31 December 2022.

	As at	
	30 June	31 December
	2023	2022
	(RMB million)	(RMB million)
Within 1 year	182,874	93,680
1 year to 2 years	63,631	51,107
2 years to 5 years	112,630	93,833
Over 5 years	244,220	227,404
Total borrowings	603,355	466,024

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEBTEDNESS (CONTINUED)

Borrowings (continued)

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Euro, Japanese Yen, Hong Kong dollars and others. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 30 June 2023 and 31 December 2022.

	As at	
	30 June 2023 (RMB million)	31 December 2022 (RMB million)
Renminbi	571,622	434,747
U.S. dollar	25,709	26,176
Japanese Yen	314	41
Euro	3,284	3,038
Hong Kong dollar	157	241
Others	2,269	1,781
Total borrowings	603,355	466,024

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt. The Group's gearing ratio, calculated as net debt divided by total capital, as at 30 June 2023 was 50.7%, as compared with 46.0% as at 31 December 2022 and 48.1% as at 30 June 2022.

Contingent liabilities and financial guarantee commitment

(i) Claims

The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account the legal advice. No provision has been made for those pending lawsuits with a maximum compensation amount of RMB3,321 million (31 December 2022: RMB2,554 million) related mainly to disputes with customers and subcontractors, as the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. Pending lawsuits of which the probability of loss is remote or the claim amount is insignificant to the Group were not included in the above.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEBTEDNESS (CONTINUED)

Contingent liabilities and financial guarantee commitment (continued)

(ii) Loan guarantees

As at 30 June 2023, the Group has acted as the guarantor for several borrowings of RMB3,393 million (31 December 2022: RMB3,378 million) made by certain joint ventures and associates of the Group. The above amount represents the maximum exposure to default risk under the loan guarantee.

The Group provides guarantees to banks for the mortgage loans of the property buyers in certain real estate projects. As at 30 June 2023, the outstanding balance of guarantees provided by the Group was approximately RMB2,763 million (31 December 2022: RMB3,815 million).

(iii) Liquidity support

Beijing North Huade Neoplan Bus Co., Ltd.* (北京北方華德尼奧普蘭客車股份有限公司), a subsidiary of the Company, provides liquidity support to Changchun Public Transportation (Group) Co., Ltd.* (長春公共交通(集團)有限責任公司) for sale-leaseback rent payable to Huaxia Financial Leasing Co., Ltd.* (華夏金融租賃有限公司). As at 30 June 2023, the outstanding balance of rent payable by Changchun Public Transportation (Group) Co., Ltd. to Huaxia Financial Leasing Co., Ltd. was RMB72 million (31 December 2022: RMB97million).

The Group has entered into certain agreements with financial institutions to set up asset-backed securities (ABS) and asset-backed notes (ABN) arrangements. As at 30 June 2023, out of the ABS and ABN in issue with an aggregate amount of RMB64,112 million (31 December 2022: RMB59,390 million), RMB58,751 million (31 December 2022: RMB54,284 million) had been issued to preferential investors. Under the clauses of the agreements, the Group is subject to the obligations of liquidity supplementary payments to preferential investors when the cash available for distribution of the principal and return to preferential investors at the due date is not sufficient.

As of 30 June 2023, no provision has been made for the above liquidity supports as management estimates the outflow of resources is not probable.

MARKET RISKS

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

Macroeconomic volatility risk

The Group's main businesses are closely related to the development of macro-economy, especially for infrastructure design and infrastructure construction business, of which the industry development is subject to the effects of macroeconomic factors including investment scale of social fixed assets and the process of urbanisation. The current external environment is complex and severe, and China's economic development is under triple pressure of economic contraction, supply shock and weakening expectations. If the pace and efforts of growth stabilisation is not as strong as expected, it may have a great impact on the Group's development.

To cope with the risks of macroeconomic fluctuations, the Group will further strengthen its research on macro policies and development trends of related industries, follow closely the national strategic deployment, focus on "big transportation" and "big city", firmly hold on to the market advantages of traditional businesses, promote the scale of emerging industries to grow year by year and strive to cultivate new growth levels.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARKET RISKS (CONTINUED)

Internationalisation risk

The Group conducts its business in over 130 overseas countries and regions. Subject to the complex and diverse political, economic, social and religious environments and legal systems of different countries and regions, as well as fluctuations in exchange rates, increasingly stringent environmental protection requirements and intensifying trade frictions among some countries, there may be fluctuations and volatility in the international trade order and economic situation in the future, resulting in performance risks for the Group's overseas compliance, investment and project contracting.

The Group carried out various risk management, prevention and control work continuously in accordance with the principles of "practical planning, internationalization of resources, normalization of management, diversification of approaches, and visualization of command, advance forecasting, advance warning, advance deployment and advance action". The Company fully leveraged on its overall overseas advantages, enhanced international resources and cross-regional coordination capabilities, continuously raised the protection of security interests and the ability to address overseas emergencies, properly dealt with overseas public security threats, and optimized the organization system, institutional system, team building system, planning system, training and drill system, protection system and information-based risk control measures.

Investment risk

The Group began to develop infrastructure and other investment projects in 2007 to obtain investment profits apart from those from reasonable design and construction. However, such projects are generally characterised by large scale investments, long construction cycles, extensive areas of involvement, high complexity, stringent schedule and quality requirements, and are significantly affected by policies. The implementation and operation of the above-mentioned investment projects may expose the Group to certain risks and affect the expected benefits and the achievement of strategic objectives if the feasibility studies of the projects are incomplete, understanding of policies is inaccurate, financing is inadequate and process management is not standardised, under the influence of internal and external circumstances such as increased control in policies by the national and local governments, increasingly standardised regulation, tightened financial supervision, increasing debt pressure and intensified market competition.

In order to effectively prevent and control investment risks, the Group insists on "value-oriented investments" and strictly controls non-main business investments. It strictly implements the investment project justification and decision-making process, properly controls investment costs, strengthens risk control throughout the life cycle of investment projects and steadily promotes the construction of an investment execution information system to achieve real-time and dynamic project monitoring and pre-warning.

Raw material risk

The operation of the Group's business depends on the timely procurement of raw materials that meet the Group's quality requirements at reasonable prices, such as steel, cement, fuel, sand and gravel and asphalt, etc. The market prices of such raw materials may fluctuate to a certain extent, or appropriate procurement planning arrangements may be made to ensure the normal conduct of business. When there is a shortage of supply of raw material or a significant price increase resulting in cost increases that cannot be fully compensated by customers, the Group may face the risk of reduced profit or even loss in respect of a single project.

In this regard, the Group has enhanced cost awareness, strengthened refined management, vigorously promoted the centralised procurement of major raw materials including steel, cement, asphalt, fuel oil, etc., and has continuously improved the bargaining power of the Company to minimise the risk of rising raw material prices.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARKET RISKS (CONTINUED)

Interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During the six months ended 30 June 2023, 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. Increases in interest rates will increase the cost of new borrowings and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position.

As at 30 June 2023, the Group's borrowings of approximately RMB314,224 million were at variable rates. As at 30 June 2023, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit before tax for the year would have been decreased/increased by RMB3,142 million, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Group continuously monitors the interest rate position, and makes decisions with reference to the latest market conditions, including entering into interest rate swap agreements from time to time to mitigate its exposure to interest rate risks in connection with the floating rate borrowings.

Exchange rate risk

The Group has focused on international markets in its past operations and future strategies. The relatively large scale of its overseas operations has resulted in a relatively large foreign exchange receipts and payments by the Company. The Company's operations mainly involve foreign currencies such as USD, the Euro and Hong Kong dollar. Fluctuations in the exchange rates between these currencies and Renminbi may result in higher costs or lower revenues, which in turn may have an impact on the Company's profitability.

As at 30 June 2023, the Group's aggregate net assets of RMB4,623 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 uses derivative financial instruments to hedge when necessary. As at 30 June 2023, 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 RMB356 million, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents.

Production safety risk

The Group insists on safety first and regards production safety as the prerequisite and foundation of all its work. However, as a construction and production enterprise with many subsidiaries and projects, production safety risks exist in all aspects of the production and operation process. Safety incidents may occur as a result of unsafe human behaviour, unsafe physical conditions and unsafe environmental factors, resulting in injury to the health and safety of employees and exposing the Company to the risk of damage to its brand image, economic loss and external regulatory penalties.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARKET RISKS (CONTINUED)

Risk of price fluctuation in the securities markets

The Group's investments in equity instruments are classified as financial assets held for trading, investments in other equity instruments and other non-current financial assets. As these financial assets are required to be stated at fair value, the Group is exposed to the risk of price fluctuation in the securities markets.

To cope with such risk, the Group sets limits to diversify its investment portfolio.

Force Majeure Risks

The infrastructure construction and dredging business principally engaged by the Group are mostly outdoor work. Natural disasters and public health emergency including rainstorm, flooding, earthquake, typhoon, tsunami, fire and epidemic occurred on the construction sites may cause damages to the site workers as well as property, and adversely affect the quality and progress of relevant businesses of the Group.

Network risk and security

With the in-depth application of "Internet +" in informatisation, the topology of enterprise network has been becoming more and more complex, the number of information systems has surged, and the possibility of network interruption and system failure has also increased rapidly. At the same time, the Group has been actively exploring overseas markets, and its international influence has been increasing day by day. Therefore, the risk of network-attacks on the information system has been also increasing, which may have a serious impact on the Group's production and operation in the event of a risk event.

In order to effectively prevent network risks, the Group has continuously optimized and improved the network security system and professional team building, improved the information system, enhanced protection and emergency response capabilities, implemented network monitoring and carried out regular upgrades and protections in accordance with the requirements of the competent authorities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PROPOSED ASSETS REORGANIZATION AND PROPOSED SPIN-OFF

On 11 May 2022, the Company entered into the agreement on assets swap and acquisition of assets by issuance of shares (the “**Agreement**”, as further amended by the supplemental agreements entered into on 28 December 2022 and 28 February 2023, collectively the “**Agreements**”) with China Urban-Rural and Qilianshan. According to the Agreements, the parties agreed that: (i) the Company shall dispose of its 100% equity interest in three wholly-owned subsidiaries to Qilianshan, namely CCCC Highway Institute, CCCC First Highway Institute and CCCC Second Highway Institute, at a consideration of approximately RMB7,200.30 million, RMB6,183.27 million and RMB6,779.85 million, respectively; (ii) China Urban-Rural shall dispose of its 100% equity interest in three wholly-owned subsidiaries to Qilianshan, namely Southwest Institute, Northeast Institute and Energy Institute, at a consideration of approximately RMB2,278.52 million, RMB941.06 million and RMB120.14 million, respectively; (iii) in consideration of the acquisition of the abovementioned six companies, Qilianshan shall transfer its 100% equity interest in Qilianshan Ltd. to the Company and China Urban-Rural at a consideration of approximately RMB10,430.43 million, and issue a total of 1,285,418,199 new A shares to settle the shortfall against the value of the six companies at an issue price of RMB10.17 per consideration share. The Company and China Urban-Rural further agreed on the allocation of the equity interests of Qilianshan Ltd. and the Consideration Shares as follows: (i) Qilianshan Ltd. will be owned as to approximately 85% and 15% by the Company and China Urban-Rural, respectively; and (ii) the Company and China Urban-Rural will hold 1,110,869,947 Consideration Shares and 174,548,252 Consideration Shares respectively, representing approximately 53.88% and 8.47% equity interest in Qilianshan as enlarged by the issuance of the Consideration Shares. Upon completion of the Proposed Assets Reorganization, the financial results of the six companies and Qilianshan Ltd. will be consolidated into the consolidated financial statements of the Company.

China Urban-Rural is a wholly-owned subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 59.63% interests in the issued ordinary Shares of the Company as at the date of the Agreements. China Urban-Rural is thus a connected person of the Company under the Hong Kong Listing Rules. As China Urban-Rural is a party to the Agreements, the Proposed Assets Reorganization constitutes a connected transaction of the Company. As the highest applicable percentage ratios of the acquisition and the disposal are both higher than 5% but less than 25%, the Proposed Assets Reorganization constitutes a discloseable transaction and a connected transaction of the Company and is subject to the reporting, announcement and the independent Shareholders' approval requirements under the Hong Kong Listing Rules. The Proposed Assets Reorganization has been approved by the independent Shareholders at the extraordinary general meeting held by the Company on 10 March 2023.

The Proposed Assets Reorganization by the Company pursuant to the Agreements constitutes a spin-off under the applicable provisions of the Practice Note 15 of the Hong Kong Listing Rules. In accordance with the requirements under paragraph 3(f) of Practice Note 15 of the Hong Kong Listing Rules, the Board is required to have due regard to the interests of its existing Shareholders by providing them with an assured entitlement to shares of Qilianshan. After due and careful consideration of the Proposed Spin-off and having taken into account the advice from the PRC legal counsel on the legal impediments in fulfilling such requirement, the Company considers that it is not feasible for the Company to comply with paragraph 3(f) of Practice Note 15 of the Hong Kong Listing Rules in connection with the Proposed Spin-off. The Company has applied for and the Hong Kong Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off and granted a waiver from strict compliance with the requirements under Paragraph 3(f) of Practice Note 15 of the Hong Kong Listing Rules.

As at the date of this report, the Proposed Assets Reorganization has been approved by the SASAC and endorsed by the Anti-Monopoly Bureau of the State Administration for Market Regulation. The Proposed Assets Reorganization is still subject to the approval or consent for registration from the relevant competent authorities, including the Shanghai Stock Exchange and the CSRC.

