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

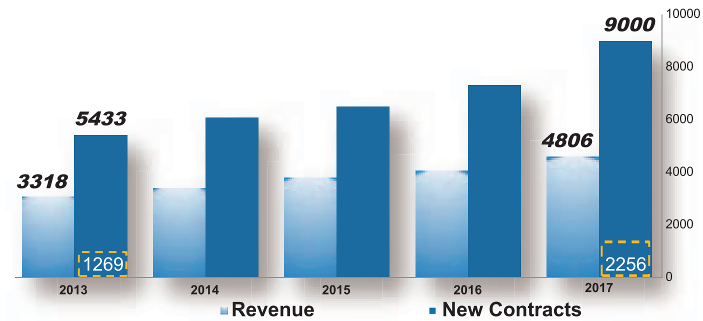
ANNUAL REPORT **2017**

(H Share)

CONTENTS

MARCHING AHEAD OF TIME FOR ANOTHER GLORY

ACHIEVEMENTS IN THE FIVE YEARS SINCE THE EIGHTEENTH NATIONAL CONGRESSES OF THE CPC

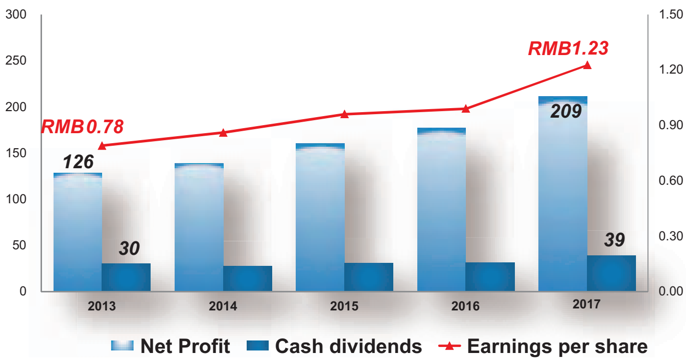


THE OPERATING RESULTS WERE IMPROVED WITH FRUITFUL ACHIEVEMENTS.

In 2017

The total value of contracts reached RMB**900** billion, with an average annual growth of 13%
(Among which, the total value of new overseas contracts amounted to RMB225.6 billion, with an average annual growth of 16%)

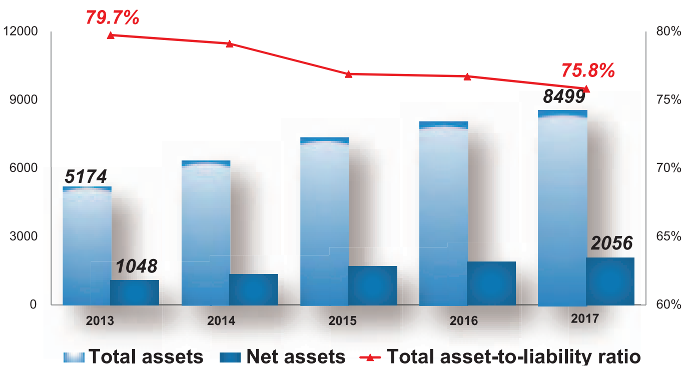
Revenue reached RMB**480.6** billion, with an average annual growth of 9%
Note: For the five-year comparison, the revenue of 2017 is the restatement date containing revenue of ZPMC, which has been disposed of and classified as a discontinued operation during the year.



THE HIGH EFFICIENCY BROUGHT MORE RETURNS TO SHAREHOLDERS.

Net profit attributable to owners of the parent reached RMB**20.9** billion, with an average annual growth of 13%

The aggregate cash dividends amounted to RMB**3.9** billion
Earnings per share were improved steadily from RMB0.78 in 2013 to RMB**1.23** in 2017



THE RISKS WERE UNDER PRUDENT CONTROL AND THE CAPITAL STRUCTURE WAS OPTIMISED.

Total assets reached RMB**849.9** billion

Net assets reached RMB**205.6** billion
Total asset-to-liability ratio had decreased year by year from 79.7% in 2013 to **75.8%** in 2017

CORPORATE PROFILE

The Company was incorporated on 8 October 2006 and was initiated and founded by CCCG (a state-owned enterprise under the SASAC) through restructing as approved by the State Council. Its H shares were listed on the Main Board of the Hong Kong Stock Exchange with stock code of 01800. HK on 15 December 2006. It is the first ultra large state-owned transportation infrastructure group entering the overseas capital market. The Company's A shares were listed on the Shanghai Stock Exchange with stock code of 601800.SH on 9 March 2012, representing a leap-and-bound advance taken by the Company in the course of its development.

As a leading transportation infrastructure group in the PRC, the Group is the industry leader in each of its core businesses, namely infrastructure construction, infrastructure design and dredging. Leveraging on its extensive operating experience, expertise and know-how accumulated from projects undertaken across a wide range of areas over the past six decades, the Company is capable of providing integrated solutions throughout each stage of infrastructure projects for its customers. The Company is the world's largest port design and construction company, the world's largest road and bridge design and construction company, and the world's largest dredging company; it is also the largest international contractor, designer and highway investor in China; and the Company also owns the largest civilian fleet in China. The Company currently has 36 principal wholly-owned or controlled subsidiaries. The Company operates its businesses throughout China, including Hong Kong and Macau Special Administrative Regions, and has established its global presence in over 140 countries and regions.

As an important holding subsidiary of CCCG, the Company played a decisive role in business performance of CCCG. CCCG was listed in the Fortune Global 500 for ten consecutive years in 2008-2017, and attributable to the continual increase of the Company's comprehensive strength, the Company's ranking soared up from the 426th place in 2008 to the 103th place in 2017, ranking among the top in Fortune Global 500. The Company responded actively the national strategic deployment of "Going Global", participated extensively in cooperation and competition for foreign economic aid programs and international contracting projects, and acted as a leader in implementing the initiative of "the Belt and Road". CCCG has not only been included in the ENR's Top 250 International Contractors consecutively since 1992, but also remains ranking the first among the Chinese enterprises in ENR for eleven consecutive years (in terms of revenue from overseas projects), jumping into the Top 3 since 2016. Together with CHEC and CRBC, CCCC now enjoys a high reputation around the world.

Through designing and constructing in state-level engineering construction projects, the Group has set many records recognised as the "first", the "best" and the "most" in the history of port and bridge construction not only in the PRC but also the rest of Asia and around the world. Construction projects such as the Sutong Yangtze River Bridge, Shanghai Yangshan Deepwater Port, Yangtze River Mouth Deepwater Navigation Channel regulation project and the Hong Kong-Zhuhai-Macau Bridge reflected the state-of-the-art standard of China, and that of the world. The Group entered the railway market since the market opened and participated in the design and construction of over 70 national key railway projects, including Harbin-Dalian PDL, Beijing-Shanghai PDL, Lanzhou-Chongqing Railway, etc. Meanwhile, the Group proactively participated in the railway projects of "Going Global", and the whole railway project of Mombasa-Nairobi, Kenya was designed and constructed by the Group on the basis of the construction standards of railway in China.

CCCC places great emphasis on scientific research and development which would improve the Company's competency in operation. Following the direction of "making innovations and leapfrog advances in key areas supporting development and thus creating a better future" and leveraging on the tertiary interaction between the management level, execution level and application level, the Company established and perfected a three-level system in technological innovation which has a sound structure and high operation efficiency. A cluster of Research and Development ("R&D") facilities, with "45 centres, 18 laboratories and 15 institutes" (13 national level science and research centres, 32 provincial level science and research centres, 1 national key laboratory, 9 provincial and ministerial level key laboratories, 8 key laboratories of the Group, 15 scientific research institutes specialising in technological R&D) at its core, holds a leading position in the relevant scientific R&D fronts. The Company attaches great importance to the cultivation of talents and has spent great effort in nurturing teams of talents and cadres continuously. The Company retains the members of the Chinese Academy of Engineering, National Reconnaissance Masters and other national experts and senior engineers. The Group also holds nine Post-Doctoral research centres.

The Group owns a diverse range of specialised equipment, including modern dredging vessels, various equipment for marine and onshore engineering, as well as various state-of-the-art machinery and equipment for investigation, design and research, which gives the Group competitive advantages to win and perform contracts for challenging large-scale complex projects.

By insisting on the vision of "making the world more expedite, making the city more habitable, making life more beautiful", adhering to the corporate mission "fostering sustainable development with firm foundation and good morality", and persisting on the corporate spirit of "communicating with the world and constructing without boundaries", CCCC will devote itself to transportation construction business in China and even the world. The Company would like to cooperate with friends worldwide for win-win, and jointly create a more splendid and brilliant tomorrow.

PERFORMANCE HIGHLIGHTS (NOTE 1)

RMB million (except per share data)	For the year ended 31 December **2017**	 2016 (Restated)	 Change (%)
Revenue	**460,067**	406,331	13.2
Gross Profit	**60,437**	54,499	10.9
Operating Profit	**31,768**	29,391	8.1
Profit attributable to owners of the Company	**20,943**	17,210	21.7
Basic earnings per share (RMB) (Note 2)	**1.23**	1.00	23.0

RMB million	As at 31 December **2017**	 2016	 Change (%)
Total assets	**849,888**	801,082	6.1
Total liabilities	**644,294**	614,512	4.8
Total equity	**205,594**	186,570	10.2
Capital and reserves attributable to owners of the Company	**180,922**	159,323	13.6

	For the year ended 31 December			
Value of New Contracts	**2017**		2016	Change (%)
RMB million	**Number of projects**	**Value of Contracts**	Value of Contracts (Reclassified)	
Infrastructure Construction Business (Note 3)	**1,810**	**783,044**	612,415	27.9
– Port Construction	**343**	**29,677**	31,628	(6.2)
– Road and Bridge Construction	**559**	**298,140**	236,076	26.3
– Railway Construction	**17**	**15,487**	24,326	(36.3)
– Municipal and Others	**683**	**230,929**	114,526	101.6
– Overseas Projects	**208**	**208,811**	205,859	1.4
Infrastructure Design Business	**5,580**	**37,528**	38,565	(2.7)
Dredging Business	**505**	**48,495**	39,541	22.6
Heavy Machinery Manufacturing Business(Note 4)	**N/A**	**19,646**	32,064	(38.7)
Other Businesses	**N/A**	**11,307**	8,217	37.6
Total	**—**	**900,020**	730,802	23.2

	As at 31 December			
Backlog (Note 5)	**2017**		2016	Change (%)
RMB million	**Number of projects**	**Value of Contracts**	Value of Contracts	
Infrastructure Construction Business	**4,606**	**1,242,188**	964,724	28.8
Infrastructure Design Business	**8,704**	**62,341**	56,785	9.8
Dredging Business	**776**	**62,093**	51,106	21.5
Heavy Machinery Manufacturing Business	**—**	**—**	23,096	—
Other Businesses	**N/A**	**5,483**	4,041	35.7
Total	**N/A**	**1,372,105**	1,099,752	24.8

Notes: 1. Upon the completion of the equity transfer of ZPMC, ZPMC was classified as a discontinued operation and the comparative statement of profit or loss in 2016 for the Group has been re-presented.

2. In calculating the amount of basic earnings per share for 2017, the interests/dividends with an aggregate amount of RMB1,017.5 million shall be excluded from profits.

3. The Company reclassified the vesting of PPP investment projects into the value of new contracts of the Group in 2017, which involved retroactive adjustment of the value of new contracts for infrastructure construction business in 2016 but did not affect the total value of new contracts for infrastructure construction business. The year-on-year changes in the 2017 data in the table were based on comparison with those of the same period in 2016 after reclassification.

4. According to the original production and operation plan, the value of new contracts entered into by ZPMC in 2017 was still included in that of the Group. After deducting the value of new contracts entered into by ZPMC, the value of new contracts entered into by the Group in 2017 was RMB881,006 million.

5. The amount of ZPMC would no longer be included in the backlog of the Group in 2017. Apart from the business of ZPMC, other business in the former heavy machinery manufacturing business segment had been covered in other business segment.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

In 2017, the Company made systematic planning and took effective actions to grasp the market opportunities, occupy the commanding position of the industry, and accelerate the shift in driving forces for development, thereby continuously reinforcing our market shares in traditional business, achieving substantial results in cultivating the merging business market, expanding our market scale, enhancing our influence and control power in the industry, and contributing to the steady and sound growth in the overall operating results. The Company has once again won the uphill battle of maintaining the market, stabilizing the growth and promoting the development, and thus had another good harvest year with great achievements.

In 2017, revenue from continuing operations of the Group was RMB460,067 million, representing a year-on-year increase of 13.2%; profit attributable to owners of the parent was RMB20,943 million, compared to RMB17,210 million in 2016; and earnings per share was RMB1.23. New contracts value amounted to RMB900,020 million [Note 1], representing a year-on-year increase of 23.2%. As at 31 December 2017, the backlog of the Group amounted to RMB1,372,105 million [Note 2].

As an important holding subsidiary of CCCG, the Company played a decisive role in business performance of CCCG. In 2017, CCCG ranked the 103rd in the Fortune Global 500. In the Operating Results Assessment of State-owned Enterprises conducted by the SASAC, CCCG has been rated as a Grade A enterprise for twelve consecutive years. Meanwhile, CCCG has ranked the third in ENR's Top International Contractors and remained the first among the Chinese enterprises in the global ranking for eleven consecutive years.

In 2017, the Company proactively press ahead with its dominated offshore projects, including the completion of the main project of the island and tunnel of Hong Kong-Zhuhai-Macau Bridge, and the opening to traffic of Kenya Mombasa-Nairobi Railway. These strategic works and significant projects gained the recognition and praise of the whole society, showcased the Company's role as "A Pillar of the Great Power", and remarkably enhanced our social reputation.

We proactively participated in "the Belt and Road" initiative and the key strategies such as the Beijing-Tianjin-Hebei Collaborative Development, and the construction of the Yangtze River Economic Zone, Xiong'an New Area and Guangdong-HongKong-Macau Greater Bay Area. We gathered strengths to expand the new development room.

We grasped the development opportunity by virtue of the PPP mode, entered the emerging market via investment and expanded the market by focusing on investment, thereby achieving double harvest in both market increment and economic benefit.

We endeavored to be a bellwether in implementing the "Going Global" strategy of China, and tried to make the brands of Chinese Road, Chinese Bridge, Chinese Port and Chinese Island famous. We attached great importance to the overseas cash construction, explored and expanded the variables to make outstanding achievements in the market, and manifested the efforts of CCCC to act as a contributor for global development.

On the basis of widely collecting the opinions of the Shareholders, we incorporated the overall requirements on Party construction into the Articles of Association, and clarified the Party organization's legal position in the corporate governance structure. Moreover, a series of systems such as the rules of procedure for the standing committee of the CPC Committee was issued to make the Party organization play a more organized, institutionalized and concrete role.

In 2017, we intensified our strength by means of technological innovation, improved our capability by means of management innovation, and injected our vitality by means of model innovation, thereby making achievements in operation management and control. To take advantage of high-quality development, the Company realized balanced development in operation quality, economic benefit and business scale, and remarkably enhanced the comprehensive strength and influence.

Despite these achievements, the Company will still be confronted with harsh and complicated external situations in 2018, as the reform and development tasks will still be arduous and onerous, while the problem of unbalanced and insufficient development will still exist. The situation is satisfactory, challenging or urging, thus we have to study and judge it carefully and handle it appropriately.

Notes:

1. According to the original production and operation plan and the statistical method, the value of new contracts entered into by ZPMC in 2017 was still included in that of the Group. After deducting the value of new contracts entered into by ZPMC, the value of new contracts entered into by the Group in 2017 was RMB881,006 million.

2. As at 31 December 2017, the amount of ZPMC had been deducted from the backlog of the Group. Apart from the business of ZPMC, other business in the former heavy machinery manufacturing business had been covered in other business.

CHAIRMAN'S STATEMENT

Building up a world-class enterprise with global competence is an internal requirement of China's economic development in the new era, an important symbol of China's shift from getting rich to getting strong, as well as a strategic objective of the Company to adapt to and render meritorious service in the new era. Pursuant to such objective and requirement, the Company's major development target in 2018 is to achieve a planned growth of approximately 8% in new contract value and a planned revenue of RMB490,000 million, maintain the leading position in operation quality and economic benefit in the industry and make positive progress in building the Company into a world-class enterprise with global competence. In order to accomplish the target of the year, we will fulfill the works in the following six aspects by closely surrounding the core concept of "high-quality development".

Firstly, focus on main businesses and stabilize growth to reinforce the development momentum. As guided by the strategy of "experts in five areas", the Company will implement specific measures based on different industry characteristics and circumstances, and stabilize the favorable momentum of the overall growth in the Company's main businesses.

Secondly, adjust the structure and expand the increment to guide the industrial upgrade. The Company will size up the situation and accurately grasp the opportunity of emerging industries to continuously optimize the layout structure and accelerate the transformation and upgrade.

Thirdly, promote reform and expand room to stimulate internal vitality. The Company will accelerate the reform work by rapidly shifting from "design" to "construction", and realize the goals of quick action, accurate targeting, practical implementation and good effect.

Fourthly, seek innovation, enhance quality and efficiency, and speed up "three reforms". The Company will enhance the operation efficiency, decrease liabilities, reduce the "two reserves", and implement the special action of "deleveraging and decreasing liabilities". Great efforts will be made to increase the revenue and improve the operating profits; increase the operating cash flow, enhance the assets operation efficiency, deal with the relationship between profit increase and funds inflow, inputs and outputs, investments and liabilities, as well as assets scale and assets structure, and increase the assets turnover; and improve the management efficiency and strengthen the management.

Fifthly, prevent risk and ensure safety to achieve steady development. The Company will fully identify and strengthen the control on macro risks, market risks, interest rate and exchange rate risks, materials price risk, etc. With the changes in the surrounding environment and the scale of the Company getting larger, a variety of risks will emerge. In view of this, we are not only supposed to take precautions against the risks, but also take effective measures to reduce the risks.

Sixthly, intensify Party construction and gather forces to strengthen the political foundation. The Company will endeavor to learn and implement the spirit of the 19th CPC National Congress, and make efforts in grasping the key point, making up the weak link, improving the quality and intensify the effect according to the work requirements of the "Quality Improvement Year for Party Construction of State-owned Enterprises", thereby creating a new pattern where Party construction leads the development.

Dear all Shareholders, it is the right time to advance bravely as the development never ends. Standing on the new historical starting point, we will adhere to the Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, create a new situation based on global layout, draw up a blueprint oriented upon the future, grasp the development initiative, serve as a bellwether in reform, stand in the forefront bravely and innovate positively to create new glories in the journey of building the Company into a world-class enterprise with global competence. All Shareholders, people from all walks of life and friends that have cared about our Company for a long time, we hope for your continual help and support!

Liu Qitao

Chairman

Beijing, the PRC

29 March 2018

The 480km Kenya Mombasa-Nairobi Railway was constructed and managed absolutely according to Chinese standards. It develops a new model of overseas cooperation for the whole industry chain of Chinese railway, and represents the important early harvest of “the Belt and Road” initiative and the China-Africa cooperation plan. The picture shows China and Africa jointly celebrate the opening to traffic of Mombasa-Nairobi Railway.

BUSINESS OVERVIEW

In 2017, the Company made systematic planning and took effective actions to grasp the market opportunities, occupy the commanding position of the industry, and accelerate the shift of old and new driving forces for development, thereby continuously reinforcing our market shares in traditional business, achieving substantial results in cultivating the emerging business market, and enhancing our influence and control power in the industry.

In 2017, the value of new contracts entered into by the Group amounted to RMB900,020 million [Note 1], representing a year-on-year increase of 23.2%. As at 31 December 2017, the backlog of the Group amounted to RMB1,372,105 million [Note 2].

In 2017, the value of new contracts from overseas markets amounted to RMB225,585 million (equivalent to approximately USD33,971 million), representing 25% of the Group's new contract value. According to statistics, as of 31 December 2017, the Company conducted its business in over 140 countries and regions, of which a total of 966 foreign contracting engineering projects were under construction, with a total contract amount of approximately USD113,200 million.

In 2017, the confirmed value of new contracts from PPP investment projects of the Group amounted to RMB189,092 million (wherein: the confirmed contract value of share-participation projects on a shareholding pro-rata basis amounted to RMB77,710 million), accounting for 21% of the value of new contracts of the Group.

I. BUSINESS REVIEW AND MARKET STRATEGIES

(I) Domestic Market

In 2017, China's economy achieved relatively rapid growth, with the GDP growth rate at 6.9% on a year-on-year basis, showing the distinct signs of stabilization and recovery. The fixed-asset investment in infrastructure increased by 19.0% on a year-on-year basis, accounting for 22.2% of the national investment in fixed assets, representing the highest investment proportion since 2010, and once again making infrastructure investment become an important measure to stabilize China's economic growth. Wherein, the investment in the public facilities management industry increased by 21.8%, that in the road transportation industry increased by 23.1%, and that in the water conservancy management industry increased by 16.4% on a year-on-year basis. The rapid increase in fixed assets investment in the aforesaid segment markets, on the one hand, reflected that the implementation and commencement speed of the contracted orders was accelerated, and on the other hand, it showed that the fixed assets investment highlighted by urban infrastructure construction and highway construction enjoyed high-speed growth, for which PPP mode, as a major form of participation of the social capital, played an important role in promoting the development of the fields where the aforesaid projects are. Meanwhile, the water transportation construction market continued falling down, while its investment and development direction transformed from "scale and speed type" to "quality and efficiency type" in advance; and the railway construction market remained running at a high level, but the increment of investment was limited.

Over the past year, the Company endeavored to overcome difficulties in a realistic and pragmatic manner, and has once again won the uphill battle of maintaining the market, stabilizing the growth and promoting the development. The traditional business had a firm position, the port and dredging construction market continued showing distinct advantages, and the expressway construction market maintained the domestic leading position. The Company made remarkable achievements in developing the emerging market: as guided by PPP investment projects, and based on the new product structure and new business model, the new domains have become an important support for the Company's development. The Company also broke the industry records and filled up the industry gap. Along with the full completion of the "Chinese Bridge" represented by the "Century Project" - Hong Kong-Zhuhai-Macau Bridge, the official opening to traffic of the "Chinese Road" represented by the world's first expressway in high-altitude and high-cold permafrost regions, and the debut of the "Chinese Heavy Machinery" represented by "Tiankun" (the first heavy-duty self-propelled cutter suction dredger independently researched, developed and manufactured by China), CCCC has played the main melody for the "Amazing China".

Notes:

1. According to the original production and operation plan and the statistical method, the value of new contracts entered into by ZPMC in 2017 was still included in that of the Group. After deducting the value of new contracts entered into by ZPMC, the value of new contracts entered into by the Group in 2017 was RMB881,006 million.
2. As at 31 December 2017, the amount of ZPMC had been deducted from the backlog of the Group. Apart from the business of ZPMC, other business in the former heavy machinery manufacturing business had been covered in other business.

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(II) Overseas Market

In 2017, the global economy grew mildly, the growth of developed economies recovered synchronously, the emerging markets maintained a relatively high growth momentum, and the fixed-asset investment in infrastructure rose steadily. China's "the Belt and Road" initiative has evolved into an international consensus, which further expanded our market development room.

Meanwhile, we also noticed that the global economy had basically come out of the shadow of financial crisis, but it was still in the process of deep adjustment, and the recovery progress was extremely unbalanced. As the cycle of global quantitative easing monetary policy almost ended, the cost of capital was increased. In Africa, the national debts for certain countries have risen to the limit, so it's really difficult to promote the government framework and the "two preferential loans" program. In the Middle East, great changes took place in religious conflicts, geographical relationship and regional safety, increasing the uncertainties for market expansion. In Latin America and Pan-Caribbean Region, many countries entered the general election and government change period, where the continuity of the policies was challenged.

As for the overseas business in 2017, the Company grasped the opportunity and intensified the strengths, thereby making remarkable contributions in implementing the major national strategies and continually realizing self-transcendence. The six projects, including the No. 2 Bridge in Penang, Malaysia and the AA Expressway in Ethiopia, won the Luban Prize for China Construction Projects, Zhan Tianyou Award and National High Quality Project Award respectively; Maputo Bridge in Mozambique won the Fulton Award for engineering quality in Southern Africa. The Company has always been given the highest credit rating for overseas contracting enterprise in successive years. In June, the EPC Project of Malaysia East Coast Rail Link (Phase I) independently undertaken by the Company was accelerated to enter into the implementation stage. It is the largest single project under "the Belt and Road" initiative, which will comprehensively promote the coordinated development of Malaysia's economy and society. In November, the Company won the bid for Project of the Integrated Waste Treatment Facilities (Phase I) in Hong Kong, with the contract amount estimated to be USD4,000 million. The Company has rich project reserves available. John Holland, which was acquired by the Company in 2015, has continuously expanded its market shares in Australia, and achieved distinct effects in business transformation and upgrade. Over the past year, the Company has deeply participated in the global development trend, and continually enhanced our influence and brand reputation at the international market. The Company has ranked the third in ENR's Top International Contractors and remained the first among the top international contractors in Asia for eleven consecutive years. The Company's role as a bellwether of "the Belt and Road" initiative was further demonstrated, and the value of new contracts of the relevant countries and regions alongside "the Belt and Road" throughout the year amounted to USD16,643 million, ranking high among Chinese enterprises.

(III) Major Business Restructuring

As the world's leading ultra-large integrated infrastructure service provider, the Company's core business is to provide various customers in all parts of the world with integrated solutions services for transportation infrastructure projects in the areas of investment, design, construction, operation and management. As a core enterprise of the heavy machinery manufacturing business, one of the Company's four major business segments, ZPMC is primarily engaged in research and development and manufacture of container crane, bulk cargo loading and unloading machinery, marine engineering equipment and heavy-duty steel structures, which shares limited synergies with the Company's transportation infrastructure business.

Therefore, the Company initiated the transfer of an aggregate of 29.99% shares held in ZPMC to CCCG, the Company's controlling Shareholder, and its subsidiary by means of transfer agreement in July, at a consideration of approximately RMB5,661 million, and the estimated gains arising from this share transfer amounted to RMB3,227 million (before tax and related expenses). Upon completion of the equity transfer of ZPMC, CCCG and CCCG HK hold 29.99% of the total shares of ZPMC, and become its direct controlling shareholders. The shares held by the Company accounts for 16.24% of the total shares of ZPMC, so the Company becomes the second largest shareholder of ZPMC. The statements of ZPMC will no longer be consolidated into that of the Company since 27 December 2017, and the corresponding equity investment in ZPMC will be listed in the Company's investment in associates.

Under the great support of the Shareholders and the regulatory authority, the equity transfer of ZPMC was completed on 27 December 2017. Based on its significant impact on the Company's business segments, heavy machinery manufacturing business will no longer be the Company's business segment, and the rest of the business in such business segment (except for that of ZPMC) will be covered in other business segments of the Company during this reporting period and the comparative period of last year (some production and operational data will be adjusted in 2018). Through transfer of the controlling power of ZPMC, the Company will focus more attention on the core business of infrastructure, input the resources in a more concentrated way, and further enhance the Company's core competence. In addition, the Company's main business is still in the rapid development period, the Company use the gains from the equity transfer to focus on main business development, thereby further improving the Company's profitability.

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(IV) Business Summary

1. Infrastructure Construction Business

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

In 2017, the value of new infrastructure construction contracts entered into by the Group amounted to RMB783,044 million, representing a year-on-year increase of 27.86%. Wherein, the value of new contracts from overseas markets amounted to RMB208,811 million (equivalent to approximately USD31,445 million); the confirmed value of new contracts from PPP investment projects amounted to RMB165,059 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB240,063 million. As at 31 December 2017, the backlog amounted to RMB1,242,188 million.

Categorised by project type and location, the value of new contracts in terms of port construction, road and bridge construction, railway construction, municipal and environmental projects, etc., and overseas projects amounted to RMB29,677 million, RMB298,140 million, RMB15,487 million, RMB230,929 million and RMB208,811 million, representing 4%, 38%, 2%, 29% and 27% of the total value of new infrastructure construction contracts, respectively.

(1) Port Construction

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

In 2017, the value of new contracts of the Group for port construction projects in Mainland China amounted to RMB29,677 million, representing a year-on-year decrease of 6.17%, and accounting for 4% of that of the infrastructure construction business. The slight decrease in the value of new contracts was mainly attributable to the continuing shrinkage of coastal port infrastructure construction market.

In 2017, according to the data of fixed assets investment in coastal and inland transportation construction announced by the Ministry of Transport, the investment completed throughout the year amounted to approximately RMB121,556 million, representing a year-on-year decrease of 14.24%. The water transportation construction market centered on coastal port construction declined dramatically, while the investment scale of inland water transportation maintained stable.

For the year 2017, the number of deepwater berths in ports of China ranked the first in the world. Our inland waterway conditions continually improved, the waterway network connecting trunk and branch lines in rivers and seas was further optimized, and the port cargo and container throughput remained the first in the world for more than ten consecutive years. For a period of time from now on, the investment and development direction of port construction has transformed from “scale and speed type” to “quality and efficiency type” in advance. For this purpose, the central government will optimize the allocation of stock resources and increase the supply for high-quality increments, thereby realizing the dynamic balance of supply and demand. It also means that the new market room is limited, and promoting high-quality development will be an ultimate requirement for water transportation work for a period of time in future.

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(IV) Business Summary (Continued)

1. Infrastructure Construction Business (Continued)

(2) Road and Bridge Construction

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

In 2017, the value of new contracts of the Group for road and bridge construction projects in Mainland China reached RMB298,140 million, representing a year-on-year increase of 26.29%, and accounting for 38% of that of the infrastructure construction business. Wherein, the confirmed value of new contracts from PPP investment projects amounted to RMB57,585 million. The rapid increase in the value of new contracts was mainly attributable to the Company's steady shares in the traditional market, and the increase in investment projects by virtue of PPP mode.

In 2017, according to the data of fixed assets investment in road transport construction announced by the Ministry of Transport, the investment completed throughout the year amounted to approximately RMB2,120,000 million, representing a year-on-year increase of 18.9%. The investment speed grew rapidly, while Beijing-Tianjin-Hebei Region, the western and southwestern regions were at the peak of construction.

The Company proactively grasped the market opportunity, while the Business Department, Regional Headquarter and the subsidiaries worked together to innovate the business model, reinforce development, and follow up the implementation of many projects including the Highway Project in Inner Mongolia, Urumchi-Yuli Highway Project in Xinjiang, Changchun-Lalinhe Section Extension Project of Beijing-Harbin Expressway, Duyun-Anshun Expressway in Guizhou province, etc., thereby strengthening and maintaining the Company's leading position of the traditional road and bridge business in domestic market. Wherein, Urumchi-Yuli Highway Project in Xinjiang is so far a PPP project with the largest investment scale in China, and more importantly, it is a major project to implement the national initiative of "the Belt and Road".

(3) Railway Construction

As one of the largest railway construction enterprises in China, the Group has developed into the main force of China's railway construction by virtue of its outstanding construction level and excellent management capability, but a large gap still exists between the Company and the two traditional railway infrastructure enterprises — China Railway Group Limited and China Railway Construction Limited in terms of market shares in China. However, as to the overseas market, the Company has accounted for over one-third of the total overseas contracted projects for railway "Going Global" of Chinese enterprises, and showed vital market influence.

In 2017, the value of new contracts of the Group for railway construction projects in Mainland China reached RMB15,487 million, representing a year-on-year decrease of 36.34%, and accounting for 2% of that of the infrastructure construction business. Wherein, the confirmed value of new contracts from PPP investment projects amounted to RMB1,236 million.

According to the government work report in economy made on the "NPC & CPPCC" in 2018, the fixed assets investment in railway construction will reach RMB732,000 million, and 4,000 km railways will be newly built and put into operation, of which 3,500 km will be high-speed railway. More than 5,000 km railways will be newly built and put into operation in each of the next year and the year after next, and the scale of projects to be undertaken by the Company is estimated to still have room for improvement.

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(IV) Business Summary (Continued)

1. Infrastructure Construction Business (Continued)

(4) Overseas Projects

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

In 2017, the value of new contracts of the Group for overseas projects in the infrastructure construction business amounted to RMB208,811 million (equivalent to approximately USD31,445 million), representing a year-on-year increase of 1.43%, and accounting for 27% of that of the infrastructure construction business. Wherein, 13 projects were entered into with each new contract value over USD300 million and a total contract value of USD21,941 million, accounting for 70% of total value of all overseas new contracts of the Group.

Categorised by project type, the value of overseas new infrastructure construction contracts for railways, roads and bridges, housing, ports, and municipal and other projects accounted for 42%, 26%, 7%, 6% and 19% of the value of new contracts for overseas projects, respectively.

Categorised by project location, the value of new infrastructure construction contracts for Southeast Asia, Africa, Oceania, Hong Kong/Macau/Taiwan, and other countries accounted for 47%, 28%, 13%, 6% and 6% of the value of new contracts for overseas projects, respectively.

In 2017, the Company profoundly implemented the strategy of "experts in five areas" overseas, systematically integrated the Company's strategy with the national strategy, and made efforts by relying on four driving wheels of cash, framework, investment and park construction to consolidate the traditional markets, expand the emerging markets and strengthen the surrounding markets, thereby securing the satisfactory sustainable development in the overseas market. The Company deeply explored the African market, and entered into the new contracts amounting to USD8,838 million throughout the year. The Company also intensified the development of the Asia-Pacific markets such as Malaysia and Hong Kong, and entered into the new contracts amounting to USD20,837 million throughout the year, occupying half of the whole market shares. The Company acquired the top one engineering design consulting company in Brazil, entered into the agreement for acquisition of the third largest engineering company in Canada, and successfully entered the new markets of Afghanistan, Nepal, Ukraine, Tunisia, etc. For the year 2017, the Company had already entered the markets of 141 countries worldwide and set 215 overseas agencies.

(5) Municipal and Environmental Projects, etc.

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

In 2017, the value of new contracts of the Group for municipal and environmental projects, etc. in Mainland China reached RMB230,929 million, representing a year-on-year increase of 101.64%, and accounting for 29% of that of the infrastructure construction business. Wherein, the confirmed value of new contracts from PPP investment projects amounted to RMB106,208 million. The rapid growth in the value of new contracts was mainly attributable to the PPP investment projects, which played a powerful role in market access and market supplement.

According to the data of the National Bureau of Statistics in 2017, the investment in water resources, environment and public facilities management business grew by 21.2%. Among which, the new project opportunities for investment in public facilities such as municipal facilities and water supply facilities were mainly based on PPP mode.

In 2018, the Company will grasp the new industry opportunities arising from the national strategies and demand changes, in an effort to make layout earlier and achieve good results sooner. The Company will follow up the urbanization strategy closely, make the all-round detailed layout by focusing on core cities, city circles and city clusters, and give prominence to developing intercity connectivity, urban comprehensive development, municipal services and other industries. The Company will also make reasonable use of the PPP mode to further strengthen market development in the fields of rail transit, municipal, comprehensive pipe gallery, airport, etc.

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(IV) Business Summary (Continued)

2. Infrastructure Design Business

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

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

In terms of the railway infrastructure design business, the Group has entered the market during the "Eleventh Five-Year Plan" period. Currently, the Company is enhancing its influence in the market continuously, and is mainly undergoing the market cultivation period.

In 2017, the value of new contracts of the Group in infrastructure design business reached RMB37,528 million, representing a year-on-year decrease of 2.69%. Wherein, the value of new contracts from overseas markets amounted to RMB4,400 million (equivalent to approximately USD663 million); the confirmed value of new contracts from PPP investment projects amounted to RMB5,207 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB17,885 million. As at 31 December 2017, the backlog amounted to RMB62,341 million.

Categorised by project type, the value of new contracts for survey and design, project supervision, EPC contracting and other projects (including PPP projects) amounted to RMB10,568 million, RMB891 million, RMB18,980 million and RMB7,090 million, representing 28%, 2%, 51% and 19% of the total value of new infrastructure design contracts, respectively, as compared with 27%, 2%, 34% and 37%, respectively recorded for the corresponding period of 2016.

In 2017, the water transportation survey and design projects kept the overall stable trend. Wherein, the coastal port construction market was continuously depressive, which was undergoing the bottoming phase and may probably show the long-term "L-shaped" tendency; the inland survey and design business hit another new high, as the Company undertook the major consulting design projects for waterways and hubs such as Beijing-Hangzhou Canal, Xinjiang River, Ganjiang River, Wujiang River, Xijiang River, etc.; and the EPC projects of water transportation were overall steady. The road and bridge survey and design projects kept even with those of the corresponding period of last year. Lots of opportunities still existed in investment construction of the western region and the transformation, upgrade and development of the eastern region; the Beijing-Tianjin-Hebei Region, Guangdong-HongKong-Macau Greater Bay Area, Xiong'an New Area, new urbanization and urban-rural coordinative development created new market opportunities.

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(IV) Business Summary (Continued)

3. Dredging Business

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

As the largest dredging enterprise in China and even in the world, the Group enjoys absolute influence in China's coastal dredging market.

In 2017, the value of new contracts of the Group in dredging business reached RMB48,495 million, representing a year-on-year increase of 22.64%. Wherein, the value of new contracts from overseas markets amounted to RMB602 million (equivalent to approximately USD91 million); the confirmed value of new contracts from PPP investment projects amounted to RMB17,226 million, and the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB18,190 million. As at 31 December 2017, the backlog amounted to RMB62,093 million.

In 2017, according to the vessel purchase plan, there was no large vessel constructed with special purpose to serve in the Group's dredger fleets. As at 31 December 2017, the Group's dredging capacity amounted to approximately 780 million cubic meters under standard operating conditions.

In 2017, the traditional dredging business market continued to be sluggish, the low-end market suffered from fierce competition, and the approval policy for sea area use in land reclamation projects was tightened, leading to the limited market increment. In the face of the market changes, the Company strengthened resource planning,took the bull by the horns to secure the market shares, and successfully won the key cash construction projects such as Zhoushan Green Petrochemical Base, North Lingni Dyke in Wenzhou, Lianyungang 300,000DWT Waterway Phase II Project, etc. The transformation of the Company's investment business made remarkable achievements, with more than 35% of the confirmed value of new contracts being contributed by domestic PPP investment projects. The scale effect of ecological and environmental protection business gradually became prominent, as the Company successfully implemented the ecological dredging projects in Xingyun Lake, Xiangtan, Jishou, etc., and Haihe River in Kunming became the first successful case in China in removing its bad name as black and odorous water. Great breakthroughs were obtained in dredging and renovation of sea areas and coastal zones, as the Company successfully won the bid for EPC projects of the two blue gulf renovation actions for Nan'ao Island in Shantou City and Pinqing Lake in Shanwei City; the comprehensive treatment projects of Jinjiang River Basin and Tuojiang River Basin in Chengdu, and the comprehensive treatment project of water systems in urban areas of Fuyang were successfully implemented, while Yongding River Project and Baiyangdian Project were advanced in order, symbolizing the "CCCC solutions" for comprehensive treatment for basins had gradually come into shape, and the Company's environmental protection business was gradually optimized and upgraded from the "end treatment" mode focusing on single projects, to the treatment of large volume basins and the full industry chain of ecological restoration.

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(IV) Business Summary (Continued)

4. Heavy Machinery Manufacturing Business

In 2017, the value of new contracts of the Group in heavy machinery manufacturing business reached RMB19,646 million, representing a year-on-year decrease of 38.73%.

On 27 December 2017, the equity transfer of ZPMC was completed. The value of new contracts entered into by ZPMC was included in the heavy machinery manufacturing business segment of 2017 according to the original production and operation plan and the statistical method, but it will no longer be included ever since 2018. As at 31 December 2017, the backlog of ZPMC had been deducted from the Company's statistical data. Ever since 2018, the Company will no longer set the heavy machinery manufacturing business segment. The rest of the business (except for that of ZPMC) in the former heavy machinery manufacturing business segment will be covered in other business segments of the Company.

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

1. Infrastructure Construction Business

Port Construction

No.	Contract Name	Contract Value
1	LYG-302-WD4 Section of Phase II Reclamation Dike of 300,000DWT Waterway Engineering Project in Lianyungang Port, Jiangsu Province	1,013
2	EPC Project of Nansha International Cruise Terminal Engineering in Guangzhou, Guangdong Province	924
3	Dry Bulk Wharf Engineering of Refinery & Petrochemical Integration Project in Zhoushan, Zhejiang Province	780
4	EPC Project of Phase V of Crude Oil Depot Works in Xianren Island Port Area, Yingkou Port, Liaoning Province	663
5	North 1#-2# Berths Project in Gulei Operation Zone, Gulei Port Area, Xiamen Port, Fujian Province	638

Road and Bridge Construction

No.	Contract Name	Contract Value
1	BOT Project of Kaiping-Yangchun Expressway in Guangdong Province	12,740
2	BOT Project of Jianhe-Rongjiang Section of Yanhe-Rongjiang Expressway in Guizhou Province	10,672
3	BOT Project of Urumchi-Yuli Highway in Xinjiang	10,626
4	EPC Project of Tibet S5 Line (Lhasa-Tsetang Freeway) Tunnel Works	4,771
5	BOT Project of Hefei-Zongyang Section of G3W Dezhou-Shangrao Expressway in Anhui Province	4,522

Railway Construction

No.	Contract Name	Contract Value
1	RLTJ-3, 4 Lots of Rizhao-Linyi Section of New South Shandong High Speed Railway	3,620
2	Civil Works of New Fuzhou-Xiamen Railway	3,079
3	Civil Works of GSSG-7 Lot of Jiangxi and Guangdong Provincial Boundary-Tangxia Section of New Ganzhou-Shenzhen Railway	2,755
4	Civil Works of East Ring Road of New Chongqing Railway Hub	1,933
5	BOT Project of North-South Extension Line of Weng'an- Machangping Railway in Guizhou Province	1,236

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (CONTINUED)

(IV) Business Summary (Continued)

1. Infrastructure Construction Business (Continued)

Overseas Projects

No.	Contract Name	Contract Value
1	EPC Project of Malaysia East Coast Rail Link (Phase I)	72,930
2	Operation Maintenance Project of Kenya Mombasa-Nairobi Railway	8,881
3	Management Zone Project of Macau Port of Hong Kong-Zhuhai-Macau Bridge	7,886
4	Metro Management Project in Melbourne, Australia	6,905
5	Phase II of Tunnel and Platform Project of Metro in Sydney, Australia	5,503

Municipal and Environmental Projects, etc.

No.	Contract Name	Contract Value
1	Comprehensive Development Project of the Demonstration Plot for Urban Transformation in Fenghua District, Ningbo City, Zhejiang Province	33,900
2	BOT Project of Phase I of Urumchi Rail Transit Line 4 in Xinjiang	8,287
3	BOT Project of Ring Expressway (West Line) in Urumchi, Xinjiang	7,803
4	BOT Project of Tongzhou-Daxing Section of the Capital Region Ring Expressway	6,203
5	PPP Project of Traffic Infrastructure in Huai'an District, Huai'an City, Jiangsu Province	6,000

2. Infrastructure Design Business

No.	Contract Name	Contract Value
1	PPP Project of Shouwang-Hongshan Section of Duyun-Shangri-La Expressway in Zhaotong City, Yunan Province	3,505
2	EPC Project of Wharf and Drainage of 2 × 1050MW Coal-fired Power Generation Project in Indonesia	1,407
3	EPC Project of Wangfujing Shopping Center in Changde, Hunan Province	1,300
4	PPP Project for Two Lakes One River in Pilot Sponge City, Guian New Area, Guiyang City, Guizhou Province	1,004
5	Kamsar Fishing Port Economic Zone in the Republic of Guinea	994

3. Dredging Business

No.	Contract Name	Contract Value
1	PPP Project of Breakwater Extension and Wharf Construction of Integrated Port Area, Huanghua Port	4,374
2	Section 2 of Sedimentation and Reclamation Project of Hengsha East Shore of the Yangtze River Estuary (Phase VIII)	4,181
3	EPC Project of Reclamation of Green Petrochemical Base (East Area) in Zhoushan, Zhejiang Province	3,026
4	PPP Project of Lot A of the Strait Science and Technology Ecological City of Nan'an in Quanzhou, Fujian Province	2,986
5	BOT Project of 50,000DWT Huangmaohai Waterway Phase I and Main Waterway Maintenance of Gaolan Port Area in Zhuhai Port, Guangdong Province	2,219

BUSINESS OVERVIEW

II. BUSINESS OUTLOOK

In 2018, the world economy will continue undergoing the overall recovery phase, and according to the forecast of the International Monetary Fund, the growth rate of global economy will be kept at 3.9%. However, the international economic order is still being rebuilt, and the future prospect is still mingled with hope and fear.

In terms of the domestic market, the year 2018 will be the first year to comprehensively implement the spirit of the CPC 19th National Congress and to determine the victory in building a moderately well-off society in an all-round way, as well as a year of government transition, where the impetus and intention to accelerate development in various aspects will be very strong. The emerging industry will grow rapidly, while the new driving force for development will be intensified continuously. However, the weakening traditional driving force for development, the tightening monetary and financial policy, and the intensifying environmental protection supervision will bring uncertainties to the infrastructure construction market.

Through comprehensive consideration of macro-economic situations, relevant national policies, economic development objectives, industry and market tendency, etc., the Company will face the market situations with the following features in 2018. Firstly, the construction industry is generally booming and in the extended state as a whole. Secondly, the probability of sharp drop in infrastructure investment is very small, and its proportion to the total investment will continue rising. Thirdly, risk prevention and control will be the main keynote for financial work, and the total quantity of PPP projects may shrink. Fourthly, the booming highway construction market will fall down slightly, but it will still be maintained at a relatively high level. Fifthly, the tightening of the water transportation construction market is difficult to reverse, and the costal construction may show a low-level trend continuously. Sixthly, the railway construction market operates steadily, and is expected to continue maintaining such steady trend in the next few years. Seventhly, urban rail transit is undergoing the grand development period, but the urban rail transit construction market will be influenced as the central government further strengthens the prevention of local debt problem and the control of financial risks. Eighthly, as the range of “the Belt and Road” continues expanding, the quick initiation of the Polar Silk Road, the Post-war Reconstruction in Syria, the construction of Land Sea Express Routes in Central and Eastern Europe, etc. will promisingly become the new hotspots of layout, and the market opportunities in “ports, roads, bridges, tunnels, islands, cities and parks” will be positively created, with extensive overseas market space available.

In front of the opportunities and challenges, the Company took the lead in proposing the medium and long-term goal of trying the best to build the Company into a world-class enterprise with global competence. The year 2018 is the beginning year to implement the spirit of the CPC 19th National Congress, as well as the critical year to interconnect the “13th Five-Year Plan”. The Company will closely adhere to the core concept of “high-quality development” and insist on the strategy of “experts in five areas” to maintain the overall growth momentum of our main business, continuously intensify the priority and high-quality development of our overseas business, and reinforce our leadership position among the “Going Global” enterprises of China.

III. BUSINESS PLAN

In 2017, according to statistics, the value of new contracts entered into by the Group amounted to RMB900,020 million, accomplishing 100.0% of our goal, which was in line with the Group’s forecast. The revenue from continuing operations amounted to RMB460,067 million, which was in line with the Group’s forecast.

The goal of the value of new contracts to be entered into by the Group for the year 2018 is to increase by about 8%, and the goal of revenue is RMB490,000 million.

BUSINESS OVERVIEW

IV. TECHNOLOGY INNOVATION

In 2017, the Company focused on the overall situation of reform and development, vigorously implemented the strategy of driving development by technological innovation, and achieved remarkable results.

Firstly, our technical research and development continued focusing on the significant and critical technologies of prospective, frontier and all-round features, so as to occupy the commanding position. 41 projects including the "packaged technology research for construction and operation of ultra-long, high-cold, high-altitude and large cross-sectional highway tunnel" were approved and initiated by the Company; two projects including "key technology and heavy machinery research for construction safety of transportation infrastructure" were listed as the national key research and development program; the key technologies such as BIM, Beidou, sea-crossing bridge, island and tunnel construction, etc. were advanced steadily. CCCC successfully launched the "BIM whole lifecycle open type collaborative sharing platform", and researched and developed the second generation of Beidou Satellite application products.

