



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
Phone: (852) 2846 9888
Fax: (852) 2868 4432
www.ey.com

To the shareholders of China Communications Construction Company Limited
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 37 to 93, which comprises the condensed consolidated statement of financial position of China Communications Construction Company Limited (the "Company") and its subsidiaries as at 30 June 2017 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Certified Public Accountants
Hong Kong
29 August 2017

Interim condensed consolidated statement of profit or loss

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 Unaudited RMB million	2016 Unaudited RMB million
Revenue	4	189,280	182,313
Cost of sales	5	(163,932)	(160,279)
Gross profit		25,348	22,034
Other income	4	1,830	1,902
Other gains, net	4	705	148
Selling and marketing expenses		(396)	(347)
Administrative expenses		(12,212)	(10,047)
Other expenses		(625)	(444)
Operating profit		14,650	13,246
Finance income	6	1,570	1,769
Finance costs, net	7	(5,212)	(5,291)
Share of profits and losses of:			
– Joint ventures		(174)	12
– Associates		36	(51)
Profit before tax	5	10,870	9,685
Income tax expense	8	(2,685)	(2,273)
Profit for the period		8,185	7,412
Attributable to:			
– Owners of the parent		7,868	7,258
– Non-controlling interests		317	154
		8,185	7,412
Earnings per share attributable to ordinary equity holders of the parent			
– Basic	10	RMB0.43	RMB0.40
– Diluted	10	RMB0.43	RMB0.40

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 Unaudited RMB million	2016 Unaudited RMB million
Profit for the period		8,185	7,412
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:</i>			
Actuarial gains/(losses) on retirement benefit obligations		20	(9)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:</i>			
Changes in fair value of available-for-sale investments			
– Gains/(losses) arising during the period		3,453	(1,194)
– Release of investment revaluation reserve upon disposal of available-for-sale investments	13	(108)	(43)
Cash flow hedges		2	3
Share of other comprehensive income of joint ventures and associates		(24)	4
Exchange differences on translation of foreign operations		(8)	498
Other comprehensive income for the period, net of tax		3,335	(741)
Total comprehensive income for the period		11,520	6,671
Attributable to:			
– Owners of the parent		11,202	6,520
– Non-controlling interests		318	151
		11,520	6,671

Interim condensed consolidated statement of financial position

30 June 2017

	Notes	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Non-current assets			
Property, plant and equipment	11	67,412	66,775
Investment properties		2,287	2,346
Prepaid land lease payments		10,887	10,676
Intangible assets	12	155,322	143,380
Investments in joint ventures		7,330	6,201
Investments in associates		12,891	12,550
Available-for-sale investments	13	26,260	21,679
Held-to-maturity investments		235	131
Trade and other receivables	16	100,609	95,558
Deferred tax assets		4,644	4,640
Total non-current assets		387,877	363,936
Current assets			
Inventories	14	48,698	45,554
Amounts due from contract customers	15	109,252	85,973
Trade and other receivables	16	202,192	190,485
Other financial assets at fair value through profit or loss		2,884	116
Derivative financial instruments	17	384	381
Restricted bank deposits and time deposits with an initial term of over three months	18	5,706	5,917
Cash and cash equivalents	18	100,608	108,720
Total current assets		469,724	437,146
Current liabilities			
Trade and other payables	19	324,659	292,990
Amounts due to contract customers	15	24,374	27,198
Tax payable		3,175	3,942
Derivative financial instruments	17	8	16
Interest-bearing bank and other borrowings	20	106,363	99,484
Retirement benefit obligations		155	155
Provisions		–	169
Total current liabilities		458,734	423,954
Net current assets		10,990	13,192
Total assets less current liabilities		398,867	377,128

Interim condensed consolidated statement of financial position (Continued)

30 June 2017

	Notes	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Total assets less current liabilities		398,867	377,128
Non-current liabilities			
Trade and other payables	19	9,971	9,454
Interest-bearing bank and other borrowings	20	185,814	173,996
Deferred income		1,451	1,317
Deferred tax liabilities		5,260	4,447
Retirement benefit obligations		1,252	1,344
Provisions		347	–
Total non-current liabilities		204,095	190,558
Net assets		194,772	186,570
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	21	112,609	104,061
		167,871	159,323
Non-controlling interests		26,901	27,247
Total equity		194,772	186,570