For more details, please refer to the announcements of the Company dated 11 May 2022, 28 December 2022, 28 February 2023, 9 March 2023, 10 March 2023, 4 August 2023 and 10 September 2023 and the circular of the Company dated 21 February 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PROPOSED ISSUANCE OF PREFERENCE SHARES IN THE PRC

On 12 January 2023 and 21 March 2023, the Board approved to issue not more than 300 million preference shares to specific subscribers in the PRC under the general mandate to raise total proceeds not exceeding RMB30 billion (the “**Proposed Issuance**”). The net proceeds after deducting issuance expenses are intended to be used for replenishing working capital. The Proposed Issuance was approved by the SASAC on 1 June 2023, and was considered and approved by the Shareholders at the 2023 third extraordinary general meeting of the Company held on 30 June 2023.

As at the date of this report, the Proposed Issuance is subject to the approval from the SSE and the registration with the CSRC.

For details, please refer to the announcements of the Company dated 12 January 2023, 21 March 2023, 1 June 2023 and 30 June 2023 and the circular of the Company dated 9 June 2023.



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To the Board of Directors of China Communications Construction Company Limited

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 60 to 127, which comprises the interim condensed consolidated statement of financial position of China Communications Construction Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong
28 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 Unaudited RMB million	2022 Unaudited (Restated) RMB million
Revenue	4	364,450	362,854
Cost of sales		(324,821)	(325,135)
Gross profit		39,629	37,719
Other income	4	2,721	2,552
Other gains, net	4	436	3,054
Selling and marketing expenses		(958)	(741)
Administrative expenses		(18,240)	(17,691)
Impairment losses on financial and contract assets, net		(2,844)	(2,786)
Other expenses		(1,131)	(1,035)
Operating profit		19,613	21,072
Finance income	6	11,038	8,515
Finance costs, net	7	(11,493)	(10,386)
Share of profits and losses of:			
– Joint ventures		(715)	(625)
– Associates		218	(187)
Profit before tax	5	18,661	18,389
Income tax expense	8	(3,213)	(4,001)
Profit for the period		15,448	14,388
Attributable to:			
– Owners of the parent		12,349	11,969
– Non-controlling interests		3,099	2,419
		15,448	14,388
Earnings per share attributable to ordinary equity holders of the parent	10		
Basic		RMB0.72	RMB0.70
Diluted		RMB0.72	RMB0.70

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

For the six months ended 30 June

	2023	2022
	Unaudited	Unaudited (Restated)
	RMB million	RMB million
Profit for the period	15,448	14,388
Other comprehensive income/(loss)		
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Actuarial (loss)/income on retirement benefit obligations, net of tax	(6)	9
Share of other comprehensive income of joint ventures and associates	2	–
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	(1,085)	(2,853)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(1,089)	(2,844)
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Cash flow hedges, net of tax	2	(6)
Share of other comprehensive income of joint ventures and associates	6	245
Exchange differences on translation of foreign operations	1,674	1,755
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	1,682	1,994
Other comprehensive income/(loss) for the period, net of tax	593	(850)
Total comprehensive income for the period	16,041	13,538
Attributable to:		
– Owners of the parent	12,865	11,039
– Non-controlling interests	3,176	2,499
	16,041	13,538

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		30 June 2023	31 December 2022
		Unaudited	Audited
			(Restated)
	<i>Notes</i>	<i>RMB million</i>	<i>RMB million</i>
Non-current assets			
Property, plant and equipment	11	62,846	60,148
Investment properties		10,449	10,629
Right-of-use assets		19,012	18,126
Intangible assets	12	220,469	219,531
Investments in joint ventures		53,781	51,731
Investments in associates		50,237	47,573
Financial assets at fair value through profit or loss	13	24,067	21,489
Derivative financial instruments		614	681
Debt investments at amortised cost		1,583	1,629
Equity investments designated at fair value through other comprehensive income	14	23,420	24,084
Contract assets, trade and other receivables	16	509,330	431,763
Deferred tax assets		8,628	7,716
Total non-current assets		984,436	895,100
Current assets			
Inventories	15	90,037	78,263
Contract assets, trade and other receivables	16	505,037	423,843
Financial assets at fair value through profit or loss	13	5,044	1,300
Debt investments at amortised cost		57	135
Derivative financial instruments		6	7
Restricted bank deposits and time deposits with an initial term of over three months	17	9,651	9,617
Cash and cash equivalents	17	152,180	103,202
Total current assets		762,012	616,367
Current liabilities			
Trade and other payables	18	557,971	482,945
Contract liabilities	19	82,314	76,629
Derivative financial instruments		3	7
Tax payable		7,450	7,987
Interest-bearing bank and other borrowings	20	182,874	93,680
Retirement benefit obligations		101	101
Total current liabilities		830,713	661,349
Net current liabilities		(68,701)	(44,982)
Total assets less current liabilities		915,735	850,118

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		30 June 2023	31 December 2022
		Unaudited	Audited
	<i>Notes</i>	RMB million	(Restated)
		RMB million	RMB million
Total assets less current liabilities		915,735	850,118
Non-current liabilities			
Trade and other payables	18	46,828	41,437
Interest-bearing bank and other borrowings	20	420,481	372,344
Deferred income		1,683	1,718
Deferred tax liabilities		4,804	4,463
Retirement benefit obligations		658	701
Provisions		3,148	3,165
Total non-current liabilities		477,602	423,828
Net assets		438,133	426,290
Equity			
Equity attributable to owners of the parent			
Share capital		16,264	16,166
Share premium		20,049	19,625
Treasury shares		(522)	–
Financial instruments classified as equity		37,988	37,988
Reserves		216,255	208,290
		290,034	282,069
Non-controlling interests		148,099	144,221
Total equity		438,133	426,290

Wang Tongzhou
Director

Wang Haihui
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Notes	Share capital	Share premium	Treasury shares	Financial instruments classified as equity ⁽¹⁾	Other reserves (note 21)	Retained earnings	Total	Non-controlling interests ⁽²⁾	Total equity
		Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million
As at 31 December 2022 (audited)		16,166	19,625	-	37,988	44,339	163,860	281,978	144,198	426,176
Business combination under common control		-	-	-	-	80	10	90	23	113
Effect of adoption of amendments to IAS 12 (note 2.2(c))		-	-	-	-	-	1	1	-	1
As at 1 January 2023 (restated)		16,166	19,625	-	37,988	44,419	163,871	282,069	144,221	426,290
Profit for the period		-	-	-	-	-	12,349	12,349	3,099	15,448
Other comprehensive (loss)/income for the period:										
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	-	-	(1,085)	-	(1,085)	-	(1,085)
Cash flow hedges, net of tax		-	-	-	-	2	-	2	-	2
Share of other comprehensive income of joint ventures and associates		-	-	-	-	8	-	8	-	8
Actuarial loss on retirement benefit obligations, net of tax		-	-	-	-	(6)	-	(6)	-	(6)
Exchange differences on translation of foreign operations		-	-	-	-	1,597	-	1,597	77	1,674
Total comprehensive income for the period		-	-	-	-	516	12,349	12,865	3,176	16,041
Final 2022 dividend declared		-	-	-	-	-	(3,509)	(3,509)	-	(3,509)
Interest on perpetual securities		-	-	-	-	-	(1,301)	(1,301)	(1,678)	(2,979)
Share-based payment		-	-	-	-	36	-	36	-	36
Grant of restricted stock shares		98	424	-	-	-	-	522	-	522
Restricted stock repurchase obligation		-	-	(522)	-	-	-	(522)	-	(522)
Dividends to non-controlling shareholders		-	-	-	-	-	-	-	(270)	(270)
Capital contribution from shareholders		-	-	-	-	-	-	-	1,427	1,427
Withdrawal of capital by non-controlling shareholders		-	-	-	-	-	-	-	(132)	(132)
Business combination under common control	23	-	-	-	-	(88)	-	(88)	-	(88)
Acquisition of subsidiaries	23	-	-	-	-	-	-	-	99	99
Disposal of subsidiaries	24	-	-	-	-	-	-	-	(14)	(14)
Issue of perpetual securities		-	-	-	-	-	-	-	9,570	9,570
Redemption of perpetual securities		-	-	-	-	-	-	-	(8,256)	(8,256)
Transaction with non-controlling interests	21	-	-	-	-	(38)	-	(38)	(44)	(82)
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	21	-	-	-	-	(49)	49	-	-	-
Transfer to general reserve	21	-	-	-	-	409	(409)	-	-	-
Transfer to safety production reserve	21	-	-	-	-	946	(946)	-	-	-
As at 30 June 2023		16,264	20,049	(522)	37,988	46,151*	170,104*	290,034	148,099	438,133

* As at 30 June 2023, these reserve accounts comprise the consolidated reserves of RMB216,255 million (31 December 2022: RMB208,290 million) in the interim condensed consolidated statement of financial position.

- (1) As of 30 June 2023, perpetual securities of RMB37,988 million (2022: RMB37,988 million) issued by the Company were classified as equity in the interim condensed consolidated financial information. During the period, interest distribution on these perpetual securities by the Company totalled RMB1,301 million.
- (2) As of 30 June 2023, perpetual securities of RMB82,190 million (2022: RMB81,052 million) issued by subsidiaries of the Company were classified as non-controlling interests in the interim condensed consolidated financial information. During the period, interest distribution on these perpetual securities by the Group totalled RMB1,678 million.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent								
	Notes	Share capital	Share premium	Financial instruments classified as equity	Other reserves (note 21)	Retained earnings	Total	Non-controlling interests	Total equity
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
As at 31 December 2021 (audited)		16,166	19,625	33,959	40,115	150,485	260,350	131,004	391,354
Business combination under common control		-	-	-	137	(14)	123	44	167
Effect of adoption of amendments to IAS 12 (note 2.2(c))		-	-	-	-	1	1	-	1
As at 1 January 2022 (restated)		16,166	19,625	33,959	40,252	150,472	260,474	131,048	391,522
Profit for the period(restated)		-	-	-	-	11,969	11,969	2,419	14,388
Other comprehensive income/(loss) for the period:									
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	-	(2,853)	-	(2,853)	-	(2,853)
Cash flow hedges, net of tax		-	-	-	(6)	-	(6)	-	(6)
Share of other comprehensive loss of joint ventures and associates		-	-	-	245	-	245	-	245
Actuarial income on retirement benefit obligations, net of tax		-	-	-	9	-	9	-	9
Exchange differences on translation of foreign operations		-	-	-	1,675	-	1,675	80	1,755
Total comprehensive income for the period (restated)		-	-	-	(930)	11,969	11,039	2,499	13,538
Final 2021 dividend declared		-	-	-	-	(3,293)	(3,293)	-	(3,293)
Interest on perpetual securities		-	-	-	-	(1,622)	(1,622)	(290)	(1,912)
Dividends to non-controlling shareholders		-	-	-	-	-	-	(147)	(147)
Share of other reserves of joint ventures and associates		-	-	-	1	-	1	-	1
Capital contribution from non-controlling shareholders		-	-	-	-	-	-	1,412	1,412
Acquisition of subsidiaries		-	-	-	-	-	-	56	56
Issue of perpetual securities		-	-	7,000	-	-	7,000	9,187	16,187
Redemption of perpetual securities		-	-	-	-	-	-	(1,000)	(1,000)
Transaction with non-controlling interests	21	-	-	-	18	-	18	-	18
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	21	-	-	-	(82)	82	-	-	-
Transfer to safety production reserve	21	-	-	-	867	(867)	-	-	-
As at 30 June 2022 (unaudited and restated)		16,166	19,625	40,959	40,126	156,741	273,617	142,765	416,382

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 Unaudited RMB million	2022 Unaudited (Restated) RMB million
Cash flows from operating activities			
Profit before tax		18,661	18,389
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties	5	4,256	4,056
– Depreciation of right-of-use assets	5	643	593
– Amortisation of intangible assets	5	1,500	1,303
– Gains on disposal of items of property, plant and equipment, intangible assets and other long-term assets	4	(331)	(143)
– Gains on disposal of joint ventures and associates	4	–	(62)
– Fair value losses/(gains) on financial assets at fair value through profit or loss	4	499	(4)
– Fair value losses/(gains) on derivative financial instruments	4	69	(99)
– Gains on disposal of financial assets at fair value through profit or loss	4	(16)	(22)
– Gains on disposal of subsidiaries	4	(134)	(2,219)
– Dividend income from financial assets at fair value through profit or loss	4	(113)	(83)
– Dividend income from equity investments designated at fair value through other comprehensive income	4	(838)	(861)
– Other income from investing activities		(49)	(37)
– Share of losses of joint ventures and associates		497	812
– Reversal of provision for write-down of inventories	5	(7)	–
– Provision for impairment of financial and contract assets, net	5	2,844	2,786
– Provision for impairment of property, plant and equipment	5	–	40
– Interest income	6	(11,038)	(8,515)
– Interest expenses	7	10,042	9,635
– Equity-settled share-based payment		36	–
– Net foreign exchange gains on borrowings	7	419	101
		26,940	25,670
Increase in inventories		(11,659)	(2,526)
Increase in restricted bank deposits		(221)	(652)
Increase in contract assets, trade and other receivables		(147,109)	(121,846)
Increase in trade and other payables		70,090	60,891
Increase/(decrease) in contract liabilities		5,685	(10,111)
Decrease in retirement benefit obligations		(43)	(45)
Decrease in provisions		(17)	(205)
Decrease in deferred income		(35)	(17)
Cash used in operations		(56,369)	(48,841)
Interest income from operating activities		10,893	8,252
Income tax paid		(3,902)	(5,127)
Net cash flows used in operating activities		(49,378)	(45,716)