Secondly, the Company made breakthroughs in compiling international standards. As authorized by the Smart Building International Alliance (智慧建築國際聯盟), the Company presided over the compilation of the IFC international standard for BIM technology of water transportation infrastructure; and the revision of two ISO standards for dredgers has been verified ad approved by NSMT, and will be approved for issuance soon.

Thirdly, the Company took the lead in promoting the international technological cooperation and created a good international technology exchange environment and atmosphere. The Company cooperated with the Cardiff University in United Kingdom to jointly hold "the Belt and Road, Cooperation and Win-Win" International Symposium on Technology and Standards. Both parties entered into a memorandum to carry out in-depth cooperation and communication in standards, technological research and development, innovation platform construction and exchange visits of technological personnel. Meanwhile, the Company and LafargeHolcim group in France formed an annual two-way regular exchange mechanism for technology backbones of the innovative platform. In 2017, both parties reached three short-term joint research and development plans and one long-term cooperative research plan.

Fourthly, the Company continued promoting the reform of scientific and technological system, carried out the previous investigation on the feasibility of establishing the technology innovation fund and the incentive policy for technical personnel, revised and issued the Assessment Methods for Technological Advancement of Secondary Units and Administrative Methods for Technical Research and Development Projects, which further standardized our technological assessment and technical Research and Development work, and played the role of technological guidance and promotion.

Fifthly, the Company proactively guided the subsidiaries to promote platform construction, and technological activities such as awards and standards declaration. In 2017, CCCC South Asia Regional Research and Development Center was recognized by the Company, which was the Company's first regional research and development center established overseas; five research and development centers of the Company were accredited as the research and development centers of the transportation industry. In 2017, the Group was awarded one Second Prize of the National Award for Technological Advancement, one Second Prize of the National Award for Technological Invention, six Zhan Tianyou Awards, nine Excellent Patent Awards, and 1,330 patent licenses. The Group totally received 13 preparation, revision and compilation projects for highway engineering industry standards by the Ministry of Transport in 2017.

V. FINANCIAL INNOVATION

In 2017, in order to cope with the economic situations and development needs at home and abroad, and grasp the market opportunities arising from great development of PPP investment projects, the Company reinforced financial innovation, strictly controlled risks, and made full use of the professional service capability of various financial platforms.

Firstly, the Company actively explored into diversified financing channels and innovated upon the integration of industry and finance. CCCC Fund proactively expanded the capital channels, established partnership with lots of financial institutions such as banks, insurance companies, etc., innovated upon the fund modes, and succeeded in attracting the insurance funds to invest in the investment projects dominated by the Company.

Secondly, CCCC Financial Leasing continuously attempted to innovate upon the product and business models, developed multiple product mixes, such as "leaseback + EPC", "factoring + leaseback", "leasing + PPP", "consortium bidding for direct leasing of equipment", etc., and gradually carried out the equipment leasing business profoundly; an equipment resource pool represented by the shield machine within the Group has come into being, which can enhance the equipment utilization efficiency and reduce the cost.

Thirdly, the Company revitalized stock assets. Through public tender on the assets and equity exchange, the Company successfully transferred the assets of the three expressways, namely Guiyang-Weng'an Expressway in Guizhou, Yulin-Jiaxian Expressway in Shaanxi and Tongcheng-Jieshang Expressway in Hubei; CCCC Dredging successfully issued the ABS products with the accounts receivable as basic assets on Shanghai Stock Exchange, with the issuance scale of RMB1,230 million and the nominal interest rate of 4.88%.

BUSINESS OVERVIEW

VI. MAJOR PRODUCTION AND OPERATIONAL DATA (UNIT: RMB MILLION)

(1) Completed and Accepted Projects During the Reporting Period (Including ZPMC)

Total quantity of projects			N/A
Total contract value			185,136
Categorised by region		**Quantity (Project)**	**Total Contract Value**
	Domestic	N/A	150,605
	Overseas	N/A	34,531
Categorised by business type			
	Infrastructure construction	287	157,390
	Infrastructure design	1,102	6,860
	Dredging	85	8,925
	Heavy machinery manufacturing	N/A	7,381
	Others	N/A	4,580

(2) Projects Under Construction During the Reporting Period(Excluding ZPMC)

Total quantity of projects			N/A
Total contract value			3,098,848
Categorised by region		**Quantity (Project)**	**Total Contract Value**
	Domestic	N/A	2,344,656
	Overseas	N/A	754,192
Categorised by business type			
	Infrastructure construction	7,444	2,737,015
	Infrastructure design	17,988	176,695
	Dredging	1,264	176,840
	Others	N/A	8,298

(3) Investment Projects

In 2017, the Company accurately grasped the new opportunities of PPP investment projects between various businesses, and continued to accomplish the goals of being a partner to share the economic and social development responsibilities with the government, a participant to deeply involve in the regional economic development, and a high-quality public service provider for government procurement. Through optimizing the investment layout, innovating upon the integration of industry and finance, deepening project management and effectively controlling the risks, the Company has obviously enhanced the profitability level and assets quality, and continuously created a new pattern of transformation and upgrade of our investment business.

1. Investment Projects Newly Entered into in 2017

In 2017, the Company steadily developed the investment projects mainly by virtue of PPP mode. The confirmed value of contracts for PPP investment projects amounted to RMB189,092 million, wherein: the confirmed value of contracts for BOT projects, government procurement projects and urban comprehensive development projects amounted to RMB85,938 million, RMB69,254 million and RMB33,900 million, accounting for 45%, 37% and 18% of that for PPP investment projects.

The total investment involved in the aforesaid investment projects was estimated to be RMB446,668 million. During the process of designing and implementing, the value of construction and installation contracts to be undertaken by the Company was estimated to be RMB277,508 million.

2. Government Procurement and Urban Comprehensive Development Projects

The total value of contracts for government procurement projects entered into by the Group amounted to RMB285,330 million, wherein, the accumulative completed investment amounted to RMB106,605 million, with cumulatively RMB50,746 million having been recovered.

The total investment value of contracts for urban comprehensive development projects entered into by the Group was estimated to be RMB245,036 million, among which, RMB54,199 million have been completed cumulatively, RMB35,296 million sales amount have been realized and RMB26,825 million have been received by the Group.

BUSINESS OVERVIEW

VI. MAJOR PRODUCTION AND OPERATIONAL DATA (UNIT: RMB MILLION) (CONTINUED)

(3) Investment Projects (Continued)

3. Concession Projects

As at 31 December 2017, according to statistics (the consolidated items contracted and financed by the Group, and the latest statistics shall prevail if there is any change), the total investment amount of the Group's contracted BOT projects was estimated to be RMB354,040 million, wherein, the accumulative completed investment amounted to RMB169,855 million, and the uncompleted investment amounted to RMB184,185 million. 15 concession projects together with 12 share-participation projects have been put into operations, and the operating revenue in 2017 was RMB2,810 million.

Investment Projects Newly Entered into in 2017 (Unit: RMB Million)

No.	Project Name	Project Type	Total Investment Budget Estimate	Contract Value Confirmed according to Shareholding Ratio	Expected Construction and Installation Cost	Construction Period (Year)	Operating Project or Not	Consolidated or Not	Toll Collection/ Operation/ Procurement Period (Year)
1	Comprehensive Development Project of the Demonstration Plot for Urban Transformation in Fenghua District, Ningbo City, Zhejiang Province	Comprehensive urban development	33,900	33,900	15,460	6	No	Yes	14
2	Kaiping-Yangchun Expressway Project in Guangdong Province	BOT	13,402	12,740	9,125	4	Yes	No	25
3	Jianhe-Rongjiang Section Project of Yanhe-Rongjiang Expressway in Guizhou Province	BOT	17,816	10,672	13,155	4	Yes	Yes	30
4	Highways Project including Urumchi-Yuli Highway in Xinjiang	BOT	70,841	10,626	53,315	6	Yes	No	30
5	Phase I of Xinjiang Urumchi Rail Transit Line 4 Project	BOT	16,249	8,287	8,478	5	Yes	No	30
6	Ring Expressway (West Line) Project in Urumchi, Xinjiang	BOT	15,300	7,803	9,900	3	Yes	Yes	30
7	Tongzhou-Daxing Section Project of the Capital Region Ring Expressway	BOT	12,162	6,203	5,572	2	Yes	Yes	25
8	Traffic Infrastructure Project in Huai'an District, Huai'an City, Jiangsu Province	PPP	6,000	6,000	4,769	2	No	Yes	8
9	Hefei-Zongyang Section Project of G3W Dezhou-Shangrao Expressway in Anhui Province	BOT	9,228	4,522	7,947	3	Yes	No	26
10	Breakwater Extension and Wharf Construction Project of Integrated Port Area, Huanghua Port	PPP	4,860	4,374	3,167	2	No	Yes	15
11	South Section Project of Ring Expressway in Wanzhou, Chongqing	BOT	4,151	4,151	3,761	4	Yes	Yes	30
12	Fengzihe Road Construction Project in Pukou District, Nanjing City, Jiangsu Province	PPP	4,230	3,807	2,869	3	No	Yes	8

BUSINESS OVERVIEW

VI. MAJOR PRODUCTION AND OPERATIONAL DATA (UNIT: RMB MILLION) (CONTINUED)

(3) Investment Projects (Continued)

3. Concession Projects (Continued)

Investment Projects Newly Entered into in 2017 (Unit: RMB Million) (Continued)

No.	Project Name	Project Type	Total Investment Budget Estimate	Contract Value Confirmed according to Shareholding Ratio	Expected Construction and Installation Cost	Construction Period (Year)	Operating Project or Not	Consolidated or Not	Toll Collection/ Operation/ Procurement Period (Year)
13	Municipal Infrastructure Project of Tonghu Ecological Wisdom Area in Huizhou, Guangdong Province	PPP	5,336	3,735	3,898	3	No	Yes	9
14	Shouwang-Hongshan Section Project of Duyun-Shangri-La Expressway in Zhaotong City, Yunan Province	PPP	18,096	3,505	13,750	4	No	No	8
15	G309 Jinya-Hekou Section Highway Project	PPP	21,440	3,282	5,290	5	No	No	3
16	Cuihai Street Comprehensive Underground Pipe Gallery Project in Cuiheng New Area, Zhongshan, Guangdong Province	PPP	3,557	3,201	2,878	3	No	No	18
17	Xiaxianying Shantytown Renovation and Environmental Improvement Project in Shunyi District, Beijing	PPP	3,400	3,060	1,700	4	No	Yes	6
18	Others	—	186,700	59,223	112,474	—	—	—	—
	Total		446,668	189,092	277,508				

BUSINESS OVERVIEW

VI. MAJOR PRODUCTION AND OPERATIONAL DATA (UNIT: RMB MILLION) (CONTINUED)

(3) Investment Projects (Continued)

3. Concession Projects (Continued)

Concession Projects under Development

No.	Project Name	Total Investment Budget Estimate	Contract Value Confirmed according to Shareholding Ratio	Investment Amount in 2017	Accumulated Investment Value
1	Lianzhou-Fogang Highway in Guangdong Province	23,106	23,106	19	19
2	Guigang-Long'an Highway in Guangxi Province	19,750	19,750	5,195	6,094
3	Taihangshan Highway Project in Hebei Province	47,000	14,570	—	Share participation
4	Kaiping-Yangchun Expressway Project in Guangdong Province	13,711	12,740	—	Intended for share participation
5	Jianhe-Rongjiang Section Project of Yanhe-Rongjiang Expressway in Guizhou Province	17,816	10,672	3,032	3,032
6	Highways Project including Urumchi-Yuli Highway in Xinjiang	70,841	10,616	—	Share participation
7	PPP Project of Phase I of Xinjiang Urumchi Rail Transit Line 4	16,249	8,287	—	Share participation
8	Ring Expressway (West Line) Project in Urumqi, Xinjiang	15,300	7,803	Construction not yet commenced	Construction not yet commenced
9	Libo-Rongjiang Expressway Project in Guizhou Province	10,480	6,288	—	Share participation
10	Tongzhou-Daxing Section Project of the Capital Region Ring Expressway	12,162	6,203	7,856	7,856
11	G575 Expressway Project in Xinjiang	6,017	6,017	1,947	2,587
12	Jiulongpo-Yongchuan Expressway in Chongqing	5,353	5,353	1,626	4,709
13	Hechang Section of Sanhuan Expressway in Chongqing	10,077	5,139	2,115	3,190
14	Quanzhou Section Project of Quanzhou-Xiamen-Zhangzhou City Alliance Highway in Fujian Province	4,708	4,708	1,336	1,712
15	Hefei-Zongyang Section Project of G3W Dezhou-Shangrao Expressway in Anhui Province	9,228	4,522	—	Share participation
16	South Section Project of Ring Expressway in Wanzhou, Chongqing	4,151	4,151	Construction not yet commenced	Construction not yet commenced
17	Jiayu North Section Project of Wuhan-Shenzhen Expressway in Hubei Province	3,816	3,816	1,235	1,235
18	Others	124,779	37,676	3,784	5,297
	Total	**414,544**	**191,417**	**28,145**	**35,731**

VI. MAJOR PRODUCTION AND OPERATIONAL DATA (UNIT: RMB MILLION) (CONTINUED)

(3) Investment Projects (Continued)

3. Concession Projects (Continued)

Concession Projects in Operation Period

No.	Project Name	Accumulated Investment Value	Operating Revenue During the Year	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	33,027	14	30	0.1
2	Daozhen-Weng'an Expressway in Guizhou Province	25,309	369	30	2
3	Jiangkou-Weng'an Expressway in Guizhou Province	16,003	611	30	2
4	Yanhe-Dejiang Expressway in Guizhou Province	10,664	110	30	2
5	Guiyang-Qianxi Expressway in Guizhou Province	9,051	421	30	2
6	Hubei Jiatong Section Project of Wuhan-Shenzhen Expressway in Hubei Province	8,432	54	30	1.3
7	Zhongxian-Wanzhou Expressway in Chongqing	7,409	47	30	1
8	Guiyang-Duyun Expressway in Guizhou Province	7,467	732	30	7
9	Yongchuan-Jiangjin Expressway in Chongqing	5,982	57	30	3
10	Zhuankou Yangtze River Bridge Project in Wuhan, Hubei Province	5,225	—	30	0.1
11	South-North Highway in Jamaica	4,740	160	50	2
12	Xianning-Tongshan Expressway in Hubei Province	3,101	76	30	4
13	Yicheng-Houma Expressway in Shanxi Province	2,398	100	30	10
14	Malong Connecting Line of Xuanwei-Qujing Expressway in Yunnan Province	2,315	—	30	0.1
15	Qingshuihe-Dafanpu Section of National Highway G109 in Inner Mongolia Autonomous Region	587	59	26	8.7
16	Wangjiang-Qianjiang Expressway in Anhui Province	Share participation	—	25	2
17	Fengdu-Zhongxian Expressway in Chongqing	Share participation	—	30	1
18	Fengdu-Fuling Expressway in Chongqing	Share participation	—	30	4
19	Fengdu-Shizhu Expressway in Chongqing	Share participation	—	30	4
20	Tongliang-Hechuan Expressway in Chongqing	Share participation	—	30	3
21	Tongliang-Yongchuan Expressway in Chongqing	Share participation	—	30	1.7
22	Chongqing Wanzhou-Sichuan Dazhou, Wanzhou-Hubei Lichuan Expressways	Share participation	—	30	3
23	Youyang-Yanhe Expressway in Chongqing	Share participation	—	30	2
24	Foshan-Guangming Expressway in Guangdong Province	Share participation	—	27	8.5
25	Guiyang-Weng'an Expressway in Guizhou Province	Share participation	—	30	2
26	Tongcheng-Jieshang Expressway in Hubei Province	Share participation	—	30	3.3
27	Yulin-Jiaxian Expressway in Shaanxi Province	Share participation	—	30	4
	Total	**141,710**	**2,810**		

The 22.5km Penang Second Cross-Sea Bridge in Malaysia is the longest cross-sea bridge in Southeast Asia, and the project won the 2018 China Zhan Tianyou Award for Civil Engineering. The picture shows Penang Second Cross-Sea Bridge by night.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

On 18 July 2017, the Group entered into equity transfer agreements with CCCG, pursuant to which the Group has conditionally agreed to sell and CCCG and CCCG HK have conditionally agreed to acquire an aggregate of 1,316,649,346 ordinary share of ZPMC which represented 29.99% of the total issued share capital of ZPMC. The disposal of ZPMC has been completed on 27 December 2017, and ZPMC was classified as a discontinued operation. Upon completion of this transfer, the Group holds 16.24% equity interest in ZPMC. The comparative statement of profit or loss in 2016 has been represented.

For the year 2017, revenue of the Group from continuing operations increased by 13.2% to RMB460,067 million, among which revenue from external customers attributed to the regions other than PRC amounted to RMB105,972 million, representing a year-on-year increase of 49.3%. Infrastructure construction business, infrastructure design business, dredging business and other businesses accounted for 85.3%, 5.6%, 7.1% and 2.0% of the total revenue from continuing operations in 2017, respectively.

Gross profit from continuing operations in 2017 amounted to RMB60,437 million, representing an increase of 10.9% from RMB54,499 million in 2016. Gross profit from infrastructure construction business and infrastructure design business increased by 12.8% and 11.2% respectively from 2016 while gross profit from dredging business and other businesses decreased by 7.1% and 37.5% respectively from 2016. Gross profit margin for infrastructure construction business, infrastructure design business, dredging business and other businesses in 2017 were 12.0%, 23.5%, 13.1% and 5.8% respectively, as compared with 12.2%, 21.7%, 15.9% and 11.6% in 2016.

Mainly as a result of the growth in gross profit, operating profit from continuing operations in 2017 amounted to RMB31,768 million, representing an increase of 8.1%, from RMB29,391 million in 2016. Operating profit from infrastructure construction business, infrastructure design business and dredging business increased by 9.5%, 0.1% and 0.9% respectively from 2016, while operating profit from other businesses decreased by 109.5% from 2016.

For the year 2017, profit attributable to owners of the parent amounted to RMB20,943 million, compared with RMB17,210 million in 2016. For the year 2017, earnings per share of the Group was RMB1.23, compared with RMB1.00 in 2016.

The following is a comparison of financial results between the years ended 31 December 2017 and 2016.

CONSOLIDATED RESULTS OF CONTINUING OPERATIONS

Revenue

Revenue in 2017 increased by 13.2% to RMB460,067 million from RMB406,331 million in 2016. Revenue from infrastructure construction business, infrastructure design business, dredging business and other businesses amounted to RMB410,014 million, RMB26,965 million, RMB34,108 million and RMB9,546 million (all before elimination of inter-segment transactions), respectively representing a year-on-year growth rate of 14.8%, 2.4%, 12.6% and 24.3%. Revenue from external customers attributed to the regions other than PRC amounted to RMB105,972 million, representing 23.0% of total revenue and a large year-on-year increase of 49.3%.

Cost of Sales and Gross Profit

Cost of sales in 2017 amounted to RMB399,630 million, representing an increase of 13.6%, from RMB351,832 million in 2016. Cost of sales from infrastructure construction business, dredging business and other businesses amounted to RMB360,803 million, RMB29,641 million and RMB8,989 million (all before elimination of inter-segment transactions) respectively, representing an increase of 15.1%, 16.3% and 32.4%, respectively. Cost of sales from infrastructure design business slightly decreased to RMB20,623 million from RMB20,627 million in 2016.

Cost of sales consisted mainly of subcontracting costs, cost of raw materials and consumables used, employee benefit expenses and minimum lease payments under operating leases. For the year 2017, cost of subcontracting costs, raw materials and consumables used and employee benefit expenses increased by 14.6%, 16.3% and 14.5%, respectively, while the cost of minimum lease payments under operating leases decreased by 4.3%.

As a result of the increase in both revenue and cost of sales in 2017, gross profit in 2017 amounted to RMB60,437 million, representing an increase of 10.9% from RMB54,499 million in 2016. Gross profit from infrastructure construction business and infrastructure design business increased by 12.8% and 11.2%, respectively, from the corresponding period of 2016; while the gross profit from dredging business and other businesses decreased by 7.1% and 37.5%, respectively, from the corresponding period of 2016. Gross profit margin decreased to 13.1% in 2017 from 13.4% in 2016. Gross profit margin for the infrastructure construction business, infrastructure design business, dredging business and other businesses were 12.0%, 23.5%, 13.1% and 5.8%, respectively, as compared with 12.2%, 21.7%, 15.9% and 11.6% in the corresponding period of 2016.

Administrative Expenses

Administrative expenses in 2017 amounted to RMB32,647 million, representing an increase of 13.4% from RMB28,787 million in 2016. This growth was primarily attributable to the increase in employee benefit expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF CONTINUING OPERATIONS (CONTINUED)

Operating Profit

Operating profit in 2017 amounted to RMB31,768 million, representing an increase of 8.1% from RMB29,391 million in 2016. The increase was mainly due to the increase in gross profit, other income and other gains.

For the year 2017, operating profit from infrastructure construction business, infrastructure design business and dredging business increased by 9.5%, 0.1% and 0.9% (all before elimination of inter-segment transactions and unallocated cost), respectively from 2016; operating profit from other businesses decreased by 109.5% (before elimination of inter-segment transactions and unallocated cost) from 2016.

Operating profit margin decreased to 6.9% in 2017 from 7.2% in 2016.

Finance Income

Finance income in 2017 amounted to RMB3,071 million, representing an increase of 10.3% from RMB2,785 million in 2016.

Finance Costs, Net

Net finance costs in 2017 amounted to RMB11,176 million, representing an increase of 15.1% from RMB9,714 million in 2016. The increase was mainly due to the increase in total borrowings. However, the increase in net finance cost was partially offset by the decrease in net foreign exchange difference.

Share of Loss of Joint Ventures

Share of loss of joint ventures in 2017 amounted to RMB294 million, as compared with a profit of RMB2 million in 2016.

Share of Profit of Associates

Share of profit of associates in 2017 amounted to RMB282 million, as compared with RMB171 million in 2016.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax in 2017 amounted to RMB23,651 million, representing an increase of 4.5% from RMB22,635 million in 2016.

Income Tax Expense

Income tax expense in 2017 amounted to RMB5,109 million, representing a slight decrease of 1.3% from RMB5,177 million in 2016. Effective tax rate for the Group in 2017 decreased to 21.6% from 22.9% in 2016.

Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests in 2017 amounted to RMB783 million compared to RMB479 million in 2016.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent in 2017 amounted to RMB20,943 million, compared with RMB17,210 million in 2016.

Profit margin with respect to profit attributable to owners of the parent increased to 4.6% in 2017 from 4.2% in 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DISCUSSION OF SEGMENT CONTINUING OPERATIONS

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for the years ended 31 December 2017 and 2016.

	Revenue Year ended 31 December		Gross Profit Year ended 31 December		Gross Profit Margin Year ended 31 December		Operating Profit/(loss) [1] Year ended 31 December		Operating Profit Margin Year ended 31 December	
Business	**2017 (RMB million)**	2016 (RMB million)	**2017 (RMB million)**	2016 (RMB million)	**2017 (%)**	2016 (%)	**2017 (RMB million)**	2016 (RMB million)	**2017 (%)**	2016 (%)
Infrastructure Construction	**410,014**	357,158	**49,211**	43,614	**12.0**	12.2	**25,846**	23,604	**6.3**	6.6
% of total	**85.3**	84.8	**81.2**	79.3	**—**	—	**81.4**	78.5	**—**	—
Infrastructure Design	**26,965**	26,328	**6,342**	5,701	**23.5**	21.7	**3,207**	3,203	**11.9**	12.2
% of total	**5.6**	6.2	**10.5**	10.4	**—**	—	**10.1**	10.7	**—**	—
Dredging	**34,108**	30,282	**4,467**	4,806	**13.1**	15.9	**2,766**	2,740	**8.1**	9.0
% of total	**7.1**	7.2	**7.4**	8.7	**—**	—	**8.7**	9.1	**—**	—
Other businesses	**9,546**	7,678	**557**	891	**5.8**	11.6	**(50)**	525	**(0.5)**	6.8
% of total	**2.0**	1.8	**0.9**	1.6	**—**	—	**(0.2)**	1.7	**—**	—
Subtotal	**480,633**	421,446	**60,577**	55,012	**—**	—	**31,769**	30,072	**—**	—
Intersegment elimination and unallocated profit/(costs)	**(20,566)**	(15,115)	**(140)**	(513)	**—**	—	**(1)**	(681)	**—**	—
Total	**460,067**	406,331	**60,437**	54,499	**13.1**	13.4	**31,768**	29,391	**6.9**	7.2

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

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the years ended 31 December 2017 and 2016.

	Years ended 31 December	
	2017 (RMB million)	2016 (RMB million)
Revenue	**410,014**	357,158
Cost of sales	**(360,803)**	(313,544)
Gross profit	**49,211**	43,614
Selling and marketing expenses	**(253)**	(258)
Administrative expenses	**(24,759)**	(22,096)
Other income, net	**1,647**	2,344
Segment result	**25,846**	23,604
Depreciation and amortisation	**7,178**	7,006

Revenue. Revenue from the infrastructure construction business in 2017 was RMB410,014 million, representing an increase of 14.8% from RMB357,158 million in 2016. This growth was primarily attributable to the increase of revenue generated from overseas projects and investment projects. No single project accounted for more than 5% of the Group's total revenue in 2017 or 2016.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2017 was RMB360,803 million, representing an increase of 15.1% from RMB313,544 million in 2016. Cost of sales as a percentage of revenue slightly increased to 88.0% in 2017 from 87.8% in 2016.

Gross profit from the infrastructure construction business in 2017 grew by 12.8% to RMB49,211 million from RMB43,614 million in 2016. Gross profit margin decreased to 12.0% in 2017 from 12.2% in 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DISCUSSION OF SEGMENT CONTINUING OPERATIONS (CONTINUED)

Infrastructure Construction Business (Continued)

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2017 were RMB253 million, as compared with RMB258 million in 2016.

Administrative expenses. Administrative expenses for the infrastructure construction business were RMB24,759 million in 2017, representing an increase of 12.1% from RMB22,096 million in 2016. The increase was mainly attributable to the increase in employee benefit expenses. Administrative expenses as a percentage of revenue decreased to 6.0% in 2017 from 6.2% in 2016.

Other income, net. Other net income for the infrastructure construction business decreased to RMB1,647 million in 2017 from RMB2,344 million in 2016, mainly attributable to the increase in loss in foreign exchange.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2017 was RMB25,846 million, representing an increase of 9.5% from RMB23,604 million in 2016. Segment result margin decreased to 6.3% in 2017 from 6.6% in 2016.

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 years ended 31 December 2017 and 2016.

	Years ended 31 December	
	2017 (RMB million)	2016 (RMB million)
Revenue	**26,965**	26,328
Cost of sales	**(20,623)**	(20,627)
Gross profit	**6,342**	5,701
Selling and marketing expenses	**(332)**	(275)
Administrative expenses	**(2,943)**	(2,441)
Other income, net	**140**	218
Segment result	**3,207**	3,203
Depreciation and amortisation	**253**	216

Revenue. Revenue from the infrastructure design business in 2017 was RMB26,965 million, representing an increase of 2.4% from RMB26,328 million in 2016.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2017 was RMB20,623 million, representing a slight decrease from RMB20,627 million in 2016. Cost of sales as a percentage of revenue decreased to 76.5% in 2017 from 78.3% in 2016.

Gross profit from the infrastructure design business in 2017 was RMB6,342 million, representing an increase of 11.2% as compared with RMB5,701 million in 2016. Gross profit margin increased to 23.5% in 2017 from 21.7% in 2016.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2017 increased to RMB332 million from RMB275 million in 2016.

Administrative expenses. Administrative expenses for the infrastructure design business in 2017 were RMB2,943 million, representing an increase of 20.6% from RMB2,441 million in 2016. Administrative expenses as a percentage of revenue increased to 10.9% in 2017 from 9.3% in 2016, mainly attributable to the increase in employee benefit expenses.

Other income, net. Other net income for the infrastructure design business in 2017 was RMB140 million, as compared with RMB218 million in 2016.

Segment result. As a result of the above, segment result for the infrastructure design business in 2017 was RMB3,207 million, representing a slight increase of 0.1% from RMB3,203 million in 2016. Segment result margin slightly decreased to 11.9% in 2017 from 12.2% in 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DISCUSSION OF SEGMENT CONTINUING 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 years ended 31 December 2017 and 2016.

	Years ended 31 December	
	2017 (RMB million)	2016 (RMB million)
Revenue	**34,108**	30,282
Cost of sales	**(29,641)**	(25,476)
Gross profit	**4,467**	4,806
Selling and marketing expenses	**(90)**	(56)
Administrative expenses	**(3,278)**	(3,055)
Other income, net	**1,667**	1,045
Segment result	**2,766**	2,740
Depreciation and amortisation	**1,073**	1,007

Revenue. Revenue from the dredging business in 2017 was RMB34,108 million, representing an increase of 12.6% from RMB30,282 million in 2016, primarily attributable to increasing dredging activities in coastal area in China.

Cost of sales and gross profit. Cost of sales for the dredging business in 2017 was RMB29,641 million, representing an increase of 16.3% as compared with RMB25,476 million in 2016. Cost of sales as a percentage of revenue for the dredging business in 2017 increased to 86.9% from 84.1% in 2016.

Gross profit from the dredging business in 2017 was RMB4,467 million, representing a decrease of 7.1% from RMB4,806 million in 2016. Gross profit margin for the dredging business decreased to 13.1% in 2017 from 15.9% in 2016, mainly attributable to certain large projects with increasing portion of subcontract.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2017 were RMB90 million, as compared with RMB56 million in 2016.

Administrative expenses. Administrative expenses for the dredging business in 2017 were RMB3,278 million, representing an increase of 7.3% from RMB3,055 million in 2016. Administrative expenses as a percentage of revenue decreased to 9.6% in 2017 from 10.1% in 2016.

Other income, net. Other net income for the dredging business in 2017 increased to RMB1,667 million from RMB1,045 million in 2016, mainly attributable to the profit realized from the disposal of certain financial assets.

Segment result. As a result of the above, segment result for the dredging business in 2017 was RMB2,766 million, representing an increase of 0.9% from RMB2,740 million in 2016. Segment result margin decreased to 8.1% in 2017 from 9.0% in 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DISCUSSION OF SEGMENT CONTINUING OPERATIONS (CONTINUED)

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 years ended 31 December 2017 and 2016.

	Years ended 31 December	
	2017 (RMB million)	2016 (RMB million)
Revenue	**9,546**	7,678
Cost of sales	**(8,989)**	(6,787)
Gross profit	**557**	891

Revenue. Revenue from the other businesses in 2017 was RMB9,546 million, representing an increase of 24.3% from RMB7,678 million in 2016. The rise in revenue was mainly due to the increase of trading business in 2017.

Cost of sales and gross profit. Cost of sales for the other businesses in 2017 was RMB8,989 million, representing an increase of 32.4% from RMB6,787 million in 2016. Cost of sales as a percentage of revenue increased to 94.2% in 2017 from 88.4% in 2016.

Gross profit from the other businesses in 2017 was RMB557 million, representing a decrease of 37.5% from RMB891 million in 2016. Gross profit margin decreased to 5.8% in 2017 from 11.6% in 2016.

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 31 December 2017, the Group had unutilised credit facilities in the amount of RMB847,500 million. The Group's access to financial markets since its public offering in Hong Kong Stock Exchange and Shanghai Stock Exchange has provided additional financing flexibility.

Cash Flow Data

The following table presents selected cash flow data from the Company's consolidated cash flow statements for the years ended 31 December 2017 and 2016.

	Years ended 31 December	
	2017 (RMB million)	2016 (RMB million)
Net cash generated from operating activities	**42,741**	29,719
Net cash used in investing activities	**(45,619)**	(38,705)
Net cash generated from financing activities	**24,309**	22,102
Net increase in cash and cash equivalents	**21,431**	13,116
Cash and cash equivalents at beginning of year	**108,720**	94,960
Exchange losses on cash and cash equivalents	**(954)**	644
Cash and cash equivalents at end of year	**129,197**	108,720

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Cash Flow Data (Continued)

Cash flow from operating activities

During the year 2017, net cash generated from operating activities increased to RMB42,741 million from RMB29,719 million in 2016, primarily due to improvement of overall business and increase in trade and other payables. During the year 2017, trade and other payables increased by RMB55,779 million, as compared with the amount of increase of RMB47,705 million during 2016. However, the increase of net cash generated from operating activities was partially offset by increase in amounts due from customers for contract work, which was RMB15,211 million in 2017 as compared with RMB9,629 million in 2016.

Cash flow from investing activities

Net cash used in investing activities in 2017 increased to RMB45,619 million from RMB38,705 million in 2016. The increase of 17.9% was primarily attributable to the increase in purchases of items of property, plant and equipment, purchases of other financial assets at fair value through profit or loss, additional investments in associates and additional investments in joint ventures, respectively amounting to RMB13,220 million, RMB6,185 million, RMB2,124 million and RMB5,740 million in 2017, as compared with RMB9,749 million, RMB47 million, RMB1,788 million and RMB3,045 million in 2016.

Cash flow from financing activities

Net cash generated from financing activities in 2017 was RMB24,309 million, representing an increase of 10.0% from RMB22,102 million in 2016. The increase was primarily attributable to the increase in proceeds from bank and other borrowings and proceeds from financial instruments classified as equity while partially offset by decrease in capital contribution from non-controlling interests.

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 sets forth the Group's capital expenditure by business for the years ended 31 December 2017 and 2016.

	Years ended 31 December	
	2017 (RMB million)	2016 (RMB million)
Infrastructure Construction Business	**42,545**	41,636
– BOT projects	**34,173**	32,805
Infrastructure Design Business	**481**	440
Dredging Business	**1,654**	1,674
Other	**1,107**	353
Total	**45,787**	44,103

Capital expenditure in 2017 was RMB45,787 million, as compared with RMB44,103 million in 2016. The increase of 3.8% was primarily attributable to the increase of capital expenditure in infrastructure construction business and other businesses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Working Capital

Trade and bills receivables and trade and bills payables

The following table sets forth the turnover of the Group's average trade and bills receivable and average trade and bills payable for the years ended 31 December 2017 and 2016.

	Years ended 31 December	
	2017 (Number of days)	2016 (Number of days)
Turnover of average trade and bills receivables[1]	**61**	66
Turnover of average trade and bills payables[2]	**183**	178

(1) 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) 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 31 December 2017 and 2016.

	As at 31 December	
	2017 (RMB million)	2016 (RMB million)
Less than 6 months	**47,570**	64,139
6 months to 1 year	**8,907**	5,864
1 year to 2 years	**7,838**	7,977
2 years to 3 years	**3,222**	2,942
Over 3 years	**1,769**	2,267
Total	**69,306**	83,189

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 31 December 2017, the Group had a provision for impairment of RMB10,881 million, as compared with RMB9,882 million as at 31 December 2016.

The following table sets forth an ageing analysis of trade and bills payables as at 31 December 2017 and 2016.

	As at 31 December	
	2017 (RMB million)	2016 (RMB million)
Within 1 year	**191,288**	173,832
1 year to 2 years	**15,710**	8,713
2 years to 3 years	**2,816**	3,176
Over 3 years	**2,926**	2,073
Total	**212,740**	187,794

The Group's credit terms with its suppliers for the year ended 31 December 2017 remained the same as that for the year ended 31 December 2016. Payments to suppliers and subcontractors may be delayed as a result of delays in settlement from the Group's customers. Nevertheless, there have been no material disputes arising from the non-timely payment of outstanding balances under the Group's supplier contracts or contracts with subcontractors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Retentions

The following table sets forth the fair value of the retentions as at 31 December 2017 and 2016.

	As at 31 December	
	2017 (RMB million)	2016 (RMB million)
Current	**30,465**	28,325
Non-current	**33,927**	27,437
Total	**64,392**	55,762

INDEBTEDNESS

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2017 and 2016.

	As at 31 December	
	2017 (RMB million)	2016 (RMB million)
Within 1 year	**82,680**	99,484
1 year to 2 years	**36,380**	27,213
2 years to 5 years	**32,831**	43,465
Over 5 years	**109,311**	103,318
Total borrowings	**261,202**	273,480

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Japanese Yen, Hong Kong dollars and Euro. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 31 December 2017 and 2016.

	As at 31 December	
	2017 (RMB million)	2016 (RMB million)
Renminbi	**239,569**	248,589
U.S. dollar	**14,144**	18,207
Japanese Yen	**3,786**	3,208
Hong Kong dollar	**1,692**	787
Euro	**1,488**	2,256
Others	**523**	433
Total borrowings	**261,202**	273,480

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 31 December 2017 was 39.1%, as compared with 46.9% as at 31 December 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEBTEDNESS (CONTINUED)

Contingent Liabilities

	As at 31 December	
	2017 (RMB million)	2016 (RMB million)
Pending lawsuits[(1)]	**689**	4,173
Outstanding loan guarantees[(2)]	**7,912**	1,282
Total	**8,601**	5,455

(1) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for the above pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.

(2) The Group has acted as the guarantors for various external borrowings made by certain joint ventures and associates of the Group. During 2017, the Group completed the disposal of 99% equity interest in Guizhou Zhong Jiao Gui Weng Expressway Limited Company ("Zhong Jiao Gui Weng") and hence lost the control of the company. Upon completion of this disposal, the residual interest in Zhong Jiao Gui Weng are stated as the investments in an associates under the equity method of accounting. The Group had acted as the guarantors for the borrowings amounted to RMB6,325 million of Zhong Jiao Gui Weng since 2013.

MARKET RISKS

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

Marco-economy risk

The Group's businesses are closely related to the development of macro-economy, especially for infrastructure design and infrastructure construction business, of which the industry development is subject to the effects of macro-economic factors including investment scale of social fixed assets and the process of urbanisation.

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

Market risk

The Group conducts its business in over 140 countries and regions, with major overseas business in Africa, Southeast Asia, Oceania, Middle East and Eurasia. Due to various factors, the political and economic conditions in Africa, Middle East and Southeast Asia are usually subject to uncertainty. If the political and economic conditions of such countries and regions change adversely, or there are frictions or disputes in the diplomatic and economic relations among the PRC government and governments of such relevant countries and regions, the overseas business of the Group in such countries and regions would be exposed to certain risks.

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 2017 and 2016, the Group's borrowings at variable rates were mainly denominated in RMB, USD, Euro and Hong Kong dollars.

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

Increases in interest rates will increase the cost of new borrowings and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position. Management continuously monitors the interest rate position of the Group, and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the directors did not consider it was necessary to do so in 2017 and 2016.

As at 31 December 2017, the Group's borrowings of approximately RMB161,014 million (2016: RMB150,979 million) were at variable rates. As at 31 December 2017, if interest rates on borrowings had been 1.00 percentage-point higher/lower with all other variables held constant, profit before tax for the year would have been decreased/increased by RMB1,610 million (2016: 1.00 percentage-point higher/lower, RMB1,510 million decreased/increased), mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign exchange risk

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

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

As at 31 December 2017, net assets of RMB17,811 million in aggregate of the Group, including trade and other receivables, cash and bank balances, trade and other payables and borrowings, were denominated in foreign currencies, mainly USD.

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

As at 31 December 2017, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, post-tax profit for the year would had been decreased/increased by approximately RMB293 million, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

Price risk

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

Hegang-Dalian Expressway is one of the six corridors mainly constructed in the "Revitalization Planning for Northeast China", as well as the national green construction demonstration project.

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present its report together with the audited financial statements of the Group prepared in accordance with IFRS for the year ended 31 December 2017.

PRINCIPAL BUSINESS

We are a leading transportation infrastructure group in the PRC and are principally engaged in infrastructure construction, infrastructure design and dredging businesses.

RESULTS

Results of the Group for the year ended 31 December 2017 and the financial position of the Group as at 31 December 2017 are set out in the audited financial statements in this annual report.

DIVIDENDS

On 29 March 2018, the Board recommended a final dividend of RMB0.24190 (including tax) per Share (amounting to approximately RMB3,913 million in total) for the year ended 31 December 2017. The recommended final dividends are subject to Shareholders' approval at the annual general meeting to be held on 20 June 2018. The H Share register of Members of the Company will be closed for the purpose of determining H Share Shareholders' entitlement to attend the annual general meeting of the Company from Tuesday, 22 May 2018 to Wednesday, 20 June 2018 (both days inclusive). In order to attend the annual general meeting, H Share Shareholders shall complete the registration of H Share not later than 4:30 p.m. on Monday, 21 May 2018. The recommended final dividends distribution will be made based on the Company's entire issued share capital of 16,174,735,425 Shares. The final dividends are expected to be paid to Shareholders whose names appear on the register of members of the Company at the opening of business on 5 July 2018. The register of members will be closed from 30 June 2018 to 5 July 2018 (both days inclusive), during which period no transfers will be registered.

Dividends will be denominated and declared in Renminbi and will be paid to holders of H Shares in Hong Kong dollars. The relevant exchange rate is determined at RMB0.80349 equivalent to HK$1.00 as the middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on the date when such dividends were declared.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited ("CSDC") Shanghai Branch and in line with the market practice regarding dividend distribution for A shares, the Company will publish a separate announcement in respect of its final dividends distribution for A Shares after the Company's annul general meeting for 2017, which, among others, will set out the record date and ex-entitlement date of dividend distribution for A Shares.

Pursuant to relevant laws and regulations including the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and the Regulations for the Implementation of the Law of the People's Republic of China on Individual Income Tax (《中華人民共和國個人所得稅法實施條例》), and the letter dated 28 June 2011 from the State Administration of Taxation to the Inland Revenue Department of Hong Kong, as a withholding agent, the Company is required to withhold and pay the individual income tax at the tax rate of 10% in general on behalf of the Individual H Shareholders. For Individual H Shareholders who are citizens from countries under agreements to be entitled to tax rates lower than 10%, the Company can process applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to relevant regulations, and upon approval by the tax authorities, over withheld tax amounts will be refunded. For Individual H Shareholders receiving dividends who are citizens from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the Company will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and no application procedures will be necessary. For Individual H Shareholders receiving dividends who are citizens from countries without taxation agreements with the PRC or are under other situations, the Company will withhold the individual income tax at a tax rate of 20% when distributing dividends.

REPORT OF THE BOARD OF DIRECTORS

DIVIDENDS (CONTINUED)

In respect of the non-resident corporate shareholders, in accordance with the Law on Corporate Income Tax of the People's Republic of China and the Implementing Rules of the Law on Corporate Income Tax (collectively, the "Corporate Income Tax Law") implemented in 2008, starting from January 1, 2008, enterprises established in the PRC which distribute dividend to the non-resident corporate shareholders (namely, the legal person shareholders) for the accounting period from January 1, 2008 onwards shall withhold for payment of the corporate income tax, and the payer shall be the withholding agent. Therefore, the Company is required to withhold corporate income tax at the rate of 10% when distributing the 2017 final dividend to non-resident enterprise shareholders whose names appear on the H share register of members of the Company on the record date. The Company will distribute 2017 final dividend following withholding corporate income tax at the rate of 10% to all H share shareholders (including HKSCC Nominees Limited, other business agents or trustees, or other groups or organizations, all deemed as the non-resident corporate shareholders) who register in the name of a non-person shareholder on the H share register of members as of the record date.

Any resident enterprise (as defined under the Corporate Income Tax Law) whose name appears on the H share register of members of the Company and which is set up in the PRC in accordance with the PRC law, or which is set up in accordance with the law of a foreign country (region) whose actual administration institution is in the PRC, in the event of being unwilling for the Company's withholding corporate income tax at the rate of 10%, should lodge with the Company's share registrar, Computershare Hong Kong Investor Services Limited the Organization Code Certificate of the People's Republic of China issued by the relevant Chinese government authority or the equivalent copy certified by the Hong Kong lawyer or accountant to certify the place of establishment or the relevant legal documents that it is a resident enterprise incorporated in China (as defined under the Tax Law of the People's Republic of China), on or before 4:30 p.m. on Friday, 29 June 2018.

The Company will withhold for payment of the income tax strictly in accordance with the relevant laws or requirements of the relevant government departments and strictly based on what has been registered on the Company's register of members for H Shares at the opening of business on 5 July 2018. Investors and potential investors in the H Shares of the Company are recommended to consult their professional tax advisors if they are in any doubt as to the implications of the above mechanism of withholding, and the Company does not accept responsibility for any effect the above mechanism of withholding may have on any person.

DISTRIBUTION OF FINAL DIVIDEND TO INVESTORS OF NORTHBOUND TRADING

For investors of Hong Kong Stock Exchange, including enterprises and individuals, investing in the A Shares of the Company listed on the Shanghai Stock Exchange (the "Investors of Northbound Trading"), their final dividends will be distributed in RMB by the Company through CSDC Shanghai Branch to the account of the nominees holding such shares. The Company will withhold and pay income taxes of 10% on behalf of those investors and will report to the tax authorities. For Investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

The record date, the ex-entitlement date and the date of distribution of final dividend and other arrangements for the Investors of Northbound Trading will be the same with those for the A Shareholders of the Company.

DISTRIBUTION OF FINAL DIVIDEND TO INVESTORS OF SOUTHBOUND TRADING

(1) Distribution of Final Dividend to Investors of Southbound Trading on Shanghai Stock Exchange

For investors of the Shanghai Stock Exchange, including enterprises and individuals, investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the "Investors of Southbound Trading on Shanghai Stock Exchange"), the Company has entered into "the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading" (港股通H股股票現金紅利派發協議) with CSDC Shanghai Branch, pursuant to which, CSDC Shanghai Branch, as the nominee holders of H shares for the Investors of Southbound Trading on Shanghai Stock Exchange, will receive the final dividends distributed by the Company and distribute the final dividends to the relevant Investors of Southbound Trading on Shanghai Stock Exchange through its depository and clearing system.

The cash dividends for the investors of H shares of Southbound Trading on Shanghai Stock Exchange will be paid in RMB. Pursuant to the relevant requirements under the "Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect" (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Caishui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

REPORT OF THE BOARD OF DIRECTORS

DISTRIBUTION OF FINAL DIVIDEND TO INVESTORS OF SOUTHBOUND TRADING (CONTINUED)

(2) Distribution of Final Dividend to Investors of Southbound Trading on Shenzhen Stock Exchange

For investors of the Shenzhen Stock Exchange, including enterprises and individuals, investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the "Investors of Southbound Trading on Shenzhen Stock Exchange"), the Company has entered into "the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading" (《港股通H股股票現金紅利派發協議》) with CSDC Shenzhen Branch, pursuant to which, CSDC Shenzhen Branch, as the nominee holders of H shares for the Investors of Southbound Trading on Shenzhen Stock Exchange, will receive the final dividends distributed by the Company and distribute the final dividends to the relevant Investors of Southbound Trading on Shenzhen Stock Exchange through its depository and clearing system.

The cash dividends for the investors of H shares of Southbound Trading on Shenzhen Stock Exchange will be paid in RMB. Pursuant to the relevant requirements under the "Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect" (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Caishui [2016] No. 127), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The record date, the ex-entitlement date and the date of distribution of final dividend and other arrangements for the Investors of Southbound Trading on Shanghai Stock Exchange and Investors of Southbound Trading on Shenzhen Stock Exchange will be the same with those for the H Shareholders.

SHARE CAPITAL

The share capital of the Company remains unchanged during the year of 2017. As at 31 December 2017, the share capital structure of the Company was as follows:

		Shareholding structure	
No.	Item	Number of shares	Percentage
1	A Shares	11,747,235,425	72.63%
2	H Shares	4,427,500,000	27.37%
	Total	**16,174,735,425**	**100.00%**

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on the Shanghai Stock Exchange in March 2012 amounted to approximately RMB4,864 million.

At the second extraordinary general meeting of the Company on 30 October 2013, a resolution was passed in relation to the change in the use of proceeds raised from the A Share issue, details of which were set out in the circular published on the Hong Kong Stock Exchange on 13 September 2013 and the poll results of the abovementioned extraordinary general meeting was published on the Hong Kong Stock Exchange and on the Shanghai Stock Exchange on 30 October 2013, respectively.