Interim condensed consolidated statement of changes in equity

For the six months ended 30 June 2017

	Attributable to owners of the parent							
	Share capital	Share premium	Financial instruments classified as equity	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million
As at 1 January 2017	16,175	19,656	19,431	22,544	81,517	159,323	27,247	186,570
Profit for the period	-	-	-	-	7,868	7,868	317	8,185
Other comprehensive income for the period:								
Changes in fair value of available-for-sale investments, net of tax	-	-	-	3,446	-	3,446	7	3,453
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of tax	-	-	-	(108)	-	(108)	-	(108)
Cash flow hedges, net of tax	-	-	-	2	-	2	-	2
Share of other comprehensive income of a joint venture	-	-	-	(23)	-	(23)	(1)	(24)
Actuarial losses on retirement benefit obligations, net of tax	-	-	-	20	-	20	-	20
Exchange differences on translation of foreign operations	-	-	-	(3)	-	(3)	(5)	(8)
Total comprehensive income for the period	-	-	-	3,334	7,868	11,202	318	11,520
Final 2016 dividends declared	-	-	-	-	(3,144)	(3,144)	-	(3,144)
Dividends on perpetual medium-term notes	-	-	-	-	(300)	(300)	(200)	(500)
Dividends on preference shares	-	-	-	-	(718)	(718)	-	(718)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(318)	(318)
Cash contribution from non-controlling interests	-	-	-	-	-	-	1,252	1,252
Transaction with non-controlling interests	-	-	-	1,508	-	1,508	(1,560)	(52)
Acquisition of a subsidiary	-	-	-	-	-	-	215	215
Disposal of subsidiaries	-	-	-	-	-	-	(54)	(54)
Transfer to safety production reserve	-	-	-	334	(334)	-	1	1
As at 30 June 2017	16,175	19,656	19,431	27,720 (note 21)	84,889	167,871	26,901	194,772

Interim condensed consolidated statement of changes in equity (Continued)

For the six months ended 30 June 2017

	Attributable to owners of the parent							
	Share capital	Share premium	Financial instruments	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
			classified as equity					
Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
As at 1 January 2016	16,175	19,656	19,431	21,935	69,527	146,724	22,282	169,006
Profit for the period	-	-	-	-	7,258	7,258	154	7,412
Other comprehensive income for the period:								
Changes in fair value of available-for-sale investments, net of tax	-	-	-	(1,182)	-	(1,182)	(12)	(1,194)
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of tax	-	-	-	(43)	-	(43)	-	(43)
Cash flow hedges, net of tax	-	-	-	3	-	3	-	3
Share of other comprehensive income of joint ventures	-	-	-	4	-	4	-	4
Actuarial losses on retirement benefit obligations, net of tax	-	-	-	(9)	-	(9)	-	(9)
Exchange differences on translation of foreign operations	-	-	-	489	-	489	9	498
Total comprehensive income for the period	-	-	-	(738)	7,258	6,520	151	6,671
Final 2015 dividends declared	-	-	-	-	(3,079)	(3,079)	-	(3,079)
Dividends on perpetual medium-term notes	-	-	-	-	(300)	(300)	-	(300)
Dividends on preference shares	-	-	-	-	(718)	(718)	-	(718)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(216)	(216)
Capital contribution from non-controlling interests	-	-	-	-	-	-	1,707	1,707
Acquisition of a subsidiary	-	-	-	-	-	-	75	75
Disposal of subsidiaries	-	-	-	-	-	-	(88)	(88)
Transfer to safety production reserve	-	-	-	240	(240)	-	-	-
As at 30 June 2016	16,175	19,656	19,431	21,437 (note 21)	72,448	149,147	23,911	173,058