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 Unaudited RMB million	2022 Unaudited (Restated) RMB million
	Notes	
Cash flows from investing activities		
Purchases of items of property, plant and equipment		(5,909)
Additions to right-of-use assets		(354)
Purchases of investment properties		(29)
Purchases of intangible assets		(9,653)
Proceeds from disposal of items of property, plant and equipment		156
Proceeds from disposal of right-of-use assets		271
Proceeds from disposal of investment properties		2
Proceeds from disposal of intangible assets		2
Investments in associates		(2,645)
Investments in joint ventures		(3,036)
Acquisition of subsidiaries	23	(396)
Disposal of subsidiaries	24	(94)
Disposal of joint ventures and associates		1,161
Purchases of equity investments designated at fair value through other comprehensive income		(851)
Purchases of financial assets at fair value through profit or loss		(10,031)
Purchases of debt investments		–
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		125
Proceeds from disposal of financial assets at fair value through profit or loss		3,207
Loans to joint ventures, associates and third parties		(8,221)
Repayment of loans from joint ventures, associates and third parties		1,597
Interest received		20
Changes in time deposits with an initial term of over three months		187
Cash consideration received for concession assets		758
Dividends received		740
Proceeds from other investing activities		124
Net cash flows used in investing activities		(32,869)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 Unaudited RMB million	2022 Unaudited (Restated) RMB million
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		1,427	1,425
Dividends paid to non-controlling shareholders		(260)	(136)
Dividends paid to equity holders of the parent		–	(484)
Proceeds from perpetual securities		9,570	16,187
Interest paid for perpetual securities		(1,475)	(1,075)
Redemption of perpetual securities		(8,256)	(1,000)
Proceeds from bank and other borrowings		225,223	186,538
Repayment of bank and other borrowings		(84,036)	(81,410)
Interest paid for bank and other borrowings		(10,695)	(10,031)
Transaction with non-controlling interests		(214)	–
Cash paid for business combination under common control		(88)	–
Proceeds from issue of shares		522	–
Lease payments		(830)	(560)
Net cash flows generated from financing activities		130,888	109,454
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period	17	103,202	95,898
Effect of foreign exchange rate changes, net		337	730
Cash and cash equivalents at end of period	17	152,180	138,022

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised IFRSs for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

Impact on the interim condensed consolidated statement of financial position:

	Note	Increase/(decrease)		
		As at 30 June 2023 (Unaudited) RMB million	As at 31 December 2022 RMB million	As at 1 January 2022 (Unaudited) RMB million
Assets				
Deferred tax assets	(i)	3	1	1
Total non-current assets		3	1	1
Total assets		3	1	1
Net assets		3	1	1
Equity				
Retained profits (included in other reserves)		3	1	1
Equity attributable to owners of the parent		3	1	1
Total equity		3	1	1

Note (i): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the interim condensed consolidated statement of financial position for presentation purposes.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

Impact on the interim condensed consolidated statement of profit or loss:

	Increase/(decrease)	
	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB million	RMB million
Income tax expense	(2)	(4)
Profit for the period	2	4
Attributable to:		
Owners of the parent	2	4
Total comprehensive income for the period	2	4
Attributable to:		
Owners of the parent	2	4

The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Cooperation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023 but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

2.3 PRIOR PERIOD RESTATEMENT

In addition to the adoption of amendments to IAS 12, the Group acquired a subsidiary from China Communications Real Estate Group Co., LTD., China Real Estate Development Group Limited and China Real Estate Co., LTD. Since the subsidiary and the Group are both under common control of CCCG before and after the acquisition, the acquisition is business combinations under common control, which is mentioned in note 23(b).

Business combinations arising from transfers of interests in entities that are under the control of the ultimate shareholder that controls the Group are accounted for as if the acquisitions had occurred at the beginning of the earliest date presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the acquired entities' financial statements.

Upon transfer of interest in an entity to another entity that is under the control of the ultimate shareholder that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

Due to adoption of amendments to IAS 12 and the acquisition of a subsidiary under common control, the opening balances as at 1 January 2022 and comparative information for the six months ended 30 June 2022 and as of 31 December 2022 have been restated in the interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

2.3 PRIOR PERIOD RESTATEMENT (CONTINUED)

Restated interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2022:

	Before restatement (Unaudited) <i>RMB million</i>	Effect of business combinations under common control <i>RMB million</i>	Effect of application of Amendments to IAS 12 <i>RMB million</i>	After restatement (Unaudited) <i>RMB million</i>
Profit for the period	14,368	16	4	14,388
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	1,994	–	–	1,994
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(2,844)	–	–	(2,844)
Total comprehensive income for the period	13,518	16	4	13,538
Attributable to:				
Owners of the parent	11,019	16	4	11,039
Non-controlling interests	2,499	–	–	2,499

Restated consolidated statement of financial position as at 31 December 2022:

	Before restatement <i>RMB million</i>	Effect of business combinations under common control <i>RMB million</i>	Effect of application of Amendments to IAS 12 <i>RMB million</i>	After restatement (Unaudited) <i>RMB million</i>
Total non-current assets	895,087	12	1	895,100
Total current assets	616,263	104	–	616,367
Total current liabilities	661,353	(4)	–	661,349
Total non-current liabilities	423,821	7	–	423,828
Equity attributable to owners of the parent	281,978	90	1	282,069
Non-controlling interests	144,198	23	–	144,221
Total equity	426,176	113	1	426,290

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2023 and other segment information included in the unaudited interim condensed consolidated financial information are as follows:

	For the six months ended 30 June 2023					
	Construction	Design	Dredging	Others	Eliminations	Total
	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million
Total gross segment revenue	327,822	18,509	26,059	9,870	(17,810)	364,450
Intersegment sales	(5,670)	(2,867)	(2,052)	(7,221)	17,810	–
Revenue (note 4)	322,152	15,642	24,007	2,649	–	364,450
Segment results	16,517	1,424	1,228	478	(2)	19,645
Unallocated income						(32)
Operating profit						19,613
Finance income						11,038
Finance costs, net						(11,493)
Share of profits and losses of joint ventures and associates						(497)
Profit before tax						18,661
Income tax expense						(3,213)
Profit for the period						15,448
Other segment information						
Depreciation	3,876	208	507	308	–	4,899
Amortisation	1,451	27	20	2	–	1,500
Reversal of provision for write-down of inventories	(7)	–	–	–	–	(7)
Impairment losses on financial and contract assets, net	2,401	166	251	26	–	2,844
Capital expenditure	18,845	472	446	642	–	20,405

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2022 and other segment information included in the unaudited interim condensed consolidated financial information are as follows:

	For the six months ended 30 June 2022					
	Construction	Design	Dredging	Others	Eliminations	Total
	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million
Total gross segment revenue	323,881	22,020	26,268	8,966	(18,281)	362,854
Intersegment sales	(5,226)	(5,086)	(911)	(7,058)	18,281	–
Revenue (note 4)	318,655	16,934	25,357	1,908	–	362,854
Segment results	17,566	1,697	1,130	419	156	20,968
Unallocated income						104
Operating profit						21,072
Finance income						8,515
Finance costs, net						(10,386)
Share of profits and losses of joint ventures and associates						(812)
Profit before tax						18,389
Income tax expense						(4,001)
Profit for the period						14,388
Other segment information						
Depreciation	3,690	172	528	259	–	4,649
Amortisation	1,235	26	16	26	–	1,303
Impairment of property, plant and equipment	40	–	–	–	–	40
Impairment losses on financial and contract assets, net	2,245	187	314	40	–	2,786
Capital expenditure	21,343	272	98	194	–	21,907

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

The segment assets and liabilities as at 30 June 2023 are as follows:

	As at 30 June 2023					Total Unaudited RMB million
	Construction Unaudited RMB million	Design Unaudited RMB million	Dredging Unaudited RMB million	Others Unaudited RMB million	Eliminations Unaudited RMB million	
Segment assets	1,324,194	64,908	129,824	116,823	(84,001)	1,551,748
Investments in joint ventures						53,781
Investments in associates						50,237
Other unallocated assets						90,682
Total assets						1,746,448
Segment liabilities	556,929	32,130	63,248	13,068	(55,184)	610,191
Unallocated liabilities						698,124
Total liabilities						1,308,315

The segment assets and liabilities as at 31 December 2022 are as follows:

	As at 31 December 2022					Total RMB million
	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Eliminations RMB million	
Segment assets	1,178,160	58,729	118,617	109,391	(97,351)	1,367,546
Investments in joint ventures						51,731
Investments in associates						47,573
Other unallocated assets						44,617
Total assets						1,511,467
Segment liabilities	503,436	32,957	53,182	9,652	(59,903)	539,324
Unallocated liabilities						545,853
Total liabilities						1,085,177

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2023 Unaudited RMB million	2022 Unaudited RMB million
Mainland China	308,187	311,887
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	56,263	50,967
	364,450	362,854

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

(b) Non-current assets

	30 June 2023	31 December 2022
	Unaudited RMB million	Audited RMB million
Mainland China	277,124	275,313
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	49,260	45,299
	326,384	320,612

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

Information about a major customer

No revenue derived from services or sales to a single customer accounted for 10% or more of the Group's revenue during the six months ended 30 June 2023 and 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2023

Segments	Construction Unaudited RMB million	Design Unaudited RMB million	Dredging Unaudited RMB million	Others Unaudited RMB million	Total Unaudited RMB million
Type of goods or services					
Infrastructure construction services	306,428	8,708	3,572	54	318,762
Infrastructure design services	617	6,701	270	–	7,588
Dredging and filling services	–	–	18,769	–	18,769
Others	15,107	233	1,396	2,595	19,331
Total revenue from contracts with customers	322,152	15,642	24,007	2,649	364,450
Geographical markets					
Mainland China	270,032	14,721	21,070	2,364	308,187
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	52,120	921	2,937	285	56,263
Total revenue from contracts with customers	322,152	15,642	24,007	2,649	364,450
Timing of revenue recognition					
Services transferred over time	307,041	15,628	22,610	54	345,333
Services transferred at a point in time	4,504	–	–	–	4,504
Merchandise transferred at a point in time	10,607	14	1,397	2,595	14,613
Total revenue from contracts with customers	322,152	15,642	24,007	2,649	364,450

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the six months ended 30 June 2022

Segments	Construction Unaudited RMB million	Design Unaudited RMB million	Dredging Unaudited RMB million	Others Unaudited RMB million	Total Unaudited RMB million
Type of goods or services					
Infrastructure construction services	303,376	10,537	4,324	39	318,276
Infrastructure design services	557	6,034	183	–	6,774
Dredging and filling services	–	–	19,674	–	19,674
Others	14,722	363	1,176	1,869	18,130
Total revenue from contracts with customers	318,655	16,934	25,357	1,908	362,854
Geographical markets					
Mainland China	271,679	16,271	22,282	1,655	311,887
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	46,976	663	3,075	253	50,967
Total revenue from contracts with customers	318,655	16,934	25,357	1,908	362,854
Timing of revenue recognition					
Services transferred over time	303,936	16,903	24,181	39	345,059
Services transferred at a point in time	4,745	–	–	–	4,745
Merchandise transferred at a point in time	9,974	31	1,176	1,869	13,050
Total revenue from contracts with customers	318,655	16,934	25,357	1,908	362,854

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

For the six months ended 30 June 2023

Segments	Construction Unaudited <i>RMB million</i>	Design Unaudited <i>RMB million</i>	Dredging Unaudited <i>RMB million</i>	Others Unaudited <i>RMB million</i>	Total Unaudited <i>RMB million</i>
Revenue from contracts with customers					
External customers	322,152	15,642	24,007	2,649	364,450
Intersegment sales	5,670	2,867	2,052	7,221	17,810
Intersegment adjustments and eliminations	(5,670)	(2,867)	(2,052)	(7,221)	(17,810)
Total revenue from contracts with customers	322,152	15,642	24,007	2,649	364,450

For the six months ended 30 June 2022

Segments	Construction Unaudited <i>RMB million</i>	Design Unaudited <i>RMB million</i>	Dredging Unaudited <i>RMB million</i>	Others Unaudited <i>RMB million</i>	Total Unaudited <i>RMB million</i>
Revenue from contracts with customers					
External customers	318,655	16,934	25,357	1,908	362,854
Intersegment sales	5,226	5,086	911	7,058	18,281
Intersegment adjustments and eliminations	(5,226)	(5,086)	(911)	(7,058)	(18,281)
Total revenue from contracts with customers	318,655	16,934	25,357	1,908	362,854

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

Other income

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB million	RMB million
Rental income	446	508
Revenue from consulting services	182	261
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	838	860
– Unlisted equity instruments	–	1
Government grants	237	240
Dividend income from financial assets at fair value through profit or loss	113	83
Income from sales of scraps	235	130
Others	670	469
	2,721	2,552

Other gains, net

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB million	RMB million
Gains on disposal of items of property, plant and equipment	76	134
Gains on disposal of items of intangible assets and other long-term assets	255	9
Gains on disposal of subsidiaries	134	2,219
Gains on disposal of joint ventures and associates	–	62
Fair value (losses)/gains, net:		
– Financial assets at fair value through profit or loss	(499)	4
– Derivative financial instruments – transactions not qualifying as hedges	(69)	99
Foreign exchange differences, net	1,280	900
Gains on disposal of financial assets at fair value through profit or loss	16	22
Losses on derecognition of financial assets at amortised cost	(757)	(395)
	436	3,054

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB million	RMB million
Raw materials and consumables used*	94,701	99,252
Cost of goods sold	9,087	8,696
Subcontracting costs	167,146	167,443
Employee benefit expenses*:		
– Salaries, wages and bonuses	16,581	15,439
– Pension costs – defined contribution plans	2,536	2,123
– defined benefit plans	10	19
– Housing benefits	1,429	1,214
– Welfare, medical and other expenses	8,833	8,664
	29,389	27,459
Equipment and plant usage costs	7,341	6,269
Business tax and other taxes	860	768
Fuel	1,878	1,980
Research and development costs (including raw materials and consumables used, employee benefit expenses, depreciation and amortisation)	9,384	9,145
Maintenance costs	1,503	1,365
Utilities	939	779
Depreciation of property, plant and equipment, investment properties and right-of-use assets*	4,899	4,649
Amortisation of intangible assets*	1,500	1,303
Reversal of provision for write-down of inventories	(7)	–
Impairment of property, plant and equipment	11	40
Impairment of financial and contract assets, net	16	2,786

* The raw materials and consumables used, the employee benefit expenses, and the depreciation and amortisation for the period charged for research and development activities are also included in the item of "Research and development costs".