According to the resolution, the Company (1) terminated the project to purchase dredging vessels where the Company originally planned to utilise proceeds of approximately RMB1,892 million, and the proceeds will be used as to RMB1,100 million in the development of the BOT Project of Guizhou Guiyang-Weng'an Expressway, RMB330 million in the BOT Project of Fengdu-Zhongxian Expressway of Chongqing Coastal Expressway, and approximately RMB462 million to supplement the Company's working capital permanently; (2) terminated the project to purchase engineering ships and mechanical equipment where the Company originally planned to utilize proceeds of approximately RMB1,080 million, and the proceeds are intended to be used to purchase 2 crane vessels and 8 shield machines; and (3) intended to use all accrued interests on the proceeds raised to supplement the Company's working capital permanently.

As at 31 December 2017, the unused proceeds totaled RMB60 million (including the interest accrued on the bank deposit of proceeds and deducting the bank charges).

REPORT OF THE BOARD OF DIRECTORS

UTILISATION OF PROCEEDS FROM THE ISSUANCE OF CORPORATE BONDS BY THE COMPANY IN 2012

According to the Overseas Regulatory Announcement of the Company dated 14 August 2012 in relation to the result of corporate bond issuance in 2012, the corporate bonds for an aggregate amount of RMB12 billion have been issued by the Company to the public from 9 August 2012 to 13 August 2012, net proceeds (calculated by total proceeds minus underwriting fees) has been credited to the Company' s account on 14 August 2012.

According to the Overseas Regulatory Announcement of the Company dated 7 August 2012 in relation to the issuance of corporate bonds by the Company in 2012, the Company planed to utilise the proceeds from the issuance of corporate bonds as follows:

1. The proceeds from this issuance of corporate bonds was approximately RMB12 billion, among which RMB3 billion should be used to adjust debt structure and replace bank loans;

2. The remaining proceeds after deducting issuance costs should be used to supplement the working capital and improve the financial condition.

As at 31 December 2017, the proceeds from the issuance of corporate bonds have been fully utilised as planed.

UTILISATION OF PROCEEDS FROM THE ISSUANCE OF PREFERENCE SHARES BY THE COMPANY IN 2015

The Company's preference shares issued on Shanghai Stock Exchange were as follows:

Preference shares code	Abbreviation of preference shares	Date of Issue	Issue price (in RMB)	Dividend rate (%)	Number of shares issued	Listing date	Number of shares traded with listing approval	Delisting Date
360015	CCCC Preferred 1	26 August 2015	100	5.10	90,000,000	22 September 2015	90,000,000	
360017	CCCC Preferred 2	16 October 2015	100	4.70	55,000,000	6 November 2015	55,000,000	

In accordance with the Approval Regarding the Non-public Issuance of Preference Shares of China Communications Construction Company Limited (Zheng Jian Approval [2015] No.1348) from the CSRC and the Report on the Non-public Issuance of Preference Shares of China Communications Construction Company Limited, the Company made a non-public issuance of 90 million preference shares (First Tranche) and 55 million preference shares (Second Tranche) at a par value of RMB100 per share. The total proceeds amounted to RMB14,500 million and the actual proceeds net of relevant issuance expenses of RMB32 million amounted to RMB14,468 million.

In accordance with the commitment made in the application document for the issuance of preference shares, the net proceeds from the preference shares would be used for the following three types of projects: RMB4.909 billion for Type one infrastructure investment projects, RMB5.966 billion for Type two supplementing the operating capital for major construction contracting projects and RMB3.625 billion for Type three supplementing the general working capital.

Pursuant to the overseas regulatory announcement of the Company dated 31 October 2015 in relation to the replacement of self-raised funds already committed in advance to fund-raising investment projects with raised funds, the Company has agreed to replace the self-raised funds already committed to fund-raising investment projects with raised funds from the issuance of preference shares. As of 31 December 2017, the unused proceeds totaled RMB474 million (including the interest accrued on the bank deposit of proceeds and deducting the bank charges).

PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Hong Kong Listing Rules and as agreed with the Hong Kong Stock Exchange.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

The following table sets out certain information concerning the Directors, Supervisors and senior management of the Company as at the date of this annual report. (Note 1)

Name	Age	Position in the Company	Date of appointment	Emoluments for the year ended 31 December 2017 (before tax) (Note 2) (RMB'000)
LIU Qitao	60	Executive Director and chairman	22 November 2017	827
CHEN Fenjian	55	Executive Director, president and vice chairman	22 November 2017	827
FU Junyuan	56	Executive Director and chief financial officer	22 November 2017	739
CHEN Yun	54	Executive Director	22 November 2017	753
LIU Maoxun	62	Non-executive Director	22 November 2017	0
QI Xiaofei	60	Non-executive Director	22 November 2017	0
LIU Zhangmin (Note 3)	68	Independent non-executive Director	22 April 2014	55
LEUNG Chong Shun (Note 3)	52	Independent non-executive Director	22 April 2014	147
HUANG Long	64	Independent non-executive Director	22 November 2017	60
ZHENG Changhong	62	Independent non-executive Director	22 November 2017	5
NGAI Wai Fung	55	Independent non-executive Director	22 November 2017	8
LI Sen	53	Chairman of the Supervisory Committee (representative of the Shareholders)	22 November 2017	806
ZHEN Shaohua (Note 4)	60	Chairman of the Supervisory Committee (representative of the Shareholders)	15 January 2015	739
WANG Yongbin	52	Supervisor (representative of the Shareholders)	22 November 2017	871
YAO Yanmin	54	Supervisor (representative of the employees)	22 November 2017	871
SONG Hailiang	52	Vice president	22 November 2017	978
WANG Haihuai	49	Vice president	22 November 2017	981
SUN Ziyu	55	Vice president	22 November 2017	979
WANG Jian	53	Vice president	22 November 2017	917
WEN Gang	51	Vice president	22 November 2017	1,376
ZHOU Changjiang (Note 5)	52	Secretary of the Board and company secretary	22 November 2017 and 13 December 2017	859
LIU Wensheng (Note 6)	57	Secretary of the Board, company secretary and chief economist	22 April 2014	2,715

Note 1: On 22 November 2017, the election and re-election of the members of the fourth session of the Board and the shareholder representative Supervisors of the fourth session of the Supervisory Committee were considered and approved by the Shareholders at the 2017 second extraordinary general meeting of the Company. The chairman and vice chairman of the Board, the president, the vice presidents, the chief financial officer and the Board secretary were considered and approved by the Board. The term of office of the fourth session of the Board, the fourth session of the Supervisor Committee and the aforementioned senior management is three years commencing from 22 November 2017.

Note 2: Please refer to Note 9 of the audited financial statements for details of the emoluments of the Directors and Supervisors of the Company in 2017. The emoluments payable to the Directors, Supervisors and senior management are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and prevailing market rate.

Note 3: Mr. LIU Zhangmin and Mr. LEUNG Chong Shun ceased to be the independent non-executive Directors of the Company on 22 November 2017.

Note 4: Mr. ZHEN Shaohua ceased to be the chairman of the Supervisory Committee and the shareholder representative supervisor of the Company on 22 November 2017.

Note 5: Mr. ZHOU Changjiang was appointed as the secretary of the Board on 22 November 2017 and the company secretary of the Company on 13 December 2017.

Note 6: Mr. LIU Wensheng ceased to be the secretary of the Board, the company secretary and the chief economist of the Company on 22 November 2017. The emoluments payable to Mr. Liu Wensheng included the discretionary bonuses for the two years ended 31 December 2016 and 2017, as his performance evaluation had not been completed as at the date of last annual report.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY (CONTINUED)

Details of the emoluments of each senior management of the Company (excluding Directors who also hold executive positions) in 2017 are set out below:

Name	Basic salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
CHEN Yun(Note 1)	207	51	495	753
SONG Hailiang	207	51	720	978
WANG Haihuai	207	51	723	981
SUN Ziyu	207	51	721	979
WANG Jian	484	51	382	917
WEN Gang	487	51	838	1,376
ZHOU Changjiang(Note 2)	608	51	200	859
LIU Wensheng(Note 3)	541	51	2,123	2,715

Note 1: Mr. CHEN Yun ceased to be the vice president of the Company on 22 November 2017.

Note 2: Please refer to note 5 on page 39.

Note 3: Please refer to note 6 on page 39.

The biographical details of the Directors, Supervisors and senior management of the Company are set out in the "Profiles of Directors, Supervisors and Senior Management" in this annual report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has confirmed its receipt of a confirmation from each of the independent non-executive Directors of the Company of its independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

BOARD COMMITTEES

Committees under the Board include Strategy and Investment Committee, Audit and Internal Control Committee, Remuneration and Appraisal Committee as well as Nomination Committee. The composition of each committee is set out in the "Corporate Governance Report" in this annual report.

REPORT OF THE BOARD OF DIRECTORS

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

As at 31 December 2017, the interests or short positions of Shareholders (other than Directors, Supervisors and chief executive of the Company) who have an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed by the Company as recorded in the register required to be maintained under Section 336 of the SFO are as follows:

Name of Shareholder(Note 1)	Number of shares held	Type of shares	Percentage of the respective type of shares(Note 2) (%)	Percentage of the total number of shares in issue(Note 3) (%)	Capacity in which the shares are held
CCCG	10,325,207,306 (Long position)	A Shares	87.89	63.84	Beneficial owner
	1,460,234,680 (Short position)	A Shares	12.43	9.03	Beneficial owner
Merrill Lynch (Asia Pacific) Limited	525,000,000 (Long position)	H Shares	11.86	3.25	Interest of controlled corporation
	528,912,000 (Short position)	H Shares	11.95	3.27	Interest of controlled corporation
Merrill Lynch Far East Limited	525,000,000 (Long position)	H Shares	11.86	3.25	Interest jointly held with another person
	528,912,000 (Short position)	H Shares	11.95	3.27	Interest jointly held with another person
Merrill Lynch International Holdings Inc.	525,000,000 (Long position)	H Shares	11.86	3.25	Interest of controlled corporation
	528,912,000 (Short position)	H Shares	11.95	3.27	Interest of controlled corporation
Merrill Lynch International Incorporated	525,000,000 (Long position)	H Shares	11.86	3.25	Interest of controlled corporation
	528,912,000 (Short position)	H Shares	11.95	3.27	Interest of controlled corporation
BlackRock, Inc.	398,236,121 (Long position)	H Shares	8.99	2.46	Interest of controlled corporation
JPMorgan Chase & Co.	266,094,276 (Long position)	H Shares	6.01	1.65	Beneficial owner Investment manager Approved lending agent
	14,869,424 (Short position)	H Shares	0.34	0.09	Beneficial owner
	173,097,732 (Lending pool)	H Shares	3.91	1.07	Approved lending agent

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 at 31 December 2017.

Note 2: The percentage of respective type of shares is based on 11,747,235,425 A Shares and 4,427,500,000 H Shares of the Company as at 31 December 2017, respectively.

Note 3: The percentage of total number of shares in issue is based on 16,174,735,425 shares of the total issued share capital of the Company as at 31 December 2017.

REPORT OF THE BOARD OF DIRECTORS

MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

As at 31 December 2017, there were 14,612 H Shareholders and 131,134 A Shareholders as shown on the register of members of the Company. Particulars of the top 10 Shareholders of the Company as at 31 December 2017 were as follows:

	Name of shareholder	Nature	Percentage	Number	Number of shares subject to trading restriction	Number of shares pledged or frozen
1	CCCG	State	54.81	8,864,972,626	0	Nil
2	HKSCC Nominees Limited	Foreign legal entities	27.10	4,383,829,621	0	Unknown
3	CCCG – Special Accounts of Pledge for non-public issuance of 2017 exchangeable corporate bonds	State	9.03	1,460,234,680	0	Pledged
4	China Securities Finance Corporation Limited	State-owned legal entities	3.02	488,261,752	0	Unknown
5	Central Huijin Asset Management Ltd.	State-owned legal entities	0.61	98,075,800	0	Unknown
6	Anbang Asset Management – China Merchants Bank – Anbang Asset – China Merchants Bank – Anbang Asset – Win-win No. 3 Collective Asset Management Product	Unknown	0.38	61,894,841	0	Unknown
7	Anbang Pension Insurance Co., Ltd. – Group All- Powerful Products	Unknown	0.17	26,961,915	0	Unknown
8	Hong Kong Securities Clearing Company Limited	Foreign legal entities	0.11	17,644,808	0	Unknown
9	Abu Dhabi Investment Authority	Unknown	0.08	12,658,692	0	Unknown
10	Industrial and Commercial Bank of China – SSE 50 Trading-Index Securities Investment Open-ended Fund	Unknown	0.07	11,714,353	0	Unknown

Note: HKSCC Nominees Limited (香港中央結算(代理人)有限公司) are holding H Shares of the Company on behalf of various Shareholders of the Company.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares of equity derivatives or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will 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 will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to the Company notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules ("Model Code").

As at 31 December 2017, the Company had not granted its Directors, Supervisors or chief executive 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 has ever exercised any such right to subscribe for shares or debentures.

COMPETING BUSINESS

None of the Directors of the Company, directly or indirectly, has any interest in any business which constitutes or may constitute a competing business of the Company.

FINANCIAL, BUSINESS AND FAMILY RELATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There are no relationships among the Directors, Supervisors and senior management of the Company, including financial, business, family or other material relationships.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years and may be re-elected upon expiry of the term.

None of the Directors or Supervisors has any existing or proposed service contract with any member of the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

Apart from the service contracts with the Company or its subsidiaries (if applicable), for the year ended 31 December 2017, none of the Directors or Supervisors of the Company was materially interested, whether directly or indirectly, in any transaction, arrangement or contract of significance to which the Company, its subsidiary or holding company or a subsidiary of the Company's holding company is a party.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group assumes its responsibility to build a beautiful country and promote green development by strictly observing various national provisions for energy conservation and emissions reduction, improving its environmental protection system and management system, thoroughly promoting green governance, green office, green procurement and green manufacture and developing green ecological projects.

The Group insists on integrating energy conservation and environmental protection work into the whole process of its production, operation management and project construction, improving the management and appraisal system in relation to the Energy Conservation and Emission Reduction Management Measures, the Measures for the Administration of Environmental Protection, Treatment Measures for Safety Production and Environmental Accidents, and Evaluation Measures for Safety and Environment Protection, reducing energy consumption, carrying out green office and green procurement, conducting 100% environmental assessment in building projects and promoting the green development of the enterprise. For details of the Group's environment policies and performance, please refer to the section headed "Environmental, Social and Governance Report" in this report and the Group's "2017 Environmental, Social and Governance Report of China Communications Construction Company Limited" published on the websites of the Hong Kong Stock Exchange and the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements. During the year ended 31 December 2017, the Group had complied in all material respects with relevant PRC laws and regulations, and the Company and all of its direct subsidiaries had obtained all licenses, approvals and permits from appropriate regulatory authorities that are material for its business operations in the PRC. As a result of our international activities, we are subject to the laws and regulations of the various countries and regions in which we do business, in addition to the laws of the PRC. Meanwhile, as the Company is listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, therefore we are also required to comply with the listing rules and applicable laws and regulations of listing places. As far as the Company is aware, the Group has also complied with overseas laws and regulations, as well as the listing rules and applicable laws and regulations of listing places during the year ended 31 December 2017. The Group has more sound internal control system in place, so as to monitor and ensure the legitimacy and compliance of our production, construction and operating activities.

KEY RELATIONSHIPS

The Group's success also depends on the support from employees, customers, suppliers and etc.

Employees

Adhering to the people-oriented concept, the Group actively protects the rights and interests of employees for whom the multi-level and multi-dimension career development space is created. The Group actively promotes the establishment of harmonious labour relations, provides good career development space and working environment for the employees, protects the career health of the employees, concerns about their lives, shares the corporate development results with them and realised mutual development between the employees and the Group.

Customers

Most of the customers of the Group's infrastructure construction business, infrastructure design business and dredging business are PRC government agencies at the national, provincial and local levels, and state owned enterprises. When providing prime-quality projects and products for customers, the Group performs its obligations under contracts in good faith, actively creates values for its customers, and enhances the level of service satisfaction. All subsidiaries of CCCC have established client visit systems.

REPORT OF THE BOARD OF DIRECTORS

KEY RELATIONSHIPS (CONTINUED)

Suppliers

The Group has established a list of qualified suppliers, regulates the management system of suppliers, and completes the admission and withdrawal mechanism for suppliers. As for the admission of suppliers, the Group reviews strictly the business license, operation scale, service capacity and business reputation of suppliers, gives priority to suppliers with leading technology and outstanding results in the industry and carries out dynamic evaluation of the suppliers. The Group will then select the suppliers for next year based on the evaluation results.

PERMITTED INDEMNITY PROVISION

As at 31 December 2017, all directors of the Company were covered under the liability insurance purchased by the Company for its directors.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2017.

SUMMARY OF FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

The tables below set out a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2017.

Consolidated Income Statement

	2017 RMB million	2016 RMB million (Restated)	2015 RMB million (Restated)	2014 RMB million (Restated)	2013 RMB million (Restated)
Revenue	**460,067**	406,331	380,344	340,565	308,596
Gross profit	**60,437**	54,499	46,275	36,049	32,570
Profit before income tax	**23,651**	22,635	19,399	17,426	15,732
Profit for the year	**18,542**	17,458	15,768	13,734	12,886
Attributable to:					
– owners of the Company	**17,913**	17,100	15,779	13,892	13,259
– non-controlling interests	**629**	358	(11)	(158)	(373)
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)					
Basic					
– For profit for the year	**1.23**	1.00	0.96	0.86	0.78
– For profit from continuing operations	**1.04**	0.99	0.96	0.86	0.82
Diluted					
– For profit for the year	**1.23**	1.00	0.96	0.86	0.78
– For profit from continuing operations	**1.04**	0.99	0.96	0.86	0.82
Dividends	**3,913**	3,145	3,079	2,778	3,035

Note: As affected by the disposal of ZPMC, ZPMC was classified as a discontinued operation and the comparative statement of profit or loss in 2013-2016 for the Group has been restated.

Consolidated Balance Sheet

	As at 31 December (RMB million)				
	2017	2016	2015	2014	2013
Total assets	**849,888**	801,082	731,313	630,180	517,445
Total liabilities	**644,294**	614,512	562,307	498,568	412,604
Capital and reserves attributable to owners of the Company	**180,922**	159,323	146,724	116,531	94,861
Non-controlling interests	**24,672**	27,247	22,282	15,081	9,980

Note: The financial figures for the year 2016 and 2017 were extracted from the 2017 Consolidated Financial Statements. The financial figures for the year 2013 to 2015 were extracted from the 2013, 2014 and 2015 annual report, respectively.

REPORT OF THE BOARD OF DIRECTORS

BANK LOANS AND OTHER BORROWINGS

Please refer to Note 30 of the audited financial statements for details of bank loans and other borrowings of the Group.

ISSUANCE OF DEBENTURES

The first tranche of 2017 ultra-short-term financing bonds in an aggregate principal amount of RMB3 billion have been issued by the Company at the issue price of RMB100 for nominal value of RMB100 on 6 February 2017 and 7 February 2017. The maturity period of the bonds is 270 days, with interests of 3.75% accruing from 8 February 2017. For more details, please refer to the overseas regulatory announcement published by the Company on 10 February 2017.

FIXED ASSETS

Please refer to Note 15 of the audited financial statements for movements in the property, plant and equipment of the Group for the year ended 31 December 2017.

CAPITALISED INTEREST

Please refer to Note 8 of the audited financial statements for details of the capitalised interest expense of the Group for the year ended 31 December 2017.

RESERVES

Please refer to Notes 36 and 51 of the audited financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2017 respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2017 amounted to approximately RMB14,451 million.

DONATIONS

For the year ended 31 December 2017, the Group made charitable and other donations in a total amount of approximately RMB27 million.

SUBSIDIARIES

Please refer to Note 1 and 41 of the audited financial statements for details of the Company’s principal subsidiaries as at 31 December 2017.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Please refer to Notes 16, 17, 18, 19, 20, 21, 22 and 40 of the audited financial statements for details of significant investments and acquisitions incurred during the year ended 31 December 2017.

REPORT OF THE BOARD OF DIRECTORS

MATERIAL DISPOSAL OF EQUITY INTERESTS

On 18 July 2017, the Company entered into the CCCC equity transfer agreement with CCCG, pursuant to which the Company has conditionally agreed to sell and CCCG has conditionally agreed to acquire 552,686,146 ZPMC A shares held by the Company at a consideration of approximately RMB2,912,655,989.42, representing 12.59% of the total issued share capital of ZPMC on 18 July 2017. On the same date, Zhen Hua Engineering Company Limited ("Zhen Hua HK") and Zhen Hwa Harbour Construction Co. Ltd. ("Zhen Hwa Macao") entered into the Zhen Hua HK equity transfer agreement and the Zhen Hwa Macao equity transfer agreement, respectively, with CCCG (on behalf of CCCG HK), pursuant to which Zhen Hua HK and Zhen Hwa Macao have conditionally agreed to sell, and CCCG HK has conditionally agreed to acquire 749,677,500 ZPMC B shares held by Zhen Hua HK and 14,285,700 ZPMC B shares held by Zhen Hwa Macao at a consideration of approximately RMB2,751,316,425 and RMB52,428,519, respectively, representing an aggregate of 17.40% of the total issued share capital of ZPMC on 18 July 2017. The disposal shares in aggregate represent 29.99% of the total issued share capital of ZPMC on 18 July 2017. On 27 December 2017, the transfer and registration procedures for the disposal shares have been completed. Upon completion of the disposals, Zhen Hua HK and Zhen Hwa Macao no longer holds any shares in ZPMC and the shares in ZPMC held by the Company represent 16.24% of the issued share capital of ZPMC, while ZPMC ceased to be a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Company.

For details of the aforesaid transaction, please refer to the announcements of the Company dated 18 July 2017 and 27 December 2017, and the circular of the Company dated 11 August 2017.

CHANGE IN EQUITY

Please refer to Notes 34, 35 and 36 of the audited financial statements for detail of changes in equity.

RETIREMENT BENEFITS

Please refer to Note 32 of the audited financial statements for details of retirement benefits.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in the Company's Articles of Association which require the Company to offer new shares to the existing Shareholders in proportion to their shareholdings.

MAJOR CUSTOMERS AND SUPPLIERS

The diversified business structure of the Company had provided an extensive base of suppliers and customers with low concentration. There is no reliance of the Company on a single supplier or customer. As at 31 December 2017, the sales of the Group to the five largest customers amounted to RMB44,685 million, representing 9.26% of the Group's revenue; the aggregate purchase from the five largest suppliers by the Group amounted to RMB6,562 million, representing 1.58% of the Group's aggregate purchase for the year.

CONNECTED TRANSACTIONS

The Company has entered into the following connected transactions in the year 2017.

Capital Increase in CHEC Singapore

On 28 February 2017, CHEC and CCCG Overseas Real Estate Pte. Ltd. ("CCCG Overseas Real Estate") entered into the shareholders' agreement, pursuant to which CHEC and CCCG Overseas Real Estate agreed to make capital contributions of US$88.20 million and US$25.20 million to China Harbour Singapore Investment Pte. Ltd. ("CHEC Singapore"), respectively.

On 28 February 2017, CHEC Singapore is owned as to 100% by the Company through CHEC, a wholly-owned subsidiary of the Company. Immediately following the completion of the capital increase, CHEC Singapore would be owned as to 77.78% by the Company through CHEC and 22.22% by CCCG Overseas Real Estate.

CCCG Overseas Real Estate is a subsidiary of CCCG, the controlling Shareholder of the Company which holds approximately 63.84% equity interests in the Company on 28 February 2017. Therefore, CCCG Overseas Real Estate is a connected person of the Company and the capital increase under the shareholders' agreement constitutes a connected transaction of the Company.

As the highest applicable percentage ratio in relation to the capital increase exceeds 0.1% but is less than 5%, the capital increase is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 28 February 2017.

REPORT OF THE BOARD OF DIRECTORS

CONNECTED TRANSACTIONS (CONTINUED)

Disposal of Shares in ZPMC

On 18 July 2017, the Company entered into the CCCC equity transfer agreement with CCCG, pursuant to which the Company has conditionally agreed to sell and CCCG has conditionally agreed to acquire 552,686,146 ZPMC A shares held by the Company at a consideration of approximately RMB2,912,655,989.42, representing 12.59% of the total issued share capital of ZPMC on 18 July 2017. On the same date, Zhen Hua HK and Zhen Hwa Macao entered into the Zhen Hua HK equity transfer agreement and the Zhen Hwa Macao equity transfer agreement, respectively, with CCCG (on behalf of CCCG HK), pursuant to which Zhen Hua HK and Zhen Hwa Macao have conditionally agreed to sell, and CCCG HK has conditionally agreed to acquire 749,677,500 ZPMC B shares held by Zhen Hua HK and 14,285,700 ZPMC B shares held by Zhen Hwa Macao at a consideration of approximately RMB2,751,316,425 and RMB52,428,519, respectively, representing an aggregate of 17.40% of the total issued share capital of ZPMC on 18 July 2017. The disposal shares in aggregate represent 29.99% of the total issued share capital of ZPMC on 18 July 2017.

Upon the completion of the disposals of shares in ZPMC, Zhen Hua HK and Zhen Hwa Macao would no longer hold any shares in ZPMC and the shares in ZPMC to be held by the Company would represent 16.24% of the issued share capital of ZPMC, while ZPMC would cease to be a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Company.

On 18 July 2017, CCCG is the controlling Shareholder of the Company, holding approximately 63.84% interest in the Company. Accordingly, it is a connected person of the Company under the Hong Kong Listing Rules. The disposals of shares in ZPMC therefore constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Meanwhile, the disposals of shares in ZPMC shall be aggregated under Rule 14.22 and Rule 14A.81 of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the disposals of shares in ZPMC when aggregated exceeds 5% but is less than 25%, the disposals of shares in ZPMC constitute discloseable transactions and connected transactions of the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under the Hong Kong Listing Rules.

On 27 December 2017, the transfer and registration procedures for the disposal shares have been completed. ZPMC is no longer a subsidiary of the Company.

For details of the aforesaid connected transactions, please refer to the announcements of the Company dated 18 July 2017 and 27 December 2017, and the circular of the Company dated 11 August 2017.

Purchase of Shares in CCCC Brazil

On 30 November 2017, CCCC South America Regional Company S.à.r.l. ("CCCC South America Regional") (a connected subsidiary of the Company), CCCC Water Transportation Consultants Co., Ltd. ("CCCC Water Transportation") (a wholly-owned subsidiary of the Company), China Communications Construction Company (Brazil) Participações Ltda. ("CCCC Brazil") and ZLCFD Luxembourg S.à.r.l. entered into the purchase and sale agreement, pursuant to which CCCC Water Transportation has agreed to purchase from CCCC South America Regional 73,741,633 shares (known as "quotas" under Brazilian law) of CCCC Brazil, representing approximately 23.99% equity interests of CCCC Brazil on 30 November 2017. On the same day, CCCC South America Regional and CCCC Water Transportation also entered into the mutual agreement in relation to certain major terms of the purchase and sale agreement.

The consideration payable by CCCC Water Transportation under the purchase and sale agreement consists of the purchase price of approximately US$21.55 million (equivalent to approximately HK$168.20 million) and the holdback payments. The holdback payments are in relation to the additional contingent price payable by CCCC Brazil to the sellers under the share purchase and sale agreement of Concremat (the "Concremat SPA").

Upon completion of the merger of CCCC Brazil into Concremat (the "reverse merger"), CCCC Brazil will not exist, and CCCC South American Regional shall pay the outstanding additional contingent price to the sellers under the Concremat SPA. If CCCC South American Regional and its subsidiaries (excluding Concremat and its subsidiaries) pay any additional contingent price, the CCCC Water Transportation shall repay the corresponding amount to CCCC South American Regional on a pro rata basis based on the proportion of the interest held by CCCC Water Transportation in Concremat/CCCC-Concremat to the interest held by CCCC South American Regional and its subsidiaries in Concremat/CCCC-Concremat. The aggregate holdback payments shall not exceed approximately R$11.29 million (equivalent to approximately HK$27.43 million).

On 30 November 2017, CCCC Brazil holds 80% equity interests of Concremat as a result of the Concremat SPA entered into by CCCC Brazil and Concremat in January 2017. Accordingly, CCCC Water Transportation would indirectly be interested in approximately 19.19% equity interests of Concremat through its holdings in CCCC Brazil upon completion.

CCCC Brazil has been negotiating the reverse merger with Concremat. Upon completion of the reverse merger, CCCC-Concremat would be the surviving legal entity. The then shareholders of CCCC Brazil and Concremat would hold equity interests in CCCC-Concremat directly, and it was expected that CCCC Water Transportation would directly hold approximately 19% equity interests of CCCC-Concremat.

CCCC South America Regional is a subsidiary of the Company. On 30 November 2017, CCCG Overseas Real Estate Pte. Ltd., a connected person of the Company by virtue of being a subsidiary of CCCG (the controlling Shareholder of the Company), holds more than 10% voting power in CCCC South America Regional. As such, CCCC South America Regional is a connected subsidiary of the Company by virtue of Rule 14A.16 of the Hong Kong Listing Rules. Therefore, the purchase of shares by CCCC Water Transportation from CCCC South America Regional under the purchase and sale agreement constitutes a connected transaction of the Company under the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the purchase of shares in CCCC Brazil under the purchase and sale agreement exceeds 0.1% but is less than 5%, the transaction is subject to announcement requirement but is exempt from independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 30 November 2017.

REPORT OF THE BOARD OF DIRECTORS

CONNECTED TRANSACTIONS (CONTINUED)

Disposal of Shares in CCCC Resource

On 22 December 2017, CHEC (a wholly-owned subsidiary of the Company), China Communications Construction Company Limited International Engineering Branch ("International Engineering Branch") (a branch of the Company) and CCCC Industrial Investment Holding Limited ("CCCC Industrial Investment") (a wholly-owned subsidiary of CCCG) entered into the equity transfer agreement, pursuant to which CHEC and International Engineering Branch have conditionally agreed to sell and CCCC Industrial Investment has conditionally agreed to acquire the entire shares in CCCC Resource Investment Co., Ltd. ("CCCC Resource"), at a consideration of US$24.5472 million (equivalent to approximately HK$191.9223 million) in cash.

Upon the completion of the disposal of shares in CCCC Resource, CHEC and International Engineering Branch would no longer held any shares in CCCC Resource. Therefore, CCCC Resource would cease to be a subsidiary of the Company, and its financial results would not be consolidated into the consolidated financial statements of the Company.

On 22 December 2017, CCCC Industrial Investment is a subsidiary of CCCG, which holds approximately 63.84% interests in the Company. CCCC Industrial Investment is thus a connected person of the Company. As such, the disposal of shares in CCCC Resource constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the disposal of shares in CCCC Resource exceeds 0.1% but is less than 5%, the disposal of shares in CCCC Resource is subject to the announcement requirement but is exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company dated 22 December 2017.

CONTINUING CONNECTED TRANSACTIONS

Mutual Project Contracting Framework Agreement Entered into between the Company and CCCG

On 10 August 2016, the Company and CCCG entered into the original project contracting framework agreement to regulate the project contracting services provided by the Group to CCCG Group for the period from 10 August 2016 to 31 December 2016.

On 28 March 2017, in order to renew the transactions under the original project contracting framework agreement and further regulate the labour and subcontracting services provided by CCCG Group to the Group, the Company and CCCG entered into the mutual project contracting framework agreement for the period from 28 March 2017 to 31 December 2017, pursuant to which the Group agreed to provide project contracting services to CCCG Group, which may include (i) provision of construction services for real property development projects that may be undertaken by CCCG Group; (ii) design, construction, operation, management and dismantlement of temporary supporting facilities; and (iii) consultancy and management services that may be required for the development of real property projects, and CCCG Group agreed to provide labour and subcontracting services to the Group for its construction projects, which may include (i) provision of labour services; and (ii) provision of subcontracting services for those construction projects that may be undertaken by the Group.

On 28 March 2017, CCCG is the controlling Shareholder of the Company, and therefore, is a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the mutual project contracting framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the proposed caps for the transactions contemplated under the mutual project contracting framework agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the mutual project contracting framework agreement are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the continuing connected transaction, please refer to the announcement of the Company dated 28 March 2017.

The annual caps for the continuing connected transaction described above as compared with the actual transaction amounts receivable and payable by the Group for the year ended 31 December 2017 are set out as follows:

	Annual cap for 2017 (RMB million)	**Actual amount for 2017** (RMB million)
Project contracting service fees receivable by the Group from CCCG Group	1,150	591
Labour and subcontracting service fees payable by the Group to CCCG Group	180	16

REPORT OF THE BOARD OF DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Financial Services Agreement Entered into between CCCC Finance and CCCG

On 12 August 2016, CCCC Finance (a subsidiary of the Company) entered into the original financial services agreement with CCCG, pursuant to which CCCC Finance shall provide financial services to CCCG Group for the period from 12 August 2016 to 31 December 2016.

On 28 March 2017, in order to renew the transactions under the original financial services agreement, CCCC Finance and CCCG entered into the financial services agreement for the period from 28 March 2017 to 31 December 2017, pursuant to which CCCC Finance agreed to provide deposit services, loan services and other financial services to CCCG Group.

CCCG is the controlling Shareholder of the Company, holding approximately 63.84% equity interests in the Company on 28 March 2017, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the financial services agreement between CCCC Finance and CCCG Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The provision of deposit services by CCCC Finance to CCCG Group is to be made on normal commercial terms or more favourable terms which is in the Group's interests, and no assets of the Group are to be pledged as security for such deposit services in favour of CCCG Group. Therefore, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, the provision of deposit services by CCCC Finance to CCCG Group under the financial services agreement is exempt from the announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As estimated by the Company, during the effective term of the financial services agreement, the daily balance of loans provided by CCCC Finance to CCCG Group (including the interests accrued thereon) will not exceed RMB1,044 million. Since the highest applicable percentage ratio is more than 0.1% but less than 5%, the provision of loan services by CCCC Finance to CCCG Group is subject to the announcement and annual review requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The annual cap of daily balance of loans provided by CCCC Finance to CCCG Group (including the interests accrued thereon) shall not exceed 75% of the average daily balance of deposits of CCCG Group with CCCC Finance and shall not exceed RMB1,044 million.

For the year ended 31 December 2017, CCCC Finance did not provide loans to CCCG Group. For details of the continuing connected transaction, please refer to the announcement of the Company dated 28 March 2017.

Finance Lease Framework Agreement Entered into between CCCC Financial Leasing and CCCG

On 21 April 2017, CCCC Financial Leasing, a subsidiary of the Company, entered into the finance lease framework agreement with CCCG, pursuant to which CCCC Financial Leasing agreed to provide finance lease services to CCCG Group in relation to the leased assets in an aggregate amount of not exceeding RMB1,000 million for the period from 21 April 2017 to 31 December 2017.

On 21 April 2017, CCCG is the controlling Shareholder of the Company, and therefore, is a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Finance Lease Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the aggregate amount for the finance lease services offered by CCCC Financial Leasing contemplated under the finance lease framework agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the finance lease framework agreement and the aggregate amount thereunder are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the continuing connected transaction, please refer to the announcement of the Company dated 21 April 2017.

The annual cap for the continuing connected transaction described above as compared with the actual aggregate amount for finance lease services provided by CCCC Financial Leasing to CCCG Group for the year ended 31 December 2017 are set out as follows:

	Annual cap for 2017 (RMB million)	**Actual amount for 2017** (RMB million)
Aggregate amount for finance lease services provided by CCCC Financial Leasing to CCCG Group	1,000	1,000

REPORT OF THE BOARD OF DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

The independent non-executive Directors have reviewed the relevant agreements for the above non-exempt continuing connected transactions of the Group and the transactions contemplated thereunder and are of the opinion that such transactions are:

(i) entered into in the ordinary and usual course of business of the Group;

(ii) conducted either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) conducted on the term of the relevant transaction agreements, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The auditors of the Company have performed certain procedures and issued a letter to the Board in accordance with Rule 14A.56 of the Hong Kong Listing Rules, stating that nothing has come to its attention that may cause it to believe that such transactions:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the pricing policy of the Company if the transactions involved the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing these transactions; and

(iv) the actual annual amounts have exceeded the relevant caps as previously disclosed in the announcements of the Company.

Others

Except the aforesaid connected transactions, the Group did not enter into any other connected transactions or continuing connected transactions which should comply with the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For related party transactions discussed in Note 45 of the audited financial statements which are also connected transactions under Chapter 14A of the Hong Kong Listing Rules, the Company had made disclosure when required under the Hong Kong Listing Rules.

EMPLOYEES

As at 31 December 2017, the Group had 116,893 employees that had signed labor contracts with the Group. The Group was responsible for the expenses of 58,376 retired employees. The breakdown of employees as at 31 December 2017 was as follows:

1. Categorized by Major

Major	Number of Employees	Percentage
Management	45,092	38.6%
Specialist	49,895	42.7%
Technician	12,335	10.6%
Others	9,571	8.1%
Total	116,893	100.0%

2. Categorized by Degree Held

	Number of Employees	Percentage
Master and above	10,437	9.0%
Bachelor	67,933	58.1%
Junior college degree	21,257	18.2%
Associate degree	5,882	5.0%
Junior high school degree and other	11,384	9.7%
Total	116,893	100.0%

Note: The percentage figures mentioned above have been rounded to the nearest one decimal places.

REPORT OF THE BOARD OF DIRECTORS

EMPLOYEES (CONTINUED)

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 voluntary benefits to current employees and retired employees. Current employees of the Group are also entitled to performance-based annual bonus. Please refer to Note 29 of the audited financial statement for details of the payroll and social security payable by the Company during the year ended 31 December 2017. Please refer to Note 9 of the audited financial statement for information about the emoluments of the directors and chief executives. Please refer to Note 32 of the audited financial statements for details of the supplementary pension subsidies and medical benefits provided by the Company to its employees.

BUSINESS REVIEW

Please refer to the section of "Management's Discussion and Analysis" in this report for the principal risks and uncertainties of the Group. Please refer to the section of "Business Overview" in this report for business review and business outlook of the Group.

MATERIAL LAWSUITS AND ARBITRATIONS

As at 31 December 2017, as far as the Directors are aware, except as disclosed in Note 39 of the audited financial statements, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

AUDITORS

On 26 April 2016, the Board resolved to propose the appointment of Ernst & Young and Ernst & Young Hua Ming LLP as the international auditor and the domestic auditor of the Company, respectively. The 2015 annual general meeting of the Company held on 16 June 2016 considered and approved the appointment of Ernst & Young as the Company's international auditor to replace PricewaterhouseCoopers and Ernst & Young Hua Ming LLP as the Company's domestic auditor to replace PricewaterhouseCoopers Zhong Tian LLP for a term starting from the date of passing the resolution at the 2015 annual general meeting and ending at the 2016 annual general meeting of the Company. The 2016 annual general meeting of the Company held on 16 June 2017 considered and approved the re-appointment of Ernst & Young as the Company's international auditor and Ernst & Young Hua Ming LLP as the Company's domestic auditor for a term starting from the date of passing the resolution at the 2016 annual general meeting and ending at the 2017 annual general meeting of the Company. Ernst & Young has audited the accompanying financial statements, which have been prepared in accordance with IFRS.

Male-Airport Island Cross-Sea Bridge, also known as China-Maldives Friendship Bridge, is an amazing representation of "the Belt and Road" initiative. The project won the "Most Beautiful Chinese Overseas Project Award" presented by China International Contractors Association.

REPORT OF THE SUPERVISORY COMMITTEE

In 2017, the Supervisory Committee of the Company fulfilled its duties with dedication, diligence and responsibility, performed its supervisory duties carefully and exercised its supervisory authority in accordance with the Company Law, the Articles of Association and the requirements of rules and regulations of the Supervisory Committee. The Supervisory Committee inspected the financial positions and material decisions of the Company as well as the implementation of the resolutions of the shareholders' meeting and the Board meeting, supervised legal compliance of the Company's operations and duty performance of the Company's Directors and senior management, maintained the legitimate interests and rights of the Company and its shareholders, and greatly promoted the healthy operations of the Company, thereby offering guarantee and support for developing the Company into a world-class enterprise with global competence.

I. MEETINGS CONVENED BY THE SUPERVISORY COMMITTEE

In 2017, the Supervisory Committee of the Company totally held 12 meetings. All Supervisors attended and voted at such meetings except for Mr. Wang Yongbin, who was unable to attend the 24th meeting of the third session of the Supervisory Committee due to business engagement and appointed Mr. Yao Yanmin to attend the meeting and vote on his behalf. The number of Supervisors attending at the meetings and the procedures for convening such meetings were all in compliance with the provisions of the Company Law and the Articles of Association, while the resolutions adopted at such meetings were all announced according to requirements. The resolutions considered at the meetings of the Supervisory Committee are detailed as follows:

1. The 21st meeting of the third session of the Supervisory Committee was held on 28 February 2017 to consider and approve the Resolution on Considering the Production and Operation Objectives of CCCC for 2017, the Resolution on Considering the Infrastructure Investment Plan of CCCC for 2017, the Resolution on Considering the Budget for Domestic Investment Projects of CCCC for 2017, the Resolution on Considering the Overseas Investment Plan of CCCC for 2017, the Resolution on CHEC and CCCG Overseas Real Estate Jointly Investing Daan Mogot Real Estate Project in Jakarta Indonesia and Its Connected Transactions, the Resolution on CCCC First Highway Engineering and CCCG Overseas Real Estate Jointly Investing the Comprehensive Development Project of Government Land in Yaoundé Cameroon and Its Connected Transactions, the Resolution on Providing the Letter of Guarantee from the Head Company and Signing the Power of Attorney for Competitive Bidding of John Holland, the Resolution on Considering the Report of the Supervisory Committee for 2016 of the Company, and the Resolution on Connected Transactions Involved in Allocation of Budget Fund for State-owned Capital in 2015.

2. The 22nd meeting of the third session of the Supervisory Committee was held on 28 March 2017 to consider and approve the Resolution on Considering the Annual Results Announcement and Annual Report of the Company for 2016, the Resolution on Considering the Final Budget of the Company for 2016, the Resolution on Considering the Profit Distribution and Dividend Payment Plan of the Company for 2016, the Resolution on Change of Accounting Policies, the Resolution on Considering the Special Report on the Deposit and Actual Use of Proceeds from Funds-Raising of A Shares and Preference Shares for 2016, the Resolution on Considering the Special Report on the Funds Attributable to the Controlling Shareholders and Other Related Parties for 2016, the Resolution Regarding External Guarantee Plans of the Company for 2017, the Resolution on Re-appointment of the International and Domestic Auditors, the Resolution on Day-to-Day Related Party Transactions of the Company for 2017, the Resolution on Considering the 2016 Assessment Report on Internal Control, the Resolution on Connected Transactions Involved in Equity Cooperation among CHEC, CCCG Overseas Real Estate and Greentown Overseas Real Estate for the Daan Mogot Real Estate Development Project in Jakarta Indonesia, and the Resolution on Investing the TRX Real Estate Project in Kuala Lumpur, Malaysia and its Connected Transactions.

3. The 23rd meeting of the third session of the Supervisory Committee was held on 27 April 2017 to consider and approve the Resolution on the Quarterly Report of the Company for the First Quarter of 2017.

4. The 24th meeting of the third session of the Supervisory Committee was held on 16 June 2017 to consider and approve the Resolution on Considering the Five Management Systems for Investment Business including the Management Methods for Project Investment of China Communications Construction Company Limited.

5. The 25th meeting of the third session of the Supervisory Committee was held on 28 July 2017 to consider and approve the Resolution on Negotiated Transfer of Some Shares of ZPMC and its Connected Transactions, and the Resolution on Distribution Plan for Dividends of Preference Shares.

6. The 26th meeting of the third session of the Supervisory Committee was held on 29 August 2017 to consider and approve the Resolution on Considering the Announcement of Interim Results and the Draft for Interim Report of the Company for 2017, and the Resolution on Considering the Special Report on the Deposit and Actual Use of Proceeds from Funds-Raising of A Shares of China Communications Construction Company Limited for the First Half of 2017.

7. The 27th meeting of the third session of the Supervisory Committee was held on 26 September 2017 to consider and approve the Resolution on the Shareholders' Meeting Authorizing the Board to Consider and Approve the Company's Provision of Performance Guarantee for the Performance Implementation Projects of Overseas Subsidiaries, the Resolution on the Company's Meeting the Conditions for Public Offering of the A Shares Convertible Corporate Bonds, the Resolution on the Company's Plan for Public Offering of the A Shares Convertible Corporate Bonds, the Resolution on the Company's Preliminary Plan for Public Offering of the A Shares Convertible Corporate Bonds, the Resolution on Feasiblity Report on Use of the Proceeds from the Company's Public Offering of the A Shares Convertible Corporate Bonds, the Resolution on Dilution of Immediate Returns from the Company's Public Offering of the A Shares Convertible Corporate Bonds and the Remedial Measures to Be Taken, the Resolution on Meeting Rules for Holders of the A Shares Convertible Corporate Bonds Issued by the Company, the Resolution on Shareholder Return Planning in the Coming Three Years (2017-2019) of the Company, the Resolution on the Controlling Shareholders' Probability of Participating in Priority Placement of the A Shares Convertible Corporate Bonds Issued by the Company, and the Resolution on Election of the Supervisory Committee of the Company.

REPORT OF THE SUPERVISORY COMMITTEE

8. The 28th meeting of the third session of the Supervisory Committee was held on 20 October 2017 to consider and approve the Resolution on Report on the Use of Proceeds from the Pervious Fund-Raising of the Company, the Resolution on the Special Self-Inspection Report on Real Estate Business after the Company's Public Offering of the A Shares Convertible Corporate Bonds, the Resolution on Commitments of the Company's Controlling Shareholders, Directors, Supervisors and Senior Management for the Special Self-Inspection Report on Real Estate Business after the Company's Public Offering of the A Shares Convertible Corporate Bonds, and the Resolution on the Performance Appraisal Results and Remuneration Program of the Senior Management of CCCC for 2016.

9. The 29th meeting of the third session of the Supervisory Committee was held on 30 October 2017 to consider and approve the Resolution on Revising the Articles of Association of China Communications Construction Company Limited and the Resolution on Considering the Quarterly Report of the Company for the Third Quarter of 2017.

10. The 30th meeting of the third session of the Supervisory Committee was held on 15 November 2017 to consider and approve the Resolution on Adjustment of the Overseas Investment Plan of the Company in 2017, the Resolution on the Negotiated Transfer of 100% Equity Interests Held by China Highway Engineering Consultants Corporation in Hainan Consultative Tektronix Traffic Engineering Co., Ltd. to Chenzhou Plant and Its Connected Transactions, and the Resolution on Transfer of the Equity of Brazil Concremat by CCCC South America Regional to CCCC Water Transportation and ZLCFD Luxembourg S.à.r.l. and Its Connected Transactions.

11. The first meeting of the fourth session of the Supervisory Committee was held on 22 November 2017 to consider and approve the Resolution on Electing the Chairman of the Fourth Session of the Supervisory Committee of the Company.

12. The second meeting of the fourth session of the Supervisory Committee was held on 13 December 2017 to consider and approve the Resolution on Investment in Sao Luis Port Project in Brazil by CCCC South America Regional and Its Connected Transactions, the Resolution on Providing the Letter of Guarantee from the Head Company for Competitive Bidding of John Holland, and the Resolution on Transfer of Equity in CCCC Resource Investment Co., Ltd. by CHEC and the International Engineering Branch to CCCC Industrial Investment and Its Connected Transactions.