Interim condensed consolidated statement of cash flows

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 Unaudited RMB million	2016 Unaudited RMB million
Cash flows from operating activities			
Profit before tax		10,870	9,685
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties	11	4,165	3,986
– Amortisation of intangible assets and prepaid land lease payments	12	627	517
– Gains on disposal of available-for-sale financial investments	4	(245)	(84)
– Gains on disposal of items of property, plant and equipment	4	(36)	–
– Gains on disposal of joint ventures and associates	4	(418)	(7)
– Gains on other financial assets at fair value through profit or loss	4	(70)	(39)
– Gains on derivative financial instruments	4	(9)	33
– Gains on disposal of other financial assets at fair value through profit or loss	4	(2)	–
– Dividend income on available-for-sale financial investments	4	(557)	(318)
– Investment income from held-to-maturity financial assets	4	(8)	(18)
– Share of losses of joint ventures and associates		138	39
– Write-down/(reversal) of provision against inventories	5	104	(35)
– Provision for foreseeable losses on construction contracts	5	213	336
– Provision for impairment of trade and other receivables	5	844	1,103
– Provision for impairment of concession assets	12	101	–
– Provision for impairment of available-for-sale investments	5	13	–
– Interest income	6	(1,570)	(1,769)
– Interest expenses	7	5,180	4,692
– Other income from investing activities		(25)	–
– Other gains from investing activities	4	(31)	–
– Net foreign exchange losses on borrowings	7	(162)	381
		19,122	18,502
Increase in inventories		(3,214)	(3,206)
Increase in amounts due from contract customers		(23,279)	(6,647)
Decrease/(increase) in restricted bank deposits		523	(168)
Increase in trade and other receivables		(14,813)	(14,020)
Decrease in amounts due to contract customers		(2,824)	(2,551)
Increase/(decrease) in trade and other payables		24,667	(5,627)
Decrease in retirement benefit obligations		(85)	(87)
Increase in provisions		178	42
Increase in deferred income		134	38
Cash generated from/(used in) operations		409	(13,724)
Interest income		857	1,419
Income tax paid		(3,354)	(3,278)
Net cash flows used in operating activities		(2,088)	(15,583)

Interim condensed consolidated statement of cash flows (Continued)

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 Unaudited RMB million	2016 Unaudited RMB million
Cash flows from investing activities			
Purchases of items of property, plant and equipment		(5,305)	(4,610)
Additions to prepaid land lease payments		(373)	(145)
Purchases of intangible assets		(9,966)	(16,970)
Purchase of investment properties		(24)	–
Proceeds from disposal of items of property, plant and equipment		199	185
Proceeds from disposal of prepaid land lease payments		–	83
Proceeds from disposal of intangible assets		1	1
Additional investments in associates		(1,674)	(403)
Additional investments in joint ventures		(184)	(7)
Purchases of available-for-sale investments		(793)	(546)
Purchases of senior perpetual securities		–	(663)
Purchases of other financial assets at fair value through profit or loss		(2,700)	(1)
Proceeds from disposal of available-for-sale investments		315	530
Proceeds from disposal of other financial assets at fair value through profit or loss		2	–
Proceeds from withdrawal upon maturity of held-to-maturity investments		–	18
Acquisition of subsidiaries		(435)	(77)
Proceeds from disposal of subsidiaries, joint ventures and associates		185	(127)
Loans to joint ventures, associates and a third party		(4,368)	–
Repayment of loans from joint ventures and associates		3,269	–
Advance receipt from non-controlling interests for transfer out shares in a subsidiary		555	–
Interest received		737	343
Changes in time deposits with an initial term of over three months		(254)	(2,625)
Receipt of government grants		100	724
Dividends received		522	329
Other income from investing activities		25	–
Net cash flows used in investing activities		(20,166)	(23,961)
Cash flows from financing activities			
Proceeds from bank and other borrowings		73,913	100,322
Repayments of bank and other borrowings		(56,325)	(70,770)
Interest paid		(5,866)	(4,281)
Changes in restricted bank deposits		–	(863)
Dividends paid to equity holders of the parent		(275)	(269)
Dividends paid to non-controlling interests of subsidiaries		(216)	(223)
Loans from parent company		500	–
Loans from non-controlling interests		1,100	–
Loans from joint ventures, associates and fellow subsidiaries		422	–
Capital contribution from non-controlling interests		1,252	1,706
Net cash flows from financing activities		14,505	25,622
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period	18	108,720	94,960
Effect of foreign exchange rate changes, net		(363)	295
Cash and cash equivalents at end of period	18	100,608	81,333

Notes to the interim condensed consolidated financial statements

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. (“CCCCG”), 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, manufacture of heavy machinery and other businesses.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim financial reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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



Notes to the interim condensed consolidated financial statements

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity 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.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. The amendments have had no significant impact on the Group's financial statements.

Annual Improvements Cycle – 2014-2016

Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, 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 (or included in a disposal group that is classified) as held for sale.

The Group has adopted the amendments retrospectively. As the disclosure requirements in IFRS 12 do not specifically apply to the interim condensed consolidated financial statements, the Group will disclose the required information in its annual consolidated financial statements for the year ended 31 December 2017.