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

6. FINANCE INCOME

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB million	RMB million
Interest income from:		
– Bank deposits	678	441
– Contract assets and receivables from Public-Private-Partnership (“PPP”) contracts and primary land development contracts	6,407	4,651
– Loan receivables	2,417	2,396
– Others	1,536	1,027
	11,038	8,515

7. FINANCE COSTS, NET

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB million	RMB million
Total interest expense	11,140	10,590
Less: Interest capitalised	1,098	955
Net interest expense	10,042	9,635
Net foreign exchange gains on borrowings	419	101
Others	1,032	650
	11,493	10,386

Interest capitalised

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB million	RMB million
Inventories	81	159
Concession assets	927	749
Construction in progress	90	47
	1,098	955

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

8. INCOME TAX

Most of the companies comprising the Group are subject to the PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (six months ended 30 June 2022: 25%) of the assessable income of each of these companies during the period as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC subsidiaries of the Company, which were taxed at a preferential rate of 15% (six months ended 30 June 2022: 15%).

Taxation for other companies of the Group has been calculated based on the estimated assessable profit for the six months ended 30 June 2023 and 2022 at the appropriate rates of taxation prevailing in the jurisdictions in which these companies operate.

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

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited (Restated)
	RMB million	RMB million
Current income tax		
– PRC enterprise income tax	3,000	3,673
– Others	365	369
	3,365	4,042
Deferred income tax	(152)	(41)
Total tax charge for the period	3,213	4,001

9. DIVIDENDS

A dividend in respect of the year ended 31 December 2022 of RMB0.21707 (including tax) per ordinary share totalling RMB3,509 million was approved by the Company's shareholders in the annual general meeting on 16 June 2023. The dividend of A shares was distributed in cash on 18 July 2023, and the dividend of H shares was distributed in cash on 11 August 2023.

The above approval has triggered the mandatory clauses about the distribution of interest relating to perpetual securities issued by the Company, totalling RMB1,301 million.

No interim dividend for the six months ended 30 June 2023 was declared by the Board of Directors (six months ended 30 June 2022: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

(a) Basic

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

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited (Restated)
Profit attributable to ordinary equity holders of the parent (RMB million)	12,349	11,969
Less: Interest on perpetual securities (RMB million) (i)	687	723
	11,662	11,246
Weighted average number of ordinary shares in issue (million)	16,166	16,166
Basic earnings per share	RMB0.72	RMB0.70

- (i) The perpetual securities issued by the Company were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB687 million on the perpetual securities which has been accrued but not declared from 1 January 2023 to 30 June 2023 was deducted from earnings when calculating the basic earnings per share amount for the six months ended 30 June 2023.

(b) Diluted

The diluted earnings per share amounts were the same as the basic earnings per share amounts as performance conditions for release of the restricted shares have not been met and there were no potentially dilutive ordinary shares outstanding during the six months ended 30 June 2023 and 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings Unaudited <i>RMB million</i>	Machinery Unaudited <i>RMB million</i>	Vessels and vehicles Unaudited <i>RMB million</i>	Other equipment Unaudited <i>RMB million</i>	Construction in progress Unaudited <i>RMB million</i>	Total Unaudited <i>RMB million</i>
30 June 2023						
At 31 December 2022 , net of accumulated depreciation and impairment	15,276	13,109	19,079	3,069	9,615	60,148
Additions	69	1,328	642	474	4,025	6,538
Disposal	(16)	(39)	(12)	25	-	(42)
Acquisition from debt restructuring	123	-	-	-	-	123
Acquisition of subsidiaries	-	-	-	3	-	3
Transfer	48	546	103	40	(737)	-
Transfer from investment properties	70	-	-	-	-	70
Transfer from inventories	7	-	-	-	-	7
Transfer to investment properties	(100)	-	-	-	-	(100)
Transfer to right-of-use asset	-	-	-	-	(2)	(2)
Depreciation provided during the period	(357)	(2,026)	(824)	(814)	-	(4,021)
Exchange realignment	67	39	54	(17)	(21)	122
At 30 June 2023, net of accumulated depreciation and impairment	15,187	12,957	19,042	2,780	12,880	62,846
At 30 June 2023						
Cost	21,485	37,506	45,469	16,835	12,892	134,187
Accumulated depreciation and impairment	(6,298)	(24,549)	(26,427)	(14,055)	(12)	(71,341)
Net carrying amount	15,187	12,957	19,042	2,780	12,880	62,846

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings <i>RMB million</i>	Machinery <i>RMB million</i>	Vessels and vehicles <i>RMB million</i>	Other equipment <i>RMB million</i>	Construction in progress <i>RMB million</i>	Total <i>RMB million</i>
31 December 2022						
At 31 December 2021, net of accumulated depreciation and impairment	14,425	13,747	17,963	3,742	11,374	61,251
Additions	472	2,447	1,825	1,814	5,264	11,822
Capital contribution from non-controlling shareholders	29	–	–	–	–	29
Disposals	(246)	(243)	(40)	(210)	–	(739)
Acquisition of subsidiaries	1	9	1	2	2	15
Disposal of subsidiaries	(2)	(51)	(18)	(14)	–	(85)
Transfer	1,460	543	1,356	244	(3,603)	–
Transfer from right-of-use assets	–	29	–	–	–	29
Transfer from investment properties	297	–	–	–	–	297
Transfer from inventories	56	15	–	–	616	687
Transfer to Intangible assets	–	–	–	–	(7)	(7)
Transfer to right-of-use assets	–	–	–	–	(17)	(17)
Transfer to investment properties	(360)	–	–	–	(3,976)	(4,336)
Depreciation provided during the year	(888)	(3,392)	(2,141)	(2,465)	–	(8,886)
Impairment	–	(77)	–	(2)	–	(79)
Exchange realignment and others	32	82	133	(42)	(38)	167
At 31 December 2022, net of accumulated depreciation and impairment	15,276	13,109	19,079	3,069	9,615	60,148
At 31 December 2022						
Cost	21,190	36,000	44,971	16,750	9,740	128,651
Accumulated depreciation and impairment	(5,914)	(22,891)	(25,892)	(13,681)	(125)	(68,503)
Net carrying amount	15,276	13,109	19,079	3,069	9,615	60,148

As at 30 June 2023, the Group was in the process of applying for the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB1,569 million (31 December 2022: RMB1,928 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

As at 30 June 2023, certain bank and other borrowings were secured by Property, plant and equipment, with a carrying amount of approximately RMB723 million (31 December 2022: Nil) (note 26).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

12. INTANGIBLE ASSETS

	Concession assets Unaudited RMB million	Goodwill Unaudited RMB million	Trademarks, patent, proprietary technologies and copyrights Unaudited RMB million	Computer software Unaudited RMB million	Others Unaudited RMB million	Total Unaudited RMB million
30 June 2023						
Cost at 1 January 2023, net of accumulated amortisation and impairment	212,291	5,182	1,153	491	414	219,531
Additions	12,416	–	–	50	27	12,493
Disposal of subsidiaries	(367)	–	–	–	–	(367)
Disposal	–	–	–	(2)	–	(2)
Amortisation provided during the period	(1,372)	–	(14)	(99)	(15)	(1,500)
Exchange realignment	1,032	87	13	–	3	1,135
Others	(10,821)	–	–	–	–	(10,821)
At 30 June 2023	213,179	5,269	1,152	440	429	220,469
At 30 June 2023						
Cost	225,041	5,369	1,470	1,568	812	234,260
Accumulated amortisation and impairment	(11,862)	(100)	(318)	(1,128)	(383)	(13,791)
Net carrying amount	213,179	5,269	1,152	440	429	220,469

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

12. INTANGIBLE ASSETS (CONTINUED)

	Concession assets <i>RMB million</i>	Goodwill <i>RMB million</i>	Trademarks, patent, proprietary technologies and copyrights <i>RMB million</i>	Computer software <i>RMB million</i>	Others <i>RMB million</i>	Total <i>RMB million</i>
31 December 2022						
Cost at 1 January 2022, net of accumulated amortisation and impairment	222,097	5,120	1,138	399	340	229,094
Additions	24,815	–	49	293	118	25,275
Transfer from property, plant and equipment	–	–	–	7	–	7
Business combination	–	18	–	–	–	18
Asset acquisition	7,696	–	–	–	–	7,696
Disposal of subsidiaries	(34,605)	–	–	(1)	–	(34,606)
Disposal	–	–	–	(14)	–	(14)
Amortisation provided during the period	(2,645)	–	(34)	(193)	(44)	(2,916)
Impairment during the year	–	(50)	–	–	–	(50)
Exchange realignment	–	95	–	–	–	95
Others	(5,067)	(1)	–	–	–	(5,068)
At 31 December 2022	212,291	5,182	1,153	491	414	219,531
At 31 December 2022						
Cost	223,353	5,282	1,455	1,535	782	232,407
Accumulated amortisation and impairment	(11,062)	(100)	(302)	(1,044)	(368)	(12,876)
Net carrying amount	212,291	5,182	1,153	491	414	219,531

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

12. INTANGIBLE ASSETS (CONTINUED)

As at 30 June 2023, concession assets represented assets under “Build-Operate-Transfer” service concession arrangements and mainly consisted of toll roads in Mainland China. Certain concession projects have been put into operations, of which the net carrying amount was RMB173,602 million (2022: RMB175,141 million). The net carrying amount of concession assets of which the related projects were under construction was RMB39,577 million (2022: RMB37,150 million).

As at 30 June 2023, the Group recognised an accumulated impairment of RMB299 million (31 December 2022: RMB299 million), provided for concession assets (two toll roads) in the infrastructure construction segment.

As at 30 June 2023, certain bank and other borrowings were secured by concession assets, with a carrying amount of approximately RMB122,664 million (31 December 2022: RMB146,235million) (note 20(d) and note 26).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB million	RMB million
Listed equity investments (<i>note a</i>)	630	993
Unlisted investments		
– Investments in structured entities	18,786	17,257
– Unlisted equity investments	3,117	2,084
– Future purchase option (<i>note c</i>)	2,164	2,118
– Investments in assets-backed securities	–	30
– Wealth management products (<i>note b</i>)	4,414	307
	29,111	22,789
Less: Non-current portion		
– Unlisted investments (<i>note c</i>)	24,067	21,489
Current portion	5,044	1,300

- (a) The listed equity investments at 30 June 2023 were classified as financial assets at fair value through profit or loss as they were held for trading. The fair values of these investments were based on the quoted market prices at the end of the reporting period.
- (b) The above wealth management products issued by banks in Mainland China are 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.
- (c) The Group purchased future purchase options to buy back equity interests in certain companies it disposed of in prior years at a discounted price. As at 30 June 2023, the fair value of the future purchase options was RMB2,164 million (2022: RMB2,118 million).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB million	RMB million
Listed equity instruments		
– China Merchants Bank Co., Ltd.	13,850	15,752
– China Merchants Securities Co., Ltd.	3,730	3,655
– Zhengzhou Yutong Bus Co., Ltd.	603	307
– China Everbright Bank Co., Ltd.	178	229
– China Development Bank Financial Leasing Co., Ltd.	148	146
– CECEP Environmental Protection Equipment Co., Ltd.	182	146
– Bank of Communications Co., Ltd.	161	143
– Zhongtong Bus Holding Co., Ltd.	49	56
– Others	281	262
	19,182	20,696
Unlisted equity instruments		
– Lunan High Speed Railway Co., Ltd.	1,298	1,298
– Shandong Zilin Expressway Co., Ltd.	663	194
– Shandong Jiwei Expressway Co., Ltd.	346	346
– Beijing CEDC Ltd.	321	321
– Shandong Expressway Jiqing Midline Highway Co., Ltd.	242	242
– Hunan Bainan Expressway Construction Development Co., Ltd.	322	173
– Jiangsu Xitai Tunnel Co., Ltd.	221	149
– Shanghai Kerry Oils & Grains Industries Co., Ltd.	48	48
– Others	777	617
	4,238	3,388
	23,420	24,084

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

During the six months ended 30 June 2023, the Group received dividends in a total amount of RMB838 million, mainly including RMB708 million, RMB51 million and RMB41 million from China Merchants Bank Co., Ltd, China Merchants Securities Co., Ltd. and Zhengzhou Yutong Bus Co., Ltd., respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

15. INVENTORIES

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB million	RMB million
Raw materials	19,996	16,819
Work in progress	1,155	884
Properties under development	58,926	51,086
Completed properties held for sale	8,137	7,515
Finished goods	1,512	1,433
Others	311	526
	90,037	78,263

As at 30 June 2023, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amount of RMB8,705 million (31 December 2022: RMB10,184 million) were pledged to secure the Group's bank loans (note 20(d) and note 26).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

16. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES

	30 June 2023 Unaudited RMB million	31 December 2022 Audited RMB million
Trade and bills receivables (<i>note a</i>)	142,279	130,560
Impairment	(22,174)	(22,070)
	120,105	108,490
Contract assets (<i>note b</i>)	482,697	396,730
Impairment	(4,119)	(3,346)
	478,578	393,384
Long-term receivables (<i>note c</i>)	306,019	252,923
Impairment	(9,806)	(8,120)
	296,213	244,803
Other receivables:		
Prepayments	34,539	34,746
Deposits (<i>note d</i>)	28,136	27,378
Others	62,250	52,003
	124,925	114,127
Impairment	(5,454)	(5,198)
	119,471	108,929
	1,014,367	855,606
Portion classified as non-current		
Contract assets	279,027	242,310
Long-term receivables	214,959	175,699
Other receivables:		
Prepayments	5,933	5,933
Deposits	1,736	1,576
Others	7,675	6,245
	509,330	431,763
Current portion	505,037	423,843

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

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

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

	30 June 2023 Unaudited <i>RMB million</i>	31 December 2022 Audited <i>RMB million</i>
Within 6 months	71,594	61,646
6 months to 1 year	17,042	9,867
1 year to 2 years	12,066	22,007
2 years to 3 years	11,238	5,871
Over 3 years	8,165	9,099
	120,105	108,490

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

	For the six months ended 30 June 2023 Unaudited <i>RMB million</i>	Year ended 31 December 2022 Audited <i>RMB million</i>
At beginning of period/year	22,070	17,579
Impairment losses, net	879	5,359
Acquisition of subsidiaries	–	–
Disposal of subsidiaries	–	(62)
Amount written off*	(57)	(1,027)
Others	(718)	221
At end of period/year	22,174	22,070

- * As at 30 June 2023, an accumulated impairment of RMB42 million (2022: RMB1,003 million) was written off because the relevant trade and bills receivables were derecognised due to the arrangement of non-recourse factoring agreements, ABS, ABN, and endorsement.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

- (b) 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.
- (c) Long-term receivables mainly represented amounts due from certain construction works with payment periods over one year.
- (d) Deposits mainly represented tender and performance bonds due from customers.
- (e) As at 30 June 2023, certain of the Group's outstanding trade and other receivables (excluding PPP projects) with a net carrying amount of approximately RMB29,645 million (31 December 2022: RMB37,882 million) were pledged to secure general banking facilities granted to the Group, and certain of the Group's outstanding trade receivables and contract assets from PPP projects with a net carrying amount of approximately RMB162,893 million (31 December 2022: RMB138,257 million) have been pledged to secure bank borrowings (note 20(d) and note 26).