II. SUPERVISION AND INSPECTION CONDUCTED BY THE SUPERVISORY COMMITTEE

During the reporting period, apart from the regular meetings to deliberate relevant proposals, the Supervisory Committee of the Company carried out supervision and inspection on the subsidiaries and important projects, concerned about the implementation of strategies, the project progress, quality control and profitability of the Company by on-site inspection and special inspection, with financial inspection as the core and by virtue of reviewing the financial accounts and analyzing the financial indicators. Meanwhile, the Supervisory Committee conducted special inspection on the Company's overseas business, so as to maintain the security of the Company's overseas assets. The Supervisory Committee made concerted efforts in supervision by virtue of internal and external resources, so as to comprehensively help the Company enhance the operating quality and achieve sustainable and healthy development.

III. STRENGTHENED CONSTRUCTION OF FUNCTIONS OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee of the Company further strengthened the top-level design, established for the first time the annual work report system of the supervisory committees for wholly-owned subsidiaries, and formed into the up-and-down interconnected supervision work mechanism. The supervisory committees at various levels were advanced to practice their supervision duties, reinforce their inspection efforts, and enhance their supervision quality and effectiveness to fully maintain the interests of shareholders. The Supervisory Committee also promoted the construction of working institutions, so as to standardize the working institutions and staffing of the supervisory committees for subsidiaries, clarify the functions and business processes of the institutions, and offer effective guarantee for supervision and duty performance of the supervisory committees at various levels. The business guidance and process control of the supervisory committees for subsidiaries were strengthened to further improve the construction of mechanisms and systems for the supervisory committees at various levels, thereby effectively enhancing the corporate governance capability and level.

REPORT OF THE SUPERVISORY COMMITTEE

IV. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT ISSUES OF THE COMPANY DURING THE REPORTING PERIOD

1. Independent Opinions of the Supervisory Committee on the Legal Compliance of the Operations of the Company in 2017

During the reporting period, the Supervisory Committee supervised the duty performance of the Directors and senior management of the Company, attended the Board meetings and shareholders' meetings, and supervised the significant decisions and decision-making procedures. The Supervisory Committee was of the opinion that the Board operated in strict compliance with the Company Law, Securities Law, the Articles of Association and other relevant laws, regulations and requirements and operated lawfully. Significant operational decisions made by the Company were reasonable and the procedures were legitimate and valid. The Company further established and refined its internal management system and internal control system. Directors and senior management of the Company had duly performed their duties with dedication, diligence and responsibility in strict compliance with the laws and regulations of the PRC, the Articles of Association, resolutions of the shareholders' meeting and resolutions of the Board meeting. The Supervisory Committee was not aware of any act of the Directors or senior management of the Company which was in violation of any laws, regulations and the Articles of Association or was detrimental to the interests of the Company and its shareholders.

2. Independent Opinions of the Supervisory Committee on the Review of the Financial Positions of the Company

During the reporting period, the Supervisory Committee examined and supervised the financial operations of the Company through listening to the debriefing report of the responsible person of the financial department of the Company, reviewing the financial statements of the Company, deliberating the regular reports of the Company and conducting the on-site investigation. The Supervisory Committee was of the opinion that the financial system of the Company in 2017 was comprehensive, the financial control effect was outstanding, the procedures for various regular reports complied with the laws, administrative regulations and provisions of the CSRC and that the financial report gave a true view of financial positions and operating results of the Company. The accounting firm has audited the financial report of the Company and issued a standard and unqualified audit report confirming that the financial report of the Company was in compliance with the related provisions of Enterprise Accounting Standards and Enterprise Accounting System and gave an objective, fair, true and accurate view of statement of affairs of the Company in 2017, and that there were no false representations, misleading statements, or material omissions contained therein.

3. Independent Opinions of the Supervisory Committee on the Use of Proceeds

During the reporting period, the Company ensured that the proceeds were safely utilized and placed, and used the proceeds in strict compliance with the relevant requirements of usage of the proceeds. The Supervisory Committee considered that the actual usage of the proceeds was in line with the committed purposes without prejudice to the interests of the Company and the shareholders during the reporting period.

4. Independent Opinions of the Supervisory Committee on Related-Party/Connected Transactions

During the reporting period, the Supervisory Committee duly supervised the related-party/connected transactions of the Company and was of the opinion that all related-party/connected transactions made by the Company were in compliance with the rules and regulations under the Company Law, Securities Law, Rules Governing the Listing of Stocks on Shanghai Stock Exchange and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as well as the provisions under the Articles of Association and Rules for the Management of A Share Related-party Transactions of China Communications Construction Company Limited. All related-party/connected transactions of the Company were conducted at fair market prices after thorough discussion and cautious decision-making by the Board and the management under the principle of making compensation for equal value. The legal approval procedures were followed and no acts were found to be in violation of open, equal and fair principles. No acts were detrimental to the interests of the Company and the minority shareholders.

REPORT OF THE SUPERVISORY COMMITTEE

5. Review of the Supervisory Committee on the Self-Assessment Report on Internal Control

During the reporting period, the Supervisory Committee reviewed the Self-Assessment Report on Internal Control and considered that the Company had complied with the laws and regulatory requirements, further improved the internal control system and improved the internal control organization mechanism with reference to its actual conditions and ensured the orderly function of the Company's production and operation as well as the effective implementation of the internal control system. In 2017, the Company's key internal control activities were regulated, conducted in compliance with the law and were valid without any instance of breaching the relevant requirements of the national securities regulatory authorities and the Company's internal control system. To sum up, the Supervisory Committee considered that the 2017 Self-Assessment Report on Internal Control reflected the actual situation of the establishment, improvement and operation of the Company's internal control system in a comprehensive, objective and truthful manner.

6. Opinions of the Supervisory Committee on Implementation of the System of Registration of Owners of Insider Information

During the reporting period, the Company registered for record of relevant insider information in accordance with the management system for insider information. Through verification, the Supervisory Committee were unaware that the directors, supervisors and senior management of the Company and relevant owners of insider information bought or sold shares on the basis of inside information before the disclosure of material and sensitive information that may affect stock price of the Company.

In 2018, the Supervisory Committee will perform its duties with dedication and diligence, further promote the inspection depth and expand the supervision breadth by innovating the work modes, improving the work mechanism and refining the duty performance procedures, so as to give full play to its supervision and discussion functions, and make new contributions to the continual perfection of the Company's corporate governance structure and the sustainable development of the Company.

The Ashdod Port Project in Israel is one of the largest overseas port projects contracted by Chinese enterprises, as well as one of the largest infrastructure projects invested by Israel. The picture shows the smooth completion of shipment wharf and pile sinking.

CORPORATE GOVERNANCE REPORT

OVERVIEW

As a both H share and A share company, the Company operates in strict compliance with the requirements of the applicable laws, administrative regulations and regulatory documents, including the Company Law, the Securities Law and relevant rules of the Hong Kong Stock Exchange in relation to corporate information disclosure, the management and services of investor relations. In addition, the Company amended the Articles of Association and the related internal governance rules in 2011 and 2012 according to the requirements of the laws and regulations of the Code of Corporate Governance for Listed Companies, Rules for Shareholders' General Meetings of Listed Companies, the Guidelines for the Articles of Association of Listed Companies (as amended in 2006) and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (as Amended in 2008). As a result, the Company has set up a corporate governance system that complies with the regulatory requirements for domestic listed companies and has further enhanced its corporate governance standard. During the reporting period, the Company had effectively implemented the corporate governance rules, including the Articles of Association, the Rules of Procedures for General Meetings, the Rules of Procedures for Board Meetings, the Working Manual of Independent Directors, the Rules of Procedures for the Supervisory Committee Meetings and the Working Rules of the President. The general meetings, Board meetings and Supervisory Committee meetings are convened independently and efficiently with their respective duties and obligations fully fulfilled.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance. The Board believes that the Company complied with all code provisions as set out in the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules ("Corporate Governance Code") for the year ended 31 December 2017.

THE BOARD OF DIRECTORS

1. Composition of the Board of Directors

As at 31 December 2017, the Board consisted of nine Directors, including four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Members of the Board were as follows:

Chairman of the Board: Liu Qitao

Vice Chairman and President: Chen Fenjian

Executive Directors: Liu Qitao, Chen Fenjian, Fu Junyuan and Chen Yun

Non-executive Director: Liu Maoxun and Qi Xiaofei

Independent Non-executive Directors: Huang Long, Zheng Changhong and Ngai Wai Fung

The Company has appointed a sufficient number of Independent Non-executive Directors in compliance with the Rule 3.10A of the Hong Kong Listing Rules which requires that independent non-executive directors shall represent at least one-third of the board of a listed company.

The Company has received the confirmation on independence from each of the Independent Non-executive Directors for the year 2017 and the Company considers each Independent Non-executive Director to be independent.

Pursuant to the Articles of Association, the term of office for Directors (including Independent Non-executive Directors) is three years, which is renewable upon re-election and re-appointment and each Independent Non-executive Director shall not serve that position for more than six consecutive years in order to ensure its independence.

CORPORATE GOVERNANCE REPORT

2. Shareholders' General Meetings

In 2017, the Company held three shareholders' general meetings. The table below sets out the details of shareholders' general meeting attendance of each Director in 2017:

Director	Number of Meetings Attended
Liu Qitao	3
Chen Fenjian	2
Fu Junyuan	3
Chen Yun(Note 1)	1
Liu Maoxun	2
Qi Xiaofei(Note 2)	1
Liu Zhangmin(Note 3)	0
Leung Chong Shun(Note 3)	2
Huang Long	3
Zheng Changhong(Note 4)	1
Ngai Wai Fung(Note 4)	1

Note 1: Mr. Chen Yun was elected as the Executive Director on 22 November 2017.

Note 2: Mr. Qi Xiaofei was elected as the Non-executive Director on 22 November 2017.

Note 3: Mr. Liu Zhangmin and Mr. Leung Chong Shun retired as the Independent Non-executive Directors on 22 November 2017.

Note 4: Mr. Zheng Changhong and Mr. Ngai Wai Fung were elected as the Independent Non-executive Directors on 22 November 2017.

3. Board Meetings

In 2017, the Company held 14 board meetings to discuss the fundamental system, the internal control system, the establishment of branches, fund raising and investment opportunities, the election of the Board and the appointment of the senior management of the Company. The table below sets out the details of Board meeting attendance of each Director in 2017:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	14	13	1	93%
Chen Fenjian	14	13	1	93%
Fu Junyuan	14	13	1	93%
Chen Yun(Note 1)	2	2	0	100%
Liu Maoxun	14	13	1	93%
Qi Xiaofei(Note 2)	2	2	0	100%
Liu Zhangmin(Note 3)	12	11	1	92%
Leung Chong Shun(Note 3)	12	12	0	100%
Huang Long	14	14	0	100%
Zheng Changhong(Note 4)	2	2	0	100%
Ngai Wai Fung(Note 4)	2	2	0	100%

Note 1: Mr. Chen Yun was elected as the Executive Director on 22 November 2017.

Note 2: Mr. Qi Xiaofei was elected as the Non-executive Director on 22 November 2017.

Note 3: Mr. Liu Zhangmin and Mr. Leung Chong Shun retired as the Independent Non-executive Directors on 22 November 2017.

Note 4: Mr. Zheng Changhong and Mr. Ngai Wai Fung were elected as the Independent Non-executive Directors on 22 November 2017.

CORPORATE GOVERNANCE REPORT

4. Responsibilities and Operations of the Board

The principal responsibilities of the Board are, among other things, making decisions on business strategies, business plans, material investment plans, formulating annual financial budget, proposing profit distribution plan, appointing and dismissing the President of the Company and implementing shareholders' resolutions. There are currently four committees established under the Board, being the Strategy and Investment Committee, the Audit and Internal Control Committee, the Remuneration and Appraisal Committee and the Nomination Committee. Each committee has its respective operation rules and reports to the Board regularly.

The division of power between the Board and senior management complies with the Articles of Association and relevant regulations. The Chairman of the Board is responsible for ensuring that the Directors perform their duties properly and ensuring discussions on material matters are on a timely basis. Pursuant to the Articles of Association, the President is responsible to the Board and is delegated the authority to, among other things, oversee the operation and management of the Company, implement the decisions of the Board, carry out investment plans and establish an internal management system. While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, the Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors of the Company. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, financing and financial reporting, internal controls, communication with Shareholders and corporate governance. For the year ended 31 December 2017, Mr. Liu Qitao served as the Chairman of the Board and Mr. Chen Fenjian served as the vice Chairman of the Board and the President of the Company.

The corporate governance functions of the Company are performed by the Board. In 2017, the Board reviewed the Company's policies and practices on corporate governance, reviewed and monitored the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements as well as the company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

5. Code for Securities Transactions by Directors

The Company has adopted the Model Code. The Company has made specific inquiries with all of its Directors and Supervisors. Each of the Directors and Supervisors has confirmed his compliance with the requirements set out in the Model Code for the year ended 31 December 2017.

6. Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and A Guide on Directors' Duties issued by the Companies Registry of Hong Kong to each newly appointed Director to ensure that he/she is fully aware of his/her responsibilities and obligations under the Hong Kong Listing Rules and other regulatory requirements. For the year ended 31 December 2017, Huang Long participated in the SASAC – Tsinghua University training class for directors organized by SASAC once, while QI Xiaofei participated in the advanced seminar for outside directors of central enterprises organized by SASAC once.

The Company Secretary reports from time to time the latest changes and development of the Hong Kong Listing Rules, Corporate Governance Code and other regulatory regime to the Directors with written materials, as well as organizes seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities. During 2017, the Company Secretary undertook over 15 hours of professional training to update his skills and knowledge.

CORPORATE GOVERNANCE REPORT

7. Committees under the Board

(a) Strategy and Investment Committee

The main duties of the Strategy and Investment Committee include, among other things, to review proposals and to make recommendations to the Board regarding the Company's strategic development plans, annual budgets, capital allocation plans, significant mergers and acquisitions and significant financing plans.

As at 31 December 2017, the Strategy and Investment Committee consisted of six members, namely Mr. Liu Qitao, Mr. Chen Fenjian, Mr. Fu Junyuan, Mr. Chen Yun, Mr. Liu Maoxun and Mr. Qi Xiaofei, and is chaired by Mr. Liu Qitao.

The Strategy and Investment Committee held 2 meeting in 2017 to review and discuss issues relating to the Company's public issuance of A-share Convertible Corporate Bonds, and provide recommendations on major issues such as the mid-term and long-term development plans of the Company. The table below sets out the details of the Strategy and Investment Committee meeting attendance of each Director in 2017:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	2	1	1	50%
Chen Fenjian	2	2	0	100%
Fu Junyuan	2	2	0	100%
Chen Yun(Note 1)	0	0	0	100%
Liu Maoxun	2	2	0	100%
Qi Xiaofei(Note 1)	0	0	0	100%
Leung Chong Shun(Note 2)	0	0	0	100%

Note 1: Mr. Chen Yun and Mr. Qi Xiaofei became members of the Strategy and Investment Committee with effect from 22 November 2017.

Note 2: Mr. Leung Chong Shun ceased to serve as a member of the Strategy and Investment Committee with effect from 22 November 2017.

(b) Audit and Internal Control Committee

The main duties of the Audit and Internal Control Committee include, among other things,

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to monitor the integrity of financial statements of the Company and the Company's annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and
- to oversee the Company's financial reporting system and internal control procedures, including but not limited to, review of financial controls, internal control and risk management systems, consideration of action on any findings of major investigations of internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Company's financial and accounting policies and practices.

As at 31 December 2017, the Audit and Internal Control Committee consisted of four members, namely Mr. Liu Maoxun, Mr. Huang Long, Mr. Zheng Changhong and Mr. Ngai Wai Fung, and is chaired by Mr. Ngai Wai Fung. Three out of the four members of the Audit and Internal Control Committee were Independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT

The Audit and Internal Control Committee held ten meetings in 2017 to discuss, among other things, the audited annual financial statements of 2016, the internal control report of the Company of 2016, the internal audit summary of 2016 and the plan of 2017, the report of duty performance of the Audit and Internal Control Committee in 2016, the quarterly financial reports of 2017 and the interim financial report of 2017, the re-appointment of the international and domestic auditors for 2017 and their remuneration, the change of domestic accounting policy and matters concerning connected transactions. The table below sets out the details of Audit and Internal Control Committee meeting attendance of each Director in 2017:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Maoxun(Note 1)	1	1	0	100%
Liu Zhangmin(Note 2)	9	9	0	100%
Leung Chong Shun(Note 2)	9	9	0	100%
Huang Long	10	9	1	90%
Zheng Changhong(Note 1)	1	1	0	100%
Ngai Wai Fung(Note 1)	1	1	0	100%

Note 1: Mr. Liu Maoxun, Mr. Zheng Changhong and Mr. Ngai Wai Fung became members of the Audit and Internal Control Committee with effect from 22 November 2017.

Note 2: Mr. Liu Zhangmin and Mr. Leung Chong Shun ceased to serve as members of the Audit and Internal Control Committee with effect from 22 November 2017.

(c) Remuneration and Appraisal Committee

The main duties of the Remuneration and Appraisal Committee include, among other things:

- to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent process for developing policy on such remuneration;
- to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment) and make recommendations relating to the remuneration of independent non-executive Directors to the Board; and
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

As at 31 December 2017, the Remuneration and Appraisal Committee consisted of four members, namely Mr. Qi Xiaofei, Mr. Huang Long, Mr. Zheng Changhong and Mr. Ngai Wai Fung and is chaired by Mr. Huang Long. Three out of four members of the Remuneration and Appraisal Committee were Independent Non-executive Directors.

The Remuneration and Appraisal Committee held three meetings in 2017 to review and discuss the report on payment of total remuneration of CCCC for the year 2016, the report on total remuneration budget scheme of CCCC for the year 2017, the recommendation on the assessment of operational performance and remuneration of senior management of CCCC for the year 2016 and the remuneration standard for the chairman of the Supervisory Committee and secretary of the Board. The table below sets out the details of Remuneration and Appraisal Committee meeting attendance of each Director in 2017:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Qi Xiaofei(Note 1)	1	1	0	100%
Huang Long	3	3	0	100%
Liu Maoxun(Note 2)	2	2	0	100%
Liu Zhangmin(Note 2)	2	2	0	100%
Zheng Changhong(Note 1)	1	1	0	100%
Ngai Wai Fung(Note 1)	1	1	0	100%

Note 1: Mr. Qi Xiaofei, Mr. Zheng Changhong and Mr. Ngai Wai Fung became members of the Remuneration and Appraisal Committee with effect from 22 November 2017.

Note 2: Mr. Liu Maoxun and Mr. Liu Zhangmin ceased to serve as members of the Audit and Internal Control Committee with effect from 22 November 2017.

CORPORATE GOVERNANCE REPORT

(d) Nomination Committee

The main duties of the Nomination Committee include, among other things, to study the recruiting standard and procedure in respect of nomination of Directors and President and to review the credentials of Director or President candidates and make recommendations to the Board.

The Directors were nominated by criteria such as personal integrity, work experience relating to the Company's core business, performance track record, professional background, familiarity with corporate governance requirements for listed companies, etc.

As at 31 December 2017, the Nomination Committee consisted of five members, namely Mr. Liu Qitao, Mr. Chen Fenjian, Mr. Huang Long, Mr. Zheng Changhong and Mr. Ngai Wai Fung, and is chaired by Mr. Liu Qitao.

The Nomination Committee held one meeting in 2017 to discuss the appointment of the president, vice presidents, chief financial officer and secretary of the Board of the Company. The table below sets out the details of Nomination Committee meeting attendance of each Director in 2017:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	1	1	0	100%
Chen Fenjian	1	1	0	100%
Liu Zhangmin(Note 1)	0	0	0	100%
Leung Chong Shun(Note 1)	0	0	0	100%
Huang Long	1	1	0	100%
Zheng Changhong(Note 2)	1	1	0	100%
Ngai Wai Fung(Note 2)	1	1	0	100%

Note 1: Mr. Liu Zhangmin and Mr. Leung Chong Shun ceased to serve as members of the Nomination Committee with effect from 22 November 2017.

Note 2: Mr. Zheng Changhong and Mr. Ngai Wai Fung became members of the Nomination Committee with effect from 22 November 2017.

For the year ended 31 December 2017, the Nomination Committee adopted a basic policy concerning diversity of Board members. Nomination Committee may consider diversity of Board members from a number of aspects, including but not limited to gender, age, ethnicity, education, specialty, experience, skills, knowledge and length of service and so forth. When reviewing the size and composition of the Board and searching for and recommending candidates for Directors, the Nomination Committee should take into account relevant factors mentioned above to try to achieve the diversity of the Board members in accordance with the Company's development strategy, business needs and specific functions of job vacancy. Upon selection, the Nomination Committee shall make a final recommendation to the Board based on merit of the selected candidates and fits with the development of the Company.

SUPERVISORY COMMITTEE

The Supervisory Committee is responsible for supervising the Board, its individual members and senior management to safeguard against any potential abuse of authority by the Board, its individual members and senior management so as to protect the interests of the Company and its Shareholders as a whole. As at 31 December 2017, the Supervisory Committee of the Company consisted of three members, Mr. Li Sen, Mr. Wang Yongbin and Mr. Yao Yanmin (as the representative of employees). The term of office for supervisors is three years which is renewable upon re-election.

The Supervisory Committee held 12 meetings in 2017 to consider and approve the 2016 report of the Supervisory Committee, the 2016 internal control assessment report of the Company, the 2017 first quarterly report, the 2017 third quarterly report of the Company and etc.. The table below sets out the details of Supervisory Committee meeting attendance of each Supervisor in 2017:

Supervisors	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Li Sen(Note 1) (chairman)	12	12	0	100%
Zhen Shaohua(Note 2)	12	12	0	100%
Wang Yongbin	12	11	1	92%
Yao Yanmin	12	12	0	100%

Note 1: Mr. Li Sen was elected to be the chairman of the Supervisory Committee and the shareholder representative Supervisor with effect from 22 November 2017.

Note 2: Mr. Zhen Shaohua ceased to be the chairman of the Supervisory Committee and the shareholder representative Supervisor with effect from 22 November 2017.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

Ernst & Young and Ernst & Young Hua Ming LLP are appointed as the international and domestic auditors of the Company, respectively. Breakdown of the remuneration to Ernst & Young and Ernst & Young Hua Ming LLP for audit services and other non-audit services provided for the year ended 31 December 2017 are as follows:

	RMB'000
Audit services	18,000
Other non-audit services	4,050

The Company has resolved the resolution on appointment of auditors at the sixth meeting of the fourth session of the Board, which will then be submitted to the AGM for consideration and approval.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Company's internal control and risk management system and reviews its efficiency through the Audit and Internal Control Committee. The Board and the Audit and Internal Control Committee of the Company will receive from the management the information about the internal control and risk management on a regular basis (at least once a year). The Company's internal control and risk management system is designed to manage risks and is unable to ensure the elimination of all risks. Such system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company builds a comprehensive risk management-oriented internal control system. It determines the key points of internal control by identifying and assessing risks; improves the efficiency of internal control by optimizing processes and perfecting systems; enhances the executive ability of internal control by strengthening supervision and check. The risk management system of the Company mainly assesses the risk identification, risk analysis, risk response, etc.; includes the risk evaluation in the approval process on major investment projects by optimizing the risk evaluation mechanism; continuously advances the annual risk management report system; identifies major important risks and formulates the response strategy and measures in terms of these risks by combining with internal control department; regularly tracks the implementation of response measures for major important risks so as to further improve the risk management level of the Company. The Company has established a risk management structure with distinct hierarchy and reasonable authorization. The Company's functional departments and their organizations shall perform identification and response for major risks on the basis of respective duties, and shall report to the Audit and Internal Control Committee of the Company annually. The management and the Audit and Internal Control Committee of the Company carry out the annual assessment and review of risk control of all functional departments. Matters to be assessed include changes in nature and severity of material risks subsequent to review in the previous year, the Company's abilities to respond to material risks and the assessment on material risk management and internal control errors or material risk management and internal defects identified during the period. Based on the assessment, the Audit and Internal Control Committee arranges the annual work plan, which covers the Company's strategies, market, operation, financial capital, law and major procedures of its affiliated entities, and urges relevant entities to rectify the problems identified in the audit process and reports the progress of rectification to the management and the Audit and Internal Control Committee of the Company on a regularly basis.

The Company establishes a supervision mechanism for internal control, and stipulates its duty and powder, job requirements and methods. The Supervisory Committee supervises the establishment and the implement of internal control by the Board; the Board and the Audit and Internal Control Committee supervise the internal control system of the Company; the supervisory departments carry out supervision on performance, discipline inspection and matters related tendering and bidding and bulk purchase of the Company; the audit departments audit and supervise the operation management, financial revenue and expenditure and economic results of the entities.

The Company's assessment process of internal control strictly implement basic specifications, assessment guideline and procedures stipulated in internal system. The internal control assessment group is set up, which made up of members from, among other things, strategic planning department, finance department, audit department and business department, to carry out work by three steps including self-evaluation, defect rectification and sampling inspection by the Company. The affiliated entities implement the process of self-evaluation under unified deployment by the Company. The assessment collects the data and information related to the planning and operation of internal control of the Company by interview, sampling, walk through test and field inspection, on a business occurrence frequency basis, and fills out the working paper of the assessment honestly, which give a the true process of internal control of the Company.

During the reporting period, the Board reviewed and evaluated the internal control and risk management system. The Board considered that the Company's internal control and risk management system was effective. The 2017 Internal Control Self-assessment Report of the Company has been published on the Company's website.

CORPORATE GOVERNANCE REPORT

INSIDER INFORMATION

The Company formulated the Insider Information Management System, which set out the detailed rules for the handing, disclosure and internal control of inside information. In 2017, the Company strictly implemented the abovementioned policies, further strengthened the identification and evaluation work for inside information and narrowed down the scope of insiders as far as possible. Besides, before the disclosure of an inside information in accordance with law, the Company conducted strict registration for and management over the insiders. In case of major events which require deferral or exemption of disclosure, the main department or person in charge of the specific work shall, in addition to filling in the insider registration form, prepare the memorandum on progress of material matters, including but not limited to the time of various key nodes in the course of planning and decision-making, list of personnel participating in planning and decision-making, and the means of planning and decision-making. The relevant personnel involved in planning and decision-making shall sign and confirm on the memorandum, so as to ensure the relevant insiders to fulfill their confidentiality obligation, and effectively prevent the leakage of the information.

The Company attaches great importance to internal control and its corporate social responsibility. The 2017 Social Responsibility Report of the Company has been published on the Company's website.

ACCOUNTABILITY OF THE DIRECTORS IN RELATION TO FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the financial statements for each fiscal period. In preparing the financial statements for the year ended 31 December 2017, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Company and of the results and cash flow for that fiscal year.

SHAREHOLDERS' RIGHTS

The Company is committed to pursue active communications with Shareholders as well as to provide disclosure of information concerning the Group's material developments to Shareholders, investors and other stakeholders.

The AGM of the Company serves as an effective forum for communication between Shareholders and the Board. Notice of the AGM together with the meeting materials will be dispatched to all Shareholders not less than 45 days prior to the AGM. The Chairman of the Board and of the Strategy and Investment Committee, Audit and Internal Control Committee, Remuneration and Appraisal Committee and Nomination Committee, or in their absence, other members of the respective Committees, will be invited to the AGM to answer questions from Shareholders. External auditors will also be invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and the independence of auditors.

Shareholders individually or jointly holding in aggregate more than 10% of the shares of the Company are entitled to request the convention of a shareholders' general meeting. Shareholders individually or jointly holding more than 3% of the shares of the Company shall have the right to submit proposals to the Company at a shareholders' general meeting. Shareholders individually or jointly holding more than 3% of the shares of the Company may bring forward provisional proposals and submit the same in writing to the convener ten days prior to a shareholders' general meeting.

Voting by Shareholders at a shareholders' general meeting will be conducted by poll in accordance with the Hong Kong Listing Rules, unless otherwise required and permitted. Detailed procedures for conducting a poll will be explained to the Shareholders at the inception of a shareholders' general meeting to ensure that Shareholders are familiar with such voting procedures. Separate resolution will be proposed by the chairman of a shareholders' general meeting for each material issue. Poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange on the same business day of the shareholders' general meeting.

Pursuant to the Articles of Association, a special general meeting can be convened upon the written requisition by any two or more Shareholders holding in aggregate not less than 10% in the paid up capital of the Company, provided that at the date of the lodging of such requisition such capital carries the right of voting at shareholders' general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the requisitionists and lodged at the office of the Company.

Enquiries directed to the Board or the Company are facilitated by email to ir@ccccltd.cn or through the online messaging system on the Company's website. All announcements, press releases and conducive corporate information of the Company are available on the Company's website to enhance the transparency of the Company.

CORPORATE GOVERNANCE REPORT

AMENDMENT OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to the relevant requirements in relation to incorporation of the requirements of Party construction work of central enterprises into the Articles of Association and the comprehensive promotion of the construction of legal corporate governance for central enterprises of SASAC as well as the relevant requirements recently promulgated by CSRC, the stock exchanges where the Company's shares are listed on and the competent state authorities, the Board proposed to make amendments to relevant articles in the Articles of Association on 30 October 2017. The amendment of the Articles of Association was considered and approved by the Shareholders at the second extraordinary general meeting held on 22 November 2017.

For details, please refer to the circular of the Company dated 3 November 2017, the announcements of the Company dated 30 October 2017 and 22 November 2017, and the amended Articles of Association dated 22 November 2017.

INVESTOR RELATIONS

Please refer to the chapter headed "Investor Relations" for detailed information.

The Colombo Port City in Sri Lanka was re-launched under "the Belt and Road" initiative and it is currently Sri Lanka's largest foreign investment project. The picture shows "Junyang 1", the largest trailing suction hopper dredger in Asia, is carrying out breakwater reclamation in Colombo Port City.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

As at 31 December 2017, the Board consisted of nine Directors, including four Executive Directors, two Non-executive Director, three Independent Non-executive Directors. Profiles of the Directors are as follows:

Mr. Liu Qitao, born in 1957, Chinese nationality with no overseas permanent residence, is an Executive Director, Chairman of the Board and secretary of the Party Committee of the Company. Mr. Liu also serves as the chairman of the board and secretary of the Party Committee of CCCG. He has in-depth knowledge and extensive operational and management experience. Mr. Liu held positions as the deputy head of No.13 Bureau of Sinohydro, the assistant to general manager and deputy general manager of China National Water Resources and Hydropower Engineering Corporation and the general manager of its department of overseas operations, the deputy general manager at Sinohydro Corporation and the chairman of the board of directors of Sinohydro International Engineering Co., Ltd., director and general manager of Sinohydro Group Ltd.. Mr. Liu graduated from Dalian University of Technology (formerly known as Dalian Institute of Technology) with a bachelor's degree in water conservancy and hydropower engineering construction, and is qualified as a first class constructor. He is a professor equivalent senior engineer and is entitled to the special government allowance awarded by the State Council. Mr. Liu has been serving as an Executive Director of the Company since January 2011 and Chairman of the Board since April 2013.

Mr. Chen Fenjian, born in 1962, Chinese nationality with no overseas permanent residence, is an Executive Director, vice chairman, President and deputy secretary of the Party Committee of the Company. Mr. Chen also serves as the vice chairman, the general manager and deputy secretary of the Party Committee of CCCG. He joined the Company in August 1983 and has extensive operational and management experience. Mr. Chen held positions as the deputy head and head of Fourth Navigational Engineering Bureau of China Harbour Engineering Company (Group) ("**CHEC Group**"), and deputy general manager of CCCG. Mr. Chen graduated from Changsha Communications University with a bachelor's degree in harbour and channel engineering. He also holds a master's degree in business administration from Guanghua School of Management of Peking University. He is a professor equivalent senior engineer and is entitled to the special government allowance awarded by the State Council. Mr. Chen has been serving as a Vice President of the Company since September 2006 and the President and Executive Director of the Company since April 2014. Mr. Chen has been serving as the vice chairman of the Company since December 2016.

Mr. Fu Junyuan, born in 1961, Chinese nationality with no overseas permanent residence, is an Executive Director and the Chief Financial Officer of the Company. Mr. Fu also serves as the Chairman of CCCC Finance Company Limited, a director and the vice chairman of Jiang Tai Insurance Brokers Limited, a director of China Structural Reform Fund Co., Ltd. and a supervisor of China Merchants Bank Co., Ltd.. Mr. Fu has extensive operational and financial management experience, and worked for over ten years at the financial bureau and auditing bureau of the Ministry of Transportation. He held positions as the chief accountant of CHEC Group, the chief accountant and non-executive director of CCCG. Mr. Fu holds a doctor's degree in business administration from Beijing Jiaotong University. He is a professor equivalent senior accountant and is entitled to the special government allowance awarded by the State Council. Mr. Fu has been serving as an Executive Director and the Chief Financial Officer of the Company since September 2006.

Mr. Chen Yun, born in 1963, Chinese nationality with no overseas permanent residence, is an Executive Director and deputy secretary of the Party Committee of the Company. Mr. Chen joined the Company in September 1998 and has extensive operational and management experience. He held positions as the deputy general manager of CHEC Group, the vice president of the Company and the vice president of CCCG. Mr. Chen graduated from Hehai University (formerly known as East China Institute of Water Conservancy) with a bachelor's degree in harbour and channel engineering. He also holds a master's degree in business administration from Tsinghua University. He is a senior engineer. Mr. Chen has been serving as an Executive Director of the Company since November 2017.

Mr. Liu Maoxun, born in 1955, Chinese nationality with no overseas permanent residence, is a Non-executive Director of the Company. Mr. Liu also serves as an external director of China Energy Conservation and Environmental Protection Group, and an external director of Dongfang Electric Corporation. He has extensive experience in corporate administration and financial management. Mr. Liu held positions as a cadre of Financial Department of and the deputy division director, division director and deputy director of Immediate Financial Division of the former Ministry of Chemical Industry of the PRC, the deputy director of Corporate Reform and Financial Department of the State Bureau of Petroleum and Chemical Industry, the deputy head and head of Service Administration Bureau (Administration Bureau of the Former and Retired Staff) of the former State Economic and Trade Commission, head of Service Administration Bureau (Administration Bureau of the Former and Retired Staff) under the SASAC, deputy head of Inspection Team under the SASAC. Mr. Liu graduated from Correspondence Department of Central Institute of Finance and Banking with a major in industrial accounting and later received a master's degree in law from the PRC Central Party College. He is a senior accountant. Mr. Liu has been serving as a Non-executive Director of the Company since April 2014.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Qi Xiaofei, born in 1957, Chinese nationality with no overseas permanent residence, is a Non-executive Director of the Company. Mr. Qi also serves as an external director of China International Intellectech Co., Ltd. and COFCO Corporation. Mr. Qi has extensive experience in the working for government authorities and business operations administration, and served in the Guizhou provincial committee of the communist youth league successively as the deputy director of the general office, deputy director of the Publicity Department and deputy director of the research office. He also served successively as deputy director of the system reform institute of Guizhou provincial Party committee of economic system reform, and deputy director of the secretariat of the general office, standing committee secretary (division level) and secretary of the general secretary to the Communist Party Committee, secretary of the governor (deputy provincial department level) of Hainan Province, deputy director and a member of the Party group of the economic cooperation department of Hainan province. He served as director of the general office, secretary to the Communist Party Committee of the suborganizations (concurrently), director of the training centre (concurrently), deputy director and a member of the Party group of State Bureau of Religious Affairs. He served successively as deputy secretary to the Communist Party Committee and secretary to the Disciplinary Committee of China Railway Construction Corporation, deputy secretary to the Communist Party Committee, secretary to the Disciplinary Committee and chairman of the supervisory committee of China Railway Construction Corporation Limited ("CRCC"), general manager and deputy secretary to the Communist Party Committee of China Railway Construction Corporation, and secretary to the Communist Party Committee and vice chairman of CRCC. Mr. Qi graduated from Guizhou University, majoring in philosophy with a bachelor's degree in philosophy and obtained a master's degree in business administration from Cheung Kong Graduate School of Business. Mr. Qi has been serving as a Non-executive Director of the Company since November 2017.

Mr. Huang Long, born in 1953, Chinese nationality with no overseas permanent residence, is an Independent Non-executive Director of the Company. Mr. Huang also serves as an external director of China National Petroleum Corporation and COSCO SHIPPING (Hong Kong) Co., Limited. He has extensive experience in corporate administration. Mr. Huang held positions as the deputy manager and manager of International Cooperation Department of and manager of International Cooperation and Commercial Contract Department of Huaneng International Power Development Corporation, deputy general manager and the vice chairman of Huaneng Power International, Inc., deputy general manager of China Huaneng Group. Mr. Huang graduated with a master's degree from the Department of Electrical Engineering of North Carolina State University in the United States, majoring in communications and auto-control. He is a senior engineer. Mr. Huang has been serving as an Independent Non-executive Director of the Company since April 2014.

Mr. Zheng Changhong, born in 1955, Chinese nationality with no overseas permanent residence, is an Independent Non-executive Director of the Company. He has extensive operational and management experience. He held positions as deputy head of Beijing Erqi Locomotive Works (北京二七機車廠), director of the general office, a director and deputy general manager of China National Railway Locomotive & Rolling Stock Industry Corporation (中國鐵路機車車輛工業總公司), a director and deputy general manager, deputy general manager, secretary of the Party Committee and deputy general manager and the general manager and the deputy secretary of the Party Committee of CSR Group Corporation (中國南車集團公司), an Executive director, vice chairman, president, chairman and secretary of the Party Committee of CSR Corporation Limited (中國南車股份有限公司), as well as an executive director, vice chairman and secretary of the Party Committee of CRRC Corporation Limited (中國中車集團). Mr. Zheng successively graduated from Lanzhou Railway College majoring in electronics technology and Northern Jiaotong University majoring in accounting, and completed his doctorate education in traffic and transportation planning and management and obtained a doctor's degree in engineering from Beijing Jiaotong University for the studies in transportation planning and administration. He possesses the Senior Professional Manager qualification (a talent with unique contribution), and is a professor equivalent senior engineer and a member of the World Academy of Productivity Science (世界生產力科學院). Mr. Zheng has been serving as an Independent Non-executive Director of the Company since November 2017.

Dr. Ngai Wai Fung, born in 1962, Chinese nationality and a resident of Hong Kong Special Administrative Region with no overseas permanent residence, is an Independent Non-executive Director of the Company. Dr. Ngai is the chief executive officer of SW Corporate Services Group Limited, and also holds directorship in a number of companies listed on Hong Kong Stock Exchange and other stock exchanges, such as serving as an Independent Non-executive Director of Bosideng International Holdings Limited, Powerlong Real Estate Holdings Limited, BaWang International (Group) Holding Limited, Health and Happiness (H&H) International Holdings Limited, SITC International Holdings Company Limited, Beijing Capital Juda Limited, Yangtze Optical Fibre and Cable Joint Stock Limited Company, BBMG Corporation and TravelSky Technology Limited. He is also an independent director of LDK Solar Co., Ltd. and SPI Energy Co., Ltd.. Dr. Ngai has over 20 years of experiences in accounting, finance and corporate governance. He has led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He was an independent non-executive director of China Railway Construction Corporation Limited, Sany Heavy Equipment International Holdings Company Limited, China Coal Energy Company Limited, China Railway Group Limited and China HKBridge Holdings Limited. Dr. Ngai is a senior member of the Association of Chartered Certified Accountants, a member of Hong Kong Certified Accountant Association, a senior member of Institute of Chartered Secretaries and Administrators, a senior member of The Hong Kong Institute of Chartered Secretaries, a senior member of Hong Kong Institute of Directors and a member of Hong Kong Securities and Investment Institute. Dr. Ngai is a member of Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants, a member of The Chamber of Hong Kong Listed Companies and has also been appointed by the Ministry of Finance of the PRC as Finance Expert Consultant in 2016. Dr. Ngai was the former president of Hong Kong Institute of Chartered Secretaries (2014 to 2015) and a member of Work Group on Professional Services under the Economic Development Commission of the Hong Kong Special Administrative Region (2013-2018). Dr. Ngai obtained a doctor's degree in Finance at Shanghai University of Finance and Economics, a master's degree in Corporate Finance from Hong Kong Polytechnic University, a bachelor's degree in Law at University of Wolverhampton and a master's degree in Business Administration from Andrews University of Michigan, respectively. Dr. Ngai has been serving as an Independent Non-executive Director of the Company since November 2017.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORY COMMITTEE

As at 31 December 2017, the Supervisory Committee consisted of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. Profiles of the Supervisors are as follows:

Mr. Li Sen, born in 1964, Chinese nationality with no overseas permanent residence, is a Supervisor and the chairman of the supervisory committee of the Company. Mr. Li also serves as the general manager of the Human Resource Department and head of the Organizational Department of the Party Committee of the Company. Mr. Li has extensive management experience. He held positions as deputy division chief of Cadre Management, Division of Personnel of Ministry of Coal, head of the Division of Comprehensive Affairs of the Bureau of Cadre Education under the Organization Department of the Central Committee of the Party, deputy director of the Education Department of China National School of Administration (assisting roles of departments or equivalents), member of the Standing Committee of the Party Committee, deputy mayor, head of Propaganda Department, head of Organization Department of Liaoyuan Municipality, Jilin Province, temporary secretary of the Party Committee and vice chairman of Beijing United Development Co., Ltd. (北京聯合置業有限公司), chairman of the supervisory committee, temporary deputy secretary of the Party Committee, temporary secretary of Committee for Discipline Inspection and chairman of the Labor Union of CCCG Real Estate Group. Mr. Li successively graduated from Huaibei Coal Industry Normal College (淮北煤炭師範學院) majoring in Chinese language and literature, Capital University of Economics and Business majoring in business management and Tongji University majoring in management science and engineering. He obtained a doctor's degree in management from Tongji University and is a senior political engineer. Mr. Li has been serving as a Supervisor and the chairman of the supervisory committee of the Company since November 2017.

Mr. Wang Yongbin, born in 1965, Chinese nationality with no overseas permanent residence, is a Supervisor and the general manager of the auditing department of the Company. Mr. Wang also serves as a staff representative supervisor of CCCG, a supervisor of China Northeast Municipal Engineering Design & Research Institute Co., Ltd., CCCC Investment Co., Ltd., Zhen Hua (Shenzhen) Engineering Co., Ltd., CCCC Hainan Construction Investment Limited (中交海南建設投資有限公司), the chairman of the supervisory committee of CCCC Finance Company Limited, a supervisor of Shanghai Zhenshalongfu Machinery Co., Ltd., a supervisor of CCCC Industrial Investment Holding Limited and a supervisor of CCCC Shanghai Equipment Engineering Co., Ltd. He has extensive management experience. Mr. Wang graduated from Changsha Communications University with a bachelor's degree in project finance and accounting. Mr. Wang is a senior accountant. Mr. Wang has been serving as a Supervisor of the Company since September 2006.

Mr. Yao Yanmin, born in 1963, Chinese nationality with no overseas permanent residence, is a staff representative supervisor of the Company. Mr. Yao also serves as the head of the party committee department of corporate culture department and the chairman of labor union of the Company. Mr. Yao joined the Company in 1992, and has extensive management experience. He held positions as the head of president office, assistant to the general manager and the deputy general manager of China Road and Bridge Construction Corporation, the deputy head of general office of CCCG and the deputy head of general office of the Company. Mr. Yao graduated from Guangdong University of Foreign Studies and Renmin University of China with a bachelor's degree in English and a bachelor's degree in law, respectively. Mr. Wang has been serving as a Supervisor of the Company since April 2014.

SENIOR MANAGEMENT

As at 31 December 2017, the Company's senior management consisted of six members with the profile as follow (profiles of Mr. Chen Fenjian and Mr. Fu Junyuan who are also Directors are set out above):

Mr. Song Hailiang, born in 1965, Chinese nationality with no overseas permanent residence, is a Vice President of the Company. Mr. Song joined the Company in 1987 and has extensive operational and management experience. He has been serving as the chairman and the general manager of CCCC Water Transportation the chairman of ZPMC, the general manager of the marine heavy equipment manufacturing division of the Company and the assistant to president of the Company. Mr. Song graduated from Wuhan Institute of Water Transportation Engineering with a major in port machinery design and manufacture and subsequently obtained a master's degree in the project management from Tsinghua University and a doctor's degree in engineering management from Tianjin University and is a professor equivalent senior engineer. Mr. Song has been serving as a Vice President of the Company since April 2014.

Mr. Wang Haihuai, born in 1968, Chinese nationality with no overseas permanent residence, is a Vice President of the Company. Mr. Wang joined the Company in 1991 and has extensive operational and management experience. He has been serving as the chairman and the general manager of CCCC Second Harbor Engineering Company Ltd. and the general manager of the port and waterway dredging division of the Company. Mr. Wang graduated from Chongqing Jiaotong College with a major in harbour and channel engineering and subsequently obtained a master's degree in the business administration from Wuhan University and is an excellent senior engineer and senior economist. Mr. Wang has been serving as a Vice President of the Company since April 2014.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Sun Ziyu, born in 1962, Chinese nationality with no overseas permanent residence, is a vice president and chief engineer of the Company. Mr. Sun joined the Company in 1983 and has extensive operational and management experience and profound professional attainments. He has been serving as the vice president of CCCC First Harbour Consultants Co., Ltd, the chief engineer of CHEC Group, the chief engineer of CCCG, the general manager and chairman of CHEC, the general manger of the overseas operations department of the Company and the chairman of CHEC. Mr. Sun graduated from Zhejiang University (formerly known as Hangzhou University) with a major in marine geology and geomorphology and subsequently obtained a master's degree from Delft University of Technology NL and a master's degree in Business Administration from Peking University. He is a an excellent senior engineer awarded special allowance by the State council, British royal chartered civil engineer and British royal chartered constructor. Mr. Sun has been serving as a Vice President of the Company since April 2014.

Mr. Wang Jian, born in 1964, with Chinese nationality and no overseas permanent residence, is a vice president and the chief safety officer of the Company. Mr. Wang has rich operational and management experience. He successively held positions as the director and deputy general manager of CCCC Tunnel Engineering Co., Ltd., the general manager of East China Regional Headquarter, general manger of road, bridge and rail transportation department and the assistant to president of the Company. Mr. Wang graduated from Xi'an Highway Institute whose postgraduate study focused on bridge and structure engineering. He also holds a doctor's degree in geotechnical engineering of Central South University. Mr. Wang is a senior engineer. Mr. Wang has been serving as the Vice President of the Company since December 2016.

Mr. Wen Gang, born in 1966, with Chinese nationality and no overseas permanent residence, is a vice president of the Company. He also serves as the chairman of CRBC. Mr. Wen has rich operational and management experience. He successively held positions as the deputy general manager of China First Highway Engineering Company, the director and deputy general manager of CRBC, executive general manager of the overseas business department of the Company, chairman of CRBC and the assistant to president of the Company. Mr. Wen graduated from Guangzhou International Studies Institute, majored in French. He also holds a master's degree in project management engineering from Changsha University of Science and Technology. Mr. Wen is a professor equivalent senior economist and associate senior translator. Mr. Wen has been serving as the Vice President of the Company since December 2016.