17. CASH AND BANK BALANCES

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB million	RMB million
Restricted bank deposits (<i>note a</i>)	5,757	5,536
Time deposits with an initial term of over three months (<i>note b</i>)	3,894	4,081
	9,651	9,617
Cash and cash equivalents	152,180	103,202
	161,831	112,819

- (a) As at 30 June 2023 and 31 December 2022, 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

17. CASH AND BANK BALANCES (CONTINUED)

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB124,552 million (31 December 2022: RMB76,218 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 30 June 2023, less than 3% (31 December 2022: 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.

18. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB million	RMB million
Trade and bills payables (<i>note a</i>)	410,045	350,945
Deposits from suppliers	49,399	43,046
Retentions	54,927	46,817
Deposits in CCCC Finance (<i>note b</i>)	7,852	12,164
Other taxes	36,286	34,252
Payroll and social security	2,304	2,211
Accrued expenses and others	43,986	34,947
	604,799	524,382
Portion classified as non-current		
Retentions	40,951	35,699
Other taxes	302	324
Others	5,575	5,414
	46,828	41,437
Current portion	557,971	482,945

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

18. TRADE AND OTHER PAYABLES (CONTINUED)

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

	30 June 2023 Unaudited RMB million	31 December 2022 Audited <i>RMB million</i>
Within 1 year	378,026	319,071
1 year to 2 years	19,268	18,631
2 years to 3 years	5,546	5,906
Over 3 years	7,205	7,337
	410,045	350,945

(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% (2022: 0.8%).

19. CONTRACT LIABILITIES

	30 June 2023 Unaudited RMB million	31 December 2022 Audited <i>RMB million</i>
Short-term advances received from customers:		
Infrastructure construction	70,821	66,267
Infrastructure design	5,105	5,898
Dredging	5,456	3,432
Others	932	1,032
	82,314	76,629

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

		30 June 2023	31 December 2022
	<i>Notes</i>	Unaudited RMB million	Audited RMB million
Non-current			
Long-term bank borrowings			
– secured	<i>(d)</i>	288,361	257,314
– guaranteed	<i>(e)</i>	13,432	14,453
– unsecured or unguaranteed		88,971	68,235
		390,764	340,002
Long-term other borrowings			
– secured	<i>(d)</i>	597	819
– guaranteed	<i>(e)</i>	2,922	2,370
– unsecured or unguaranteed		1,203	1,068
		4,722	4,257
Corporate bonds		12,244	14,558
Non-public debt instruments		11,035	11,952
Lease liabilities		1,716	1,575
Total non-current borrowings		420,481	372,344
Current			
Current portion of long-term bank borrowings			
– secured	<i>(d)</i>	19,575	15,632
– guaranteed	<i>(e)</i>	4,242	5,361
– unsecured or unguaranteed		16,011	18,491
		39,828	39,484
Short-term bank borrowings			
– secured	<i>(d)</i>	9,137	11,125
– guaranteed	<i>(e)</i>	1,631	196
– unsecured or unguaranteed		80,709	24,299
		91,477	35,620

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

	<i>Notes</i>	30 June 2023 Unaudited RMB million	31 December 2022 Audited RMB million
Current portion of long-term other borrowings			
– secured	<i>(d)</i>	567	587
– guaranteed	<i>(e)</i>	150	150
– unsecured or unguaranteed		191	343
		908	1,080
Short-term other borrowings			
– secured	<i>(d)</i>	30	–
– unsecured or unguaranteed		–	409
		30	409
Corporate bonds		10,112	5,588
Debentures		36,947	8,532
Non-public debt instruments		2,760	2,172
Lease liabilities		812	795
Total current borrowings		182,874	93,680
Total borrowings		603,355	466,024

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

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

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB million	RMB million
Bank borrowings		
– Within one year or on demand	131,305	75,104
– In the second year	51,844	40,281
– In the third to fifth years, inclusive	98,153	75,168
– Beyond five years	240,767	224,553
	522,069	415,106
Others, excluding lease liabilities		
– Within one year or on demand	50,757	17,781
– In the second year	10,071	9,250
– In the third to fifth years, inclusive	14,477	18,665
– Beyond five years	3,453	2,852
	78,758	48,548
	600,827	463,654

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

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB million	RMB million
Renminbi	571,622	434,747
United States dollar	25,709	26,176
Japanese yen	314	41
Euro	3,284	3,038
Hong Kong dollar	157	241
Others	2,269	1,781
	603,355	466,024

(c) Borrowings of the Group, excluding corporate bonds, debentures, non-public debt instruments, and lease liabilities, bore interest at effective rates ranging from 0.30% to 8.09% (2022: 0.30% to 7.50%) per annum at the end of the reporting period, and four overseas bank borrowing bore interest at a rate of 8.4% to 19.67% (2022: 9.38% to 16.70%).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

- (d) As at 30 June 2023 and 31 December 2022, these borrowings were secured by the Group's investment properties, right-of-use assets, intangible assets (note 12), inventories (note 15), contract assets and trade and other receivables (note 16(d)).
- (e) Guaranteed borrowings were guaranteed by certain subsidiaries of the Company and certain third parties.

21. OTHER RESERVES

	Capital reserve Unaudited RMB million	Statutory surplus reserve Unaudited RMB million	General reserve Unaudited RMB million	Retirement benefit obligation remeasurement reserve Unaudited RMB million	Investment revaluation reserve Unaudited RMB million	Hedging reserve Unaudited RMB million	Safety production reserve Unaudited RMB million	Exchange reserve Unaudited RMB million	Total Unaudited RMB million
At 31 December 2022	17,751	9,025	778	(64)	13,209	-	3,929	(289)	44,339
Business combination under common control	80	-	-	-	-	-	-	-	80
At 1 January 2023	17,831	9,025	778	(64)	13,209	-	3,929	(289)	44,419
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	(1,085)	-	-	-	(1,085)
Cash flow hedges, net of tax	-	-	-	-	-	2	-	-	2
Share of other comprehensive gain of joint ventures and associates	-	-	-	-	8	-	-	-	8
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	(6)	-	-	-	-	(6)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,597	1,597
Share based payment	36	-	-	-	-	-	-	-	36
Business combination under common control	(88)	-	-	-	-	-	-	-	(88)
Transaction with non-controlling interests	(38)	-	-	-	-	-	-	-	(38)
Transfer to general reserve	-	-	409	-	-	-	-	-	409
Transfer to safety production reserve	-	-	-	-	-	-	946	-	946
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(49)	-	-	-	(49)
At 30 June 2023	17,741	9,025	1,187	(70)	12,083	2	4,875	1,308	46,151

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

21. OTHER RESERVES (CONTINUED)

	Capital reserve	Statutory surplus reserve	General reserve	Retirement benefit obligation remeasurement reserve	Investment revaluation reserve	Hedging reserve	Safety production reserve	Exchange reserve	Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2021	13,689	8,282	637	(63)	17,806	10	2,968	(3,214)	40,115
Business combination under common control	137	-	-	-	-	-	-	-	137
At 1 January 2022	13,826	8,282	637	(63)	17,806	10	2,968	(3,214)	40,252
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	(2,853)	-	-	-	(2,853)
Cash flow hedges, net of tax	-	-	-	-	-	(6)	-	-	(6)
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	245	-	-	-	245
Share of other reserves of joint ventures and associates	1	-	-	-	-	-	-	-	1
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	9	-	-	-	-	9
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,675	1,675
Transaction with non-controlling interests	18	-	-	-	-	-	-	-	18
Transfer to safety production reserve	-	-	-	-	-	-	867	-	867
Transfer of fair value reserve upon the disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(82)	-	-	-	(82)
At 30 June 2022	13,845	8,282	637	(54)	15,116	4	3,835	(1,539)	40,126

22. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEE COMMITMENT

(i) Claims

- (a) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account the legal advice. No provision has been made for those pending lawsuits with a maximum compensation amount of RMB3,321 million (31 December 2022: RMB2,554 million) related mainly to disputes with customers and subcontractors, as the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. Pending lawsuits of which the probability of loss is remote or the claim amount is insignificant to the Group were not included in the above.

(ii) Loan guarantees

- (a) As at 30 June 2023, the Group has acted as the guarantor for several borrowings of RMB3,393 million (31 December 2022: RMB3,378 million) made by certain joint ventures and associates of the Group. The above amount represents the maximum exposure to default risk under the loan guarantee.
- (b) The Group provides guarantees to banks for the mortgage loans of the property buyers in certain real estate projects. As at 30 June 2023, the outstanding balance of guarantees provided by the Group was approximately RMB2,763 million (31 December 2022: RMB3,815 million).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

22. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEE COMMITMENT (CONTINUED)

(iii) Liquidity support

- (a) Beijing North Huade Neoplan Bus Co., Ltd., a subsidiary of the Company, provides liquidity support to Changchun Public Transportation (Group) Co., Ltd. for sale-leaseback rent payable to Huaxia Financial Leasing Co., Ltd. As at 30 June 2023, the outstanding balance of rent payable by Changchun Public Transportation (Group) Co., Ltd. to Huaxia Financial Leasing Co., Ltd. was RMB72million (31 December 2022: RMB97million).
- (b) The Group has entered into certain agreements with financial institutions to set up asset-backed securities (ABS) and asset-backed notes (ABN) arrangements. As at 30 June 2023, out of the ABS and ABN in issue with an aggregate amount of RMB64,112 million (31 December 2022: RMB59,390 million), RMB58,751 million (31 December 2022: RMB54,284 million) had been issued to preferential investors. Under the clauses of the agreements, the Group is subject to the obligations of liquidity supplementary payments to preferential investors when the cash available for distribution of the principal and return to preferential investors at the due date is not sufficient.

As of 30 June 2023, no provision has been made for the above liquidity supports as management estimates the outflow of resources is not probable.

23. BUSINESS COMBINATIONS

(a) Acquisition of a subsidiary not under common control

During the six months ended 30 June 2023, the Group obtained control over Zhongjiao Road Construction (Kunming) City Investment Development Co., Ltd., at a total consideration of RMB503 million. As of the approval date of this interim condensed consolidated financial information, the evaluation of relevant identifiable assets and liabilities is still ongoing, the Group has elected to measure the non-controlling interests in this company at the non-controlling interests' proportionate share of identifiable net assets of this company.

Information of the major acquired company and transaction was as follows:

Name	Type of transaction	Percentage of equity attributable to the Group	Acquisition date
Zhongjiao Road Construction (Kunming) City Investment Development Co., Ltd.	Increase of capital	82.5%	17 April 2023

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

23. BUSINESS COMBINATIONS (CONTINUED)

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

The provisional fair values of assets and liabilities of this company at the date of acquisition were as follows:

	Acquisition date Provisional fair value <i>RMB million</i>
Non-current assets	
Trade and other receivables	198
Property, plant and equipment	3
Right-of-use assets	2
	<hr/> 203
Current assets	
Contract assets, trade and other receivables	550
Cash and cash equivalents	4
	<hr/> 554
Current liabilities	
Trade and other payables	(135)
	<hr/> (135)
Non-current liabilities	
Interest-bearing bank and other borrowings	(1)
Trade and other payables	(18)
Deferred tax liabilities	(1)
	<hr/> (20)
Net assets	<hr/> 602
Non-controlling interests	<hr/> (99)
Consideration	503
Less: Fair value of initial equity investments at acquisition date	103
Satisfied by cash	<hr/> 400

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

23. BUSINESS COMBINATIONS (CONTINUED)

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

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

	For the six months ended 30 June 2023 Unaudited RMB million
Cash consideration	(400)
Cash and bank balances acquired	4
Net outflow of cash and cash equivalents included in cash flows from investing activities	(396)

Since the acquisition, the acquiree contributed nil to the Group's revenue and nil to the Group's profit for the period ended 30 June 2023.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period ended 30 June 2023 would have been RMB364,450 million and RMB15,448 million, respectively.

(b) Acquisition of a subsidiary under common control

On 13 June 2023, the Group acquired an 80% equity interest in Zhongjiao Dingxin Equity Investment Management Co., LTD ("Zhongjiao Dingxin") from China Communications Real Estate Group Co., LTD., China Real Estate Development Group Limited and China Real Estate Co., LTD.

Since Zhongjiao Dingxin and the Group are both under common control of CCCG before and after the acquisition, the acquisition is accounted for as merger accounting, i.e., the assets and liabilities of Zhongjiao Dingxin are consolidated by the Group using the existing book values from the CCCG's perspective, as if the current group structure had been in existence throughout the periods presented, with the difference between the book value of the net assets of Zhongjiao Dingxin and the consideration directly credited to equity. The comparative figures of the consolidated financial statements have also been restated as a result of the merger accounting.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

23. BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of a subsidiary under common control (continued)

The carrying amount of Zhongjiao Dingxin's assets and liabilities as at 13 June 2023 and 31 December 2022 were as follows:

	13 June 2023	31 December 2022
	<i>RMB million</i>	<i>RMB million</i>
Non-current assets		
Debt instruments at amortised cost	1	1
Contract assets, trade and other receivables	1	1
Property, plant and equipment	1	1
Right-of-use assets	9	9
	12	12
Current assets		
Contract assets, trade and other receivables	6	104
Cash and cash equivalents	104	15
	110	119
Current liabilities		
Trade and other payables	(3)	(8)
Tax payable	-	(3)
	(3)	(11)
Non-current liabilities		
Interest-bearing bank and other borrowings	(6)	(7)
	(6)	(7)
Net assets	113	113
Non-controlling interest	(23)	
Difference directly credited to equity	(2)	
Cash consideration	88	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

24. DISPOSAL OF SUBSIDIARIES

- (a) During the period, the Group disposed of the risks and rewards of an 80% equity interest in China Communications (Xinhua) Port Development Co., LTD. ("Xinhua Port") to SWGF-CCCC asset-backed securities plan established and managed by Shenwan Hongyuan Securities Co. LTD. After the disposal, the Group also lost its power to direct the relevant activities of Xinhua Port. As a result, upon the disposal, the Group lost control over Xinhua Port.
- (b) The financial information of the subsidiary mentioned above disposed of by the Group during the period and as at the date of disposal, is as follows:

	As at the date of disposal Total Unaudited RMB million
Non-current assets	368
Current assets	329
Current liabilities	(358)
Non-current liabilities	(268)
	71
Non-controlling interests	(14)
	57
Gains on disposal of a subsidiary	134
Total consideration	191

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

	Total Unaudited RMB million
Cash received from disposal of the subsidiary in the current period	191
Cash and bank balances of the subsidiary disposed of	(285)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(94)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

25. COMMITMENTS

(i) Capital expenditure commitments

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

	30 June 2023 Unaudited RMB million	31 December 2022 Audited RMB million
Intangible assets – concession assets	48,879	84,425
Property, plant and equipment	1,362	2,335
	50,241	86,760

(ii) Other commitment

In accordance with the financial services framework agreement between CCCC Finance and CCCG, CCCC Finance provides financial services to CCCG and its subsidiaries. In 2023, the maximum daily balance of loan services under the deposit services and loan services framework agreement is RMB29,078 million, the maximum daily balance of guarantee letter services under the guarantee letter services framework agreement is RMB5,010 million, and the maximum daily balance of bills issuance services and bonds subscription under the other credit services framework agreement is RMB1,372 million.

26. PLEDGE OF ASSETS

- (a) As at 30 June 2023, the restricted deposits were RMB5,757 million (31 December 2022: RMB5,536 million).
- (b) Details of the Group's assets secured for interest-bearing bank and other borrowings are as follows:

	30 June 2023 Unaudited RMB million	31 December 2022 Audited RMB million
Property, plant and equipment (<i>note 11</i>)	723	–
Right-of-use assets	10,339	8,764
Concession assets and trade receivables from PPP projects (<i>note 12, note 16</i>)	285,557	284,492
Inventories (<i>note 15</i>)	8,705	10,184
Contract assets and trade and other receivables (excluding PPP projects) (<i>note 16</i>)	29,645	37,882
	334,969	341,322

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB million	RMB million
Transactions with CCCG		
- Revenue from the provision of construction services and construction-related services	728	1,005
- Rental income	1	-
- Rental charges	148	141
- Interest expenses on deposits placed in CCCC Finance	21	19
- Loans to CCCG by CCCC Finance	3,000	300
- Interest income from loans provided by CCCC Finance	29	-
- Other borrowings from CCCG	3,034	-
Transactions with fellow subsidiaries		
- Revenue from the provision of construction services and construction-related services	5,304	5,809
- Revenue from the sale of goods	969	499
- Rental income	4	2
- Rental charges	-	1
- Interest expenses on deposits placed in CCCC Finance	26	41
- Loans from fellow subsidiaries	-	21
- Purchase of goods and property, plant and equipment	1,578	297
- Subcontracting and service charges	880	1,368
- Loans to fellow subsidiaries by CCCC Finance	415	580
- Interest income from loans provided by CCCC Finance	6	12
- Factoring to fellow subsidiaries	372	285
- Interest income from factoring	16	30
- Finance lease loans to fellow subsidiaries	380	470
- Interest income from finance lease loans	35	56

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) The Group had the following transactions with related parties during the period: (continued)

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB million	RMB million
Transactions with fellow subsidiaries' joint ventures and associates		
- Revenue from the provision of construction services and construction-related services	167	39
- Factoring to fellow subsidiaries' joint ventures and associates	80	160
- Interest income from factoring	4	5
- Finance lease loans to fellow subsidiaries' joint ventures and associates	-	33
- Interest income from finance lease loans	3	1
Transactions with joint ventures and associates		
- Revenue from the provision of construction services and construction-related services	28,739	35,912
- Revenue from the sale of goods	263	274
- Subcontracting and service charges	1,701	2
- Rental income	2	-
- Interest expenses on deposits placed in CCCC Finance	11	5
- Loans from joint ventures and associates	2,110	7,395
- Interest expenses on loans	5	2
- Loans to joint ventures and associates	2,767	2,575
- Interest income from other loans	151	262
- Interest income from loans by CCCC Finance	3	4
- Factoring to joint ventures and associates	131	470
- Interest income from factoring	14	15
- Finance lease loans to joint ventures and associates	-	51
- Interest income from finance lease loans	66	93

These transactions were carried out by reference to the prices and terms that would be available to third parties in the ordinary course of business.

ZPMC is an associate and also a fellow subsidiary of the Company. The transaction with ZPMC and its subsidiaries for the six months ended 30 June 2023 and 30 June 2022, and the outstanding balances with ZPMC and its subsidiaries as at 30 June 2023 and 31 December 2022 were included in the category of transactions and balances with fellow subsidiaries.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Balances with related parties other than government-related entities:

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB million	<i>RMB million</i>
Trade and bills receivables due from		
– CCCG	506	409
– Fellow subsidiaries	2,867	3,293
– Joint ventures and associates	6,050	5,729
– Fellow subsidiaries' joint ventures	74	54
	9,497	9,485
Long-term trade receivables due from		
– CCCG	1,719	1,793
– Fellow subsidiaries	5,879	5,580
– Joint ventures and associates	21,942	19,355
– Fellow subsidiaries' joint ventures	444	418
	29,984	27,146
Prepayments to		
– Fellow subsidiaries	213	665
– Joint ventures and associates	49	156
– Fellow subsidiaries' joint ventures	2	1
	264	822
Other receivables due from		
– CCCG	336	475
– Fellow subsidiaries	1,863	1,543
– Joint ventures and associates	9,242	10,611
– Fellow subsidiaries' joint ventures	8	8
	11,449	12,637
Contract assets		
– CCCG	370	190
– Fellow subsidiaries	2,504	1,866
– Joint ventures and associates	5,350	5,118
– Fellow subsidiaries' joint ventures	40	51
	8,264	7,225
	59,458	57,315

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (continued)

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

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB million	RMB million
Trade and bills payables due to		
– Fellow subsidiaries	3,152	2,764
– Joint ventures and associates	2,034	1,514
– Fellow subsidiaries' joint ventures	18	17
	5,204	4,295
Long-term trade payables due to		
– CCCG	60	60
– Fellow subsidiaries	2,601	2,822
– Joint ventures and associates	463	315
– Fellow subsidiaries' joint ventures	21	25
	3,145	3,222
Contract liabilities		
– CCCG	61	62
– Fellow subsidiaries	687	565
– Joint ventures and associates	5,363	6,995
– Fellow subsidiaries' joint ventures	41	19
	6,152	7,641
Other payables		
– CCCG	4,565	941
– Fellow subsidiaries	5,634	9,141
– Joint ventures and associates	6,925	5,786
– Fellow subsidiaries' joint ventures	42	–
	17,166	15,868
Lease liabilities		
– Joint ventures and associates	1	–
	31,668	31,026

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees with related parties

	30 June 2023 Unaudited RMB million	31 December 2022 Audited <i>RMB million</i>
Outstanding loan guarantees provided to		
– Joint ventures	1,645	1,629
– Associates	1,748	1,749
	3,393	3,378
Outstanding loan guarantees provided by CCCG	9,203	9,101

(d) Commitments with related parties

	30 June 2023 Unaudited RMB million	31 December 2022 Audited <i>RMB million</i>
Provision of construction services		
– CCCG	1,554	2,369
– Fellow subsidiaries	15,363	18,265
– Joint ventures and associates	87,669	106,950
– Fellow subsidiaries' joint ventures	789	890
	105,375	128,474
Purchase of services		
– Fellow subsidiaries	1,800	2,479
– Joint ventures and associates	–	33
	1,800	2,512

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Key management compensation

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Short-term employee benefits	5,470	5,901
Post-employment benefits	377	384
	5,847	6,285

During the period, in addition to the management compensation listed above, the fair value amortization of the restricted shares granted to key management amounted to RMB376,000 (30 June 2022: Nil).

(f) Equity transactions with related parties

During the six months ended 30 June 2023, the Group, together with a fellow subsidiary of the Group under the ultimate control of CCCG, subscribed the capital contribution of a limited partnership fund. The amount of the capital contribution by the Group totalled RMB103 million, accounting for a 20% interest of the limited partnership fund. As of 30 June 2023, RMB11 million has been paid in cash by the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Other transactions with related parties

- (i) In 2023, the Group acquired an 80% equity interest in Zhongjiao Dingxin, a subsidiary of CCCG, at a consideration of RMB88 million from China Communications Real Estate Group Co., LTD., China Real Estate Development Group Limited and China Real Estate Co., LTD. Upon completion of the transaction, the Group holds 80% of the equity interest in Zhongjiao Dingxin.
- (ii) As of 30 June 2023, CCCC Finance, a subsidiary of the Company, provided migrant workers' wage guarantees, advance payment guarantees and performance guarantees to related parties in the amount of RMB1,923 million (31 December 2022: RMB1,840 million).
- (iii) In accordance with the financial services framework agreement between CCCC Finance and CCCG, in 2023, CCCC Finance provides financial services to CCCG and its subsidiaries: the maximum daily balance of loan services under the deposit services and loan services framework agreement is RMB29,078 million, the maximum daily balance of guarantee letter services under the guarantee letter services framework agreement is RMB5,010 million, and the maximum daily balance of bills issuance services and bonds subscription under the other credit services framework agreement is RMB1,372 million.
- (iv) As of 30 June 2023, the outstanding balances of the bond investments in China Urban and Rural Holding Group Co., Ltd. held by CCCC Finance was RMB51 million. The outstanding balances of the bond investments in China Communications Real Estate Group Co., LTD. held by CCCC Finance was RMB769 million.
- (v) During the period, CCCC Third Harbor Engineering Co., Ltd., one of CCCC's subsidiary, withdrew its capital contribution by RMB147 million in China Communications Real Estate Zhoushan Development Co., Ltd. ("Zhoushan Development"), which is a joint venture of the Group with 49% equity interest and is under the ultimate control of CCCG.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

28. FINANCIAL INSTRUMENTS BY CATEGORY

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

30 June 2023

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total Unaudited RMB million
	Debt investments Unaudited RMB million	Equity investments Unaudited RMB million	Held for trading Unaudited RMB million	Unaudited RMB million	
Financial assets at fair value through profit or loss	-	-	29,111	-	29,111
Equity investments designated at fair value through other comprehensive income	-	23,420	-	-	23,420
Derivative financial instruments	-	-	620	-	620
Debt investments at amortised cost	-	-	-	1,640	1,640
Trade and other receivables excluding prepayments and other non-financial assets	1,635	-	-	469,241	470,876
Cash and bank balances	-	-	-	161,831	161,831
	1,635	23,420	29,731	632,712	687,498

Financial liabilities

	Financial liabilities at fair value through profit or loss Unaudited RMB million	Financial liabilities at amortised cost Unaudited RMB million	Total Unaudited RMB million
Borrowings (excluding lease liabilities)	-	600,827	600,827
Derivative financial instruments	3	-	3
Trade and bills payables	-	410,045	410,045
Deposits from suppliers	-	49,399	49,399
Retentions (<i>note 18</i>)	-	54,927	54,927
Deposits in CCCC Finance	-	7,852	7,852
Financial liabilities included in other payables and accruals	-	43,734	43,734
	3	1,166,784	1,166,787