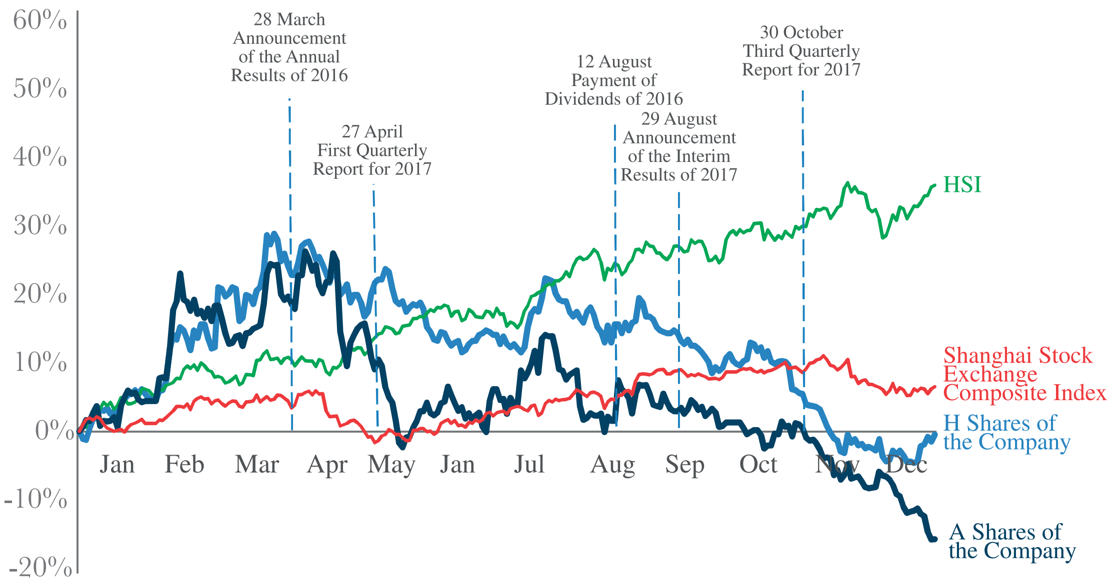
Mr. Zhou Changjiang, born in 1965, Chinese nationality with no overseas permanent residence, is the Board secretary and the Company Secretary of the Company. Mr. Zhou also serves as the head of the Board office. Mr. Zhou is familiar with enterprise management, corporate governance, capital operation, information disclosure and investor relations management and has extensive operational and management experience and profound professional knowledge. He served as the officer of the former State Administration for Commodity Price and the State Planning Commission, the deputy director of the general office of China National Machine Tool Corporation, deputy general manager of the enterprise planning department of China Harbour Engineering Company (Group) and deputy general manager of the enterprise development department of China Communications Construction Group (Limited). Mr. Zhou graduated from Renmin University of China with a bachelor's degree in economics. He is a professor equivalent senior economist. Mr. Zhou has been serving as the Board secretary of the Company since November 2017 and the Compary Secretary of the Company since December 2017.

"Tiankun", the new generation of the heavy-duty self-propelled cutter suction dredger, was researched and developed under the leadership of CCCC. As the first heavy-duty self-propelled cutter suction dredger with completely independent intellectual property rights in China, it symbolizes that the "Chinese Heavy Machinery" in the dredging industry has reached the world's leading level.

INVESTOR RELATIONS

CAPITAL MARKET REVIEW

The closing price of the Company's H shares on 31 December 2017 was HKD8.88, representing a decrease of 0.45% as compared to the closing price of HKD8.92 on 31 December 2016. The closing price of the Company's A Shares on 31 December 2017 was RMB12.80, representing a decrease of 15.73% as compared to the closing price of RMB15.19 on 31 December 2016.



COMPREHENSIVE, EFFICIENT AND INTERACTIVE INVESTOR COMMUNICATIONS

The Company maintained active communications with investors in a candid and practical manner with an initiative and open stance and established a comprehensive investor relations service system.

(1) Results presentations and non-deal roadshows

In 2017, results presentations were timely held upon announcement of the annual and interim results, at which the Company detailed its latest operating results to the investors. Upon that, several teams were led by the Executive Director who was also chief financial officer as well as the secretary to the Board, in visits to over 40 investment institutions and fruitful results were achieved in terms of communication.

With a view to strengthening communications and conversations between the Company and small and medium investors, and protecting their legal interests, upon announcement of 2016 annual results and 2017 interim results, the Company held results presentations by using online interactive platforms to mainly communicate with various investors, especially small and medium investors, on the Company's strategic planning, operating performance, dividends distribution policy and related business issues, and gained valuable experience. In the future, we will create opportunities and increase the usage of online interactive platforms to debrief advice and suggestions raised by small and medium investors towards the Company.

(2) Reverse Roadshow

In December 2017, the Company held the investors reverse roadshow in Zhuhai, Guangdong, more than 30 wellknown securities analysts and institutional investors from the world attended the activity. The super-large Island and Tunnel Project of Hong Kong-Zhuhai-Macau Bridge was selected for field investigation. On the one hand, the Company introduced details about the project construction features, significant and key design & construction technologies, construction management, outlook of subsequent similar large projects, etc. to the investors, enabling them to truly feel the Company's core competence and development potential. On the other hand, the Company shared with the investors our corporate strategies under the new situation of the CPC 19th National Congress, particularly about the development planning, profitability space and risk control of overseas business and investment business, thereby drawing up for investors the new development blueprint of the Company under the strategy of "experts in five areas". In the activity, the Company carried out interactions and communications with the investors, answered their questions, made the participants have a deeper and clearer understanding about the Company's business strategy and operation, and also increased their confidence in the Company's sustainable development.

INVESTOR RELATIONS

(3) Attending strategy sessions and overseas investors conferences organized by investment institutions

In 2017, the Company took the initiative to participate in 26 investment strategy report sessions and overseas investors conferences organised by domestic and international investment institutions. Through over 80 one-to-one meetings and group conferences, the Company interviewed over 400 investors to exchange ideas with them over the macroeconomy of the PRC, the development prospect of the industry the Company is engaged in and the development of the Company's operations, etc. Efficiency was maximised by communicating with such large number of investors within a relatively short period of time.

(4) Reception of investors

In 2017, the Company exchanged ideas with 150 institutional investors through over 100 one-to-one meetings and 12 investor group conferences. The Company's executives had participated in the communication activities with investors in person to respond to enquiries from visitors in an earnest and honest manner whenever time permits. Such arrangement was highly welcomed by the investors. Meanwhile, with over 130,000 minority Shareholders, the Company arranged dedicated staff to attend to calls to the IR hotline and handle the IR mailbox. During the year, hundreds of different kinds of enquiries were addressed, thus enabling the investors to have more and more understanding of the Company's strategic vision, integrated operating model and development characteristics of each business segment, etc. The Company also further formed a clearer view on concerns of investors, which laid a solid foundation for maintaining smooth communications and interactions and achieving mutual growth and development.

List of the Company's major investor relations activities in 2017

Month	Activity	Organiser
January	15th Annual DB Access China Conference 2017 Greater China Conference 2017	Deutsche Bank UBS Securities
February	2017 PPP and Enrionmental Protection Conference 2017 Annual Conference Real Estate and Construction Conference	CICC Zhongtai Securities CITIC Securities
March	2016 Annual Results Announcement ·Online Results Presentation ·Analysts Briefing ·Press Conference ·Non-deal roadshow 20th Annual Asian Investment Conference 2017	CCCC Credit Suisse
April	The Belt and Road Conference First Quarterly Report for 2017	Essence Securities CCCC
May	China Conference 22th CLSA China Forum 2017 Interim Strategy Conference 2017 BOCI Industrial Sector Corporate Day Third Annual China Conference	HSBC CLSA CITIC Securities BOCI Morgan Stanley
June	Innovation China Summit 13th Annual Global China Summit 2017 Interim Strategy Conference Greater China Interim Strategy Conference 2017 Daiwa Auto/Industrial Leaders Conference	BAML JP Morgan Huatai Securities Industrial Securities Daiwa
July	The Belt and Road Investor Forum	Xingye Capital
August	2017 Interim Results Announcement ·Online Results Presentation ·Analysts Briefing ·Press Conference ·Non-deal roadshow	CCCC
September	China Conference 2017	Goldman Sach
October	Third Quarterly Report for 2017	CCCC
November	2017 China Investment Conference China Investor Conference 2017 2017 China Conference 2018 Investment Confernece	Credit Suisse Citigroup BAML CITIC Securities
December	2018 Investment Strategy Conference 2018 Investment Strategy Conference 2018 Investment Strategy Conference	Essence Securities TF Securities Sinolink Securities

During the communication with investors, the Company tried its best to satisfy the demands for investigation and research of investors, research institutions and financial media by answering each question seriously. During the course, other than fully fulfilling our information disclosure responsibility by communicating our business strategies and operation performance to investors, we also actively listened to the questions and suggestions raised by investors. We prepared the Market Weekly and Summary of Roadshows to pass the questions raised by investors to the management in a timely and comprehensive manner. Through our work and services, an effective and interactive bridge of communication was built between the investors from the capital market and the Company.

INVESTOR RELATIONS

TIMELY AND ACCURATE INFORMATION DISCLOSURE

During the reporting period, the Company carefully made every information disclosure in plain words without misleading and fraud contents, and uploaded those announcements on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange and the website of the Company in the stipulated time period, to facilitate timely and accurate understanding of investors in the Company's operations. Secondly, for discloseable important decisions and significant matters, the Company would publish impromptu announcements on the Shanghai Stock Exchange side by side with overseas regulatory announcements on the Hong Kong Stock Exchange to ensure fairness and consistency in information acquired by domestic and overseas investors, protect the interests of different types of investors and reduce market risks. Moreover, matters such as common questions from investors, the Company's dividends distribution, investor relations activities calendar and bids of representative projects were published in the Investor Relations section on the Company's website and newsletter (online version) to make full use of the fast, extensive and low-cost nature of the internet. Finally, the Company specially sorted out operating information such as successful bids and execution of agreement to send by email on a weekly basis to a variety of analysts and fund managers who usually paid attention to the Company, so as to enable them to be timely informed of the operating development of the Company.

All in all, the information release and publication system comprising regular reports, impromptu announcements and the Company's website has offered a comprehensive and multi-dimension channel for different types of investors and people who are concerned about the development of the Company to acquire information about the Company and further shortened the distance between the Company and investors.

CONTINUOUS IMPROVEMENT OF INVESTOR RELATIONS

Through the activities above, we strengthened communications between the management and the investors from the capital market, and enhanced the transparency of the operation and management of the Company. Upon relevant election, the Company received the "Best Investor Relations Award for China's Main Board Listed Companies" in "Tianma Award -- The Eighth Election of Chinese Listed Companies for Investor Relations", and won the "11th Excellent Board Secretaries Award for China's Main Board Listed Companies" and the "11th Outstanding Board Secretaries Award for Information Disclosure of China's Listed Companies" in the "Red List -- Value Election of Listed Companies". The Company was elected successfully as the "2017 Top 100 Hong Kong Listed Companies" and China's Top 100 Listed Companies, and was honored the "Outstanding Corporate Governance Practice Award" in the Value Election of Listed Companies in the Financial Circle. In addition, as evaluated by Shanghai Stock Exchange, the Company was considered as A Class (highest level of honor) in terms of information disclosure for 2016. All these achievements represent recognitions from investors of our unremitting efforts in corporate governance, operational management, information disclosure and investor relations management in the past year, which further reinforced the sound image of the Company on capital market.

The Company will continue to enhance the management of capital market, highly value its investor relations work, attach great importance to the value creation for small and medium investors and further improve its information disclosure to continually increase the transparency of the Company in 2018. Investor relation management will be taken as a sustainable development strategy. We are committed to maximising shareholders' return through effective multi-channel and multi-level communication with investors that features equality, sincerity and mutual respect.

The contaminated sediment dredging and disposal project of Dianchi Lake was designed by CCCC. and is the national key project for water environment treatment. As Dianchi is the sixth largest freshwater lake in China, the water environment treatment and artificial wetland construction conducted by the Company have greatly restored the ecological environment of Dianchi Lake, and the Company has contributed our corporate strengths to constructing the beautiful China. The picture shows the beautiful scenery of Dianchi Lake after the treatment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

As a both H shares and A shares listed company, CCCC operates in strict compliance with the requirements of the relevant laws and administrative regulations, including the Company Law, the Securities Law and relevant rules of the Hong Kong Stock Exchange, and conducts the corporate information disclosure, investor relations management and services according to law.

This report is prepared in accordance with the "Environmental, Social and Governance (ESG) Reporting Guide" contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("ESG Reporting Guide of Hong Kong Stock Exchange"). Furthermore the 2017 Social Responsibility Report of China Communications Construction Company Limited has been published on the Company's website.

The Board of Directors of the Company has been responsible for the environmental, social and governance strategy and report of the Company, sustainable development involving or affecting businesses or operation of the Company, shareholders and other key stakeholders, and supervision of positions and practices of the Company.

The Company has set up a set of integrated management systems, including quality management system, environmental management system and occupational health and safety management system based on international standards. These management systems have passed external audit for recertification of quality, environment, occupational health and safety management systems in 2017.

The Company is committed to compliance with laws and regulations in relation to environmental and social responsibilities that have a significant impact on the Company. We insist on the strengthening of corporate social responsibility governance. We are committed to promoting the sustainable development of the Company, and create and share a sustainable value with the stakeholders in the economic, social, and environmental fields.

CORPORATE PROFILE AND BUSINESS PERFORMANCE

For details, please refer to the chapters of "Corporate Profile" and "Business Overview" in this Annual Report.

COMMUNICATION WITH STAKEHOLDERS

CCCC adheres to the business philosophy of "creating a more expedite world, a more hospitable city and a more pleasant life". While improving management and creating values, the Company also opens multiple channels for stakeholders including governments, investors, employees, customers, suppliers, subcontractors, regulatory institutions, etc., enabling them to participate in the Company's production and operating activities. By continual communications and exchanges, the stakeholders can know about and supervise the Company's business operations, while the Company can fully understand the stakeholders' opinions and respond positively.

Stakeholders	Communication Mechanism and Modes	Response and Feedback
Governments at various levels (local government)	Special topic meeting (report) and information reporting; Strategic cooperation; High-level business meeting.	Abide by laws and regulations; Implement national policies; Conduct integrity management in accordance with laws; Sign strategic cooperative agreement.
Regulatory institutions (SASAC)	Implement requirements of various documents and spirits of meetings; Business communication with counterpart departments; Work reporting and work report.	Achieve Class-A rating in comprehensive assessment; Improve corporate management and control capability; Fulfill social responsibility.
Shareholders	Regular or interim report; General meeting of shareholders and written notice; Investor meetings.	Keep stable profitability; Maintain rights and interests of shareholders; Good credit rating.
Customers and clients	Contract performance; Visits and meetings; Documents and mails; Customer assessment and management.	Guarantee 100 percent of contract performance and acceptance rate of projects; Conduct constant innovation in techniques and products; Provide satisfied services.
Suppliers	Tendering and bidding, and business negotiation; Contract performance, and business letters and communications.	Adhere to principles of integrity, mutual benefits and equal consultation; Keep good cooperative relations.
Subcontractors	Contract performance; Business letters and communications.	Strictly manage and control the quality of subcontracted projects; Keep good cooperative relations.
Employees	Worker supervisor, and workers' congress; Solicit rational suggestions; Trainings and meetings; Day-to-day work communication.	Stable compensation incentives; Protect rights and interests of employees; Care career development of employees; Conduct various activities.
Community and the public	Various communications and visits; Participate in public welfare activities.	Protect environment and eco-friendly constructions; Support harmonious development of local communities; Public welfare and donation.
NGO and other third party organizations	Maintain close contact and information sharing Develop cooperation	Participate in and organize social contribution activities; Keep communication channels open.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CCCC attaches great importance to communication with stakeholders and management of investor relations. In 2017, the Company communicated positively and frankly with investors and shareholders by multiple approaches such as holding the shareholders' meeting, business results release conference and special reverse roadshow, receiving investor's visit and call, attending investor presentation, etc., which made investors fully understand the Company's operating information and development status, and meanwhile helped pass the opinions raised by investors to the Company's management, and enhanced the transparency of the Company. In 2017, the Company arranged more than 100 one-to-one reception meetings and 12 investor group conferences, and attended the investor forum activities for 26 times. Meanwhile, the Company complied strictly with the information disclosure rules of listed companies, improved the information disclosure system, released announcements on a regular basis, and intensified the accuracy and timeliness in information disclosure of operating data.

In 2017, to make the social responsibility report more targeted and responsive, CCCC analyzed and compared the influence of different social responsibility issues to stakeholders and the importance to corporate development in accordance with social responsibility material issue analysis model, and then identified the high-profile material issues.

Step One: Identification

Based on the social responsibility standards both in China and abroad, the policy requirements of Chinese government, benchmarking with leading enterprises, and investigation and research of stakeholders as well as its own development plan, CCCC has established social responsibility topic pool, and then classified the topics into eight categories of responsibility management, corporate governance, high-quality projects, supplier management, employee responsibility, community responsibility, environment responsibility, and overseas social responsibility performance, covering a total of 35 items.

Table: Stakeholders – Identification of Issues

Stakeholders	Social responsibility issues
Responsibility management	1. Responsibility strategy 2. Responsibility governance 3. Social responsibility training 4. Stakeholder communication
Corporate governance	5. Improve governance structure 6. Investor relations management 7. Regular information disclosure 8. Prohibit bribery and corruption 9. IPR protection
High-quality projects	10. Engineering quality 11. Scientific and technological innovation 12. Work safety 13. Customer satisfaction enhancement
Supplier management	14. Contractor/subcontractor selection mechanism 15. Standardized tendering process 16. Encouraging contractors/subcontractors to perform social responsibilities 17. Protection of rights and interests of migrant workers
Employee responsibility	18. Protection of basic rights and interests of employees 19. Democratic management 20. Employee training and career development 21. Prevention and control of occupational disease 22. Support employees with difficulties
Community responsibility	23. Public welfare and charity 24. Precision poverty alleviation 25. Volunteer activities of employees
Environment responsibility	26. Establishment of environmental management systems 27. Energy-saving and emission reduction 28. Cyclic utilization 29. Ecological protection 30. Environmental protection publicity
Overseas social responsibility performance	31. Response to the "the Belt and Road" Initiative 32. Promotion of local employment 33. Local purchase 34. Local volunteer assistance 35. Local environmental protection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Step Two: Issue Analysis

CCCC conducted a special survey on those 35 sustainable development issues among stakeholders by using online questionnaire, aiming to understand the importance of those issues in their minds, and a total of 1,102 questionnaires were recovered. Through the two-dimensional matrix of "attention of stakeholders" and "importance to sustainable development of CCCC", the Company identified the material issues of social responsibility.

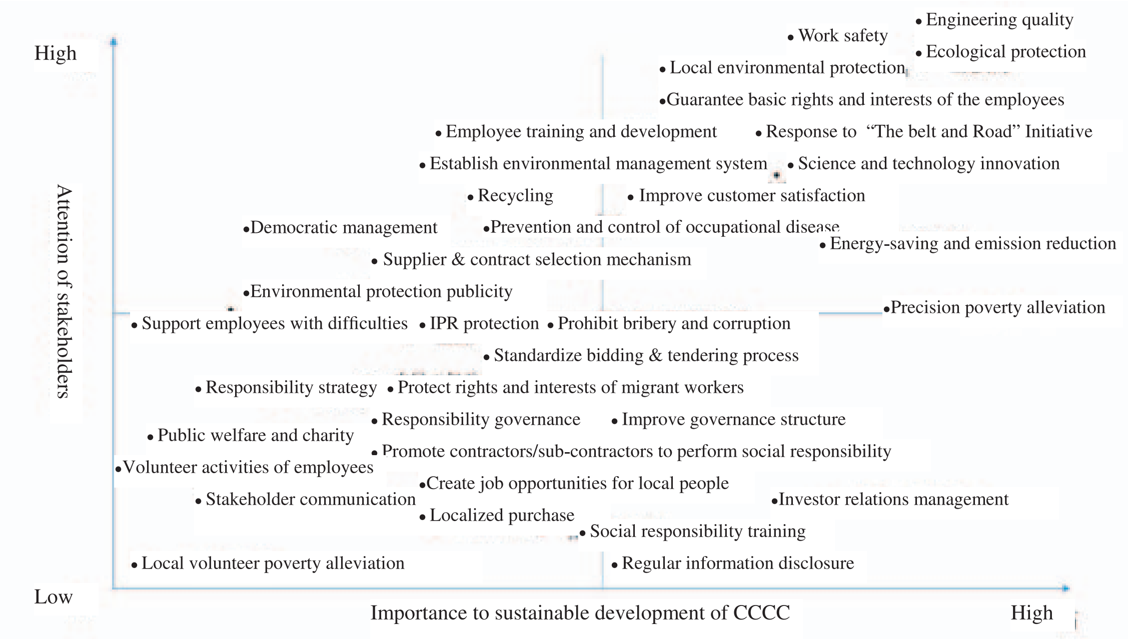


Chart: Material issues analysis of stakeholders of CCCC

ENVIRONMENTAL

Wastes and Emissions

The Company has strictly implemented international conventions and domestic laws in relation to air pollution, including the Environmental Protection Law, the Interim Measures for Supervision and Administration of Energy Conservation and Emission Reduction in Central Enterprises, and has strictly controlled the emission in the production process, and strengthened the environmental monitoring capability building. The Company has strictly implemented relevant national energy-saving and emission reduction policies and standards, and continuously promoted energy-saving and emission reduction work, low-energy, pollution-free, high-efficiency technology, equipment and products. The production and operation of construction companies belong to temporary items, so there is no stationary source. According to the requirements of the "Notice of Printing the Measures for the Monitoring of Reduction of Total Emissions of Major Pollutants in the '12th Five-Year Plan' Period" issued by the Ministry of Environmental Protection, the emissions of COD, ammonia nitrogen, SO_2 and NOx are not included in the statistics of environmental pollutants of construction companies.

As the Company's statistics and monitoring system for emission indicators is under construction, the accurate accounting and statistics of total greenhouse gas emissions, exhaust gas indicators and ammonia emissions of sulfur dioxide, nitrogen oxide, VOC and smoke as well as solid waste indicators of hazardous wastes and non-hazardous wastes cannot be disclosed for the time being and still need to be provided in the future.

1. Emission Reduction of Exhaust Gas and Greenhouse Gas

According to the Provisional Measures on Supervision and Management of Energy-Saving and Emission Reduction of Central SOEs, CCCC has calculated the emission of CO_2 in the production process. In 2017, the CO_2 emission was 4.744 million tons, down 12.4% from a year earlier.

In terms of greenhouse gas emission reduction, the Company paid great attention to the development of the national unified carbon trading market, encouraged internal research and development consulting organizations to actively participate in technical calculation and formulation of standards in the carbon trading market in the transportation industry, successively undertook tasks for various research topics, including the Road Construction, Operational Energy Efficiency, CO_2 Emission Intensity and Assessment Method Study of the Ministry of Transport and the Guideline on CO_2 Emission Calculation and Reporting of Enterprises (Organizations) - Transport Industry of Beijing Municipal Government, thus making a great contribution to promotion of greenhouse gas emission reduction in the industry.

In terms of exhaust gas emission reduction, the Company actively carried out the investigation of small coal-fired boilers and the "elimination" task in order to enhance air pollution control in the Beijing, Tianjin, and Hebei Region and surrounding areas. It established an air pollution supervision and inspection team consisting of experts to carry out special supervision and inspection of 7 projects in 5 provinces involving air pollution control. The special supervision and inspection achieved encouraging results.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Wastes Disposal and Sewage Treatment

As for classification of wastes, due to the industry attributes, compared with hazardous wastes; main wastes of CCCC are non-hazardous wastes. The non-hazardous wastes are mainly steel bars, concrete, bricks and tiles, and other construction wastes, which are all sorted, broken up and reused according to the requirements of customers. In promoting grass-roots projects of "Four Savings and Environmental Protection" (energy, land, water and material saving and environmental protection), there were a great number of high-quality and high-efficiency model green construction projects. For example, the Nansha Mingzhuwan General Contracting Department of CCCC crushes, classifies and processes concrete, waste bricks, marble and other solid wastes in construction wastes, using "mobile construction waste crushers", and produces green materials such as integrated walls, pervious concrete and road base materials, thus realizing zero discharge of solid waste.

In reducing wastewater discharge, the Company achieves green manufacturing and sustainable development by introducing environmental protection equipment and developing environmental protection technology. It enhances application of water and soil pollution control technologies in projects and insists on paying equal attention to energy-saving and emission reduction and technologies. All construction vessels for the Hong Kong Third Runway Project were equipped with a two-level anti-pollution barrier to prevent pollution of surrounding water, and sewage treatment equipment was purchased to realize sewage recycling.

Meanwhile, the Company actively undertakes new types of environmental protection businesses including sewage treatment, municipal environmental protection, and promotes environmental protection through main businesses, so as to realize organic combination of the social responsibility and the enterprise benefit. The Company actively follows up and carries out ecological management projects in Xiong`an New Area, Baiyangdian Basin, Shanmei Reservoir in Quanzhou, and Jinjiang Basin in Chengdu etc., so as to build an industry brand of "CCCC Environmental Protection". Kunming Haihe River, as one of 16 main rivers which are required to meet the Dianchi governance requirements, was listed by the Ministry of Housing and Urban-Rural Development and the Ministry of Environmental Protection as one of the 12 urban black-odor rivers in Yunnan. The Company dredged a river of approximately ten thousand meters in total and removed over 100 thousand m^3 of contaminated sediment, using environmental protection technologies with independent intellectual property rights, thus effectively changing the Haihe River from a black-odor river within a short time. Through regular testing by a third-party organization, the river meets requirements in terms of four black-odor indicators, becoming the first successful case in China for elimination of "black-odor" water through comprehensive improvement.

Resource Utilization

1. Energy Conservation

According to the principle of "giving high priority to conserving resources and improving efficiency", the Provisional Measures on Supervision and Management of Energy-Saving and Emission Reduction of Central SOEs and the CCCC Measures for Supervision and Management of Energy-Saving and Emission Reduction, the Company improves the energy efficiency, reduces emission to air, sewage and waste discharge and actively promotes environmentally friendly handling of businesses. Meetings between the headquarters of the Company and subsidiaries are held by video conference as far as possible, so as to reduce traveling expenses and resource consumption for the meetings. The Company insists on office automation and constructs a low-carbon and environmental-protection office environment. It has established and improved the environmental management system, gradually forming a closed loop of "organization, system, monitoring and appraisal". It kept a stable situation in the aspect of energy-saving and emission reduction, and there were no middle or high-level environmental emergencies in 2017.

During the reporting period, efforts of the Company in energy management, energy saving and emission reduction were recognized as follows:

(1) 2 technologies were listed in the Catalogue for Promoting the National Key Energy-saving and Low-carbon Technologies published by the National Development and Reform Commission

(2) 6 technologies were listed in the Catalogue for Promoting the Key Energy-saving and Low-carbon Technologies in the Transportation Industry (2016)

(3) 2 organizations won the title of "Advanced Organization in Energy Saving and Emission Reduction in Transportation"

(4) 2 employees won the title of "Outstanding Individual in Energy Saving and Emission Reduction in Transportation"

(5) 4 projects were rated by the China Association of Communication Enterprise Management as the "Model Project for Energy Saving and Emission Reduction in Transportation"

(6) 2 patents won the first and second prizes in the first China Energy Saving and Environmental Protection Patent Award of China Energy Conservation Association

(7) 1 organization and 6 technologies were granted the innovation award of China Energy Conservation Association

(8) 1 project won the "Silver Award for the First China Energy Efficiency and Environmental Protection Innovation Contest"

(9) 3 projects were selected into the Green Building and Green Construction Demonstration Projects of National Construction Industry in 2017

(10) "Xiaogouling-Fusong Section of Hegang-Dalian Expressway" Project passed the acceptance for the fifth batch of green construction demonstration projects of national construction industry

In 2017, the total energy consumption of the Company was 2,217.9 thousand tons of standard coals, representing a decrease of 9.3% year-on-year; the proportion of oil consumption decreased by 12.6%; the proportion of non-fossil energy including wind energy, solar energy and other renewable resources increased to 19.43%. In the future, the Company will be more committed to continuous energy saving.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Table: Statistics of the Company's Major Energy Indicators

Indicators	Unit	2015	2016	2017
Total energy consumption	10,000 tce	259.65	244.65	**221.79**
Comprehensive energy consumption of per unit operating revenue	tce/10,000 yuan	0.058	0.053	**0.045**
Energy saving amount	10,000 tce	1.94	2.10	**1.51**
Emission of CO_2	10,000 tons	572.1	541.3	**474.4**
Proportion of non-fossil energy [1]	%	14.56	16.75	**19.43**
Total electric power consumption	10,000 kWh	277,221.2	304,586.2	**327,711.6**
Electric power consumption of per unit operating revenue	kWh/10,000 yuan	66.1	72.6	**78.2**
Total gas consumption	10,000 standard m^3	1,672.06	1,461.83	**1,887.24**
Gas consumption of per unit operating revenue	m^3/10,000 yuan	0.40	0.35	**0.45**
Total oil consumption	10,000 tons	146.65	136.11	**118.90**
Oil consumption of per unit operating revenue	ton/10,000 yuan	0.03	0.03	**0.03**
Domestic water	10,000 tons	—	—	**1,041.02**
Production water	10,000 tons	—	—	**2,092.42**
Water consumption of per unit operating revenue	ton/10,000 yuan	—	—	**0.50**
Green procurement rate	%	100%	100%	**100%**

Note 1: Non-fossil energy means the energy other than coal, petroleum, natural gas, etc. which were formed by long-term geological processes and which are energy types for disposable use. It includes the current new energy and renewable energy such as nuclear energy, wind energy, solar energy, hydraulic energy, biomass energy, geothermal energy, ocean energy, etc.

2. Energy Management

CCCC has improved the environmental management system, established an energy-saving and environmental protection management organization and arranged specially-assigned personnel to promote energy-saving and environmental protection work. Specific measures are as follows:

(1) System construction: CCCC initiated the construction of green standard system, divided the green standard system into five categories, namely basic standard, energy conservation & carbon reduction, ecological protection, pollution prevention & control and resource recycling, and gradually supplemented and improved the green management and technical standards in various fields covered by our business.

(2) Mechanism and monitoring system construction: CCCC printed and distributed the "Notice on Strengthening Monitoring and Statistical Reporting of Energy Conservation and Environmental Protection of China Communications Construction Company Limited" to conduct monitoring statistics of energy consumption and pollutant emissions.

(3) Information management: CCCC established the management system for statistical reporting and submission of the energy conservation and environmental protection information and realized wide coverage of the information and data statistics, thereby laying a foundation for "double control" of energy.

3. Conservation of Water Resources

The Company required applying for the water withdrawal license for all construction projects according to law, and paying the water resource fees to obtain the water withdrawal right. In terms of selection of the water withdrawal points, CCCC always avoided the sensitive areas such as ecological reserves and water source protection areas. Meanwhile, the Company continued optimizing and improving the construction and maintenance techniques, and reduced water consumption by water resources collecting and recycling technology via well point dewatering, automatic sprinkling and maintenance system, etc. After sedimentation, the construction water was used for car washing and irrigation, so as to enhance the recycling rate of water resources.

In terms of system framework for resource conservation, the Company also continued to make diligent efforts and vigorously carried out the activity of "establishing the green grassroots". CCCC required all grassroots units to save resources and reduce the negative impact on the environment to the maximum by means of scientific management and technical progress, provide customers with green and energy-saving products or services, and implemented "Four Savings and Environmental Protection" (energy, land, water and materials saving and environmental protection) for construction projects. So far, all affiliated units have established the "green grassroots" evaluation standards to clarify the work objectives, contents and relevant responsibilities, carried out supervision, inspection and assessment of "green grassroots", fully mobilized the subjective initiative of grassroots units, enhanced the energy conservation and emission reduction awareness of all staff, and effectively promoted the in-depth implementation of energy conservation and emission reduction work in the grassroots level.

4. Consumption of Packaging Materials

As an enterprise in construction industry, CCCC is mainly engaged in the construction of infrastructure, real estate, urban complex, etc., and consumption of packaging materials or businesses in relation to packaging materials is not involved in the production and operation process. Therefore, this indicator is not applicable.

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ENVIRONMENTAL AND NATURAL RESOURCES

Ecological Protection

Insisting on the development path of environmental protection and sustainability, CCCC has always taken environmental protection measures in the process of design, development and operation of each and every project.

As a construction company, the Company's environmental impact in the course of business development only includes solid wastes of vegetation and construction wastes within the scope of construction. Except for construction wastes, the Company generates less waste gas, waste water and other wastes, and has less impact on the atmosphere and water resources. For construction wastes, each project of the Company has special personnel to control and ensure the construction wastes of each project can be processed in a timely and effective manner. The Company also protects vegetation within the scope of construction through a good line design.

CCCC has attached importance to the protection of natural environment and biodiversity of coverage areas in the process of project development, prepared the"Environmental Risk Management Guidance Manual of CCCC", improved internal environmental risk management and control, and built a full life-cycle environmental risk management system for design, construction, acceptance, transportation and maintance and withdrawal, so as to reduce the impact of construction projects on the surrounding environment and biodiversity. The Company has committed to realizing the coordinated development between the enterprise and the natural environment.

During the reporting period, CCCC has made the following efforts in environmental and natural resources and ecological protection:

(1) Improve the system and gradually promote ecological construction. According to the unified arrangement of national ecological construction, CCCC has earnestly learnt the "Notice on Key Work of Promoting Central SOEs to Accelerate Ecological Construction" of the State-owned Assets Supervision and Administration Commission, putting forward detailed requirements for affiliated units from six aspects including green development, technological innovation, fund investment, key energy-consuming equipment management, statistics and monitoring, and market mechanism by combining their features, thus gradually forming the responsible entities of promoting ecological construction.

(2) Proactively participate in environmental protection organizations and activities. In 2017, CCCC attended the launching ceremony of 2017 National Energy Efficiency Promotion Week and National Low-Carbon Day organized by the National Development and Reform Commission, and participated in the voluntary commitment activity of energy consumption units for energy conservation. In 2017, CCCC also compiled the first business promotion brochure Environment +, which illustrated how CCCC practiced the environmental concept, constructed the environmental engineering and took the lead in the environmental industry in five aspects of "city, watershed, ocean, transportation and industry", and demonstrated in the multi-faceted and full-angle manner the strengths of CCCC in engaging in environmental engineering.

(3) Attach importance to the protection of biodiversity and local ecology during the project implementation period. Take the construction of Mombasa-Nairobi Railway for an example, CCCC designed the construction route and clarified the prohibited scope of construction by preliminary planning and environmental assessment and after adopting relevant suggestions of the local environmental protection bureau and the environmental protection consulting engineers. Meanwhile, the Company intensified environmental protection education for concrete vehicle operators, and prohibited arbitrarily discarding waste residues during the construction process; the Company collected the on-site domestic garbage and turned to the garbage treatment company certified by the local environmental protection bureau for centralized treatment. Upon completion of construction, none of the mangrove forests within the construction area died from contamination, and instead they grew luxuriantly. Moreover, CCCC respected the biological habits of the wild animals and plants in Africa, and reserved free space for regular migration of animals like giraffes in terms of project routes and design of height and width.

In addition, CCCC also carried out the following ecological protection propaganda, education and practice activities during the reporting period:

(1) Carry out the signing public welfare activities for "Personal Energy Conservation Commitment", with the total number of signatories reaching more than 900

(2) The subsidiaries and the Project Department carried out the commitment signing public welfare activities titled "Actively Learning the Energy Conservation and Environmental Protection Knowledge", "Caring about the Energy Conservation and Environmental Protection Work", "Making Efforts to Accomplish the Energy Conservation and Environmental Protection Objectives", "Providing Support for the Energy Conservation and Environmental Protection Work", etc.

(3) Carry out the public welfare activities of essay competitions and promotional videos related to energy conservation and environmental protection titled "Green CCCC, we are in action"

(4) Carry out questionnaire survey on energy conservation knowledge, which distributed more than 400 questionnaires, with the participation rate up to 100%

(5) Employees of the Papua New Guinea Project Team of CFHCC led local teachers and students to jointly clean up garbage surrounding the campus

(6) Xingshan Project of CCCC-SHEC Fifth Engineering Co., Ltd. carried out the public welfare activities titled "Protecting the Nature, Cherishing Our Homes and Creating the Civilized Construction Site"

(7) Employees of CHEC Jamaica Office carried out voluntary activities for beach cleaning and environmental protection regularly every year

(8) Ghana Project Team in Africa of CHEC carried out voluntary activities for environmental protection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL

1. Employment and Labour Practices

1. Employment

The Company has strictly abided by the regulations of "Labor Law of the People's Republic of China" and the "Contract Law of the People's Republic of China", actively implemented the talent idea of "the value creator first", and established the harmonious labor relations. The Company's employment system is based on our corporate strategic development. According to our corporate development needs, CCCC has employed all kinds of talents that meet the job position requirements and recognized the Company's cultural philosophy on the open, fair, competitive, merit-based principle.

During the reporting period, the Company recruited talents by the following approaches:

(1) Internal recruitment: Suitable employees were selected by means of internal promotion, personnel secondment, job rotation, etc. from the Company's HR reserve system to engage in the vacant or urgent job positions.

(2) External recruitment: High-end management talents, professional technical talents and skillful craftsmen necessary for the Company's business were recruited by means of campus and social recruitment, school-enterprise cooperation in orientated training, special recruitment of overseas students, recruitment by public media, introduction of high-end talents, etc.

In 2017, the Company has had 116,893 in-service employees, among whom 20,019 were female employees, and the social insurance coverage for employees was 100%.

Table: Major Indicator Statistics of the Company's Employees

Number of employees in 2017 (by personnel type)

Personnel type	Number	Proportion(%)
Operational and management personnel	45,092	38.6%
Professional and technical personnel	49,895	42.7%
Skilled personnel	12,335	10.6%
Other personnel	9,571	8.1%
Total	116,893	100.0%

Number of employees in 2017 (by educational background)

Degree Type	Number	Proportion(%)
Graduate degree and above	10,437	9.0%
Bachelor degree	67,933	58.1%
Junior college	21,257	18.2%
Secondary technical school	5,882	5.0%
High school and below	11,384	9.7%
Total	116,893	100.0%

Number of employees in 2017 (by age structure)

Age structure	Number	Proportion(%)
35 and below	72,407	61.9%
36–40	15,607	13.4%
41–45	11,201	9.6%
46–50	8,752	7.5%
51–54	5,812	5.0%
55 and above	3,114	2.6%
Total	116,893	100.0%

The Company has strictly abided by relevant laws and regulations such as the "Labor Law of the People's Republic of China", and formulated the "Management Measures for Attendance", "Management Measures for Employees" and other relevant institutions to facilitate talent management and labor protection. We also provided fair and equal opportunities for matters related to recruitment, training, promotion, job transfer, vacation, remuneration, benefit and termination of contract. These rights were not affected by such factors as age, sex, physical health or mental condition, marriage status, family status, race, skin color, nationality,

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CCCC guaranteed all employees had enjoyed holidays and weekly rest days stipulated by the national provisions, paid vacations such as annual leave, home leave, marriage or bereavement leave, family planning leave, etc., and other leaves agreed in the labor contract and collective contract. The Company implemented the working day system of 8 hours per day and 40 hours per week. However, in case of production demand or other special circumstances, we guaranteed to arrange employees to extend their working time according to the overtime procedures without prejudice to the national provisions and on the principle of employee voluntariness and not damaging their physical health. Meanwhile, the Company insisted on formulating and implementing forcibly the annual leave measures, so as to effectively safeguard the leave rights of employees during the reporting period.

2. Remuneration and Benefits

The Company established and improved the performance assessment system covering the management personnel and above the middle level and the ordinary employees by adhering to the principle of "distribution according to work and equal pay for equal work", and provided remuneration with market competition according to job position requirements as well as achievements and contributions of employees. Meanwhile, the assessment and evaluation results were considered as an important basis of job adjustment and dismissal of employees, in an attempt to continuously optimize the HR team.

CCCC organized physical examination for all employees every year, with the physical examination coverage ratio up to 100%. Meanwhile, the Company insisted on localized cultivation of talents, and on the basis of the basic employee remuneration and benefit system, provided well-organized benefits for employees every year according to local government regulations, including the social insurances and welfares such as endowment insurance, work-related injury insurance, maternity insurance, medical insurance, unemployment insurance, enterprise annuity and housing accumulation fund, with the insurance coverage ratio of 100%. In 2006, the Company established the enterprise annuity system, and became one of the first companies that had established the enterprise annuity system.

CCCC advocated to maintain the healthy balance between life and work of employees. The Labor Union of the Company has established many kinds of clubs for employees, such as Photography Club, Badminton Club, Basketball Club and Football Club, and organized multiple leisure-time activities irregularly to encourage the participation of employees and enrich their diversified interests. Meanwhile, CCCC established the "Blue Vest" voluntary service system within the Company and our subsidiaries, and enhanced the good awareness of employees in serving the society and actively participating in voluntary activities.

During the reporting period, the Company organized (some of) the following leisure-time activities:

(1) Calligraphy and Painting Gathering themed "Elegant Calligraphy, Literary CCCC" during Spring Festival

(2) "Incorruptible CCCC" Poetry Contest

(3) The Third Men's Basketball and Women's Cheerleading League

(4) The Third Business English Practice Contest

(5) The Third Youth Forum

(6) The Third Literary CCCC Event

(7) CCCC Headquarters Morality Lecture Hall

(8) Special lecture on children's reading during summer vacation

(9) Special lecture for female on "March 8" Women's Day

(10) Exhibition with the theme of "the diligent and struggling five years"

(11) CCCC cultural stories collection activity themed "Adding luster to the brand"

(12) Photography works collection activity themed "Celebrating the CPC 19th National Congress – Travelling with the National Flag"

(13) Organizing the brisk walking in Beijing Suburbs

(14) Organizing the watch of CCTV documentary films such as Amazing China, Chinese Builders and Great Power Diplomacy

3. Health and Safety

CCCC has attached importance to the protection of employees' occupational health. The Company established the "Responsibility System for Occupational Health, Work Safety and Environmental Protection" according to requirements and in accordance with relevant laws and regulations, which clarified the responsibility of the subjects at various levels, and formulated the management measures related to occupational health. At the beginning of each year, the Company issues the Performance Indicators for Occupational Health, Work Safety and Environmental Protection, integrating occupational health into appraisal standards, and at the working meeting held at the beginning of the year, the person in charge of the Company signed the "Responsibility Letter on Occupational Health, Work Safety and Environmental Protection" with the persons in charge of affiliated organizations, for quantify evaluation indicators. Bad occupational health evaluation outcome constitutes a decisive veto, thus to promote the implementation of entity responsibility system.

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CCCC focused on conducting comprehensive supervision on occupational health, work safety and environmental protection, making rectification timely in case of finding any problem, and further improving the EHS management system. Meanwhile, CCCC has increased the special fund input, providing all-around economic support for occupational health protection; distinguished various dangerous sources in the workplaces that might induce occupational diseases, took the targeted prevention and control measures, and equipped corresponding personal protection equipment; adopted the mode of combination of self-inspection and third-party inspection to monitor the environment of some key operation venues, to master the environmental conditions objectively and accurately, and guarantee the safety and reliance of working environment; conducted physical examination system for employees of CCCC and workers from labor service companies, establishing health monitoring documents; and equipped labor protection products for each and every worker to enhance personal protection.

With respect to the protection of occupational safety and health of employees, CCCC attached importance to the publicity and implementation of the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", and posted occupational hazard factors, prevention measures and construction precautions on the construction sites by means of publicity column and blackboard newspaper, for the purpose of reminding from time to time and enhancing awareness; and earnestly carried out occupational health trainings for employees, make employees know about the Company's rules and systems for occupational health and understand the occupational hazard factors existing in the workplaces and preventive measures via detailed and systematic education training, continuously improved their understanding of occupational hazards, and enhanced their self-protection awareness.

With respect to the protection of mental safety and health of employees, CCCC organized all kinds of management trainings every year, and set up the mental health training courses to correctly guide the mental health of employees. The Company increased mental health training in the orientation training for new employees every year; provided psychological counseling training in the emergency management training; set up the psychological communication courses in the training program for cadres; and increased the psychological and work-related courses in the party activist training, so as to help employees face and relieve the work stress correctly, and cultivate good psychological quality. Moreover, CCCC also established the Morality Lecture Hall, which regularly invited all kinds of famous social scholars, experts and influential employees to deliver lectures for employees, enrich their knowledge, purify their soul, relieve their stress and acquire positive energy. In 2017, the Company had no new case of occupational disease.

Table: Major Indicator Statistics of the Company's Employees

Indicators	Unit	2015	2016	2017
Number of employee volunteers	Person	12,496	15,754	**16,978**
Length of volunteer activities	Hour	65,183	76,943	**85,772**
Number of major safety accidents	Time	0	1	**0**
Death toll in major safety accidents	Person	0	18	**0**
Number of employees participated in safety training	Person/time	–	284	**2,733**
Length of work safety training	Hour	–	128	**960**

4. Development and Training

CCCC has adhered to the talent idea of "the value creator first", fully implemented the talent priority development strategy, persisted in orientation on strategy, innovation, problem, practice and development, and built up the employee education and training system featured by well-organized institution, sound mechanism, diversified teachers, distinct professionalism, rich courses and efficient operation. In 2017, the Company invested RMB184,886 million for various trainings and the participants reached 250,552 persons/times.

CCCC took more than 30 employee management measures including "Management Measures of China Communications Construction Company Limited for Employee Education and Training" as the institutional foundation, considered CCCC Party School, Management College and Training Center as the major battlefields, regarded the branches of Management College, overseas training bases as well as the internally and externally specially-appointed professors as the resource guarantee, relied on the "Five Major Talent Cultivation Projects of CCCC" and fully adopted the Internet approaches to provide employees with scientific, systematic and differentiated education and training, thereby effectively enhancing their duty performance capability. Meanwhile, CCCC has developed a number of training brands with great influence, including "Enterprise Leader Class", "Young and Middle-Aged Manager Class", "International Business Class", "International Project Manager Class", "Excellent Chief Engineer Class", etc., which gradually formed into the characteristic training programs covering the whole staff. Specific measures were as follows:

(1) Five Major Talent Cultivation Projects of CCCC

"11711" Key Talent Cultivation Project

Innovative Talent Cultivation Project

International Talent Cultivation Project

Urgently-Needed Talent Cultivation Project

Versatile Party-Mass Work Talent Cultivation Project

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(2) Characteristic Training Programs Covering the Whole Staff of CCCC

Training for enterprise leaders: CCCC has attached importance to trainings for the "critical minority" and strengthened the construction of enterprise leadership. In 2017, the Company held two trainings for the enterprise leaders, and 85 executives completed the closed training programs.

Training for operation and management talents: including training class of young and middle-aged backbone managers, international engineering business management training class, international project management training class, safety training class, emergency management training class, etc. As the demonstration program of the "11711" project in 2017, CCCC held three trainings for young and middle-aged managers, cultivating a total of 220 outstanding managers. Meanwhile, the Company paid more attention to safety education of employees, and carried out safety training covering the whole staff. In 2017, CCCC organized all the new employees to attend the new employee training camp, helping them quickly learn the Company and complete the role change.

Training for professional technicians: CCCC held training programs for the fresh troops for production and operation of the Company every year, currently including training class of excellent chief project engineers, high-end training class of professional test and detection technologies, high-end training class of professional measurement technology, and senior seminar of excellent backbone crew. In 2017, the participants reached more than 150,000 persons/times accumulatively.

Training for professional technicians: CCCC cultivated over 20,000 skilled workers. In 2017, it held high-end training demonstration programs covering measurement and test, two major types of work, and 88 employees participated in the training.

Training for urgently-needed talents in shortage: including business model innovation training class of the construction industry, PPP investment and financing training class, special training class for urban planning and construction, etc.

Training for party-masses working talents: including the Internet training class for implementing the CPC 19th National Congress, Internet training class for "Two Studies, One Action", demonstration class of the grassroots Party branch secretary, etc.

Spare-time school for rural migrant workers: Based on the Company's training resources, CCCC provided skills and qualifications trainings for the front-line migrant workers.

In 2017, the number of trained migrant workers has reached more than 320,000 persons/times accumulatively.

Table: Training Indicator Statistics of the Company's Employees

Indicators	Unit	2015	2016	2017
Input for employee training	10,000 yuan	14,095.86	152,34.82	**18,488.56**
Number of employees participated in training	Person/time	235,609	242,304	**250,552**
Training coverage of ordinary employees	%	93.1%	93.8%	**95.1%**
Training coverage of middle management	%	100%	100%	**100%**
Training coverage of senior management	%	100%	100%	**100%**
Average training hours	Class hour	55	57	**63**
Average training hours of ordinary employees	Class hour	54	56	**61**
Average training hours of middle management	Class hour	102	113	**118**
Average training hours of senior management	Class hour	116	121	**127**

5. Labour Rules

CCCC has strictly abided by the "Provisions on the Prohibition of Using Child Labor" of the Decree (No. 364) of the State Council, prohibited the employment of minors under 16 years old, and adopted the zero tolerance policy for child labor and forced labor. Meanwhile, the age of the recruited personnel has been clearly stipulated in the "Management Measures for Recruitment of Employees", under which the identification information of the candidates shall be verified during the recruitment process and child labor shall be strictly prohibited. To further promote the supply chain responsibility fulfillment and build a good responsibility environment, CCCC has enhanced management of use of labor by labor subcontracting companies in project construction. If the Company finds that a subcontractor illegally uses child labour, the Company orders the subcontractor to stop doing so and remove the subcontractor from the qualified subcontractor list.

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II Operation Practices

1. Supply Chain Management

(1) Build Community of Responsibility

Adhering to the goal of "building CCCC into a world-class enterprise", the Company has established the supplier evaluation and management mechanism, selected and re-evaluated the suppliers according to various indicators, such as their supply price, safety management, environmental protection capability, product infringement status, supply cycle, after-sales service capability, etc., and gave priority to choosing the suppliers with high-quality, safe and environmentally-friendly products in accordance with the "Detailed Rules of CCCC on Management of Material Suppliers"

In order to enhance the Company's professional level in supply chain management and coordinate the top-level design and control capability of supply chain management, the Company has established the Supply Chain Management Committee of CCCC and successfully held the first meeting. Lots of issues were discussed at the meeting, including staff composition, work plan, research topic team, talent training, construction scheme for the Company's supply chain knowledge system, etc., making the Company's supply chain management reach a new stage.

The Company has actively promoted e-procurement and centralized procurement. In 2017, the total amount of e-procurement reached RMB112.7 billion; the e-procurement rate of bulk materials exceeded 85%, saving 2.47% procurement costs. CCCC issued the overseas edition of materials purchase information system, and gradually realized the integrated purchase management at home and abroad, thereby offering support for establishing the global supply chain system of CCCC.

In 2017, the "Classification Codes of Bulk Materials for Highway and Bridge Construction" and "Classification Codes of Ships for Over-Water Construction", which were organized and compiled by CCCC, have formally became the national standards.

Table: Suppliers of CCCC by Region

Region	Unit	2016	**2017**
Northeast China	Nos.	24	**30**
Northwest China	Nos.	20	**34**
Central and South China	Nos.	90	**118**
Southwest China	Nos.	52	**63**
North China	Nos.	119	**155**
East China	Nos.	221	**269**
Total	Nos.	526	**669**

(2) Supplier Review

The Company implemented the unified access conditions for suppliers, including: necessary legal subject qualifications, production and operation license, certification of the three management systems (quality management system, environmental management system, and occupational health and safety management system), after-sales service tracking system, good financial and capital position, good business reputation, etc.

The Company adopted the hierarchical examination and approval system for suppliers, implemented strict access conditions for suppliers according to the "Detailed Rules of CCCC on Management of Material Suppliers", and strictly sorted out basic information of suppliers; strengthened supplier assessment and comprehensive ranking, and promoted the source suppliers to improve product quality and comprehensive management level. In addition, the ratio for the suppliers of the Company to go through the certification of the quality, environmental and occupational health and safety management system has remained 100 percent each year since 2015.

(3) Supplier Training

To satisfy the talent needs for construction of the Company's supply chain management system, the Materials Purchase Management Center of CCCC conducted four training classes for "CCCC supply chain management talents" in 2017, and 240 managers from the internal supply chain system of the Company participated in the training. Such trainings instructed the frontier knowledge about supply chain theories, learned the corresponding supply chain management system of the world-class enterprises, and raised opinions and suggestions applicable to the supply chain development of CCCC, so as to cultivate the supply chain management talents having the international vision and familiar with the international rules.

Meanwhile, CCCC strengthened training of the suppliers, held the supplier conference regularly every year, trained about such topics as anti-corruption and integrity initiatives, supplier access and performance evaluation standard, etc. and promoted the suppliers to performance their responsibility.

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2. Product Liability

(1) Create High-Quality Projects and Guarantee the Project Quality

As a domestic leading infrastructure enterprise, the Company has been committed to providing diversified and high-quality products and services for customers, exerted the advantages of whole industry chain in the sectors of finance, design, construction, operation and services, and delivered high-quality projects. CCCC has been ranked the first among the ENR largest international contractors in China for eleven consecutive years.

The Company has been committed to further creating high-quality projects in four aspects: firstly, CCCC responded to the national call, practiced "quality improvement and efficiency increase", carried out high-quality project construction demonstration actions, and built a number of industry-leading high-quality demonstrating projects, such as No.2 Bridge in Penang, Malaysia, Shanghai Rail Transit Line 12 Project, etc., which greatly enhanced the Company's brand influence; secondly, CCCC accelerated the project quality information construction, realized trial running of the process quality inspection and control information system during the reporting period, and comprehensively promoted application of the monitoring information system for the whole process of concrete production; thirdly, CCCC innovated management and carried out construction of the quality and safety management system based on BIM technology; fourthly, by pursuing excellence with high quality, CCCC chose high-quality projects to apply for the national-level quality awards, such as Luban Award, striving to be the best and establishing the famous brand.

In 2017, 8 projects of CCCC won the Luban Award, 6 projects won the Zhan Tianyou Award, and 26 projects won the National Quality Project Award, with the number of national construction project quality awards hitting another record high.

(2) Customer Satisfaction and Product Complaints

The Company has attached importance to the communications with customers while committing to providing high-quality products to customers, learning the demands of customers in a timely manner, and offering satisfied services. Meanwhile, the Company attached importance to protecting the customer information in communications, formulated and improved the "Customer Information Protection System", and applied the principle of uniform leadership, classified custody and hierarchical access to customer information and data. On this basis, CCCC improved the customer archives management platform, established the sophisticated "Customer Archives Management System", defined the customer information modules in the project management system, set the limits of authority and appointed special persons to maintain the customer information, and strictly set the limits of authority for the personnel in reviewing and inquiring the customer information. Furthermore, the Company optimized the customer feedback and complaint handling mechanism, formulated the "Customer Satisfaction Monitoring and Measurement Control Procedures", clarified the customer feedback mechanism and channel, and paid regular return visits to the projects under construction and the delivered projects within the warranty period. In 2017, the Company was not involved in any major lawsuit and complaint arising from product quality and service.

Table: Product Recall and Customer Complaint Statistics

Indicators	Unit	2015	2016	2017
Proportion of product recall	%	0%	0%	**0%**
Customer complaint rate	%	0%	0%	**0%**

(3) Intellectual Property Protection

CCCC strictly abided by the laws and regulations such as the Trademark Law, Patent Law, Copyright Law, Anti-Unfair Competition Law and Foreign Trade Law. As early as in 2007, the Company had formulated the management measures for intellectual property rights, definitely specifying the ownership of rights, responsibilities and obligations of related parties, distribution of proceeds from transfer of results, etc. During the reporting period, CCCC took the scientific and technological achievements, patents, construction methods, and other intellectual property standards as the assessment indexes in the assessment measures for scientific and technological advancement in the Company's subsidiaries, and covered these indexes into the annual business performance assessment on senior management of the subsidiaries, so as to further motivate the enthusiasm of the subsidiaries in scientific and technological innovation.

The Company made continuous efforts to safeguard the intellectual property rights, and dispose of and solve infringement disputes in a timely manner. It has also strengthened trademark management, preventing the abuse of registered trademarks; focused on brand protection in the process of promoting brand and improving brand value; and conducted IPR strategy research with emerging industries at the center.

Table: Patent Statistics

Indicators	Unit	2015	2016	2017
Number of newly added patents	Piece	1,019	1,226	**1,330**
Number of patents	Piece	3,682	4,908	**6,238**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(4) Quality Inspection and Product Recall

Adhering to the quality work guidelines of putting people first and giving priority to quality, CCCC has improved the project quality management system, conducted the “three-level inspection” on products in accordance with the “Product Inspection and Test Control Procedures”, guaranteeing the delivery of qualified products. If the products delivered have any problems, the Company will handle strictly in accordance with the systems of the Company. The Company has printed and distributed the “CCCC Quality Accident Reporting, Investigation and Handling Methods” and the “CCCC Quality Accident Accountability Methods”, specifying the handling process upon occurrence of engineering quality problems.

In 2017, the Company kept a general stable situation in product quality and there was no recall incident happened. In 2017, the qualification rate of projects upon first acceptance check was 100%, and the excellence rate of projects participating in appraisal was 100%.

Table: Product Qualification Rate Statistics

Indicators	Unit	2015	2016	2017
Qualification rate of project acceptance check	%	100%	100%	**100%**
Qualification rate of project under first acceptance check	%	100%	100%	**100%**

3. Anti-Corruption

The Company formulated relevant work regulations such as Public Complaint Work Measures, Notice on Further Promoting the Integrity Prevention and Control Work, Mechanism for Promoting the Anti-Corruption System, Opinions on Strengthening Inspection Tour Rectification Work, Notice on Further Standardizing Discipline Review Work, etc. CCCC has adhered to the principle of democratic centralism, effectively implemented the “three importance and one greatness” collective decision-making system, and improved the anti-corruption institutional system. In 2017, the Company was not involved in any lawsuit against corruption, bribery, blackmail, fraud, money laundering, etc.

During the reporting period, the Company adopted the following measures to propagandize the prevention against corruption, bribery, blackmail, fraud and money laundering:

(1) Carry out the integrity propaganda month activities, and focus on creating the honest practitioner education brand for three consecutive years, which was published on the website of SASAC;

(2) Strengthen learning and training, and carry out activities such as Integrity & Morality Lecture Hall, Integrity Poetry Contest, and Integrity Story Collection Activity;

(3) Documents will be sent before major festivals and holidays to remind of and impose strict control over the management above the middle level.

(4) Sort out the corruption risk research of the countries alongside “the Belt and Road”, and compile the anti-corruption research report of relevant countries, to support the development of our main business.

We’ve been devoted to smoothing the public complaints reporting channels, and dealing with clues to problems timely. The employees may report the acts in violation of rules and regulations to suitable persons via the informants’ hotline, letter or e-mail. The employees, who violate any rules or regulations and constitute a crime, will be transferred to the judicial organs for handling. The Company has resolutely implemented the requirements of strictly enforcing Party discipline. The Party Committee of the Company has undertaken the entity responsibility and signed the “Letter of Responsibility on Integrity Building” with affiliated companies and ensured performance of the responsibility through Party building objective management assessment. The discipline inspection committee of the Company has effectively fulfilled the supervision responsibility, and promoted the implementation of responsibility system by means of work report, interviews, and accusation.

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COMMUNITY

1. Social Benefits

Our community co-construction goal is to create effective and sustainable benefits for the community where our business is operated. In addition to corporate philanthropy, we've also supported the long-term public welfare investment in the community by establishing the community partnership and encouraging employees to participate in voluntary services.

We've participated in community construction mainly through the following major approaches:

(1) Donations: CCCC has actively fulfilled social responsibility of central SOEs, provided relief donations for disaster-stricken areas, vulnerable groups and people with difficulties, and supported public welfare causes including education, science, culture, sport, medical care, environmental protection and public facilities construction.

(2) Targeted poverty alleviation: CCCC has responded to national policy, implemented social responsibility, conducted unified arrangement and planning in accordance with main business advantages and actual demands of poverty-stricken areas, and clarified the key poverty relief work, goal and tasks during the "13th Five-Year Plan" period, committing to promoting development-orientated poverty alleviation and industry support. In 2017, the Company invested a total of RMB19.07 million for support funds, supporting 12 projects of various kinds, mainly located in poverty-stricken areas of Yunnan and Xinjiang. Based on the principle of educational support going ahead of poverty alleviation and implementing centralized poverty alleviation, CCCC cooperated with the local government in fighting against poverty.

(3) Volunteer service: CCCC has established the "Blue Vest" volunteer contingent, built the public welfare brands of "Love-Connection Bridge" and "Love Port". At present, there are 300 "Blue Vest" voluntary service organizations at all levels, with about ten thousand "Blue Vest" volunteers. During the reporting period, the Company organized the monthly activities themed "Responsible State-owned Enterprises Putting Volunteer Services First", integrated the service resources in Tibet to carry out the voluntary services and activities themed "A Big Family of Han and Tibetan People", and actively participated in volunteer services and public welfare cause.

2. Employee Care

CCCC has always attached importance to the employee care and the work-and-life balance of employees, and constantly carried out diversified and colorful activities. For example, we send birthday cards and celebrate major festivals together, enriching the entertainment of employees. The Company has paid attention to those employees who worked far away from their families for a long time. By arranging family visits, we further enhanced the sense of belonging of employees and the cohesive force of the enterprise. We supported employees with difficulties through organizing "Heart-Warming" special assistance activities and providing them with materials and funds timely, so as to relieve economic pressure of their families.

Meanwhile, CCCC has established the "Mother's Station" and held special seminars on women's health to give care to its female employees and offer special care to female employees during the pregnancy and breastfeeding period, thus to provide comprehensive care for women's health.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of China Communications Construction Company Limited

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

OPINION

We have audited the consolidated financial statements of China Communications Construction Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 95 to 199, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition on construction contracts

The Group derives most of its revenues from construction contracts that are accounted for by applying the percentage-of-completion (POC) method. The POC method involves the use of significant judgement and estimates, including estimates of total contract revenues and total contract costs. The management of the Group will continue to reappraise total contract revenues and total costs according to the scope of deliveries and services required, remaining costs to completion, etc. In addition, revenue, cost and gross profit realised on such contracts can vary (sometimes significantly) from the Group's original estimates because of changes in conditions.

The accounting policies and disclosures for the revenue recognition on construction contracts are included in notes 2.4, 3 and 5 to the consolidated financial statements.

We evaluated and tested the Group's internal controls over the process to record contract costs, contract revenues and the calculation of the stage of completion. We obtained material construction contracts to review key contract terms and verify the total contract revenues. We verified the contract costs incurred by selecting samples to reconcile with supporting documents. We performed cut-off testing procedures to check that costs had been recognised in the appropriate accounting period. We re-calculated the percentage of completion based on contract costs incurred to estimated total contract costs and the revenues recognised under the POC method. In addition, we performed analytical review procedures on the gross margins of material construction contracts of the Group.

Impairment of trade receivables and long-term receivables

The impairment allowance of trade receivables and long-term receivables was recognised based on the cash flows that can be received from these trade receivables and long-term receivables in the future. The management ascertain the recoverable amounts of trade receivables and long-term receivables based on the financial position of customers, the aging of trade receivables and long-term receivables balances, customers' creditworthiness, and historical payment records, etc, involving the use of significant judgement and estimates.

The accounting policies and disclosures for the impairment of trade receivables and long-term receivables are included in notes 2.4, 3 and 26 to the consolidated financial statements.

We evaluated and tested the Group's internal controls over the process to recognize the impairment allowance of trade receivables and long-term receivables. We assessed the reasonableness of accounting estimates relevant to the impairment allowance. We tested the accuracy of the aging of trade receivables and long-term receivables balances by tracing details of selected samples to supporting documents. We assessed whether the customers had issues which would have significant negative impact on the recoverability of trade receivables and long-term receivables.

Impairment assessment on concession assets

For those concession assets with indications of impairment, the management of the Group performed impairment tests thereon to ascertain the recoverable amounts of such concession assets.

The recoverable amounts of such assets are determined using the discounted cash flow method which requires the Group to make assumptions on the underlying cash flows forecasts. The assumptions include expectations for the traffic volume, also with necessary maintenance and operating costs incurred for the concession assets, and the discount rates. Hence the assessment of recoverable amounts involve significant judgements and estimation.

The accounting policies and disclosures for the impairment assessment on concession assets are included in notes 2.4, 3 and 18 to the consolidated financial statements.

We evaluated the basis and assumptions used in the future cash flows forecasts by comparing with the designed traffic volume, the current operation of these concession assets and the development plan of relevant areas in which these concession assets operated. We compared the prior year's forecast with the Group's actual performance in 2017. We also evaluated the reasonableness of the discount rates.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yim Chi Hung, Henry.

Ernst & Young

Certified Public Accountants

Hong Kong

29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB million	2016 RMB million Restated
Continuing operations			
Revenue	4,5	**460,067**	406,331
Cost of sales		**(399,630)**	(351,832)
Gross profit		**60,437**	54,499
Other income	5	**3,893**	3,594
Other gains, net	5	**2,369**	1,634
Selling and marketing expenses		**(872)**	(746)
Administrative expenses		**(32,647)**	(28,787)
Other expenses		**(1,412)**	(803)
Operating profit		**31,768**	29,391
Finance income	7	**3,071**	2,785
Finance costs, net	8	**(11,176)**	(9,714)
Share of profits and losses of:			
– Joint ventures		**(294)**	2
– Associates		**282**	171
Profit before tax from continuing operations	6	**23,651**	22,635
Income tax expense	11	**(5,109)**	(5,177)
Profit for the year from continuing operations		**18,542**	17,458
Discontinued operation			
Profit for the year from a discontinued operation	12	**3,184**	231
Profit for the year		**21,726**	17,689
Attributable to:			
– Owners of the parent		**20,943**	17,210
– Non-controlling interests		**783**	479
		21,726	17,689
Earnings per share attributable to ordinary equity holders of the parent	14		
Basic			
– For profit for the year		**RMB 1.23**	RMB 1.00
– For profit from continuing operations		**RMB 1.04**	RMB 0.99
Diluted			
– For profit for the year		**RMB 1.23**	RMB1.00
– For profit from continuing operations		**RMB 1.04**	RMB0.99

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 RMB million	2016 RMB million Restated
Profit for the year		**21,726**	17,689
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Actuarial gains on retirement benefit obligations		**26**	45
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Changes in fair value of available-for-sale investments			
– Gains/(losses) arising during the year	22	**5,759**	(1,078)
– Release of investment revaluation reserve upon disposal of available-for-sale investments	22	**(1,647)**	(324)
Cash flow hedges		**2**	3
Share of other comprehensive income of joint ventures and associates		**(72)**	75
Exchange differences on translation of foreign operations		**(785)**	869
Other comprehensive income for the year, net of tax		**3,283**	(410)
Total comprehensive income for the year		**25,009**	17,279
Attributable to:			
– Owners of the parent		**24,292**	16,701
– Non-controlling interests		**717**	578
		25,009	17,279

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**2017 RMB million**	2016 RMB million
Non-current assets			
Property, plant and equipment	15	**52,751**	66,775
Investment properties	16	**2,275**	2,346
Prepaid land lease payments	17	**7,230**	10,676
Intangible assets	18	**161,158**	143,380
Investments in joint ventures	19	**11,133**	6,201
Investments in associates	20	**19,409**	12,550
Other financial assets at fair value through profit or loss	21	**3,451**	—
Available-for-sale investments	22	**25,908**	21,679
Held-to-maturity investments		**104**	131
Trade and other receivables	26	**112,710**	95,558
Deferred tax assets	31	**4,214**	4,640
Total non-current assets		**400,343**	363,936
Current assets			
Inventories	24	**40,536**	45,554
Amounts due from contract customers	25	**89,577**	85,973
Trade and other receivables	26	**181,745**	190,485
Other financial assets at fair value through profit or loss	21	**2,878**	116
Derivative financial instruments	27	**488**	381
Restricted bank deposits and time deposits with an initial term of over three months	28	**5,124**	5,917
Cash and cash equivalents	28	**129,197**	108,720
Total current assets		**449,545**	437,146
Current liabilities			
Trade and other payables	29	**332,703**	292,990
Amounts due to contract customers	25	**27,175**	27,198
Tax payable		**3,994**	3,942
Derivative financial instruments	27	**10**	16
Interest-bearing bank and other borrowings	30	**82,680**	99,484
Retirement benefit obligations	32	**149**	155
Provisions	33	**—**	169
Total current liabilities		**446,711**	423,954
Net current assets		**2,834**	13,192
Total assets less current liabilities		**403,177**	377,128

Continued/…

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB million	2016 RMB million
Total assets less current liabilities		**403,177**	377,128
Non-current liabilities			
Trade and other payables	29	**10,545**	9,454
Interest-bearing bank and other borrowings	30	**178,522**	173,996
Deferred income		**669**	1,317
Deferred tax liabilities	31	**5,969**	4,447
Retirement benefit obligations	32	**1,198**	1,344
Provisions	33	**680**	—
Total non-current liabilities		**197,583**	190,558
Net assets		**205,594**	186,570
Equity			
Equity attributable to owners of the parent			
Share capital	34	**16,175**	16,175
Share premium	34	**19,656**	19,656
Financial instruments classified as equity	35	**19,431**	19,431
Reserves	36	**125,660**	104,061
		180,922	159,323
Non-controlling interests		**24,672**	27,247
Total equity		**205,594**	186,570

Liu Qitao
Director

Fu Junyuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Notes	Attributable to owners of the parent							
		Share capital RMB million	Share premium RMB million	Financial instruments classified as equity RMB million	Other reserve RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2017		16,175	19,656	19,431	22,544*	81,517*	159,323	27,247	186,570
Profit for the year		—	—	—	—	20,943	20,943	783	21,726
Other comprehensive income for the year:									
Changes in fair value of available-for-sale investments, net of tax		—	—	—	5,765	—	5,765	(6)	5,759
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of tax		—	—	—	(1,647)	—	(1,647)	—	(1,647)
Cash flow hedges, net of tax		—	—	—	2	—	2	—	2
Share of other comprehensive income of joint ventures and associates		—	—	—	(70)	—	(70)	(2)	(72)
Actuarial gains on retirement benefit obligations, net of tax		—	—	—	26	—	26	—	26
Exchange differences related to foreign operations		—	—	—	(727)	—	(727)	(58)	(785)
Total comprehensive income for the year		—	—	—	3,349	20,943	24,292	717	25,009
Final 2016 dividend declared	13	—	—	—	—	(3,145)	(3,145)	—	(3,145)
Dividends paid to non-controlling interests		—	—	—	—	—	—	(451)	(451)
Capital reduction of non-controlling interests		—	—	—	—	—	—	(590)	(590)
Share of other reserves of joint ventures and associates		—	—	—	(10)	—	(10)	—	(10)
Financial instruments classified as equity		—	—	—	—	—	—	5,341	5,341
Distributions to holders of financial instruments classified as equity		—	—	—	—	(1,018)	(1,018)	(515)	(1,533)
Transaction with non-controlling interests	36(a)	—	—	—	1,480	—	1,480	(1,480)	—
Acquisition of subsidiaries	40	—	—	—	—	—	—	1,372	1,372
Disposal of subsidiaries	41	—	—	—	—	—	—	(6,969)	(6,969)
Transfer to statutory surplus reserve	36(b)	—	—	—	504	(504)	—	—	—
Transfer to general reserve	36(c)	—	—	—	209	(209)	—	—	—
Transfer to safety production reserve	36(d)	—	—	—	367	(367)	—	—	—
As at 31 December 2017		16,175	19,656	19,431	28,443*	97,217*	180,922	24,672	205,594

Continued/…

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Notes	Attributable to owners of the parent							
		Share capital RMB million	Share premium RMB million	Financial instruments classified as equity RMB million	Other reserve RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2016		16,175	19,656	19,431	21,935	69,527	146,724	22,282	169,006
Profit for the year		—	—	—	—	17,210	17,210	479	17,689
Other comprehensive income for the year:									
Changes in fair value of available-for-sale investments, net of tax		—	—	—	(1,123)	—	(1,123)	45	(1,078)
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of tax		—	—	—	(324)	—	(324)	—	(324)
Cash flow hedges, net of tax		—	—	—	3	—	3	—	3
Share of other comprehensive income of joint ventures and associates		—	—	—	75	—	75	—	75
Actuarial gains on retirement benefit obligations, net of tax		—	—	—	45	—	45	—	45
Exchange differences related to foreign operations		—	—	—	815	—	815	54	869
Total comprehensive income for the year		—	—	—	(509)	17,210	16,701	578	17,279
Final 2015 dividend declared		—	—	—	—	(3,079)	(3,079)	—	(3,079)
Distributions to holders of financial instruments classified as equity		—	—	—	—	(1,018)	(1,018)	(255)	(1,273)
Other distributions		—	—	—	—	(5)	(5)	—	(5)
Dividends paid to non-controlling interests		—	—	—	—	—	—	(200)	(200)
Capital contribution from non-controlling interests		—	—	—	—	—	—	4,076	4,076
Financial instruments classified as equity		—	—	—	—	—	—	1,500	1,500
Disposal of subsidiaries	41(f)	—	—	—	—	—	—	(734)	(734)
Transfer to statutory surplus reserve	36(b)	—	—	—	444	(444)	—	—	—
Transfer to general reserve	36(c)	—	—	—	377	(377)	—	—	—
Transfer to safety production reserve	36(d)	—	—	—	297	(297)	—	—	—
As at 31 December 2016		16,175	19,656	19,431	22,544*	81,517*	159,323	27,247	186,570

* These reserve accounts comprise the consolidated reserves of RMB125,660 million (2016: RMB104,061 million) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

31 December 2017

	Notes	2017 RMB million	2016 RMB million Restated
Cash flows from operating activities			
Profit before tax			
– From continuing operations		**23,651**	22,635
– From a discontinued operation		**3,585**	287
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties	15,16	**8,520**	8,455
– Amortisation of intangible assets and prepaid land lease payments	17,18	**1,497**	1,222
– Gains on disposal of property, plant and equipment		**(79)**	(1)
– Fair value gains on derivative financial instruments		**142**	(184)
– Fair value (gains)/losses on other financial assets at fair value through profit or loss	5	**(57)**	22
– Gains on disposal of subsidiaries	5,12	**(4,002)**	(511)
– Gains on disposal of available-for-sale financial investments and derivative financial instruments	5	**(1,836)**	(459)
– Gains on disposal of other financial assets at fair value through profit or loss	5	**(43)**	—
– Gains on disposal of joint ventures and associates	5	**(435)**	(12)
– Write-down of inventories		**580**	845
– Provision for impairment of trade and other receivables		**3,817**	2,817
– Provision for impairment of other intangible assets	6	**101**	198
– Provision for foreseeable losses on construction contracts		**1,184**	586
– Provision for impairment of available-for-sale financial investments	6	**13**	—
– Dividend income from available-for-sale financial investments		**(654)**	(836)
– Investment income from held-to-maturity financial assets	5	**(16)**	(19)
– Interest income		**(3,365)**	(3,093)
– Interest expenses		**10,643**	9,628
– Dividend income on derivative financial instruments	5	**(98)**	—
– Other income from investing activities		**(18)**	—
– Share of profits and losses of joint ventures and associates	19,20	**(27)**	(190)
– Net foreign exchange (gains)/losses on borrowings		**(149)**	1,000
		42,954	42,390
Increase in inventories		**(4,781)**	(5,639)
Increase in trade and other receivables		**(35,176)**	(38,686)
Increase in amounts due from contract customers		**(15,211)**	(9,629)
Decrease/(increase) in restricted bank deposits		**1,063**	(1,505)
Decrease in retirement benefit obligations		**(111)**	(177)
Increase in trade and other payables		**55,779**	47,705
Increase in provisions		**599**	16
Decrease in deferred income		**(97)**	(9)
Cash generated from operations		**45,019**	34,466
Interest income		**2,925**	—
Income tax paid		**(5,203)**	(4,747)
Net cash flows from operating activities		**42,741**	29,719

Continued/…

CONSOLIDATED STATEMENT OF CASH FLOWS

31 December 2017

	Notes	2017 RMB million	2016 RMB million Restated
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(13,220)**	(9,749)
Additions to prepaid land lease payments		**(868)**	(962)
Purchases of intangible assets		**(26,624)**	(26,442)
Purchases of investment properties		**(22)**	(95)
Proceeds from disposal of items of property, plant and equipment		**416**	70
Proceeds from disposal of prepaid land lease payments		**41**	319
Proceeds from disposal of intangible assets		**5**	5
Purchases of available-for-sale investments		**(808)**	(1,423)
Purchases of senior perpetual securities		**—**	(663)
Purchases of other financial assets at fair value through profit or loss		**(6,185)**	(47)
Purchases of derivative financial instruments		**(120)**	—
Acquisition of subsidiaries	40	**(271)**	(77)
Additional investments in associates		**(2,124)**	(1,788)
Additional investments in joint ventures		**(5,740)**	(3,045)
Proceeds from disposal of available-for-sale investments		**2,414**	673
Advance receipt from non-controlling interests for transfer out shares in a subsidiary		**—**	1,150
Proceeds from disposal of associates		**279**	17
Proceeds from disposal of joint ventures		**98**	21
Disposal of subsidiaries	41	**3,160**	1,962
Interest received		**1,320**	2,446
Proceeds from disposal of other financial assets at fair value through profit or loss		**68**	17
Proceeds from withdrawal upon maturity of held-to-maturity investments		**134**	159
Changes in time deposits with an initial term of over three months		**(270)**	(1,295)
Receipt of government grants		**3,290**	943
Loans to joint ventures, associates and third parties		**(6,945)**	(1,982)
Loans from joint ventures, associates and third parties		**5,369**	—
Dividends received		**984**	1,081
Net cash flows used in investing activities		**(45,619)**	(38,705)
Cash flows from financing activities			
Proceeds from bank and other borrowings		**165,773**	155,326
Proceeds from financial instruments classified as equity		**5,341**	1,500
Repayments of bank and other borrowings		**(128,218)**	(121,473)
Interest paid		**(13,560)**	(12,763)
Dividends paid to equity holders of the parent		**(3,145)**	(3,079)
Dividend paid to non-controlling interests of subsidiaries		**(420)**	(212)
Distributions paid to holders of financial instruments classified as equity		**(1,322)**	(1,273)
Loans from related parties		**450**	—
Capital contribution from non-controlling interests		**3,031**	4,076
Withdrawal of capital contribution by non-controlling interests		**(3,621)**	—
Net cash flows from financing activities		**24,309**	22,102
Net increase in cash and cash equivalents		**21,431**	13,116
Cash and cash equivalents at beginning of year	28	**108,720**	94,960
Effect of foreign exchange rate changes, net		**(954)**	644
Cash and cash equivalents at end of year	28	**129,197**	108,720

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Unlisted -						
China Harbour Engineering Co., Ltd. ("CHEC")	PRC and other regions	Limited liability company	RMB3,278	50%	50%	Infrastructure construction
China Road and Bridge Corporation	PRC and other regions	Limited liability company	RMB3,889	96.37%	3.63%	Infrastructure construction
CCCC First Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB6,010	100%	—	Infrastructure construction
CCCC Second Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB3,810	100%	—	Infrastructure construction
CCCC Third Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB5,377	100%	—	Infrastructure construction
CCCC Fourth Harbour Engineering Co., Ltd.	PRC	Limited liability company	RMB4,282	100%	—	Infrastructure construction
CCCC First Highway Engineering Co., Ltd. ("CFHEC")	PRC	Limited liability company	RMB4,367	100%	—	Infrastructure construction
CCCC Second Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB2,569	100%	—	Infrastructure construction
Road & Bridge International Co., Ltd.	PRC	Limited liability company	RMB2,825	100%	—	Infrastructure construction
CCCC Investment Co., Ltd. ("CCCC Investment")	PRC	Limited liability company	RMB10,551	100%	—	Investment holding
CCCC Dredging (Group) Co., Ltd.	PRC	Limited liability company	RMB11,775	99.9%	0.1%	Dredging
CCCC Third Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB1,509	100%	—	Infrastructure construction
CCCC Fourth Highway Engineering Co., Ltd.	PRC	Limited liability company	RMB1,550	100%	—	Infrastructure construction
CCCC Tunnel Engineering Co., Ltd.	PRC	Limited liability company	RMB1,507	100%	—	Infrastructure construction

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1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Unlisted -						
CCCC Water Transportation Consultants Co., Ltd.	PRC	Limited liability company	RMB818	100%	—	Infrastructure design
CCCC Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB730	100%	—	Infrastructure design
CCCC First Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB723	100%	—	Infrastructure design
CCCC Second Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB428	100%	—	Infrastructure design
CCCC Third Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB731	100%	—	Infrastructure design
CCCC Fourth Harbour Consultants Co., Ltd.	PRC	Limited liability company	RMB630	100%	—	Infrastructure design
CCCC First Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB856	100%	—	Infrastructure design
CCCC Second Highway Consultants Co., Ltd.	PRC	Limited liability company	RMB872	100%	—	Infrastructure design
China Highway Engineering Consultants Co., Ltd	PRC	Limited liability company	RMB750	100%	—	Infrastructure design
China Infrastructure Maintenance Group Co., Ltd.	PRC	Limited liability company	RMB323	100%	—	Infrastructure design
CCCC Xi'an Road Construction Machinery Co., Ltd.	PRC	Limited liability company	RMB433	54.31%	45.69%	Manufacture of road construction machinery
China Highway Vehicle &Machinery Co., Ltd.	PRC	Limited liability company	RMB168	100%	—	Trading of motor vehicle spare parts
Chuwa Bussan Co., Ltd.	Japan	Limited liability company	JPY 12,021	75%	—	Trading of machinery
CCCC Shanghai Equipment Engineering Co., Ltd.	PRC	Limited liability company	RMB10	55%	—	Maintenance and repair of port machinery
CCCC Mechanical & Electrical Engineering Co., Ltd.	PRC	Limited liability company	RMB833	60%	40%	Trading of machinery
China Communications Materials & Equipment Co., Ltd.	PRC	Limited liability company	RMB234	100%	—	Trading of construction materials and equipment
CCCC Finance Company Limited ("CCCC Finance")	PRC	Limited liability company	RMB3,500	95%	—	Financial service
CCCC International Holding Limited ("CCCI")	Hong Kong	Limited liability company	HKD2,372	100%	—	Investment holding
CCCC Financial Leasing Co., Ltd ("CCCC Financial Leasing")	PRC	Limited liability company	RMB5,000	45%	25%	Financial service
CCCC Fund Management Co., Ltd	PRC	Limited liability company	RMB100	70%	—	Fund management
CCCC Asset Management Co., Ltd	PRC	Limited liability company	RMB13,768	9.44%	90.56%	Asset management
CCCC Urban Investment Co., Ltd.	PRC	Limited liability company	RMB3,150	100%	—	Investment holding

During the year, the Group completed the transfer of 29.99% equity interest in Shanghai Zhenhua Heavy Industries Co., Ltd ("ZPMC") to CCCG and CCCG (HK) Holding Limited ("CCCG HK"). Upon completion of this transfer, the Group still holds 16.24% equity interests in ZPMC, such residual interest in ZPMC are stated as the investments in an associate under the equity method of accounting. This disposal is included in notes 12 and 41(a) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in Annual Improvements 2014-2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the scope of IFRS 12

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 38(b) to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as there is no subsidiary of the Group which is classified as a disposal group held for sale at December 31, 2017 and so no additional information is required to be disclosed.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS28[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, brings together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

The Group does not expect the adoption of IFRS 9 has a significant impact on classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity invesmtents currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that, no provision for impairment will increase upon the initial adoption of the standard.

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

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

The Group's principal activities mainly consist of the construction contracting business and contracts for services business. The expected impact arising from the adoption of IFRS 15 on the Group are summarised as follows:

(a) Construction contracts

Revenue from construction contracts is recognised based on the percentage of completion method. The Group has determined that there is no material impact on the Group's financial statements when IFRS 15 is adopted in accounting for the Group's revenue from the construction-type contracts not yet completed as at 31 December 2017. This is because the current accounting treatments of such contracts are largely consistent with the requirements of IFRS 15.

(b) Contracts for services

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction. The Group has determined that there is no material impact on the Group's financial statements when IFRS 15 is adopted in accounting for the Group's revenue from the services contracts not yet completed as at 31 December 2017. This is because the current accounting treatments of such contracts are largely consistent with the requirements of IFRS 15.

(c) Presentation and disclosure

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

IFRS 16, issued in May 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC- 15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provision permit certain reliefs.

In 2018, the Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption, and will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 22, issued in December 2016, clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation, or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the interpretation, the Group does not expect any effect on its consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

IFRIC 23, issued in June 2017, addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

(i) Whether an entity considers uncertain tax treatments separately

(ii) The assumptions an entity makes about the examination of tax treatments by taxation authorities

(iii) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

(iv) How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

Amendments under Annual Improvements to IFRSs 2014-2016 Cycle, issued in March 2017, sets out amendments to IFRS 1, IFRS 12 and IAS 28. Except for the amendments to IFRS 12 which have been adopted by the Group for the current year's financial statements, the Group expects to adopt the amendments from 1 January 2018. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments to IFRS 1 and IAS 28 are as follows:

IFRS 1 First-time Adoption of International Financial Reporting Standards: Deletes the short-term exemptions for first-time adopters because the reliefs provided in the exemptions are no longer applicable.

IAS 28 Investments in Associates and Joint Ventures: Clarifies that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries when applying the equity method. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

(i) the investment entity associate or joint venture is initially recognised;

(ii) the associate or joint venture becomes an investment entity; and

(iii) the investment entity associate or joint venture first becomes a parent. These amendments should be applied retrospectively.

Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017, sets out amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. The Group expects to adopt the amendments from 1 January 2019. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

IFRS 3 Business Combinations: Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value.

IFRS 11 Joint Arrangements: Clarifies that when an entity that participates in, but does not have joint control of a joint operation, obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation.

IAS 12 Income Taxes: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

Interests in joint operations

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

Merger accounting for common control combinations

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

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

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

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

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

Acquisition method of accounting for non-common control combinations

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

- Leasehold land under finance leases	Shorter of useful life or remaining lease term
- Buildings	20-40 years
- Machinery	5-20 years
- Vessels	10-25 years
- Vehicles	5 years
- Other equipment	2-5 years

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

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

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

Intangible assets (other than goodwill)

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

Concession assets

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

Trademark, patent and proprietary technologies

Separately acquired trademark, patent and proprietary technologies are shown at historical cost. Trademark patent and proprietary technologies acquired in a business combination are recognised at fair value at the acquisition date. Trademark, patent and proprietary technologies have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 to 17 years.

Computer software

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

Research and development costs

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

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

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purposes of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as “other gains, net” in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "finance income" in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "finance income" in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

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31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Financial instruments classified as equity

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

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

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

Government grants

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

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;

(c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(d) rental income, on a time proportion basis over the lease terms;

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

(f) dividend income, when the shareholders' right to receive payment has been established.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

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

(a) Pension obligations

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

(a) Pension obligations (continued)

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

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

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

(b) Other post-employment obligations

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

(c) Termination benefits

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

(d) Housing funds

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

(e) Bonus entitlements

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Determination of control over structured entities

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

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

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

Further disclosure in respect of unconsolidated structured entities in which the Group has an interest has been set out in note 23.

Financial instruments classified as equity

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

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

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

Further details are disclosed in notes 35 and 37.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES(CONTINUED)

Estimation uncertainty

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

Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires estimation made by management. Because of the nature of the activity undertaken in construction, dredging businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

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

Impairment assessment on concession assets

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

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

Based on management's best estimates, the Group recognised an accumulated impairment of RMB299 million (2016: RMB198 million) to profit or loss for concession assets. Further details are disclosed in note 18.

Impairment of trade and other receivables

The impairment of trade and other receivables is primarily assessed based on current market conditions and prior experience by taking into account past due status, financial position of debtors and guarantees obtained for the outstanding debts, if any. The Group reviews the adequacy of impairment on a regular basis. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade and other receivables would be required. Further details are disclosed in note 26.

Impairment of available-for-sale equity investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. For those unlisted investments without quoted price in active market, the Group evaluates the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

If the declines in fair value below cost were considered significant or prolonged, the Group would transfer the accumulated fair value adjustments recognised in equity on the impaired available-for-sale investments to the consolidated statement of profit or loss. Based on management's best estimates, the Group recognised an accumulated impairment of RMB192 million (2016: RMB242 million) to profit or loss for available-for-sale equity investments. Further details are disclosed in note 22.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of goodwill

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

Based on management's best estimates, the Group recognised an accumulated impairment of RMB50 million (2016: RMB50 million) to profit or loss for goodwill. Details of the impairment test for goodwill are disclosed in note 18.

Income taxes

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

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

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. However, if the range of reasonable fair value estimate is so significant that management is of the opinion that their fair value cannot be measured reliably, such financial instruments are carried at cost less accumulated impairment losses. Further details are disclosed in note 47.

Pension benefits

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

Depreciation of property, plant and equipment

Depreciation on the Group's property, plant and equipment is calculated using the straight-line method to allocate cost up to residual values over the estimated useful lives of the assets. Management reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. The accounting estimate of the useful lives of property, plant and equipment is based on historical experience, taking into account anticipated technological changes. When the useful lives differ from the original estimated useful lives, management will adjust the estimated useful lives accordingly. It is possible that actual outcomes in the next financial period are different from estimates made based on historical experience. Then it could cause a material adjustment to the depreciation and carrying amount of the Group's property, plant and equipment. Further details are disclosed in note 15.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. OPERATING SEGMENT INFORMATION

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

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

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

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

(c) dredging (the "Dredging Segment"); and

(d) others (the "Others Segment").

As disclosed in note 12, the disposal of ZPMC was completed on 27 December 2017, and hence the manufacture of heavy machinery business will no longer be the Group's business segment. The rest of the business in the former manufacture of heavy machinery business segment will be covered in others segment of the Group.

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, prepaid land lease payments, investment properties, intangible assets, inventories, receivables, amounts due from contract customers, and cash and cash equivalents. They exclude deferred tax assets, investments in joint ventures and associates, available-for-sale investments, held-to-maturity investments, other financial assets at fair value through profit or loss, derivative financial instruments and the assets of headquarter of the Company and the Company's subsidiary, CCCC Finance.

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

Capital expenditure comprises mainly additions to property, plant and equipment (Note 15), prepaid land lease payments (Note 17), investment properties (Note 16) and intangible assets (Note 18).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2017 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2017					
	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Total gross segment revenue	410,014	26,965	34,108	9,546	(20,566)	460,067
Inter-segment revenue	(13,540)	(3,940)	(1,739)	(1,347)	20,566	—
Revenue	396,474	23,025	32,369	8,199	—	460,067
Segment results	25,846	3,207	2,766	(50)	83	31,852
Unallocated income						(84)
Operating profit						31,768
Finance income						3,071
Finance costs, net						(11,176)
Share of profits and losses of joint ventures and associates						(12)
Profit before tax						23,651
Income tax expense						(5,109)
Profit for the year						18,542
Other segment information						
Depreciation	5,944	210	1,026	118	—	7,298
Amortisation	1,234	43	47	52	—	1,376
Write-down of inventories	109	—	—	55	—	164
Provision for foreseeable losses on construction contracts	915	2	193	—	—	1,110
Provision for impairment of trade and other receivables	2,254	259	416	551	—	3,480
Provision for impairment of concession assets	101	—	—	—	—	101
Provision for impairment of available-for-sale investments	13	—	—	—	—	13
Capital expenditure	42,545	481	1,654	1,107	—	45,787

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2016 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2016					
	Construction RMB million Restated	Design RMB million Restated	Dredging RMB million Restated	Others RMB million Restated	Eliminations RMB million Restated	Total RMB million Restated
Total gross segment revenue	357,158	26,328	30,282	7,678	(15,115)	406,331
Inter-segment revenue	(8,108)	(4,414)	(1,486)	(1,107)	15,115	—
Revenue	349,050	21,914	28,796	6,571	—	406,331
Segment results	23,604	3,203	2,740	525	(729)	29,343
Unallocated income						48
Operating profit						29,391
Finance income						2,785
Finance costs, net						(9,714)
Share of profits and losses of joint ventures and associates						173
Profit before tax						22,635
Income tax expense						(5,177)
Profit for the year						17,458
Other segment information						
Depreciation	5,992	182	969	127	—	7,270
Amortisation	1,014	34	38	36	—	1,122
Write-down of inventories	44	—	—	(2)	—	42
Provision for foreseeable losses on construction contracts	383	—	—	—	—	383
Provision for impairment of trade and other receivables	1,360	240	605	398	—	2,603
Provision for impairment of concession assets	198	—	—	—	—	198
Capital expenditure	41,636	440	1,674	353	—	44,103

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

The segment assets and liabilities at 31 December 2017 are as follows:

	As at 31 December 2017					
	Construction RMB million	Design RMB million	Dredging RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Segment assets	587,900	31,103	70,956	41,688	(38,134)	693,513
Investments in joint ventures						11,133
Investments in associates						19,409
Unallocated assets						125,833
Total assets						849,888
Segment liabilities	338,461	21,335	33,081	5,084	(37,827)	360,134
Unallocated liabilities						284,160
Total liabilities						644,294

Segment assets and liabilities at 31 December 2017 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	693,513	360,134
Investments in joint ventures	11,133	—
Investments in associates	19,409	—
Unallocated:		
Deferred tax assets/liabilities	4,214	5,969
Tax payable	—	3,994
Current borrowings	—	82,680
Non-current borrowings	—	178,522
Available-for-sale investments	25,908	—
Held-to-maturity investments	104	—
Other financial assets at fair value through profit or loss	6,329	—
Derivative financial instruments	488	10
Cash and other corporate assets/corporate liabilities	88,790	12,985
Total	849,888	644,294

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities at 31 December 2016 are as follows:

	As at 31 December 2016						
	Construction RMB million	Design RMB million	Dredging RMB million	Heavy Machinery RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Segment assets	533,411	25,606	65,878	58,884	33,327	(32,673)	684,433
Investments in joint ventures							6,201
Investments in associates							12,550
Unallocated assets							97,898
Total assets							801,082
Segment liabilities	291,024	18,284	28,919	15,049	1,303	(31,964)	322,615
Unallocated liabilities							291,897
Total liabilities							614,512

Segment assets and liabilities at 31 December 2016 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	684,433	322,615
Investments in joint ventures	6,201	—
Investments in associates	12,550	—
Unallocated:		
Deferred tax assets/liabilities	4,640	4,447
Tax payable	—	3,942
Current borrowings	—	99,484
Non-current borrowings	—	173,996
Available-for-sale investments	21,679	—
Held-to-maturity investments	131	—
Other financial assets at fair value through profit or loss	116	—
Derivative financial instruments	381	16
Cash and other corporate assets/corporate liabilities	70,951	10,012
Total	801,082	614,512

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2017 RMB million	2016 RMB million Restated
Mainland China	**354,095**	335,368
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**105,972**	70,963
	460,067	406,331

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

Proportion of revenue from the individual countries or regions other than Mainland China was not material during 2017 and 2016.

(b) Non-current assets

	2017 RMB million	2016 RMB million
Mainland China	**205,176**	206,746
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**18,238**	16,431
	223,414	223,177

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

Proportion of non-current assets in the individual countries or regions other than Mainland China are not material as at 31 December 2017 and 2016.

Information about a major customer

No revenue was derived from services or sales to a single customer accounted for 10% or more of the Group's revenue, including services or sales to a group of entities which are known to be under common control with that customer during 2017 and 2016.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET

Revenue represents an appropriate proportion of contract revenue of construction contracts; the value of services rendered; the net invoiced value of goods sold, after allowances for returns and trade discounts and excludes intra-group transactions.