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

28. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

31 December 2022

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total RMB million
	Debt investments	Equity investments	Held for trading		
	RMB million	RMB million	RMB million	RMB million	
Financial assets at fair value through profit or loss	-	-	22,789	-	22,789
Equity investments designated at fair value through other comprehensive income	-	24,084	-	-	24,084
Derivative financial instruments	-	-	688	-	688
Debt investments at amortised cost	-	-	-	1,764	1,764
Trade and other receivables excluding prepayments and other non-financial assets	1,747	-	-	400,431	402,178
Cash and bank balances	-	-	-	112,819	112,819
	1,747	24,084	23,477	515,014	564,322

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total RMB million
	RMB million	RMB million	
Borrowings (excluding lease liabilities)	-	463,654	463,654
Derivative financial instruments	7	-	7
Trade and bills payables	-	350,945	350,945
Deposits from suppliers	-	43,046	43,046
Retentions (<i>note 18</i>)	-	46,817	46,817
Deposits in CCCC Finance	-	12,164	12,164
Financial liabilities included in other payables and accruals	-	34,695	34,695
	7	951,321	951,328

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2023 Unaudited RMB million	31 December 2022 Audited RMB million	30 June 2023 Unaudited RMB million	31 December 2022 Audited RMB million
Financial liabilities				
Non-current				
Bank borrowings	390,764	340,002	390,746	339,960
Corporate bonds	12,244	14,558	12,244	14,561
Non-public debt instruments	11,035	11,952	10,868	11,481
Other borrowings (other than lease liabilities)	4,722	4,257	4,688	4,235
	418,765	370,769	418,546	370,237

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings (excluding lease liabilities) have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings (excluding lease liabilities) as at 30 June 2023 and 31 December 2022 was assessed to be insignificant.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

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

As at 30 June 2023, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

Fair value hierarchy

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

Assets and liabilities measured at fair value:

As at 30 June 2023

	Fair value measurement using			Total Unaudited RMB million
	Quoted prices in active markets (Level 1) Unaudited RMB million	Significant observable inputs (Level 2) Unaudited RMB million	Significant unobservable inputs (Level 3) Unaudited RMB million	
Assets				
Bills receivable	–	1,635	–	1,635
Equity investments designated at fair value through other comprehensive income	19,182	–	4,238	23,420
Financial assets at fair value through profit or loss	5,044	72	23,995	29,111
Derivative financial instruments				
– Forward currency contracts	–	6	–	6
– Interest rate swap	–	62	–	62
– Foreign exchange option	–	–	552	552
	24,226	1,775	28,785	54,786
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	3	–	3

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

Fair value hierarchy (continued)

As at 31 December 2022

	Fair value measurement using			Total <i>RMB million</i>
	Quoted prices in active markets (Level 1) <i>RMB million</i>	Significant observable inputs (Level 2) <i>RMB million</i>	Significant unobservable inputs (Level 3) <i>RMB million</i>	
Assets				
Bills receivable	–	1,747	–	1,747
Equity investments designated at fair value through other comprehensive income	20,696	–	3,388	24,084
Financial assets at fair value through profit or loss	1,300	–	21,489	22,789
Derivative financial instruments				
– Forward currency contracts	–	7	–	7
– Interest rate swap	–	62	–	62
– Foreign exchange option	–	–	619	619
	21,996	1,816	25,496	49,308
Liabilities				
Derivative financial instruments				
– Forward currency contracts	–	7	–	7

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

	For the six months ended 30 June	
	2023 Unaudited <i>RMB million</i>	2022 Unaudited <i>RMB million</i>
At 1 January	25,496	17,971
Total losses recognised in the statement of profit or loss included in other gains	(555)	(152)
Total gains recognised in other comprehensive income	–	3
Purchases	3,877	6,925
Disposal	(33)	(538)
At 30 June	28,785	24,209

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2023

	Fair value measurement using		Total Unaudited RMB million
	Quoted prices in active markets (Level 1) Unaudited RMB million	Significant observable inputs (Level 2) Unaudited RMB million	
Bank borrowings	–	390,746	390,746
Corporate bonds	4,000	8,244	12,244
Non-public debt instruments	–	10,868	10,868
Other borrowings (other than lease liabilities)	–	4,688	4,688
	4,000	414,546	418,546

As at 31 December 2022

	Fair value measurement using		Total RMB million
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	
Bank borrowings	–	339,960	339,960
Corporate bonds	4,000	10,561	14,561
Non-public debt instruments	–	11,481	11,481
Other borrowings (other than lease liabilities)	–	4,235	4,235
	4,000	366,237	370,237

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

30. SHARE-BASED PAYMENT

On 27 April 2023, the Company's general meeting of shareholders approved the 2022 Restricted Stock Incentive Scheme (the "Scheme"). Subsequently, out of the 115,550,000 restricted shares approved under the Scheme, 97,950,000 restricted stock shares were granted to employees of the Group. On 5 June 2023, the Company completed the registration of the 97,950,000 restricted stock shares granted under the Scheme at the Shanghai branch of China Securities Depository and Clearing Co., Ltd.

The offer of the grant of each incentive share was accepted upon payment of RMB5.33 for each incentive share by the grantee. The unlocking dates of the incentive shares are the first trading day after 24 months, 36 months and 48 months from the date of share registration. Upon meeting the performance conditions stipulated in the Scheme, 34%, 33% and 33% of the incentive shares shall be unlocked respectively.

The fair value of the shares granted was valued by reference to the market prices of the Company's shares at the grant date. The fair value of the restricted shares granted during the period was RMB606 million (RMB:6.42 each) of the grant date, of which the Group recognised a share-based payment expense of RMB36 million (six months ended 30 June 2022: nil) during the six months ended 30 June 2023.

Particulars and movements of the incentive shares under the Scheme :

For the six months ended 30 June 2023:

Date of grant <i>(based on IFRS 2)</i>	As at 1 January 2022	Granted during the period <i>(number of shares)</i>	As at 30 June 2023 <i>(number of shares)</i>
27 April 2023	–	97,950,000	97,950,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

31. CAPITAL RISK MANAGEMENT

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

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

	30 June 2023	31 December 2022
	Unaudited	Audited
	RMB million	RMB million
Total borrowings (note 20)	603,355	466,024
Less: Cash and cash equivalents (note 17)	152,180	103,202
Net debt	451,175	362,822
Total equity	438,133	426,290
Total capital	889,308	789,112
Gearing ratio	50.7%	46.0%

The gearing ratio as at 30 June 2023 increased by 4.7% compared with that at the end of 2022.

32. EVENTS AFTER THE REPORTING PERIOD

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

33. COMPARATIVE AMOUNTS

As stated in note 2.2(c) and note 2.3, due to adoption of amendments to IAS 12 and the acquisition of a subsidiary under common control as mentioned in note 23(b), the comparative information has been restated.

34. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 was approved for issue by the Board of Directors on 28 August 2023.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period from 1 January 2023 to 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

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

As at 30 June 2023, none of the Directors, Supervisors or chief executive officer of the Company had any interest or short position in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

As at 30 June 2023, the Company had not granted the Directors, or Supervisors or the chief executive officer of the Company, or their respective spouses or children below the age of 18, any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them had ever exercised any such right to subscribe for shares or debentures.

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

As at 30 June 2023, based on the disclosure information filed with the Hong Kong Stock Exchange on its website in accordance with the requirement of the Securities and Futures Commission of Hong Kong, and so far as the Company is aware of, the interests or short positions of Shareholders (other than Directors, Supervisors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed by the Company as recorded in the register required to be maintained under Section 336 of the SFO are as follows:

Name of Shareholder ^(Note 1)	Number of Shares held	Type of Shares	Percentage of the respective type of Shares ^(Note 2) (%)	Percentage of the total number of Shares in issue ^{(Note 3) (Note 4)} (%)	Capacity in which the Shares are held
CCCCG	9,374,616,604 (Long position)	A Shares	79.14	57.64	Beneficial owner
	265,416,000 (Long position)	H Shares	6.01	1.63	Beneficial owner

OTHER INFORMATION

- Note 1:* The table is prepared based on the disclosure of interest fillings of the substantial shareholders published on the website of the Hong Kong Stock Exchange for the relevant events as of 30 June 2023.
- Note 2:* The percentage of respective type of shares is based on 11,845,185,425 A shares and 4,418,476,000 H shares of the Company as at 30 June 2023, respectively.
- Note 3:* The percentage of total number of shares in issue is based on 16,263,661,425 Shares of the total issued share capital of the Company as at 30 June 2023.
- Note 4:* As at 28 July 2023, being the last trading day immediately prior to the blackout period for the publication of the Company's interim results, CCCG has increased its shareholding in the Company by 16,571,000 H Shares in aggregate since 27 September 2022, representing approximately 0.10% of the total share capital of the Company as at the date of this report. As at the date of this report, the Shares held by CCCG amounted to 9,655,653,604 Shares when aggregating with the A Shares held by CCCG (including 9,374,616,604 A Shares and 281,037,000 H Shares), representing approximately 59.37% of the total share capital of the Company.

Save as stated above, as at 30 June 2023, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

EMPLOYEES

As at 30 June 2023, the Group had 139,180 employees that had signed labor contracts with the Group.

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

Adhering to the value creator-oriented concept, the Group actively protects the rights and interests of employees, provides them with diversified and systematic trainings, sets clear career development path for them, and helps them achieve self-worth.

OTHER INFORMATION

2022 RESTRICTED SHARE INCENTIVE SCHEME

On 27 April 2023, the Company has adopted the 2022 Restricted Share Incentive Scheme (the “**Incentive Scheme**”) at the 2023 second extraordinary general meeting, the 2023 First H Share Class Meeting and the 2023 First A Share Class Meeting (collectively, the “**Meetings**”), pursuant to which, the Company intended to issue a total number of up to 117 million ordinary A Shares (the “**Restricted Shares**”) to the directors, senior management, middle management and core personnel of the Company (the “**Participants**”). Wherein: (i) a maximum of 99.40 million Restricted Shares will be issued to not more than 668 Participants under the first grant; and (ii) a maximum of 17.60 million Restricted Shares will be issued to Participants who shall be determined within 12 months from the date of the Meetings under the reserved grant.

As six Participants were no longer within the scope of the Participants under the first grant of the Incentive Scheme, the Board, pursuant to the authorization granted by the Meetings, adjusted the number of Participants under the first grant from 668 to 662 and the number of Restricted Shares under the first grant from 99.40 million to 98.55 million. Accordingly, the total number of Restricted Shares to be granted under the Incentive Scheme was adjusted from 117.00 million to 116.15 million and the number of Restricted Shares under the reserved grant remained unchanged. The Board determined to grant a total of 98.55 million Restricted Shares to 662 Participants on 4 May 2023 at a price of RMB 5.33 per A Share.

On 5 June 2023, the Company had completed the registration of the first grant of the Incentive Scheme with Shanghai Branch of the China Securities Depository and Clearing Corporation Limited for an actual grant of 97.95 million Restricted Shares to 658 Participants under the first grant, because four Participants voluntarily waived their subscription for a total of 0.6 million Restricted Shares due to personal reasons.

The table below sets out particulars of the Restricted Shares granted and registered under the Incentive Scheme during the reporting period:

Name of the participants	Category of the participants	Unlocking period	Granted and registered during the reporting period (0'000 Shares)	As at 1 January 2023	Unlocked during the reporting period	Cancelled/ Lapsed during the reporting period	As at 30 June 2023 (0'000 Shares)
ZHU Hongbiao	Chief financial officer	06/06/2025-05/06/2028	35	Nil	Nil	Nil	35
YANG Zhichao	Vice president	06/06/2025-05/06/2028	35	Nil	Nil	Nil	35
ZHOU Changjiang	Secretary to the Board	06/06/2025-05/06/2028	30	Nil	Nil	Nil	30
Middle management personnel and core personnel (no more than 655)		06/06/2025-05/06/2028	9,695	Nil	Nil	Nil	9,695
Total			9,795	/	/	/	9,795

OTHER INFORMATION

Notes:

- (1) The total number of the Company's Shares granted under all effective share incentive schemes to any of the aforesaid Participants does not exceed 1% of the total share capital of the Company. The total number of underlying Shares involved in all effective share incentive schemes of the Company does not exceed 10% of the total share capital of the Company.
- (2) The Restricted Shares granted under the Incentive Scheme shall be unlocked in three batches, and the lock-up period of each batch is 24 months, 36 months and 48 months, respectively, from the completion date of registration of the corresponding grant. Before unlocking, the Restricted Shares granted to the Participants under the Incentive Scheme shall be restricted for sale and shall not be transferred, used as security or for repayment of debts. The shares entitled by the Participants as a result of the capitalisation issue, bonus issue and sub-division of shares, etc. in connection with the granted Restricted Shares that have not yet been unlocked are simultaneously locked in accordance with the Incentive Scheme.
- (3) For details of the performance targets, please refer to the section headed "II.(viii) 2. Unlocking conditions for the Incentive Scheme" as set out in the circular of the Company dated 4 April 2023.
- (4) The grant price of the Restricted Shares under the first grant is RMB5.33 per Share. The closing price of the Restricted Shares under the first grant immediately before the date of grant is RMB11.41 per Share.
- (5) On 30 August 2023, Mr. Zhu Hongbiao resigned as the chief financial officer of the Company due to work reallocation. The 350,000 Restricted Shares granted to Mr. Zhu Hongbiao shall be repurchased by the Company pursuant to the terms of the Incentive Scheme. For more details, please refer to the section headed "II. (xiii) 4. Changes to the individual circumstances of the Participants" as set out in the circular of the Company dated 4 April 2023. The Company will comply with the applicable laws and regulations including the Hong Kong Listing Rules when conducting repurchase of A Shares.

During the reporting period, the aggregate fair value of the Restricted Shares granted under the first grant of the Incentive Scheme was RMB606 million. The accounting standard and policy to estimate the fair value of the Restricted Shares is set out in Note 30 to the financial statements of this report.

As at 1 January 2023 and at 30 June 2023, the total number of Restricted Shares available for grant under the Incentive Scheme is nil and 17.60 million Shares (being the number of Restricted Shares under the Reserved Grant), respectively. The number of Shares that may be issued in respect of Restricted Shares granted under the Incentive Scheme during the reporting period divided by the weighted average number of ordinary A Shares in issue for the reporting period is approximately 0.83%.

For details of the Incentive Scheme, please refer to the announcements of the Company dated 15 December 2022, 27 April 2023, 4 May 2023 and 7 June 2023 and the circular of the Company dated 4 April 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance. The Board believes that the Company complied with all code provisions as set out in Part 2 of Appendix 14 (Corporate Governance Code) to the Hong Kong Listing Rules for the six months ended 30 June 2023.

OTHER INFORMATION

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 26 April 2023, due to having reached the retirement age, Mr. Sun Ziyu reported to the Board to resign as an executive Director and cease to be a member of the strategy and investment committee of the Board, and Mr. Li Maohui reported to the Board to resign as the vice president of the Company, with effect from 26 April 2023. On 30 August 2023, due to work reallocation, Mr. Zhu Hongbiao reported to the Board to resign as the chief financial officer of the Company, with effect from 30 August 2023. For details, please refer to the announcements of the Company dated 26 April 2023 and 30 August 2023.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules to govern securities transactions by Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors, the Company confirms that the Directors and Supervisors have complied with the Model Code throughout the period from 1 January 2023 to 30 June 2023.

REVIEW BY THE AUDIT AND INTERNAL CONTROL COMMITTEE

The audit and internal control committee of the Board currently comprises Mr. MI Shuhua, Mr. LIU Hui, Mr. CHAN Wing Tak Kevin, Mr. WU Guangqi and Mr. ZHOU Xiaowen, and is chaired by Mr. CHAN Wing Tak Kevin. The audit and internal control committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2023. The audit and internal control committee has also discussed matters such as the accounting policies and practices adopted by the Company and internal control with the senior management of the Company.

INTERIM DIVIDEND

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended 30 June 2023.

CONTINUING CONNECTED TRANSACTIONS

During the period from 1 January 2023 to 30 June 2023, the Group carried out continuing connected transactions with CCCG.

As at the date of this report, CCCG is the controlling Shareholder of the Company holding approximately 59.37% interests in the issued ordinary shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules.

OTHER INFORMATION

The annual caps for the continuing connected transactions of the Company for the year ending 31 December 2023 as compared with the actual transaction amounts for the first half of 2023 are set out as follows:

	Annual cap for 2023 <i>(RMB million)</i>	Actual amount for the first half of 2023 <i>(RMB million)</i>
1. Mutual Project Contracting Framework Agreement		
Project contracting services provided by the Group to CCCG Group	34,554	6,032
Labour and subcontracting services provided by CCCG Group to the Group	8,232	880
2. Mutual Product Sales and Purchase Agreement		
Sales of material products to CCCG Group by the Group	3,877	969
Purchase of engineering products from CCCG Group by the Group	4,532	1,578
3. Leasing and Asset Management Services Framework Agreement		
Leasing of certain buildings, plants and auxiliary equipment, facilities, etc. for production and operation by CCCG Group to the Group	795	148
4. Financial Services Agreement		
Maximum daily balance (including the interests and handling charges accrued thereon) of credit services to be provided by CCCC Finance to CCCG Group	29,078	3,921
Loan services under the Financial Services – Deposit Services and Loan Services Framework Agreement		
Guarantee letter services under the Financial Services – Guarantee Letter Services Framework Agreement	5,010	1,923
Bills issuance services and bonds subscription under the Financial Services – Other Credit Services Framework Agreement	1,372	817
5. Finance Lease and Commercial Factoring Agreement		
Finance lease services provided by CCCC Capital to CCCG Group	6,300	415
Commercial factoring services provided by CCCC Capital to CCCG Group	7,500	388
6. Product Leasing Framework Agreement		
Leasing of engineering products by CCCC Haifeng Group to the Group	138	68

OTHER INFORMATION

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

- (1) Leveraging historical experience and operation plans, the Company scientifically formulated a three-year daily connected transaction framework on the basis of the assessment on necessity and fairness of potential connected transactions.
- (2) The three-year daily connected transaction framework is subject to necessary decision-making and approval procedures. The independent directors, the Audit and Internal Control Committee under the Board, the Board, the Supervisory Committee and the Shareholders' general meeting of the Company will consider and review the proposals for daily connected transactions pursuant to their authorization, respectively. Implementation will be organized upon approval after review and consideration.
- (3) The Company monitors the implementation of daily connected transactions considered and approved on an overall basis and on a quarterly basis. The Company will allocate the caps of connected transactions for the next year to the implementers of relevant transactions at the end of every year.
- (4) The implementers shall bring forward the need for increasing the caps of connected transactions in time when it occurs during implementation based on changes in business development. The Company will start decision-making procedures for revising caps of connected transactions in due course after assessing necessity and fairness of the connected transactions.
- (5) Whenever the actual transaction amount of each category of daily connected transaction reaches 80% of the annual caps, the transaction implementers shall make a new prediction on whether the transaction amount of the outstanding period of the relevant year will satisfy operation needs and shall provide the Company with relevant transaction information so that the Company can realize better supervision and start decision-making procedures for revising caps in time after assessing necessity and fairness.
- (6) By the end of every year, the Company will make a new prediction about the proposed caps of connected transactions for the next year based on the latest actual situation of the relevant connected transactions, and re-assess the plan for the connected transactions for next year after evaluating the necessity and fairness. If the reassessment is consistent with the caps of the three-year framework, the transactions shall be implemented following the procedures mentioned in (3) and (4) above, and if it is expected to exceed the caps of the three-year framework, the decision-making procedure for revising caps of connected transactions shall be started.

OTHER INFORMATION

In the first half of the year, in response to the challenges encountered in managing connected transactions in the course of the Company's reform and development, the Company focused on the following tasks:

- (i) Strengthening the top-level design and consolidating the system construction. The Company attaches great importance to the original, fundamental and leading effects of governance mechanism and institutional systems in improving the risks prevention and control of connected transactions. It revises the Rules for Evaluation and Punishment of Related-Party (Connected) Transactions, aiming to fully motivate the enthusiasm and creativity of its affiliated entities on the management of connected transactions, uphold the bottom line of the risk prevention of such transactions, and establish a "1+3" institutional system centered on the management measures on related-party (connected) transactions under the listing rules of both Shanghai and Hong Kong, and supported by the rules for the implementation for daily transactions, the rules for the implementation for one-off transactions as well as the rules for evaluation and punishment.
- (ii) Enhancing the daily supervision and establishing a digital management system. The Company closely focuses on the key points of risks prevention and control of connected transactions, establish a management system of connected transactions to strengthen the comprehensive, effective and efficient implementation of the management on connected transactions. Through the daily connected transaction management system, the occurrence of connected transactions is monitored on a monthly basis, realizing real-time monitoring, dynamic tracking, monitoring and alerting of the Company's connected transaction data, and achieve monthly statistics, quarterly self-examinations and annual summaries; Strengthening the tracking and supervision of the whole process of a connected transaction through the one-off connected transaction system, conducting a scale test based on the time node when the transaction occurs, and strictly fulfilling the decision-making and disclosure procedures, so as to enhance the linkage of the management of A+H.
- (iii) Strengthening assessment and accountability to fulfill responsibilities at all levels. Keeping in mind the "Four Awes" requirements of the CSRC, the Company strictly adhered to the "Four Bottom Lines" for listed companies, and established assessment and training mechanisms to fulfill its responsibilities at all levels, in order to build up a good internal ecology. Organizing all subsidiaries to conduct assessment on the management of connected transactions for 2022 from four dimensions, which include institutional mechanism construction, risk compliance management, system operation and application, and talent system construction, establishing a management mechanism that combines incentives and restrictions, reviewing and concluding the management of connected transactions in the past three years, formulating a list of outstanding enterprises and advanced individuals, issuing risk warning letters to high-risk subsidiaries, and providing continuous supervision, so as to practically disseminate the responsibilities and obligations for connected transactions at all levels, and raising management awareness.
- (iv) Strengthening training and publicity to build up awareness of compliance. Organizing the securities compliance management training in 2023, inviting domestic and overseas permanent legal advisors and auditors to interpret the regulatory requirements, regulatory focuses and procedures of the regulatory authorities on connected transactions through a combination of live broadcasts and online recordings, focusing on solving the pain points of the management of connected transactions of the subsidiaries, and establishing a long-term mechanism to enhance the management level of all connected transactions staff through pre-job training and assessment, and qualifying for the posts with certificates.

TERMS & GLOSSARIES

“Board”	the board of directors of the Company
“CCCC Capital”	CCCC Capital Holdings Limited* (中交資本控股有限公司), a subsidiary of the Company as at the date of this report
“CCCC Finance”	CCCC Finance Company Limited* (中交財務有限公司), a subsidiary of the Company as at the date of this report
“CCCC First Highway Institute”	CCCC First Highway Consultants Co., Ltd.* (中交第一公路勘察設計研究院有限公司), a wholly-owned subsidiary of the Company as at the date of this report
“CCCC Haifeng”	CCCC Haifeng Wind Power Development Co., Ltd.*(中交海峰風電發展股份有限公司), a connected subsidiary of the Company as at the date of this report
“CCCC Haifeng Group”	CCCC Haifeng and its subsidiaries
“CCCC Highway Institute”	CCCC Highway Consultants Co., Ltd.* (中交公路規劃設計院有限公司), a wholly-owned subsidiary of the Company as at the date of this report
“CCCC Second Highway Institute”	CCCC Second Highway Consultants Co., Ltd.* (中交第二公路勘察設計研究院有限公司), a wholly-owned subsidiary of the Company as at the date of this report
“CCCCG”	China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds approximately 59.37% equity interest in the Company as at the date of this report
“CCCCG Group”	CCCCG and its subsidiaries, excluding the Company and its subsidiaries
“China Urban-Rural”	China Urban and Rural Holding Group Co., Ltd.* (中國城鄉控股集團有限公司), a wholly-owned subsidiary of CCCG as at the date of this report
“Company” or “CCCC”	China Communications Construction Company Limited, a joint stock limited company with limited liability incorporated under the laws of the PRC on 8 October 2006, and except where the context requires otherwise, all of its subsidiaries
“Consideration Shares”	the new A share(s) of par value of RMB1.00 each in the share capital of Qilianshan to be issued to the Company and China Urban-Rural to pay the consideration payable by Qilianshan under the agreement on assets swap and acquisition of assets by issuance of shares
“Director(s)”	the director(s) of the Company

TERMS & GLOSSARIES

“Energy Institute”	CCCC Urban Energy Research and Design Institute Co. Ltd.* (中交城市能源研究設計院有限公司), a wholly-owned subsidiary of China Urban-Rural as at the date of this report
“Group”	the Company itself and all of its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers
“Northeast Institute”	China Northeast Municipal Engineering Design & Research Institute Co., Ltd.* (中國市政工程東北設計研究總院有限公司), a wholly-owned subsidiary of China Urban-Rural as at the date of this report
“One Increase, One Stabilization and Four Improvements (一增一穩四提升)”	“one increase” means to ensure that the total profit growth rate is higher than the national GDP growth rate; “one stabilization” means that the overall gearing ratio remains stable; “four improvements” refers to the further improvement of the four indicators of returns on net assets, intensity of investment in R&D, overall labour productivity, and operating cash ratio
“PRC”	the People’s Republic of China, for the purposes of this report, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Proposed Assets Reorganization”	the Company disposes of the 100% equity interests of CCCC Highway Institute, CCCC First Highway Institute and CCCC Second Highway Institute, and China Urban-Rural disposes of the 100% equity interests of Southwest Institute, Northeast Institute and Energy Institute for 100% equity interest in Qilianshan Ltd.; while Qilianshan will settle the shortfall against the value of CCCC Highway Institute, CCCC First Highway Institute, CCCC Second Highway Institute, Southwest Institute, Northeast Institute and Energy Institute by issuing the Consideration Shares to the Company and China Urban-Rural
“Proposed Spin-off”	the Company transfers its 100% equity interests in CCCC Highway Institute, CCCC First Highway Institute and CCCC Second Highway Institute to Qilianshan in exchange for the newly issued Consideration Shares by Qilianshan pursuant to the Agreements
“Qilianshan”	Gansu Qilianshan Cement Group Co., Ltd.* (甘肅祁連山水泥集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the A shares of which are listed on the Main Board of Shanghai Stock Exchange under the stock code 600720

TERMS & GLOSSARIES

“Qilianshan Ltd.”	Gansu Qilianshan Cement Group Ltd.* (甘肅祁連山水泥集團有限公司)
“RMB” or “Renminbi”	the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Shanghai Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Shareholder(s)”	the shareholder(s) of the Company
“Southwest Institute”	Southwest Municipal Engineering Design and Research Institute of China* (中國市政工程西南設計研究總院有限公司), a wholly-owned subsidiary of China Urban-Rural as at the date of this report
“Supervisor(s)”	the supervisor(s) of the Company
“USD”	United States dollars, the lawful currency of the United States of America
“%”	percent

I. CORPORATE INFORMATION

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

II. CONTACT PERSON AND CONTACT DETAILS

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

III. BASIC INFORMATION

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

IV. INFORMATION DISCLOSURE AND PLACE AVAILABLE FOR INSPECTION

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

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

CORPORATE INFORMATION

V. BASIC INFORMATION ON SHARES OF THE COMPANY

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

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

VI. OTHER INFORMATION OF THE COMPANY

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

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

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

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

Authorised representatives of H Shares: WANG Tongzhou, ZHOU Changjiang

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



中國交通建設股份有限公司

CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

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