An analysis of revenue, other income and other gains, net, from continuing operations is as follows:

	2017 RMB million	2016 RMB million Restated
Revenue		
Construction	**410,014**	357,158
Design	**26,965**	26,328
Dredging	**34,108**	30,282
Others	**9,546**	7,678
Inter-segment eliminations	**(20,566)**	(15,115)
	460,067	406,331
Other income		
Rental income	**859**	667
Dividend income on available-for-sale investments		
– Listed equity securities	**612**	666
– Unlisted equity investments	**18**	153
Government grants	**581**	413
Income from the sale of waste and materials	**20**	19
Dividend income on derivative financial instruments	**98**	—
Income from held-to-maturity financial assets	**16**	19
Others (mainly consist of consultation service income, property management service income and transportation income)	**1,689**	1,657
	3,893	3,594
Other gains, net		
Gains on disposal of available-for-sale investments	**1,836**	459
Gains on disposal of items of property, plant and equipment	**68**	1
Gains on disposal of subsidiaries	**775**	511
Gains on disposal of joint ventures and associates	**435**	12
Fair value gains/(losses) on other financial assets at fair value through profit or loss	**57**	(22)
(Losses)/gains on derivative financial instruments:		
– Foreign exchange forward contracts	**(137)**	155
Foreign exchange difference, net	**(708)**	518
Gains on disposal of other financial assets at fair value through profit or loss	**43**	—
	2,369	1,634

NOTES TO FINANCIAL STATEMENTS

31 December 2017

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2017 RMB million	2016 RMB million Restated
Raw materials and consumables used	**118,443**	101,849
Cost of goods sold	**9,246**	10,919
Subcontracting costs	**164,558**	143,609
Employee benefit expenses:		
– Salaries, wages and bonuses	**24,293**	22,064
– Pension costs – defined contribution plans	**3,232**	2,841
– Pension costs – defined benefit plans	**149**	30
– Housing benefits	**1,611**	1,448
– Welfare, medical and other expenses	**13,651**	11,112
	42,936	37,495
Minimum lease payments under operating leases	**13,189**	13,788
Business tax and other transaction tax	**1,650**	4,525
Fuel	**3,808**	3,572
Depreciation of property, plant and equipment and investment properties	**7,298**	7,270
Amortisation of intangible assets	**1,094**	883
Amortisation of land lease payments	**282**	239
Research and development costs	**7,885**	7,046
Repair and maintenance expenses	**2,446**	1,937
Transportation costs	**282**	369
Utilities	**1,401**	1,246
Insurance	**1,335**	1,128
Auditors' remuneration	**25**	26
Write-down of inventories	**164**	42
Provision for foreseeable losses on construction contracts	**1,110**	383
Provision for impairment of trade and other receivables	**3,480**	2,603
Provision for impairment of concession assets	**101**	198
Provision for impairment of available-for-sale investments	**13**	—

NOTES TO FINANCIAL STATEMENTS

31 December 2017

7. FINANCE INCOME

	2017 RMB million	2016 RMB million Restated
Interest income		
– Bank deposits	**1,070**	613
– Interest of build and transfer project	**1,201**	1,567
– Others	**800**	605
	3,071	2,785

8. FINANCE COSTS, NET

An analysis of finance costs from continuing operations is as follows:

	2017 RMB million	2016 RMB million Restated
Interest expense incurred	**12,166**	11,450
Less: Interest capitalised	**(2,680)**	(2,917)
Net interest expense	**9,486**	8,533
Representing:		
– Bank borrowings	**7,314**	6,513
– Other borrowings	**116**	130
– Corporate bonds	**1,175**	1,091
– Debentures	**121**	140
– Non-public debt instruments	**505**	541
– Finance lease liabilities	**61**	118
– Others	**194**	—
	9,486	8,533
Foreign exchange difference, net	**(149)**	387
Others	**1,839**	794
	11,176	9,714

NOTES TO FINANCIAL STATEMENTS

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8. FINANCE COSTS, NET (CONTINUED)

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. A weighted average capitalisation rate of 4.62% (2016: 4.15%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets. Interest capitalised during the year was as follows:

	2017 RMB million	2016 RMB million Restated
Amounts due from contract customers	**(90)**	(84)
Inventories	**(357)**	(433)
Concession assets	**(1,273)**	(1,560)
Construction-in-progress	**(99)**	(69)
Long-term receivables	**(861)**	(771)
	(2,680)	(2,917)

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	2017 RMB'000	2016 RMB'000
Fees	**275**	318
Other emoluments:		
Salaries, allowances and benefits in kind	**2,888**	1,992
Performance related bonuses	**3,139**	2,939
Pension scheme contributions	**406**	282
	6,433	5,213
	6,708	5,531

(a) Independent non-executive directors

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

	2017 RMB'000	2016 RMB'000
Mr. Liu Zhangmin (i)	**55**	109
Mr. Leung Chong Shun (i)	**147**	106
Mr. Huang Long	**60**	103
Mr. Zheng Changhong (i)	**5**	—
Mr. Ngai Wai fung (i)	**8**	—
	275	318

(i) Mr. Liu Zhangmin and Mr. Leung Chong Shun retired as independent non-executive directors. Instead, Mr. Zheng Changhong and Mr. Ngai Wai fung were elected as the independent non-executive directors on 22 November 2017.

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

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31 December 2017

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2017				
Executive directors				
Mr. Liu Qitao	**227**	**550**	**50**	**827**
Mr. Chen Fenjian	**227**	**550**	**50**	**827**
Mr. Fu Junyuan	**207**	**481**	**51**	**739**
Mr. Chen Yun (i)	**207**	**495**	**51**	**753**
	868	**2,076**	**202**	**3,146**
Non-executive director				
Mr. Liu Maoxun	**—**	**—**	**—**	**—**
Mr. Qi Xiaofei (ii)	**—**	**—**	**—**	**—**
	—	**—**	**—**	**—**
Supervisors				
Mr. Zhen Shaohua (iii)	**207**	**481**	**51**	**739**
Mr. Li Sen (iii)	**573**	**182**	**51**	**806**
Mr. Wang Yongbin	**620**	**200**	**51**	**871**
Mr. Yao Yanmin	**620**	**200**	**51**	**871**
	2,020	**1,063**	**204**	**3,287**
	2,888	**3,139**	**406**	**6,433**
2016				
Executive directors				
Mr. Liu Qitao	215	678	47	940
Mr. Chen Fenjian	215	678	47	940
Mr. Fu Junyuan	196	598	47	841
	626	1,954	141	2,721
Non-executive director				
Mr. Liu Maoxun	—	—	—	—
	—	—	—	—
Supervisors				
Mr. Zhen Shaohua	196	585	47	828
Mr. Wang Yongbin	585	200	47	832
Mr. Yao Yanmin	585	200	47	832
	1,366	985	141	2,492
	1,992	2,939	282	5,213

(i) Mr. Chen Yun was elected as an executive director of the board on 22 November 2017.

(ii) Mr. Qi Xiaofei was elected as a non-executive director of the board on 22 November 2017.

(iii) Mr. Zhen Shaohua retired as the Chairman of the Supervisory Committee and Mr. Li Sen was elected as the Chairman of the Supervisory Committee on 22 November 2017.

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

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10. FIVE HIGHEST PAID EMPLOYEES

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

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**2,979**	1,738
Performance related bonuses	**4,969**	6,560
Pension scheme contributions	**428**	172
	8,376	8,470

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

	Number of employees	
	2017	2016
HKD1,500,001 to HKD2,000,000 (equivalent to approximately RMB1,301,000 to RMB1,734,000)	**3**	4
HKD2,000,001 to HKD2,500,000 (equivalent to approximately RMB1,734,001 to RMB2,168,000)	**2**	1
	5	5

11. INCOME TAX

Most of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (2016: 25%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries of the Company, which were exempted from tax or taxed at a preferential rate of 15% (2016: 15%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

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

	2017 RMB million	2016 RMB million Restated
Current		
– PRC enterprise income tax	**4,269**	4,591
– Others	**993**	865
	5,262	5,456
Deferred	**248**	(223)
Total tax charge for the year from continuing operations	**5,109**	5,177
Total tax charge for the year from a discontinued operation	**401**	56
	5,510	5,233

NOTES TO FINANCIAL STATEMENTS

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11. INCOME TAX (CONTINUED)

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

	2017		2016	
	RMB million	%	RMB million Restated	%
Profit before tax from continuing operations	**23,651**		22,635	
Profit before tax from a discontinued operation	**3,585**		287	
	27,236		22,922	
Tax at PRC statutory tax rate of 25% (2016: 25%)	**6,809**	25.0	5,730	25.0
Tax for the appreciation of land in the PRC	**209**	0.8	240	1.1
Profits and losses attributable to joint ventures and associates	**(7)**	0.0	(48)	(0.2)
Income not subject to tax	**(659)**	(2.4)	(295)	(1.3)
Additional tax concession on research and development costs	**(449)**	(1.7)	(359)	(1.6)
Expenses not deductible for tax	**288**	1.0	345	1.5
Tax losses utilised from previous periods	**(444)**	(1.6)	(249)	(1.1)
Temporary differences utilised from previous periods	**(15)**	(0.1)	(60)	(0.3)
Temporary differences not recognised	**356**	1.3	167	0.7
Tax losses not recognised	**1,191**	4.4	1,076	4.7
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(1,769)**	(6.5)	(1,314)	(5.7)
Tax charge at the Group's effective rate	**5,510**	20.2	5,233	22.8
Tax charge from continuing operations at the effective rate	**5,109**	21.6	5,177	22.9
Tax charge from a discontinued operation at the effective rate	**401**	11.2	56	19.5

NOTES TO FINANCIAL STATEMENTS

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12. DISCONTINUED OPERATION

On 18 July 2017, the Group entered into an equity transfer agreement with CCCG, pursuant to which the Company and CHEC agreed to transfer 1,316,649,346 ordinary share of ZPMC which represented 29.99% of the total issued share capital of ZPMC to CCCG and CCCG HK. The transfer of ZPMC equity was completed on 27 December 2017. The rest of the business in the former manufacture of heavy machinery business segment was covered in other segments of the Group, and ZPMC was classified as a discontinued operation.

The results of ZPMC for the year are presented below:

	2017 RMB million	2016 RMB million
Revenue	**21,728**	24,348
Eliminations of inter-segment revenue	**(1,219)**	(707)
	20,509	23,641
Cost of sales	**(18,476)**	(20,948)
Eliminations of inter-segment costs	**1,219**	707
	(17,257)	(20,241)
Other income	**265**	206
Other gains, net	**177**	272
Selling and marketing expenses	**(121)**	(100)
Administrative expenses	**(2,173)**	(1,973)
Other expenses	**(142)**	(72)
Finance income	**293**	308
Finance costs, net	**(1,232)**	(1,771)
Share of profits and losses of joint ventures and associates	**39**	17
Profit from a discontinued operation	**358**	287
Gains on disposal of a subsidiary	**3,227**	—
Profit before tax from a discontinued operation	**3,585**	287
Income tax:		
– Related to pre-tax profit	**(92)**	(56)
– Related to gains on disposal of a subsidiary	**(309)**	—
	(401)	(56)
Profit for the year from a discontinued operation	**3,184**	231
Attributable to:		
– Owners of the parent	**3,030**	110
– Non-controlling interests	**154**	121
	3,184	231

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12. DISCONTINUED OPERATION (CONTINUED)

The net cash flows incurred by ZPMC are as follows:

	2017 RMB million	2016 RMB million
Net cash generated from operating activities	**1,332**	1,658
Net cash used in investing activities	**(1,682)**	(726)
Net cash generated from financing activities	**2,577**	152
Effect of foreign exchange rate changes, net	**(50)**	75
Net increase in cash and cash equivalents	**2,177**	1,159
Earnings per share:		
– Basic, from a discontinued operation	**RMB0.19**	RMB0.01
– Diluted, from a discontinued operation	**RMB0.19**	RMB0.01

The calculations of basic and diluted earnings per share from a discontinued operation are based on:

	2017	2016
Profit attributable to ordinary equity holders of the parent from a discontinued operation (RMB million)	**3,030**	110
Weighted average number of ordinary shares in issue (million)	**16,175**	16,175

13. DIVIDENDS

	2017 RMB million	2016 RMB million
Proposed final dividend of RMB0.24190 per ordinary share (2016: RMB0.19444)	**3,913**	**3,145**

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

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 16,174,735,425 (2016: 16,174,735,425) in issue during the year.

The calculation of basic earnings per share is based on:

	2017	2016
Profit attributable to ordinary equity holders of the parent (RMB million)		
– From continuing operations	17,913	17,100
– From a discontinued operation	3,030	110
	20,943	17,210
Less: Interest on perpetual medium-term notes (RMB million) (i)	(300)	(300)
Dividend relating to preference shares (RMB million) (ii)	(718)	(718)
	19,925	16,192
Attributable to:		
– From continuing operations (RMB million)	16,895	16,082
– From a discontinued operation (RMB million)	3,030	110
	19,925	16,192
Weighted average number of ordinary shares in issue (million)	16,175	16,175
Basic earnings per share		
– From continuing operations (RMB per share)	1.04	0.99
– From a discontinued operation (RMB per share)	0.19	0.01
	1.23	1.00

(i) The medium-term notes (the "MTN") issued by the Company in 2014 were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB300 million on the MTN which has been generated during the year was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2017.

(ii) The preference shares issued by the Company in 2015 were classified as equity instruments with deferrable and non-cumulative dividend distribution and payment. As the conditions of mandatory distribution were triggered, a dividend amounting to RMB718 million on the preference shares was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2017.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

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15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2017						
At 31 December 2016 and at 1 January 2017:						
Cost	22,380	30,378	48,916	10,903	10,160	122,737
Accumulated depreciation and impairment	(5,983)	(17,682)	(24,125)	(8,172)	—	(55,962)
Net carrying amount	16,397	12,696	24,791	2,731	10,160	66,775
At 1 January 2017, net of accumulated depreciation and impairment	16,397	12,696	24,791	2,731	10,160	66,775
Additions	90	3,972	1,804	2,681	3,652	12,199
Disposals	(93)	(24)	(183)	(52)	(130)	(482)
Acquisition of subsidiaries	44	51	15	66	247	423
Disposal of subsidiaries	(8,200)	(1,908)	(7,175)	(71)	(2,001)	(19,355)
Transfer to/(from) construction in progress	1,920	556	3,085	39	(5,600)	—
Transfer to investment properties	—	—	—	—	(130)	(130)
Transfer from investment properties	89	—	—	—	—	89
Transfer from inventories	23	—	—	—	1,651	1,674
Depreciation provided during the year	(801)	(3,233)	(2,252)	(2,140)	—	(8,426)
Exchange realignment	(1)	(14)	(17)	16	—	(16)
At 31 December 2017, net of accumulated depreciation and impairment	9,468	12,096	20,068	3,270	7,849	52,751
At 31 December 2017:						
Cost	12,761	26,634	41,248	12,146	7,849	100,638
Accumulated depreciation and impairment	(3,293)	(14,538)	(21,180)	(8,876)	—	(47,887)
Net carrying amount	9,468	12,096	20,068	3,270	7,849	52,751

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15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2016						
At 31 December 2015 and at 1 January 2016:						
Cost	21,159	27,681	46,365	10,783	13,192	119,180
Accumulated depreciation and impairment	(5,466)	(15,320)	(22,623)	(7,798)	—	(51,207)
Net carrying amount	15,693	12,361	23,742	2,985	13,192	67,973
At 1 January 2016, net of accumulated depreciation and impairment	15,693	12,361	23,742	2,985	13,192	67,973
Additions	491	2,745	1,057	2,167	4,461	10,921
Disposals	(12)	(136)	(91)	(127)	(154)	(520)
Disposal of subsidiaries	(118)	(6)	(224)	(16)	(2,819)	(3,183)
Transfer to/(from) construction in progress	1,202	745	2,438	16	(4,401)	—
Transfer to investment properties	(324)	—	—	—	(119)	(443)
Transfer from investment properties	153	—	—	—	—	153
Depreciation provided during the year	(719)	(3,095)	(2,248)	(2,296)	—	(8,358)
Exchange realignment	31	82	117	2	—	232
At 31 December 2016, net of accumulated depreciation and impairment	16,397	12,696	24,791	2,731	10,160	66,775
At 31 December 2016:						
Cost	22,380	30,378	48,916	10,903	10,160	122,737
Accumulated depreciation and impairment	(5,983)	(17,682)	(24,125)	(8,172)	—	(55,962)
Net carrying amount	16,397	12,696	24,791	2,731	10,160	66,775

The net carrying amount of the Group’s fixed assets held under finance leases in the carrying amount of vessels and machinery at 31 December 2017 was RMB1,974 million (2016: RMB2,168 million).

At 31 December 2017, none of the Group's property, plant and equipment was pledged to secure general banking facilities granted to the Group (2016: RMB358 million) (note 30(d), 42(b)).

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16. INVESTMENT PROPERTIES

	2017 RMB million	2016 RMB million
Carrying amount at 1 January	2,346	2,045
Additions	22	108
Transfer from property, plant and equipment	130	443
Transfer from inventory	267	—
Transfer to property, plant and equipment	(89)	(153)
Disposal of subsidiaries	(301)	—
Depreciation provided during the year	(94)	(97)
Others	(6)	—
Carrying amount at 31 December	2,275	2,346

As at 31 December 2017, the fair value of the Group's investment properties was based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent and professionally qualified valuers.

The investment properties located in Mainland China were mainly valued by the income approach by taking into account the net rental income of the properties derived mainly from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The fair value of these properties for commercial purpose was RMB8,001 million (2016: RMB8,557 million), which falls into the category of fair value measurements using significant unobservable inputs (Level 3) including future rental inflows, discount rates and capitalisation rates, etc.

The rest of the investment properties for residential purpose located in Mainland were valued by the comparison approach by making reference to comparable market transactions. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. The fair value of these properties was RMB806 million (2016: RMB778 million), which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable price in the market.

The investment properties located outside Mainland China were mainly valued by the comparison approach by making reference to comparable market transactions. The fair value of these properties was RMB230 million (2016: RMB223 million), which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable price in the market.

The investment properties are leased to third parties under operating leases, further details of which are included in note 43(a) to the financial statements.

17. PREPAID LAND LEASE PAYMENTS

	2017 RMB million	2016 RMB million
Carrying amount at 1 January	10,676	10,036
Additions	769	1,198
Disposals	(10)	(2)
Disposal of subsidiaries	(3,891)	(317)
Amortization during the year	(283)	(239)
Exchange realignment	(31)	—
Carrying amount at 31 December	7,230	10,676

At 31 December 2017, certain of the Group's prepaid land lease payments with a net carrying amount of approximately RMB1,628 million (2016: RMB822 million) were pledged to secure general banking facilities granted to the Group (note 30(d),42(b)).

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18. INTANGIBLE ASSETS

	Concession Assets RMB million	Goodwill RMB million	Trademark, patent and proprietary technologies RMB million	Computer software RMB million	Others RMB million	Total RMB million
31 December 2017						
Cost at 1 January 2017, net of accumulated amortisation and impairment	**136,805**	**5,210**	**945**	**321**	**99**	**143,380**
Additions	**34,173**	**—**	**4**	**194**	**13**	**34,384**
Acquisition of subsidiaries	**13**	**406**	**416**	**13**	**6**	**854**
Disposal of subsidiaries	**(15,682)**	**(266)**	**(16)**	**(13)**	**—**	**(15,977)**
Disposal	**—**	**—**	**(3)**	**(1)**	**(2)**	**(6)**
Amortisation provided during the year	**(1,013)**	**—**	**(60)**	**(97)**	**(44)**	**(1,214)**
Impairment during the year	**(101)**	**—**	**—**	**—**	**—**	**(101)**
Exchange realignment	**(238)**	**76**	**—**	**—**	**—**	**(162)**
At 31 December 2017	**153,957**	**5,426**	**1,286**	**417**	**72**	**161,158**
At 31 December 2017:						
Cost	**156,553**	**5,476**	**1,501**	**806**	**287**	**164,623**
Accumulated amortisation and impairment	**(2,596)**	**(50)**	**(215)**	**(389)**	**(215)**	**(3,465)**
Net carrying amount	**153,957**	**5,426**	**1,286**	**417**	**72**	**161,158**

	Concession Assets RMB million	Goodwill RMB million	Trademark, patent and proprietary technologies RMB million	Computer software RMB million	Others RMB million	Total RMB million
31 December 2016						
Cost at 1 January 2016, net of accumulated amortisation and impairment	134,056	6,016	913	235	125	141,345
Additions	32,805	—	46	169	12	33,032
Disposal of subsidiaries	(18,371)	(1,080)	—	(5)	—	(19,456)
Transfer	(10,634)	—	—	—	—	(10,634)
Amortisation provided during the year	(853)	—	(14)	(78)	(38)	(983)
Impairment during the year	(198)	—	—	—	—	(198)
Exchange realignment	—	274	—	—	—	274
At 31 December 2016	136,805	5,210	945	321	99	143,380
At 31 December 2016:						
Cost	138,787	5,260	1,155	631	270	146,103
Accumulated amortisation and impairment	(1,982)	(50)	(210)	(310)	(171)	(2,723)
Net carrying amount	136,805	5,210	945	321	99	143,380

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18. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2017, concession assets represent assets under Build-Operate-Transfer ("BOT") service concession arrangements and mainly consist of toll roads in Mainland China. Certain concession projects have been put into operations, the cost of related concession assets amounted to RMB125,715 million (2016: RMB112,195 million). The cost of concession assets where the related projects were under construction amounted to RMB28,242 million (2016: RMB26,592 million).

As at 31 December 2017, the Group recognised an accumulated impairment of RMB299 million (2016: RMB198 million) to profit or loss, based on an impairment test for a concession asset (a toll road) in the construction segment with a carrying amount before impairment of RMB2,188 million as at 31 December 2017, as the concession asset has experienced losses and lower than expected traffic volume. The recoverable amount of the concession asset of RMB1,889 million was determined based on value in use method using cash flow projections based on its financial budget. The pre-tax discount rate applied to the cash flow projection was 6.4%.

As at 31 December 2017, certain of the Group's concession assets with a net carrying amount of approximately RMB119,600 million (2016: RMB112,860 million) were pledged to secure general banking facilities granted to the Group (note 30(d),42(b)).

Impairment testing of goodwill

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

(a) the goodwill included in the Construction Segment that arose in connection with the Group's acquisition of the 100% equity interest in John Holland Group Pty Limited ("John Holland") in April 2015;

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

(c) The goodwill included in the Design Segment that arose in connection with the Group's acquisition of the 80% equity interest in Concremat Engenharia e Tecnologia S.A. in January 2017.

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

	2017 RMB million	2016 RMB million
John Holland (i)	**4,878**	4,803
F&G	**245**	245
Concremat Engenharia e Tecnologia S.A.	**252**	—
Others	**51**	162
	5,426	5,210

(i) For goodwill arose in connection with John Holland, the recoverable amount was determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 2.5%. The growth rate does not exceed the long-term average growth rate for the related industry in which John Holland operates.

Summary of the key assumptions are set out below:

	2017	2016
Revenue (% annual growth rate) (a)	**2.5%**	2.7%
Pre-tax discount rate (b)	**19.3%**	19.6%

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

(b) The discount rate used is pre-tax and reflects specific risks relating to the acquisition group.

No impairment was recognised based on the assessment in relation of goodwill allocated to John Holland as at 31 December 2017 and 2016.

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19. INVESTMENTS IN JOINT VENTURES

	2017 RMB million	2016 RMB million
At 1 January	**6,201**	1,967
Additions	**5,740**	3,045
Disposals	**(96)**	(11)
Share of profits or losses, net	**(272)**	26
Dividend distribution	**(42)**	(29)
Residual interest in joint ventures arising from disposal of subsidiaries	**124**	1,200
Arising from disposal of subsidiaries	**(239)**	—
Conversion into subsidiaries arising from increase in equity interest in joint ventures	**(256)**	—
Share of other comprehensive income of joint ventures	**(24)**	3
Others	**(3)**	—
At 31 December	**11,133**	6,201

In the opinion of the directors, none of the joint ventures is individually material to the Group. All of the joint ventures of the Group are accounted for using the equity method and there is no quoted market price available for their shares.

The Group's trade receivable and payable balances with and guarantees provided to the joint ventures are disclosed in note 45(b) and (c) to the financial statements.

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20. INVESTMENTS IN ASSOCIATES

	2017 RMB million	2016 RMB million
At 1 January	**12,550**	10,622
Additions	**2,124**	1,788
Disposals	**(249)**	(15)
Share of profits or losses, net	**299**	164
Dividend distribution	**(205)**	(141)
Residual interest in associates arising from disposal of subsidiaries	**5,884**	60
Arising from disposal of subsidiaries	**(194)**	—
Conversion into subsidiaries arising from increase in equity interest in associates	**(753)**	—
Share of other comprehensive income of associates	**(46)**	72
Others	**(1)**	—
At 31 December	**19,409**	12,550

On 27 December 2017, the Group completed the transfer of 29.99% equity interest in ZPMC to CCCG and CCCG HK. Upon completion of this transfer, the Group still holds 16.24% equity interests in ZPMC, and such residual interest in ZPMC are stated as investments in associates under the equity method of accounting.

In the opinion of the directors, except for ZPMC, none of the associates is individually material to the Group.

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

	2017 RMB million
Non-current assets	**32,294**
Current assets	**35,226**
Total assets	**67,520**
Current liabilities	**(40,861)**
Non-current liabilities	**(9,830)**
Total liabilities	**(50,691)**
Non-controlling interests	**(1,817)**
Equity attributable to owners of the parent	**15,012**
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership(%)	**16.24%**
Group's share of net assets of the associate, excluding goodwill	**2,438**
Goodwill on acquisition (less cumulative impairment)	**1,911**
Carrying amount of the investment	**4,349**
Fair value of the investment	**4,349**

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

	2017 RMB million	2016 RMB million
Share of the associates' profit for the year	**299**	164
Share of the associates' other comprehensive income	**(46)**	72
Share of the associates' total comprehensive income	**253**	236
Aggregate carrying amount of the Group's investments in the associates	**15,060**	12,550

All of the associates of the Group are accounted for using the equity method and except for ZPMC, there is no quoted market price available for their shares.

The Group's trade receivable and payable balances with and guarantees provided to the associates are disclosed in note 45(b) and (c) to the financial statements.

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21. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 RMB million	2016 RMB million
Listed equity investments, at fair value	119	116
Unlisted equity investments at fair value	6,210	—
	6,329	116
Less: non-current portion		
Unlisted equity investments at fair value	3,451	—
Current portion	2,878	116

The above equity investments at 31 December 2016 and 2017 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

22. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB million	2016 RMB million
Listed and unlisted equity investments, at fair value (note b)		
– Mainland China	22,499	16,913
– Hong Kong	705	1,967
Unlisted equity investments, at cost (note c)	2,648	2,300
Other unlisted investments, at fair value	56	499
	25,908	21,679

(a) During the year ended 31 December 2017, the gain in respect of the Group's available-for-sale investments recognised in other comprehensive income (net of tax) amounted to RMB5,759 million, (2016: loss of RMB1,078 million), and a gain (net of tax) of RMB1,647 million (2016: gain of RMB324 million) was reclassified from other comprehensive income to the statement of profit or loss upon disposal.

(b) These securities primarily represent promoters' shares listed and traded in stock markets, of which no securities were subject to trading restrictions at the end of the reporting period. The fair values of these securities were based on the quoted market prices at the end of the reporting period.

(c) Management is of the opinion that the range of reasonable fair value estimates for the unlisted equity investments is significant and the probabilities of various estimates cannot be reasonably assessed. Accordingly, such financial assets are carried at cost less accumulated impairment losses, if any.

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23. UNCONSOLIDATED STRUCTURED ENTITIES MANAGED BY THE GROUP

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

As at December 31, 2017, the maximum exposure to loss and the book value of relevant investments of the Group arising from the interests held in invested structured entities that are sponsored by the Group or the third party financial institutions are set out as below:

	2017		2016	
	Carrying amount	**Maximum exposure to loss**	Carrying amount	Maximum exposure to loss
Other financial assets at fair value through profit or loss	**3,451**	**3,451**	—	—
Interests in associates and joint ventures	**8**	**8**	520	520
Available-for-sale investments	**27**	**27**	902	902
	3,486	**3,486**	1,422	1,422

In 2017, the Group received management fees, commission and performance fees amounting to RMB80 million(2016: RMB60 million) from unconsolidated structured entities sponsored by the Group.

As at 31 December 2017, there are no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities (2016:nil).

24. INVENTORIES

	2017 RMB million	2016 RMB million
Raw materials	**12,520**	14,166
Work in progress	**1,004**	5,240
Properties under development and held for sale (note b)	**22,957**	21,645
Completed properties held for sale (note c)	**2,975**	3,916
Finished goods	**1,080**	587
	40,536	45,554

(a) At 31 December 2017, certain of the Group's properties under development and held for sale and completed properties held for sale with an aggregate carrying amount of RMB4,013 million (2016: RMB2,945 million) were pledged to secure the Group's bank loans (note 30(d), 42(b)).

(b) Properties under development and held for sale comprise:

	2017 RMB million	2016 RMB million
Land use rights	**11,682**	10,990
Construction cost	**9,982**	9,500
Finance costs capitalised	**1,293**	1,155
	22,957	21,645

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

(c) The amount of completed properties held for sale expected to be recovered beyond one year is RMB1,253 million (2016: RMB1,926 million). The remaining amount is expected to be recovered within one year.

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25. CONTRACTS WORK-IN-PROGRESS

	2017 RMB million	2016 RMB million
Gross amount due from contract customers	**89,577**	85,973
Gross amount due to contract customers	**(27,175)**	(27,198)
	62,402	58,775
Contract costs incurred plus recognised profits less recognised losses to date	**1,314,536**	1,672,296
Less: progress billings	**(1,252,134)**	(1,613,521)
	62,402	58,775

26. TRADE AND OTHER RECEIVABLES

	2017 RMB million	2016 RMB million
Trade and bills receivables (note a)	**80,187**	93,071
Impairment	**(10,881)**	(9,882)
Trade and bills receivables – net	**69,306**	83,189
Retentions	**64,392**	55,762
Long-term receivables	**92,943**	80,043
Prepayments	**16,290**	19,103
Deposits	**20,753**	22,046
Other receivables	**30,771**	25,900
	294,455	286,043
Less: non-current portion		
Retentions	**(33,927)**	(27,437)
Long-term receivables	**(74,598)**	(65,732)
Prepayments	**(3,108)**	(1,191)
Deposits	**(1,077)**	(1,198)
	(112,710)	(95,558)
Current portion	**181,745**	190,485

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26. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The majority of the Group's revenues are generated through construction, design and dredging contracts and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

	2017 **RMB million**	2016 RMB million
Within 6 months	**47,570**	64,139
6 months to 1 year	**8,907**	5,864
1 year to 2 years	**7,838**	7,977
2 years to 3 years	**3,222**	2,942
Over 3 years	**1,769**	2,267
	69,306	83,189

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

	2017 **RMB million**	2016 RMB million
At beginning of year	**9,882**	7,156
Impairment losses recognised	**3,899**	4,119
Acquisition of subsidiaries	**65**	—
Amount written off as uncollectible	**(38)**	(21)
Disposal of subsidiaries	**(1,488)**	—
Impairment losses reversed	**(1,439)**	(1,372)
	10,881	9,882

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of RMB3,138 million (2016: RMB3,383 million) with a carrying amount before provision of RMB4,268 million (2016: RMB5,983 million). The individually impaired trade and bills receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired are as follows:

	2017 **RMB million**	2016 RMB million
Neither past due nor impaired	**38,610**	51,845
Less than 3 months past due	**7,583**	11,440
	46,193	63,285

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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26. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) As part of its normal business, the Group has entered into certain recourse and non-recourse factoring agreements with certain banks so as to obtain bank advances. As at 31 December 2017, the relevant outstanding trade receivables and long-term receivables with recourse factoring clauses in the agreements, amounted to RMB5,643 million (2016: RMB5,558 million). In the opinion of the directors, such transactions did not qualify for derecognition of the relevant receivables and were accounted for as secured borrowings. In addition, as at 31 December 2017, outstanding trade receivables of RMB19,002 million (2016: RMB11,486 million) had been transferred to the banks in accordance with the relevant non-recourse factoring agreements, among which outstanding trade receivables of RMB18,802 million (2016: RMB9,056 million) were derecognised as the directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition of the relevant receivables, whilst substantial risks and rewards of the other outstanding trade receivables of RMB200 million (2016: RMB2,430 million) have not been transferred and hence were not qualified for derecognition and the relevant transactions were accounted for as secured borrowings.

As at 31 December 2017, certain of the Group's outstanding trade and other receivables with a net carrying amount of approximately RMB14,859 million (2016: RMB18,910 million) were pledged to secure general banking facilities granted to the Group (note 30(d), 42(b)).

(c) As part of its normal business, the Group has entered into certain agreements with certain financial institution so as to establish asset-backed securities (ABS). The ABS are bonds or notes backed by trade receivables and long-term receivables. The Group sell pools of trade receivables and long-term receivables to a special-purpose vehicle (SPV), whose sole function is to buy such assets in order to securitize them. The SPV, which is usually a corporation, then sells them to a trust. The trust repackages the loans as interest-bearing securities and actually issues them. As at 31 December 2017, the relevant outstanding trade receivables and long-term receivables under the ABS, amounted to RMB1,230 million (2016: nil). Such trade receivables and long-term receivables were derecognised as the directors are of the opinion that the substantial risks and rewards associated with the trade receivables and long-term receivables have been transferred and therefore qualified for derecognition.

(d) As at 31 December 2017, outstanding bills receivable of RMB4 million (31 December 2016: RMB23 million) were endorsed to suppliers. In the opinion of directors, the Group has retained the substantial risks and rewards, which include default risks relating to such bills receivable, and accordingly, it continued to recognise the full carrying amounts of the bills receivable. In addition, as at 31 December 2017, outstanding bills receivable of RMB908 million (31 December 2016: RMB808 million) were endorsed to suppliers, and RMB443 million (31 December 2016: RMB182 million) were discounted with banks. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to such bills receivable which were fully derecognised.

(e) Retentions receivable represented amounts due from customers upon completion of the free maintenance period of the construction work, which normally lasts from one to two years. Deposits represented tender and performance bonds due from customers. Long-term receivables represented amounts due from customers for "Build-Transfer" projects and certain construction works with payment periods over one year. As at 31 December 2017, retentions, deposits, and long-term receivables of the Group totalling RMB173,716 million (2016: RMB153,714 million) were neither past due nor impaired, and RMB5,405 million (2016: RMB4,873 million) were past due/partially impaired with a provision of RMB1,033 million (2016: RMB736 million).

(f) The provision for impairment of other receivables was RMB1,271 million(2016: RMB619 million), while the amounts before impairment were RMB32,042 million (2016: RMB26,519 million).

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27. DERIVATIVE FINANCIAL INSTRUMENTS

	2017		2016	
	Assets RMB million	**Liabilities RMB million**	Assets RMB million	Liabilities RMB million
Forward currency contracts (note a)				
– Held for trading	**—**	**(3)**	13	(7)
– Cash flow hedges	**8**	**(7)**	8	(9)
Total return swap (note b)	**81**	**—**	50	—
Forward equity contracts (note c)	**399**	**—**	310	—
	488	**(10)**	381	(16)

(a) In order to protect against exchange rate movements, John Holland (a subsidiary of CCCI) has entered into forward exchange contracts to purchase United States Dollars ("USD"), Euros ("EUR"), Offshore Chinese Yuan, Great British Pound ("GBP"), Japanese Yen ("JPY") and New Zealand Dollars ("NZD") by Australian Dollars ("AUD"), and also purchase AUD by NZD. These contracts are hedging recognised assets and liabilities, firm commitments and highly probable forecast transactions, and the contracts are timed to mature when items of plant and equipment or construction materials are to be shipped or when trade and other payables are due. In 2017, the fair value gains included in the hedging reserve was RMB2 million, net of tax (2016: gain of RMB3 million).

(b) In 2016, CCCI entered into several agreements with banks and paid USD100 million to secure the subscription of USD400 million by the banks in senior perpetual securities issued by a subsidiary of Greentown China Holding Limited ("Greentown"). According to the agreements, CCCI could earn any distribution by reference to the banks' subscription, and also have to pay a fixed amount of rewards and any loss on the subscription to the banks. As Greentown is a subsidiary of CCCG, the total return swap constitutes a related party transaction of the Company.

(c) In 2016, the Group disposed of 85% equity interests in certain subsidiaries with concession assets (toll roads) to a joint venture (a fund engaged in infrastructure investment activities) of the Company, whilst entered into certain forward equity contracts to obtain the options to repurchase these equity interests in future with discounts under some conditions. The fair value of these forward equity contracts was RMB143 million (31 December 2016: RMB310 million) as at 31 December 2017.

In 2017, the Group disposed of 99% equity interests in certain subsidiaries with concession assets (toll roads) to a joint venture (a fund engaged in infrastructure investment activities) of the Company, whilst entered into certain forward equity contracts to obtain the options to repurchase these equity interests in future with discounts under some conditions. The fair value of these forward equity contracts was RMB256 million as at 31 December 2017 (note 41(b)).

28. CASH AND BANK BALANCES

	2017 RMB million	2016 RMB million
Restricted bank deposits	**2,880**	3,943
Time deposits with an initial term of over three months	**2,244**	1,974
	5,124	5,917
Cash and cash equivalents	**129,197**	108,720
	134,321	114,637

(a) As at 31 December 2017, 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.

(c) At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB90,958 million (2016: RMB84,013 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2017, less than 3% (2016: less than 3%) of the cash and bank balances denominated in currencies other than RMB was 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.

(d) 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.

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29. TRADE AND OTHER PAYABLES

	2017 RMB million	2016 RMB million
Trade and bills payables (note a)	**212,740**	187,794
Advances from customers	**61,293**	56,522
Deposits from suppliers	**20,468**	14,671
Retentions	**14,967**	13,841
CCCC Finance deposits (note b)	**8,340**	8,132
Other taxes	**11,718**	6,886
Payroll and social security	**2,056**	2,452
Accrued expenses and others	**11,666**	12,146
	343,248	302,444
Less: non-current portion		
– Retentions	**(10,261)**	(9,339)
– Other taxes	**(91)**	(115)
– Others	**(193)**	—
	(10,545)	(9,454)
Current portion	**332,703**	292,990

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

	2017 RMB million	2016 RMB million
Within 1 year	**191,288**	173,832
1 year to 2 years	**15,710**	8,713
2 years to 3 years	**2,816**	3,176
Over 3 years	**2,926**	2,073
	212,740	187,794

(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% (2016: 0.6%).

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30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2017 RMB million	2016 RMB million
Non-current			
Long-term bank borrowings			
– secured	(d)	**100,988**	88,255
– unsecured	(e)	**51,957**	56,976
		152,945	145,231
Other borrowings			
– secured	(d)	**430**	850
– unsecured	(e)	**1,057**	670
		1,487	1,520
Corporate bonds	(f)	**19,866**	19,848
Non-public debt instruments	(h)	**3,500**	6,297
Financial lease liabilities	(i)	**724**	1,100
		24,090	27,245
Total non-current borrowings		**178,522**	173,996
Current			
Current portion of long-term bank borrowings			
– secured	(d)	**2,296**	1,123
– unsecured	(e)	**14,345**	11,527
		16,641	12,650
Short-term bank borrowings			
– secured	(d)	**2,667**	5,046
– unsecured	(e)	**59,001**	58,578
		61,668	63,624
Other borrowings			
– secured	(d)	**570**	—
– unsecured	(e)	**79**	19
Corporate bonds	(f)	**378**	6,372
Debentures	(g)	**—**	10,144
Non-public debt instruments	(h)	**2,959**	6,259
Finance lease liabilities	(i)	**385**	416
		4,371	23,210
Total current borrowings		**82,680**	99,484
Total borrowings		**261,202**	273,480

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

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

	2017 RMB million	2016 RMB million
Bank borrowings		
– Within one year or on demand	**78,309**	76,274
– In the second year	**21,426**	24,019
– In the third to fifth years, inclusive	**26,764**	24,538
– Beyond five years	**104,755**	96,674
	231,254	221,505
Others, excluding finance lease liabilities		
– Within one year or on demand	**3,986**	22,794
– In the second year	**14,672**	2,813
– In the third to fifth years, inclusive	**5,727**	18,401
– Beyond five years	**4,454**	6,451
	28,839	50,459
	260,093	271,964

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

	2017 RMB million	2016 RMB million
RMB	**239,569**	248,589
USD	**14,144**	18,207
JPY	**3,786**	3,208
HKD	**1,692**	787
EUR	**1,488**	2,256
Others	**523**	433
	261,202	273,480

(c) Borrowings of the Group, excluding corporate bonds, medium-term notes, debentures, non-public debt instruments and finance lease liabilities, bear interest at effective rates ranging from 0.30% to 8.39% per annum at the end of the reporting period (2016: 0.30% to 8.70%).

(d) As at 31 December 2017 and 2016, these borrowings were secured by the Group's property, plant and equipment (note 15,42(b)), prepaid land lease payments (note 17,42(b)), concession assets (note 18,42(b)), trade and other receivables (note 26(b), 42(b)), properties under development and held for sale and completed properties held for sale (note 24(a), 42(b)).

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

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

(f) As approved by China Securities Regulatory Commission ("CSRC") document [2009] No. 761, the Company issued domestic corporate bonds with an aggregate principal amount of RMB7.9 billion in August 2009. These corporate bonds bear interest at a rate of 5.2% per annum with maturity through 2019. These corporate bonds are guaranteed by CCCG.

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

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

The corporate bonds are stated at amortised cost with effective rates ranging from 3.06% to 5.26%. Interest is payable once a year. Accrued interest is included in the current borrowings.

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

Six tranches of debentures were issued in April, May, August and October 2016, ,in February and April 2017, respectively, at nominal values of RMB2 billion, RMB3 billion, RMB3 billion, RMB2 billion, RMB3 billion and RMB1 billion, respectively, with maturity of 365 days, 270 days, 270 days, 270 days, 270 days and 240 days from the issue date respectively. The interest rates are 3.70%, 2.99%, 2.61%, 3.2%, 3.75% and 4.75% per annum, respectively. These debentures have been fully repaid during 2017.

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

– A tranche of non-public debt instrument with a nominal value of RMB1,500 million was issued in October 2012, with maturity of five years from the issue date, bearing interest at a rate of 5.80% per annum. This non-public debt instrument has been fully repaid during 2017.

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

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

– Eight tranches of non-public debt instruments were issued in March, May, June, June, August, August, September and December 2014, respectively, at nominal values of RMB500 million, RMB800 million, RMB800 million, RMB700 million, RMB500 million, RMB500 million, RMB500 million and RMB100 million, respectively, totalling RMB4,400 million, with maturity of three years from the issue date. The interest rates are 7.10%, 6.35%, 7.00%, 6.50%, 6.60%, 6.65%, 6.15% and 5.60% per annum, respectively. These non-public debt instruments have been fully repaid during 2017.

– A tranche of non-public debt instrument with a nominal value of RMB2,000 million was issued in August 2015, with maturity of five years from the issue date, bearing interest at a rate of 4.80% per annum.

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

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

(i) The Group leases certain of its plant and machinery and these leases are classified as finance leases.

At 31 December 2017, the total future minimum lease payments under finance leases and their present values were as follows:

	2017 **RMB million**	2016 RMB million
Minimum lease payments		
– Within one year	**409**	474
– In the second to fifth years, inclusive	**688**	1,019
– Beyond five years	**125**	199
Total minimum lease payments	**1,222**	1,692
Future finance charges	**(113)**	(176)
Present value of minimum lease payments	**1,109**	1,516
Representing:		
– Within one year	**385**	416
– In the second to fifth years, inclusive	**622**	907
– Beyond five years	**102**	193
	1,109	1,516

31. DEFERRED TAX

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

Deferred tax liabilities

	Available-for-sale investments RMB million	**Undistributed profits in subsidiaries** RMB million	**Property, plant and equipment** RMB million	**Inventories** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2016	3,995	519	615	2,114	1,886	9,129
Deferred tax charged to profit or loss during the year (note 11)	—	147	13	—	110	270
Charged/(credited) to other comprehensive income	(495)	—	—	—	1	(494)
Disposal of subsidiaries	—	—	(478)	(2,114)	(494)	(3,086)
Exchange difference	—	—	1	—	20	21
Gross deferred tax liabilities at 31 December 2016 and at 1 January 2017	**3,500**	**666**	**151**	**—**	**1,523**	**5,840**
Deferred tax charged to profit or loss during the year (note 11)	**—**	**408**	**34**	**—**	**265**	**707**
Charged/(credited) to other comprehensive income	**1,158**	**—**	**—**	**—**	**—**	**1,158**
Acquisition of a subsidiary	**—**	**—**	**—**	**—**	**164**	**164**
Disposal of subsidiaries	**(51)**	**—**	**(134)**	**—**	**(23)**	**(208)**
Exchange difference	**—**	**—**	**1**	**—**	**13**	**14**
Gross deferred tax liability at 31 December 2017	**4,607**	**1,074**	**52**	**—**	**1,942**	**7,675**

NOTES TO FINANCIAL STATEMENTS

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31. DEFERRED TAX (CONTINUED)

Deferred tax assets:

	Provision for impairment of assets RMB million	Depreciation and amortisation RMB million	Provision for foreseeable contract losses RMB million	Provision for employee benefits RMB million	Tax losses RMB million	Discount on long-term receivables RMB million	Others RMB million	Total RMB million
At 1 January 2016	1,739	99	811	333	1,254	696	823	5,755
(Charged)/credited to profit or loss during the year (note 11)	523	3	(684)	(37)	210	(40)	518	493
(Charged)/credited to other comprehensive income	—	—	—	(12)	—	—	(27)	(39)
Disposal of subsidiaries	—	—	—	—	(162)	—	(71)	(233)
Exchange difference	—	5	—	—	1	—	51	57
Gross deferred tax assets at 31 December 2016 and 1 January 2017	**2,262**	**107**	**127**	**284**	**1,303**	**656**	**1,294**	**6,033**
(Charged)/credited to profit or loss during the year (note 11)	**382**	**(13)**	**60**	**(33)**	**(47)**	**233**	**(123)**	**459**
(Charged)/credited to other comprehensive income	**—**	**—**	**—**	**(9)**	**—**	**—**	**10**	**1**
Acquisition of a subsidiary	**—**	**—**	**—**	**—**	**47**	**—**	**—**	**47**
Disposal of subsidiaries	**(487)**	**—**	**(42)**	**—**	**—**	**—**	**(114)**	**(643)**
Exchange difference	**—**	**—**	**—**	**—**	**9**	**—**	**14**	**23**
Gross deferred tax assets at 31 December 2017	**2,157**	**94**	**145**	**242**	**1,312**	**889**	**1,081**	**5,920**

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

	2017		2016	
	Deferred tax assets RMB million	**Deferred tax liabilities RMB million**	Deferred tax assets RMB million	Deferred tax liabilities RMB million
The gross balance	**5,920**	**(7,675)**	6,033	(5,840)
Offsetting	**(1,706)**	**1,706**	(1,393)	1,393
	4,214	**(5,969)**	4,640	(4,447)

Deferred tax assets of RMB3,063 million (2016: RMB2,747 million) have not been recognised in respect of these losses amounting to RMB12,582 million (2016: RMB11,318 million) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Most of these tax losses will expire in one to five years for offsetting against future taxable profits.

As at 31 December 2017, the Group did not recognise deferred tax assets of RMB811 million (2016: RMB469 million) in respect of deductible temporary differences amounting to RMB3,296 million (2016: RMB1,931 million) as the directors believe it is not probable that such deductible temporary differences would be recognised.

As at 31 December 2017, the unrecognised deferred income tax liabilities were RMB17 million (2016: RMB35 million), relating to income tax that would be payable for undistributed profits of certain overseas subsidiaries, as the directors considered that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2017 amounted to RMB134 million (2016: RMB278 million).

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32. RETIREMENT BENEFIT OBLIGATIONS

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

	2017 RMB million	2016 RMB million
Present value of defined benefit obligations	**1,347**	1,499
Less: current portion	**(149)**	(155)
Non-current portion	**1,198**	1,344

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

	2017 RMB million	2016 RMB million
At 1 January	**1,499**	1,702
Past service cost	**25**	(6)
Interest cost	**46**	49
Effect of settlements	**—**	(12)
	1,570	1,733
Remeasurements		
– Gains from changes in financial assumptions	**(73)**	(28)
– Losses from changes in the demographic hypothesis	**24**	—
– Experience (gains)/losses	**14**	(29)
	1,535	1,676
Payments	**(188)**	(177)
At 31 December	**1,347**	1,499

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

	2017	2016
Discount rate	**4.00%**	3.25%
Medical cost growth rate	**4.00%-8.00%**	4.00%-8.00%

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

	Impact on defined benefit obligations	
	2017 RMB million	2016 RMB million
Discount rate:		
– 0.25% increase	**(23)**	(27)
– 0.25% decrease	**24**	28
Medical cost growth rate:		
– 1.00% increase	**22**	26
– 1.00% decrease	**(20)**	(23)

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

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32. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2017 RMB million	2016 RMB million
Within 1 year	**149**	155
1 year to 2 years	**142**	148
2 years to 5 years	**384**	402
Over 5 years	**1,167**	1,242
	1,842	1,947

The average duration of the defined benefit plan obligation at the end of the reporting period was 6.9 years (2016: 7 years).

33. PROVISIONS

	Pending lawsuits RMB million	**Others RMB million**	**Total RMB million**
At 1 January 2017	**22**	**147**	**169**
Additional provisions	**490**	**104**	**594**
Acquisition of subsidiaries	**22**	**—**	**22**
Utilised/reversed during the year	**(7)**	**(10)**	**(17)**
Disposal of subsidiaries	**(85)**	**(3)**	**(88)**
At 31 December 2017	**442**	**238**	**680**
Non-current portion	**442**	**238**	**680**

	Pending lawsuits RMB million	**Others RMB million**	**Total RMB million**
At 1 January 2016	**24**	**129**	**153**
Additional provisions	**—**	**30**	**30**
Utilised/reversed during the year	**(2)**	**(12)**	**(14)**
At 31 December 2016	**22**	**147**	**169**
Current portion	**22**	**147**	**169**

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34. SHARE CAPITAL AND PREMIUM

	2017 RMB million	2016 RMB million
Issued and fully paid:		
11,747,235,425 (2016: 11,747,235,425)		
A shares of RMB1.00 each	**11,747**	11,747
4,427,500,000 (2016: 4,427,500,000)		
H shares of RMB1.00 each	**4,428**	4,428
	16,175	16,175

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

In December 2006, the Company completed its H share listing on the Hong Kong Stock Exchange and 4,025,000,000 H shares with a nominal value of RMB1.00 each were issued at HKD4.6 (equivalent to approximately RMB4.63) each. The Company raised net proceeds of approximately RMB17,878 million (equivalent to HKD17,772 million) from the issuance of H shares, of which paid-up share capital was RMB4,025 million and share premium was approximately RMB13,853 million. Upon the issuance of H shares, 402,500,000 domestic shares (10% of the number of H shares issued) were converted into H shares and transferred to the National Social Security Fund.

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

As at 31 December 2017, the Company's share capital was RMB16,174,735,425 (2016: RMB16,174,735,425), comprising 11,747,235,425 A shares and 4,427,500,000 H shares, representing approximately 72.6% and 27.4% of the registered capital, respectively.

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35. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY

	2017 RMB million	2016 RMB million
Medium-term notes (note a)	**4,963**	4,963
Preference shares (note b)	**14,468**	14,468
	19,431	19,431

(a) As approved by NAFMII, a tranche of MTN was issued by the Company in 2014, with a nominal value of RMB5,000 million. There is no maturity date for the MTN and the holders have no right to receive a return of principal. The initial interest rate of the MTN was 6% per annum, which will be reset once in every five years since the issuance date. Pursuant to the terms of the MTN, the Company may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The MTN is subject to redemption in whole, at the option of the Company, five years after the issue date, at its principal amount together with accrued interest.

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

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

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

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36. RESERVES

	Capital reserve RMB million	Statutory surplus reserve RMB million	General reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB Million	Hedging reserve RMB million	Safety reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2017	3,463	4,212	766	(74)	11,095	1	1,849	1,232	81,517	104,061
Profit for the year	—	—	—	—	—	—	—	—	20,943	20,943
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	5,765	—	—	—	—	5,765
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of tax	—	—	—	—	(1,647)	—	—	—	—	(1,647)
Cash flow hedges, net of tax	—	—	—	—	—	2	—	—	—	2
Share of other comprehensive income of joint ventures and associates	—	—	—	—	(70)	—	—	—	—	(70)
Actuarial gains on retirement benefit obligations, net of tax	—	—	—	26	—	—	—	—	—	26
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(727)	—	(727)
Final 2016 dividend declared	—	—	—	—	—	—	—	—	(3,145)	(3,145)
Transaction with non-controlling interests (a)	1,480	—	—	—	—	—	—	—	—	1,480
Share of other reserves of joint ventures and associates	(10)	—	—	—	—	—	—	—	—	(10)
Distributions to holders of financial instruments classified as equity	—	—	—	—	—	—	—	—	(1,018)	(1,018)
Transfer to statutory surplus reserve (b)	—	504	—	—	—	—	—	—	(504)	—
Transfer to general reserve (c)	—	—	209	—	—	—	—	—	(209)	—
Transfer to safety reserve (d)	—	—	—	—	—	—	367	—	(367)	—
At 31 December 2017	4,933	4,716	975	(48)	15,143	3	2,216	505	97,217	125,660

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36. RESERVES (CONTINUED)

	Capital reserve RMB million	Statutory surplus reserve RMB million	General reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB Million	Hedging reserve RMB million	Safety reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2016	3,463	3,768	389	(119)	12,467	(2)	1,552	417	69,527	91,462
Profit for the year	—	—	—	—	—	—	—	—	17,210	17,210
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	(1,123)	—	—	—	—	(1,123)
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of tax	—	—	—	—	(324)	—	—	—	—	(324)
Cash flow hedges, net of tax	—	—	—	—	—	3	—	—	—	3
Share of other comprehensive income of a joint venture	—	—	—	—	75	—	—	—	—	75
Actuarial gains on retirement benefit obligations, net of tax	—	—	—	45	—	—	—	—	—	45
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	815	—	815
Final 2015 dividend declared	—	—	—	—	—	—	—	—	(3,079)	(3,079)
Distributions to holders of financial instruments classified as equity	—	—	—	—	—	—	—	—	(1,018)	(1,018)
Other distributions	—	—	—	—	—	—	—	—	(5)	(5)
Transfer to statutory surplus reserve	—	444	—	—	—	—	—	—	(444)	—
Transfer to general reserve	—	—	377	—	—	—	—	—	(377)	—
Transfer to safety reserve	—	—	—	—	—	—	297	—	(297)	—
At 31 December 2016	3,463	4,212	766	(74)	11,095	1	1,849	1,232	81,517	104,061

36. RESERVES (CONTINUED)

(a) Capital reserve

Capital reserve primarily arose upon incorporation of the Company on 8 October 2006 when the Company took over the assets and liabilities relating to the principal operations and businesses (the "Core Operations") of CCCG. The net value of the Core Operations transferred to the Company from CCCG was converted into the Company's share capital of RMB10,800,000,000 of RMB1.00 each with the then existing reserves eliminated and the resulting difference dealt with in the capital reserve of the Group.

Including in the contributions of 2017 were concessions made by non-controlling interest of two subsidiaries amounting to RMB1,480 million. The amount was originated from the government's capital contribution to two state-owned enterprises operating BOT projects. Based on negotiation, the non-controlling interests agreed to concede such government contribution to the Group. Such amounts were treated as transactions between the equity owners and are recorded in equity. Such amount cannot be converted into shares of the Company.

(b) Statutory surplus reserve

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

For the year ended 31 December 2017, the board of directors proposed an appropriation of 10% (2016: 10%) of the Company's profit after tax as determined under PRC GAAP, of RMB504 million (2016: RMB444 million) to the statutory surplus reserve.

(c) General reserve

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

The general reserve balance of CCCC Finance as at 31 December 2017 amounted to RMB975 million (2016: RMB766 million).

(d) Safety reserve

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

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

Percentage of equity interest held by non-controlling interests:

	2017 (%)	2016 (%)
ZPMC	**—**	53.8
CCCC (Beijing) Equity Investment Fund LLP	**—**	80.0
CCCC Financial Leasing*	**30.0**	—

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

	2017 RMB million	2016 RMB million
ZPMC	**154**	121
CCCC (Beijing) Equity Investment Fund LLP	**134**	160
CCCC Financial Leasing	**—**	—

Dividends paid to non-controlling interests:

	2017 RMB million	2016 RMB million
ZPMC	**236**	2
CCCC (Beijing) Equity Investment Fund LLP	**134**	160
CCCC Financial Leasing	**—**	—

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

	2017 RMB million	2016 RMB million
ZPMC	**—**	8,169
CCCC (Beijing) Equity Investment Fund LLP	**—**	3,000
CCCC Financial Leasing	**1,678**	—

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

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

2017	**CCCC Financial Leasing RMB million**
Revenue	**1,173**
Profit before tax	**362**
Profit for the year	**272**
Total comprehensive income	**271**
Current assets	**17,074**
Non-current assets	**8,988**
Current liabilities	**(9,405)**
Non-current liabilities	**(9,560)**
Net cash flows used in operating activities	**(82)**
Net cash flows used in investing activities	**(2)**
Net cash flows from financing activities	**980**
Exchange gains on cash and cash equivalents	**(3)**
Net increase in cash and cash equivalents	**893**

* ZPMC was deconsolidated from the Group on 27 December 2017 (note 12 and 41), such that the 30% equity interests of CCCC Financial Leasing as held by ZPMC became non-controlling interest in CCCC Financial Leasing.

2016	ZPMC RMB million	CCCC (Beijing) Equity Investment Fund LLP RMB million
Revenue	24,348	212
Profit before tax	369	201
Profit for the year	307	201
Total comprehensive income	430	201
Current assets	29,586	6
Non-current assets	31,238	3,750
Current liabilities	(37,889)	(4)
Non-current liabilities	(6,448)	—
Net cash flows from operating activities	1,660	202
Net cash flows used in investing activities	(726)	—
Net cash flows from/(used in) financing activities	151	(202)
Exchange gains on cash and cash equivalents	74	—
Net increase in cash and cash equivalents	1,159	—

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

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

(a) A tranche of USD denominated perpetual securities of USD1,100 million (with a nominal value equivalent to RMB6,706 million) was issued in April 2015 by CCCI. There is no maturity date for the debt instrument and the holders have no right to receive a return of principal, so this financial instrument was classified as equity of the issuer, and consequently, as non-controlling interests of the Group. The initial interest rate of the debt instrument was 3.50% per annum, which will be reset once in every three years since the issuance date.

(b) A tranche of debt instrument was issued in September 2016 by CFHEC with a nominal value of RMB1,500 million. There is no maturity date for the debt instrument and the holders have no right to receive a return of principal, so this financial instrument was classified as equity of the issuer, and consequently, as non-controlling interests of the Group. The initial interest rate of the debt instrument was 4.50% per annum, which will be reset once in every three years since the issuance date.

(c) Seven tranches of debt instruments were issued in September, October, November, November, December, December and December 2017 respectively, by subsidiaries of the Group, with nominal values of RMB500 million, RMB1,500 million, RMB1,000 million, RMB1,500 million, RMB300 million, RMB500 million and RMB50 million, respectively. There is no maturity date for these debt instruments and the holders have no right to receive returns of principal, so this financial instrument was classified as equity of the issuer, and consequently, as non-controlling interests of the Group. The initial interest rates of these debt instruments were 5.48%, 5.27%, 5.70%, 5.45%, 6.00%, 6.80% and 6.50% per annum, which will be reset once in every three or two years since the issuance date.

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38. CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

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

	2017 RMB million	2016 RMB million
Bank acceptance bills received for sale of goods and services had been endorsed to engineering contractor or equipment supplier	751	1,246
Others	—	4
	751	1,250

(b) Changes in liabilities arising from financing activities

2017	Bank and other loans RMB million	Finance lease payables RMB million	Corporate bonds RMB million	Debentures RMB million	Non-public debt instruments RMB million	Dividend RMB million	Total RMB million
At 1 January 2017	223,044	1,516	26,220	10,144	12,556	85	273,565
Changes from financing cash flows	48,656	(560)	(7,170)	(10,325)	(6,606)	(4,887)	19,108
New finance lease	—	4	—	—	—	—	4
Foreign exchange movement	138	—	—	—	—	—	138
Declared dividends	—	—	—	—	—	5,129	5,129
Interest expense	11,123	149	1,175	181	506	—	13,134
Discounted amounts	—	—	19	—	3	—	22
Increase arising from acquisition of subsidiaries	803	—	—	—	—	9	812
Decrease arising from disposal of subsidiaries	(50,374)	—	—	—	—	(32)	(50,406)
At 31 December 2017	233,390	1,109	20,244	—	6,459	304	261,506

NOTES TO FINANCIAL STATEMENTS

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39. CONTINGENT LIABILITIES

	2017 RMB million	2016 RMB million
Pending lawsuits (note a)	**689**	4,173
Outstanding loan guarantees (note b)	**7,912**	1,282
	8,601	5,455

(a) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for the above pending lawsuits of RMB689 million (31 December 2016: RMB4,173 million) when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.

(b) The Group has acted as the guarantors for various external borrowings made by certain joint ventures and associates of the Group. During 2017, the Group completed the disposal of 99% equity interest in Guizhou Zhong Jiao Gui Weng Expressway Limited Company ("Zhong Jiao Gui Weng") and hence lost the control of the company. Upon completion of this disposal, the residual interest in Zhong Jiao Gui Weng are stated as the investment in an associate under the equity method of accounting. The Group had acted as the guarantors for the borrowings amounted to RMB6,325 million of Zhong Jiao Gui Weng since 2013.

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40. BUSINESS COMBINATIONS INVOLVING ENTITIES NOT UNDER COMMON CONTROL

In 2016, China Communications Construction Company (Brazil) Participações Ltda., a subsidiary of the Company, entered into equity transfer agreement with third parties to acquire 80% of the equity interests of Concremat Engenharia e Tecnologia S.A. at a cash consideration of 334 million Brazilian relais (equivalent to RMB720 million). In 2017, China Communications Construction Company (Brazil) Participações Ltda. completed the acquisition.

The fair value and book value of assets and liabilities of Concremat Engenharia e Tecnologia S.A. at the date of acquisition were as follows:

	31 January 2017 Fair value RMB million	31 January 2017 Book value RMB million
Non-current assets		
Property, plant and equipment	88	66
Intangible assets	399	14
Trade and other receivables	76	76
Deferred tax assets	47	47
	610	203
Current assets		
Trade and other receivables	459	459
Cash and cash equivalents	150	150
	609	609
Current liabilities		
Interest-bearing bank and other borrowings	(106)	(106)
Trade and other payables	(151)	(151)
Tax payables	(106)	(106)
	(363)	(363)
Non-current liabilities		
Provisions	(22)	(22)
Interest-bearing bank and other borrowings	(47)	(47)
Deferred tax liabilities	(164)	(26)
	(233)	(95)
Net assets	623	354
Non-controlling interests	(155)	
	468	
Goodwill on acquisition	252	
	720	
Consideration		
Satisfied by cash	720	

NOTES TO FINANCIAL STATEMENTS

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40. BUSINESS COMBINATIONS INVOLVING ENTITIES NOT UNDER COMMON CONTROL (CONTINUED)

In 2017, certain subsidiaries of the Company completed acquisitions of additional equity interests in Zhejiang Lingyun Water Resources Co., Ltd (renamed as "CCCC Water Resources and Hydropower Construction Co., Ltd." after the acquisition), Sichuan Land Planning & Design Institute Co., Ltd, and certain other companies, since then such entities became subsidiaries of the Group.

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

	Acquisition date Fair value RMB million	Acquisition date Book value RMB million
Non-current assets		
Property, plant and equipment	335	319
Intangible assets	49	33
Trade and other receivables	664	664
	1,048	1,016
Current assets		
Inventory	815	815
Trade and other receivables	555	555
Cash and cash equivalents	705	705
	2,075	2,075
Current liabilities		
Interest-bearing bank and other borrowings	(50)	(50)
Trade and other payables	(440)	(440)
	(490)	(490)
Non-current liabilities		
Interest-bearing bank and other borrowings	(600)	(600)
Trade and other payables	(11)	(11)
	(611)	(611)
Net assets	2,022	1,990
Non-controlling interests	(1,217)	
	805	
Goodwill on acquisition	154	
	959	
Consideration		
Satisfied by cash	527	
Interest in joint ventures	157	
Interest in associates	275	
	959	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2017 RMB million
Cash consideration	**1,247**
Cash paid for acquisition of subsidiaries	**1,125**
Cash and bank balances of subsidiaries acquired	**(854)**
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**271**

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31 December 2017

40. BUSINESS COMBINATIONS INVOLVING ENTITIES NOT UNDER COMMON CONTROL (CONTINUED)

Since the acquisition, the acquirees contributed RMB1,325 million to the Group's revenue and RMB13 million to the consolidated loss for the year ended 31 December 2017.

Had the combination taken place at the begining of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB461,549 million and RMB18,457 million.

41. DISPOSAL OF SUBSIDIARIES

(a) On 18 July 2017, the Group entered into an equity transfer agreement with CCCG, pursuant to which the Company and CHEC agreed to transfer 29.99% equity interests of ZPMC to CCCG and CCCG HK for a consideration of RMB5,661 million. Upon the completion of this transfer on 27 December 2017, the Group still holds 16.24% equity interest in ZPMC, and thus ZPMC ceased to be a subsidiary of the Group.

(b) On 31 December 2017, the Group entered into certain agreements with a joint venture (a fund engaged in infrastructure investment), to dispose of the Group's 99% equity interests in three subsidiaries which held concession assets (toll roads), for an aggregate consideration of RMB2,847 million. Furthermore, the Group entered into certain forward equity contracts (note 27(c)) with the joint venture to repurchase these equity interests in future with discount to the consideration under some conditions. The cost of these forward equity contracts will be paid by instalments in five years, with a discounted net present value of RMB390 million. The fair value of these forward equity contracts was RMB256 million as at trade date and 31 December 2017.

(c) On 24 October 2017, CCCC Investment, a subsidiary of the Company disposed of 82.96% equity interests of Nanjing CCCC Weisanlu Co., Ltd ("Nanjing Weisanlu") to a third party, thereafter the Group no longer have the control over Nanjing Weisanlu, which was deconsolidated since then.

(d) In addition, during 2017, the Group disposed of certain other companies, the aggregate financial information of these companies has been disclosed in note 41(e).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(e) The aggregate financial information of the subsidiaries disposed of by the Group, at the date of disposal in 2017, is as follows:

	2017 ZPMC RMB million	2017 Three toll roads and Nanjing Weisanlu RMB million	2017 Other companies RMB million	Total RMB million
Net assets disposed of				
Non-current assets				
Property, plant and equipment	19,231	3	121	19,355
Intangible assets	295	15,682	—	15,977
Investment properties	301	—	—	301
Prepaid land lease payments	3,809	—	82	3,891
Investments in joint ventures	239	—	—	239
Investments in associates	194	—	—	194
Available-for-sale investments	1,304	—	—	1,304
Trade and other receivables	2,502	—	—	2,502
Deferred tax assets	618	—	—	618
Other non-current assets	1,888	8,608	4	10,500
	30,381	24,293	207	54,881
Current assets				
Inventories	18,016	—	1,412	19,428
Amounts due from contract customers	2,509	—	—	2,509
Trade and other receivables	8,923	192	65	9,180
Cash and bank balances	5,770	558	85	6,413
Other financial assets at fair value through profit or loss	8	—	—	8
	35,226	750	1,562	37,538
Current liabilities				
Interest-bearing bank and other borrowings	(26,813)	(788)	—	(27,601)
Trade and other payables	(13,756)	(2,953)	(1,122)	(17,831)
Provision	(88)	—	—	(88)
Tax payable	(204)	(2)	—	(206)
	(40,861)	(3,743)	(1,122)	(45,726)
Non-current liabilities				
Interest-bearing bank and other borrowings	(6,665)	(16,108)	—	(22,773)
Deferred income	(551)	—	—	(551)
Deferred tax liabilities	(183)	—	—	(183)
Trade and other payable	(2,431)	(201)	(56)	(2,688)
	(9,830)	(16,309)	(56)	(26,195)
Non-controlling interests	(6,456)	(391)	(122)	(6,969)
Other reserve	(157)	—	—	(157)
	8,303	4,600	469	13,372
Gain on disposal of subsidiaries	3,227	710	65	4,002
	11,530	5,310	534	17,374
Represented by:				
Residual interests in joint ventures	—	30	94	124
Residual interests in associates	5,869	—	13	5,882
Cash consideration	5,661	5,280	427	11,368
	11,530	5,310	534	17,374

NOTES TO FINANCIAL STATEMENTS

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41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(e) The aggregate financial information of the subsidiaries disposed of by the Group, at the date of disposal in 2017, is as follows: (continued)

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

	2017 RMB million	2016 RMB million
Cash consideration	**11,368**	2,678
Cash received from disposal of subsidiaries	**9,573**	2,678
Cash and bank balances of subsidiaries disposed of	**(6,413)**	(716)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**3,160**	1,962

(f) The information of disposal of subsidiaries that occurred and has been completed in 2016 is as follow:

In prior years, the Group held 45% equity interests and voting rights in Sanya Phoenix Island Real Estate Co., Ltd. ("Phoenix Island"), as well as 10% voting rights being conferred by another shareholder who held 10% equity interests in Phoenix Island, which was based on the agreement entered into between the Group and such shareholder. As the Group held 55% voting rights in aggregate, the Group controlled and included Phoenix Island in the Group's consolidation scope. In 2016, the above voting right arrangement in business matters of Phoenix Island was changed, thereafter the Group no longer have the control over Phoenix Island, which were deconsolidated since then, and treated as an interest in joint venture using equity accounting method.

In 2016, the Group entered into certain agreements with a joint venture (a fund engaged in infrastructure investment), to dispose of 85% equity interests in four subsidiaries which held concession assets (toll roads), for an aggregate consideration of RMB2,655 million. Furthermore, the Group entered into certain forward equity contracts (note 27(c)) with the joint venture to repurchase these equity interests in future with discount to the consideration under some conditions. The cost of these forward equity contracts will be paid by instalments in five years, with a discounted present value of RMB462 million. The fair value of these forward equity contracts was RMB310 million as at trade date and 31 December 2016.

The aggregate financial information of the subsidiaries disposed of by the Group, at the date of disposal in 2016, is as follows:

	2016 RMB million
Net assets disposed of:	
Property, plant and equipment	3,183
Concession assets	18,371
Goodwill	1,080
Other non-current assets	317
Inventories	8,667
Trade and other receivables	820
Cash and bank balances	716
Trade and other payables	(4,896)
Tax payable	(238)
Interest-bearing bank and other borrowings	(17,253)
Deferred tax liabilities	(3,086)
Other non-current liabilities	(3,672)
Non-controlling interests	(734)
	3,275
Gain on disposal of subsidiaries	511
	3,786
Represented by:	
Residual investments in joint ventures and associates	1,260
Adjustment in the price of forward equity contracts	(152)
Cash consideration	2,678
	3,786

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42. PLEDGE OF ASSETS

(a) At 31 December 2017, the restricted deposits were RMB2,880 million (31 December 2016: RMB3,943 million).

(b) Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in notes 15, 17, 18, 24(a) and 26(b), respectively, to the financial statements as follows:

	2017 RMB million	2016 RMB million
Trade and other receivables	**14,859**	18,910
Inventories	**4,013**	2,945
Property, plant and equipment	**—**	358
Prepaid land lease payments	**1,628**	822
Intangible assets	**119,600**	112,860
	140,100	135,895

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group rents out various offices, machinery, vessels and vehicles and other equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 RMB million	2016 RMB million
Within one year	**331**	253
In the second to fifth years, inclusive	**658**	297
Beyond five years	**410**	143
	1,399	693

(b) As lessee

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

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 RMB million	2016 RMB million
Within one year	**1,303**	737
In the second to fifth year, inclusive	**701**	1,025
Beyond five years	**137**	206
	2,141	1,968

44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43(b) above, the Group had the following capital commitments at the end of the reporting period:

	2017 RMB million	2016 RMB million
Intangible assets - concession assets	**115,133**	105,331
Property, plant and equipment	**139**	3,153
	115,272	108,484

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45. RELATED PARTY TRANSACTIONS

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

	2017 RMB million	2016 RMB million
Transactions with CCCG		
– Rental expenses	**100**	99
– Deposits placed with CCCC Finance	**23,004**	8,093
– Interest expense from deposits placed with CCCC Finance	**30**	38
– Other borrowing from CCCG	**10,505**	—
– Interest expense on loan	**23**	—
Transactions with fellow subsidiaries' joint venture		
– Interest income on finance lease loan	**6**	10
Transactions with fellow subsidiaries		
– Revenue from the provision of construction services	**591**	658
– Services charges	**16**	17
– Deposits placed with CCCC Finance	**59,614**	23,443
– Interest expense from deposits placed with CCCC Finance	**37**	12
– Finance lease loan to fellow subsidiary	**1,000**	—
– Interest income on finance lease loan	**49**	24
Transactions with joint ventures and associates		
– Revenue from the provision of construction services	**29,376**	8,246
– Revenue from the other services	**27**	—
– Sales of goods	**12**	188
– Subcontracting fee charges	**746**	694
– Purchase of materials	**745**	310
– Services charges	**172**	10
– Revenue from rental income	**169**	174
– Deposits placed with CCCC Finance	**8,669**	2,514
– Interest expense from deposits placed with CCCC Finance	**1**	2
– Loans to joint ventures and associates	**5,057**	2,321
– Interest income from loans	**285**	168
– Finance lease loan to joint ventures and associates	**1,000**	—
– Interest income on finance lease loan	**57**	4

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

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31 December 2017

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

	2017 RMB million	2016 RMB million
Trade and bills receivables due from		
– Fellow subsidiaries	**935**	524
– Joint ventures and associates	**3,928**	701
	4,863	1,225
Long-term trade receivables due from		
– CCCG	**3**	—
– Fellow subsidiaries	**606**	549
– Joint ventures and associates	**13,586**	6,719
– Fellow subsidiaries' joint ventures	**50**	146
	14,245	7,414
Prepayments to		
– Fellow subsidiaries	**706**	—
– Joint ventures and associates	**754**	5
	1,460	5
Other receivables due from		
– CCCG	**3**	—
– Fellow subsidiaries	**333**	2
– Joint ventures and associates	**5,398**	5,434
	5,734	5,436
Amounts due from contract customers		
– Fellow subsidiaries	**110**	66
– Joint ventures and associates	**4,015**	1,145
	4,125	1,211
	30,427	15,291

The current receivables are unsecured in nature and bear no interest. No provisions are made against receivables from related parties during 2017 and 2016.

Long-term receivables are expected to be received beyond one year. The remaining trade and other receivables are expected to be received within one year.

NOTES TO FINANCIAL STATEMENTS

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45. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2017 RMB million	2016 RMB million
Trade and other payables due to		
– Fellow subsidiaries	56	9
– Joint ventures and associates	2,745	956
	2,801	965
Long-term trade payables due to		
– Fellow subsidiaries	6	36
– Fellow subsidiaries' joint venture	23	23
– Joint ventures and associates	986	129
	1,015	188
Advances from customers		
– CCCG	7	—
– Fellow subsidiaries	74	114
– Joint ventures and associates	7,869	1,504
	7,950	1,618
Deposits from		
– CCCG	3,980	3,223
– Fellow subsidiaries	3,763	4,498
– Joint ventures and associates	1,301	408
	9,044	8,129
Other payables due to		
– CCCG	767	—
– Fellow subsidiaries	10	—
– Joint ventures and associates	1,347	450
	2,124	450
Amounts due to contract customers		
– Joint ventures and associates	1,438	262
Other borrowings		
– CCCG	10,055	—
	34,427	11,612

The payables are not secured and bear no interest. They are expected to be repaid within one year.

(c) Guarantees with related parties:

	2017 RMB million	2016 RMB million
Outstanding loan guarantees provided to		
– Joint ventures	6,442	157
– Associates	1,470	1,110
	7,912	1,267
Outstanding guarantees provided by CCCG	14,149	20,242

NOTES TO FINANCIAL STATEMENTS

31 December 2017

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Commitments with related parties:

	2017 RMB million	2016 RMB million
Provision of construction services		
– Fellow subsidiaries	**418**	—
– Joint ventures and associates	**149,360**	39,877
	149,778	39,877
Purchase of services		
– Joint ventures and associates	**635**	56
Operating lease as lessee		
– CCCG	**100**	99

(e) Key management compensation

	2017 RMB'000	2016 RMB'000
Short term employee benefits	**14,753**	12,697
Post-employment benefits	**759**	664
	15,512	13,361

(f) Other transactions with related parties

(i) On 18 July 2017, the Group entered into an equity transfer agreement with CCCG, pursuant to which the Company and CHEC agreed to transfer 29.99% equity interests (12.59% A share and 17.40% B share) of ZPMC to CCCG and CCCG HK for a consideration of RMB5,661 million. The transfer price of ZPMC A shares was determined by reference to the arithmetic mean of the daily weighted average price of ZPMC A Shares for the 30 trading days preceding the signing of the agreement (being RMB5.27 per share) and after arm's length negotiations to be 100% of the said price. The transfer price of ZPMC B shares was determined by reference to the net assets per share of ZPMC as at 31 March 2017 with a 5% premium and after arm's length negotiations to be RMB3.67 per share. According to the euity transfer agreement, the consideration was equal to A and B shares transfer price less the profit or loss of ZPMC generated from the agreement signed date to the deal close date. The transaction was completed on 27 December 2017. Further details of the transaction are disclosed in note 41(a) to the financial statements.

(ii) On 31 December 2017, the Group entered into certain agreements with a joint venture (a fund engaged in infrastructure investment), to dispose of the Group's 99% equity interests in three subsidiaries which held concession assets (toll roads), for an aggregate consideration of RMB2,847 million. The consideration was based on an external valuation of the business. On 31 December 2016, the assessment value was amounted to RMB3,011 million. Furthermore, the Group entered into certain forward equity contracts (note 27(c)) with the joint venture to repurchase these equity interests in future with discount to the consideration under some conditions. The cost of these forward equity contracts will be paid by instalments in five years, with a discounted net present value of RMB390 million. The fair value of these forward equity contracts was RMB256 million as at trade date and 31 December 2017. Further details of the transaction are disclosed in note 41(b) to the financial statements.

(iii) During the year, the Group entered into an agreement to transfer 100% equity interest of TECH Traffic Engineering Co., Ltd. to a fellow subsidiary for a consideration of RMB15 million, based on an external valuation of the business on 30 April 2017. The transaction was completed on 28 November 2017.

(iv) During the year, the Group entered into an agreement to transfer 100% equity interest of CCCC Resource Investment Co., Ltd. to a fellow subsidiary for a consideration of USD25 million, based on an external valuation of the business on 30 September 2016. The transaction was completed on 22 December 2017.

NOTES TO FINANCIAL STATEMENTS

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46. 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:

2017

Financial assets

	Financial assets at fair value through profit or loss RMB million	Loans and receivables RMB million	Held to maturity investment RMB million	Available-for- sale financial assets RMB million	Total RMB million
Available-for-sale investments	—	—	—	25,908	25,908
Held to maturity investment	—	—	104	—	104
Derivative financial instruments	488	—	—	—	488
Other financial assets at fair value through profit or loss	6,329	—	—	—	6,329
Trade and other receivables excluding prepayments	—	270,222	—	—	270,222
Cash and bank balances	—	134,321	—	—	134,321
Total	6,817	404,543	104	25,908	437,372

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB million	Financial liabilities at amortised cost RMB million	Total RMB million
Borrowings (excluding finance lease liabilities)	—	260,093	260,093
Finance lease liabilities	—	1,109	1,109
Derivative financial instruments	10	—	10
Trade and other payables excluding statutory and non-financial liabilities	—	268,376	268,376
Total	10	529,578	529,588

NOTES TO FINANCIAL STATEMENTS

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46. 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)

2016

Financial assets

	Financial assets at fair value through profit or loss RMB million	Loans and receivables RMB million	Held to maturity investment RMB million	Available-for- sale financial assets RMB million	Total RMB million
Available-for-sale investments	—	—	—	21,679	21,679
Held to maturity investment	—	—	131	—	131
Derivative financial instruments	381	—	—	—	381
Other financial assets at fair value through profit or loss	116	—	—	—	116
Trade and other receivables excluding prepayments	—	263,419	—	—	263,419
Cash and bank balances	—	114,637	—	—	114,637
Total	497	378,056	131	21,679	400,363

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB million	Financial liabilities at amortised cost RMB million	Total RMB million
Borrowings (excluding finance lease liabilities)	—	271,964	271,964
Finance lease liabilities	—	1,516	1,516
Derivative financial instruments	16	—	16
Trade and other payables excluding statutory and non-financial liabilities	—	236,584	236,584
Total	16	510,064	510,080

NOTES TO FINANCIAL STATEMENTS

31 December 2017

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2017 RMB million	2016 RMB million	**2017 RMB million**	2016 RMB million
Financial liabilities				
Bank borrowings	**152,945**	145,231	**155,374**	145,638
Other borrowings	**1,487**	1,520	**1,364**	1,548
Corporate bonds	**19,866**	19,848	**19,821**	20,048
Non-public debt instruments	**3,500**	6,297	**3,654**	6,549
Total	**177,798**	172,896	**180,213**	173,783

Management has assessed that the fair values of cash and bank balances, financial assets included in trade and other receivables, 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 finance lease payables, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables, and interest-bearing bank and other borrowings as at 31 December 2017 and 2016 was assessed to be insignificant.

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

NOTES TO FINANCIAL STATEMENTS

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

Fair value hierarchy

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

Assets and liabilities measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total RMB million
Assets				
Other financial assets at fair value through profit or loss	2,878	—	3,451	6,329
Derivative financial instruments	—	—	—	—
– Forward foreign exchange contracts	—	8	—	8
– Total revenue swap	—	—	81	81
– Forward equity contracts	—	—	399	399
Available-for-sale investments				
– Equity securities and other investments	23,045	—	159	23,204
– Other unlisted instruments	—	56	—	56
	25,923	64	4,090	30,077
Liabilities				
Derivative financial instruments				
– Forward foreign exchange contracts	—	(10)	—	(10)

NOTES TO FINANCIAL STATEMENTS

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

Fair value hierarchy (continued)

Assets and liabilities measured at fair value: (continued)

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total RMB million
Assets				
Other financial assets at fair value through profit or loss	116	—	—	116
Derivative financial instruments				
– Forward foreign exchange contracts	—	21	—	21
– Total revenue swap	—	—	50	50
– Forward equity contracts	—	—	310	310
Available-for-sale investments				
– Equity securities and other investments	18,853	—	27	18,880
– Other unlisted instruments	—	499	—	499
	18,969	520	387	19,876
Liabilities				
Derivative financial instruments				
– Forward foreign exchange contracts	—	(16)	—	(16)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

NOTES TO FINANCIAL STATEMENTS

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	**Significant observable inputs (Level 2) RMB million**	**Significant unobservable inputs (Level 3) RMB million**	**Total RMB million**
Bank borrowings	**—**	**155,374**	**—**	**155,374**
Other borrowings	**—**	**1,364**	**—**	**1,364**
Corporate bonds	**19,821**	**—**	**—**	**19,821**
Non-public debt instruments	**—**	**3,654**	**—**	**3,654**
	19,821	**160,392**	**—**	**180,213**

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total RMB million
Bank borrowings	—	145,638	—	145,638
Other borrowings	—	1,548	—	1,548
Corporate bonds	20,048	—	—	20,048
Non-public debt instruments	—	6,549	—	6,549
	20,048	153,735	—	173,783

NOTES TO FINANCIAL STATEMENTS

31 December 2017

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Market risk

(i) Foreign currency risk

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

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

As at 31 December 2017, the Group's aggregate net assets of RMB17,811 million, including trade and other receivables, cash and bank balances, trade and other payables and borrowings, were denominated in foreign currencies, mainly USD.

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

As at 31 December 2017, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, post-tax profit for the year would had been decreased/increased by approximately RMB293 million, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

(ii) Price risk

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

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

	2017	2016
Increases/decreases in quoted price in open markets	**10%**	10%

	2017 **RMB million**	2016 RMB million
Impact on profit before tax for the year	**12**	12
Impact on equity (excluding retained profits)	**1,798**	1,479

NOTES TO FINANCIAL STATEMENTS

31 December 2017

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2017 and 2016, the Group's borrowings at variable rates were mainly denominated in RMB, USD, Euro and Hong Kong Dollars ("HKD").

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

Increases in interest rates will increase the cost of new borrowings and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position. Management continuously monitors the interest rate position of the Group, and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the directors did not consider it was necessary to do so in 2017 and 2016.

As at 31 December 2017, the Group's borrowings of approximately RMB161,014 million (2016: RMB150,979 million) were at variable rates. As at 31 December 2017, if interest rates on borrowings had been 1.00 percentage-point higher/lower with all other variables held constant, profit before tax for the year would have been decreased/increased by RMB1,610 million (2016: 1.00 percentage-point higher/lower, RMB1,510 million decreased/increased), mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

The Group holds substantially all of the bank deposits in major financial institutions located in the PRC and certain overseas banks with proper credit ratings. Management believes these financial institutions are reputable and there is no significant credit risk of losses on such assets. The Group has policies that limit the amount of credit exposure to any financial institutions.

The Group's major customers are PRC Government agencies at the national, provincial and local levels, and other state-owned enterprises, which accounted for a substantial amount of the Group's total operating revenue during the year. The Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluation of its customers. With regard to overseas companies of inadequate creditworthiness, the Group usually demands letters of guarantee or letters of credit.

Moreover, impairment losses are recognised for the credit risk that is inherent in trade receivables from the domestic and overseas businesses. The maximum exposure to loss of trade receivables is equal to their total carrying amounts. The carrying amounts of trade receivables, showing separately those receivables that are past due or impaired, are disclosed in note 26(a).

Transactions involving derivative financial instruments that hedge foreign exchange exposures are with counterparties that have good credit ratings, and the Group does not use derivative financial instruments for purposes other than risk management. The maximum exposure to credit risk at the reporting date is equal to the carrying amount of those derivatives classified as financial assets. Given their good credit ratings, management does not expect any counterparty to fail to meet its obligations.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

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

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

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

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

2017	**Less than 1 year RMB million**	**Between 1 and 2 years RMB million**	**Between 2 and 5 years RMB million**	**Over 5 years RMB million**	**Total RMB million**
Borrowings (excluding finance lease liabilities)	**91,443**	**42,274**	**47,357**	**156,414**	**337,488**
Finance lease liabilities	**409**	**299**	**389**	**125**	**1,222**
Trade and other payables (excluding statutory and non-financial liabilities)	**258,096**	**7,547**	**3,408**	**103**	**269,154**
Net-settled derivative financial instruments	**3**	**—**	**—**	**—**	**3**
Gross-settled derivative financial instruments outflows	**17**	**—**	**—**	**—**	**17**
Gross-settled derivative financial instruments inflows	**(10)**	**—**	**—**	**—**	**(10)**
	349,958	**50,120**	**51,154**	**156,642**	**607,874**

2016	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
Borrowings (excluding finance lease liabilities)	109,128	34,744	59,944	147,255	351,071
Finance lease liabilities	474	423	596	199	1,692
Trade and other payables (excluding statutory and non-financial liabilities)	228,336	6,203	3,514	98	238,151
Net-settled derivative financial instruments	3	—	—	—	3
Gross-settled derivative financial instruments outflows	711	17	—	—	728
Gross-settled derivative financial instruments inflows	(719)	(16)	—	—	(735)
	337,933	41,371	64,054	147,552	590,910

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Capital risk management

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

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

	2017 RMB million	2016 RMB million
Total borrowings (note 30)	261,202	273,480
Less: cash and cash equivalents (note 28)	(129,197)	(108,720)
Net debt	132,005	164,760
Total equity	205,594	186,570
Total capital	337,599	351,330
Gearing ratio	39.1%	46.9%

The gearing ratio as at 31 December 2017 decreased by 7.8% compared with that in 2016.

49. EVENTS AFTER THE REPORTING PERIOD

On 29 March 2018, the board of directors of the Company resolved that a final dividend of RMB0.24190 per share, totalling approximately RMB3,913 million, is to be distributed to the shareholders, subject to approval of the shareholders at the forthcoming annual general meeting. Such final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

50. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during current year had been discontinued at the beginning of the comparative period (note 12).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2017 RMB million	2016 RMB million
Non-current assets		
Property, plant and equipment	**161**	148
Intangible assets	**103**	99
Investments in subsidiaries	**112,056**	115,431
Investments in joint ventures	**1,124**	1,015
Investments in associates	**7,491**	3,088
Other financial assets at fair value through profit or loss	**210**	—
Available-for-sale investments	**17,257**	12,239
Trade and other receivables	**12,217**	5,042
Loans to subsidiaries	**455**	—
Amounts due from subsidiaries	**1,582**	1,532
Total non-current assets	**152,656**	138,594
Current assets		
Inventories	**421**	393
Trade and other receivables	**14,103**	21,022
Loans to subsidiaries	**17,904**	26,686
Amounts due from subsidiaries	**16,144**	12,049
Amounts due from contract customers	**4,915**	7,650
Restricted bank deposits	**111**	23
Cash and cash equivalents	**60,180**	38,828
Total current assets	**113,778**	106,651
Current liabilities		
Trade and other payables	**6,581**	28,135
Amounts due to subsidiaries	**90,904**	55,729
Amounts due to contract customers	**2,807**	1,355
Tax payables	**25**	21
Interest-bearing bank and other borrowings	**32,005**	27,212
Retirement benefit obligations	**—**	3
Total current liabilities	**132,322**	112,455
Net current (liabilities)/assets	**(18,544)**	(5,804)
Total assets less current liabilities	**134,112**	132,790

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

	2017 RMB million	2016 RMB million
Total assets less current liabilities	**134,112**	132,790
Non-current liabilities		
Trade and other payables	**831**	370
Amounts due to subsidiaries	**3,146**	3,791
Interest-bearing bank and other borrowings	**18,925**	22,958
Deferred tax liabilities	**3,488**	2,363
Retirement benefit obligations	**55**	57
Provison	**386**	—
Total non-current liabilities	**26,831**	29,539
Net assets	**107,281**	103,251
Equity		
Equity attributable to owners of the parent		
Share capital	**16,175**	16,175
Share premium	**19,656**	19,656
Financial instruments classified as equity	**19,431**	19,431
Reserves (note)	**52,019**	47,989
Total equity	**107,281**	103,251

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

Note:

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

	Capital reserve RMB million	Statutory surplus reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB million	Safety reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2016	21,170	3,772	55	8,643	6	—	14,876	48,522
Profit for the year	—	—	—	—	—	—	4,644	4,644
Changes in fair value of available-for-sale investments, net of tax	—	—	—	(1,077)	—	—	—	(1,077)
Actuarial gains on retirement benefit obligations, net of tax	—	—	2	—	—	—	—	2
Final 2015 dividend declared	—	—	—	—	—	—	(3,079)	(3,079)
Distributions to holders of financial instruments classified as equity	—	—	—	—	—	—	(1,018)	(1,018)
Other distributions	—	—	—	—	—	—	(5)	(5)
Transfer to statutory surplus reserve	—	444	—	—	—	—	(444)	—
Transfer to safety reserve	—	—	—	—	14	—	(14)	—
At 31 December 2016	21,170	4,216	57	7,566	20	—	14,960	47,989
Profit for the year	—	—	—	—	—	—	3,354	3,354
Changes in fair value of available-for-sale investments, net of tax	—	—	—	4,006	—	—	—	4,006
Actuarial gains on retirement benefit obligations, net of tax	—	—	1	—	—	—	—	1
Share of other comprehensive income of joint ventures and associates	3	—	6	—	—	—	—	9
Exchange differences on translation of foreign operations	—	—	—	—	—	(8)	—	(8)
Share of other reserve of an associate	3	—	—	44	—	—	784	831
Final 2016 dividend declared	—	—	—	—	—	—	(3,145)	(3,145)
Distributions to holders of financial instruments classified as equity	—	—	—	—	—	—	(1,018)	(1,018)
Transfer to statutory surplus reserve	—	504	—	—	—	—	(504)	—
Transfer to safety reserve	—	—	—	—	(20)	—	20	—
At 31 December 2017	21,176	4,720	64	11,616	—	(8)	14,451	52,019

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

TERMS & GLOSSARIES

DEFINITIONS

"AGM"	the annual general meeting of the Company for the year 2017 to be held in 2018
"A Shares"	domestic shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
"Articles of Association"	the articles of associations of the Company, approved on 8 October 2006, and as amended thereafter
"Board"	the board of directors of the Company
"BOT"	build, operate and transfer
"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
"CCCC Dredging"	CCCC Dredging (Group) Co., Ltd., a subsidiary of the Company
"CCCC Finance"	CCCC Finance Company Limited (中交財務有限公司), a subsidiary of the Company
"CCCC Financial Leasing"	CCCC Financial Leasing Co., Ltd. a subsidiary of the Company
"CCCC Fund"	CCCC Fund Management Co., Ltd., a subsidiary of the Company
"CCCG"	China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds approximately 63.84% equity interest in the Company
"CCCG HK"	CCCG (HK) Holding Limited, a wholly-owned subsidiary of CCCG
"CHEC"	China Harbour Engineering Company Ltd. (中國港灣工程有限責任公司), a subsidiary of the Company
"EPC"	Engineer-Procure-Construct, being the general contracting of design-procurement-construction
"Director(s)"	the director(s) of the Company
"experts in five areas"	the strategy of being "experts in five areas" proposed by CCCG, is the optimisation and re-building of CCCG based on its existing businesses, markets and resources. That is, to build CCCG to be a world-famous engineering contractor, an urban complex developer and operator, a distinctive real estate developer, an integrated infrastructure investor and a general contractor of offshore heavy equipment and port machinery manufacturing and system integration. As an important holding subsidiary of CCCG, CCCC is the significant implementor of such strategy
"equity transfer of ZPMC"	the transfer of an aggregate of 29.99% equity interests in ZPMC by the Company and its subsidiaries, Zhen Hua Engineering Company Limited (振華工程有限公司) and Zhen Hwa Harbour Construction Co. Ltd. (振華海灣工程有限公司) to CCCG and CCCG HK on 18 July 2017, of which the registration procedures was completed on 27 December 2017
"Group"	the Company itself and all of its subsidiaries
"H Shares"	overseas-listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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
"Macau"	the Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"PPP"	Public-Private-Partnership, the cooperative model between governments and private sector, which refers to the mechanisms through which governments build profit sharing, risk pooling and long-term cooperating relationship with the private sector, such as granting exclusivity rights, services purchasing and co-investment, so as to enhance the availability of public products and services and improve supplying efficiency
"PRC" or "China" or "Mainland China"	the People's Republic of China excluding, for the purposes of this report, Hong Kong, Macau and Taiwan
"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	State-owned Assets Supervisor and Administration Commission of the State Council
"Shanghai Listing Rules"	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
"Shareholders"	the shareholders of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"USD"	United States dollars, the lawful currency of the United States of America
"ZPMC"	Shanghai Zhenhua Heavy Industries Co., Ltd. (上海振華重工 (集團) 股份有限公司), a company incorporated on 14 February 1992 in the PRC and listed on the Shanghai Stock Exchange, and a non-wholly owned subsidiary of CCCG
"%"	percent

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

CORPORATE INFORMATION

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: LIU Qitao

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.cccccltd.cn

E-mail: ir@cccccltd.cn

IV. INFORMATION DISCLOS URE AND PLA CE AVAILA BLE 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 annual reports of A Shares:

19th Floor, 85 De Sheng Men Wai Street, Xicheng District, Beijing, China

Place available for inspection of the Company's annual 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: ZHANG Yiqiang and ZHANG Ningning

International Auditors:

Ernst & Young

22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Signing auditor: YIM Chi Hung, Henry

Sponsor performing continuous supervisory duty during the reporting period:

CITIC Securities Co., Ltd.

CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, China

Signing representative of sponsor: LIU Yan and YE Jianzhong

Period of continuous supervision: 16 March 2016 to 31 December 2017

Hong Kong legal advisors:

Baker & Mckenzie

14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong

PRC legal advisors:

Deheng Law Offices

12/F, Tower B, Focus Place, No 19 Finance Street, Xicheng District, Beijing, China

Authorised representatives of H Shares:

FU Junyuan, 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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