Notes to the interim condensed consolidated financial statements

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts¹</i>
IFRS 9	<i>Financial Instruments¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
IFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers¹</i>
IFRS 16	<i>Leases²</i>
Amendments to IFRS 40	<i>Transfers of Investment Property¹</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
Amendments to IFRS 1 include in <i>Annual Improvements 2014-2016 Cycle</i>	<i>First-time Adoption of International Financial Reporting Standards¹</i>
Amendments to IAS 28 include in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Investments in associates and Joint Ventures¹</i>

- 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



Notes to the interim condensed consolidated financial statements

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

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

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 the 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. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 4 address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard. The amendments introduce two alternative options that allow entities issuing contracts within the scope of IFRS 4 for the adoption of IFRS 9, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the implementation date of IFRS 9 until the earlier of the effective date of the new insurance contracts standard and annual reporting periods beginning on or after 1 January 2021. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects arising from the adoption of IFRS 9 and reclassify the amounts to other comprehensive income for designated financial assets. The Group expects to adopt the amendments from 1 January 2018.

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 expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact 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 application now.

Notes to the interim condensed consolidated financial statements

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

Further information about those IFRSs that are expected to be applicable to the Group is as follows: (Continued)

IFRS 15 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. Amendments to IFRS 15 were issued 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 expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC- 15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to 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. 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. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Notes to the interim condensed consolidated financial statements

3. OPERATING SEGMENT INFORMATION

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

The President Office considers the business from the service and product perspectives. Management assesses the performance of the following five 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");
- (d) manufacture of heavy machinery (the "Heavy Machinery Segment"); and
- (e) others (the "Others Segment").

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 interim condensed 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 interim condensed 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 taxation, 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 Company Limited ("CCCC Finance").

Segment liabilities comprise primarily payables and amounts due to contract customers. They exclude taxation, 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 11), prepaid land lease payments, investment properties and intangible assets (Note 12).

Notes to the interim condensed consolidated financial statements

3. OPERATING SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2017 and other segment information included in the unaudited interim condensed consolidated financial statements are as follows:

	For the six months ended 30 June 2017						
	Construction	Design	Dredging	Heavy	Others	Eliminations	Total
	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Machinery Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million
Total gross segment revenue	158,158	10,040	14,740	11,429	3,331	(8,418)	189,280
Inter-segment revenue	(5,457)	(1,364)	(867)	(167)	(563)	8,418	-
Revenue	152,701	8,676	13,873	11,262	2,768	-	189,280
Segment results	11,562	975	1,195	824	329	(352)	14,533
Unallocated income							117
Operating profit							14,650
Finance income							1,570
Finance costs, net							(5,212)
Share of losses of joint ventures							(174)
Share of profits of associates							36
Profit before income tax							10,870
Income tax expense							(2,685)
Profit for the period							8,185
Other segment information							
Depreciation	2,870	101	539	627	28	-	4,165
Amortisation	490	17	21	50	49	-	627
Provision against inventories, net	2	-	-	90	12	-	104
Provision for foreseeable losses on construction contracts	176	-	2	35	-	-	213
Provision for impairment of trade and other receivables	558	54	102	80	50	-	844
Provision for impairment of concession assets	101	-	-	-	-	-	101
Provision for impairment of available-for-sale investments	13	-	-	-	-	-	13
Capital expenditure	17,686	138	612	543	309	-	19,288

Notes to the interim condensed consolidated financial statements

3. OPERATING SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2016 and other segment information included in the unaudited interim condensed consolidated financial statements are as follows:

	For the six months ended 30 June 2016						
	Construction	Design	Dredging	Heavy Machinery	Others	Eliminations	Total
	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million
Total gross segment revenue	152,283	9,973	12,393	11,938	2,449	(6,723)	182,313
Inter-segment revenue	(2,109)	(1,140)	(1,944)	(855)	(675)	6,723	–
Revenue	150,174	8,833	10,449	11,083	1,774	–	182,313
Segment results	10,679	1,097	1,275	769	53	(771)	13,102
Unallocated income							144
Operating profit							13,246
Finance income							1,769
Finance costs, net							(5,291)
Share of profits of joint ventures							12
Share of losses of associates							(51)
Profit before income tax							9,685
Income tax expense							(2,273)
Profit for the period							7,412
Other segment information							
Depreciation	2,757	89	453	621	66	–	3,986
Amortisation	390	18	12	60	37	–	517
Reversal of provision against inventories, net	–	–	–	(35)	–	–	(35)
Provision for foreseeable losses on construction contracts	141	–	–	195	–	–	336
Provision for impairment of trade and other receivables	482	47	42	93	439	–	1,103
Capital expenditure	21,548	154	535	539	49	–	22,825

Notes to the interim condensed consolidated financial statements

3. OPERATING SEGMENT INFORMATION (Continued)

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

The segment assets and liabilities at 30 June 2017 are as follows:

As at 30 June 2017							
	Construction Unaudited RMB million	Design Unaudited RMB million	Dredging Unaudited RMB million	Heavy Machinery Unaudited RMB million	Others Unaudited RMB million	Eliminations Unaudited RMB million	Total Unaudited RMB million
Segment assets	591,887	28,251	70,889	60,161	35,829	(33,984)	753,033
Investments in joint ventures							7,330
Investments in associates							12,891
Unallocated assets							84,347
Total assets							857,601
Segment liabilities	318,621	17,436	32,270	14,441	2,268	(36,712)	348,324
Unallocated liabilities							314,505
Total liabilities							662,829

Segment assets and liabilities at 30 June 2017 are reconciled to entity assets and liabilities as follows:

	Assets Unaudited RMB million	Liabilities Unaudited RMB million
Segment assets/liabilities	753,033	348,324
Investments in joint ventures	7,330	–
Investments in associates	12,891	–
Unallocated:		
Deferred income tax assets/liabilities	4,644	5,260
Current income tax liabilities	–	3,175
Current borrowings	–	106,363
Non-current borrowings	–	185,814
Available-for-sale investments	26,260	–
Held-to-maturity investments	235	–
Other financial assets at fair value through profit or loss	2,884	–
Derivative financial instruments	384	8
Cash and other corporate assets/corporate liabilities	49,940	13,885
Total	857,601	662,829

Notes to the interim condensed consolidated financial statements

3. OPERATING SEGMENT INFORMATION (Continued)

The segment assets and liabilities at 31 December 2016 are as follows:

	As at 31 December 2016							Total Audited RMB million
	Construction	Design	Dredging	Heavy	Others	Eliminations		
	Audited	Audited	Audited	Machinery	Audited	Audited		
	RMB million	RMB million	RMB million	Audited	RMB million	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 Audited RMB million	Liabilities Audited 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 the interim condensed consolidated financial statements

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2017 Unaudited RMB million	2016 Unaudited RMB million
Mainland China	148,106	142,852
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	41,174	39,461
	189,280	182,313

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

Revenue from the individual countries or regions other than the PRC was not material during the six months ended 30 June 2017 and 2016.

(b) Non-current assets

	30 June 2017	31 December 2016
	Unaudited RMB million	Audited RMB million
Mainland China	219,152	206,746
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	16,756	16,431
	235,908	223,177

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

Non-current assets in the individual countries or regions other than the PRC are not material as at 30 June 2017 and 31 December 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 the six months ended 30 June 2017 and 2016.

Notes to the interim condensed consolidated financial statements

4. REVENUE, OTHER INCOME AND OTHER GAINS, NET

Revenue represents: (1) revenue from construction contracts; (2) the values of services rendered; (3) the net invoiced value of goods sold, after allowances for returns and trade discounts and excludes sales taxes and intra-group transactions.

An analysis of revenue, other income and other gains is as follows:

	For the six months ended 30 June	
	2017 Unaudited RMB million	2016 Unaudited RMB million
Revenue		
Construction	158,158	152,283
Design	10,040	9,973
Dredging	14,740	12,393
Heavy machinery	11,429	11,938
Others	3,331	2,449
Eliminations	(8,418)	(6,723)
	189,280	182,313
Other income		
Rental income	273	298
Dividend income on available-for-sale investments		
– Listed equity securities	547	313
– Unlisted equity investments	10	5
Government grants	137	276
Income from sale of waste and materials	20	279
Income from held-to-maturity financial assets	8	18
Others	835	713
	1,830	1,902
Other gains, net		
Gains on disposal of available-for-sale investments	245	84
Gains on disposal of items of property, plant and equipment	36	–
Gains on disposal of joint ventures and associates	418	7
Gains from other financial assets at fair value through profit or loss	70	39
Gains/(losses) on derivative financial instruments:		
– Foreign exchange forward contracts	9	(33)
Foreign exchange difference, net	(106)	51
Gains on disposal of other financial assets at fair value through profit or loss	2	–
Others	31	–
	705	148

Notes to the interim condensed consolidated financial statements

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2017 Unaudited RMB million	2016 Unaudited RMB million
Raw materials and consumables used		55,520	51,557
Cost of goods sold		2,124	1,994
Subcontracting costs		58,330	61,966
Employee benefit expenses:			
– Salaries, wages and bonuses		10,588	9,542
– Pension costs – defined contribution plans		1,562	1,377
– Housing benefits		807	763
– Welfare, medical and other expenses		6,315	7,362
		19,272	19,044
Minimum lease payments under operating leases		6,427	6,050
Business tax and other transaction tax		803	617
Fuel		1,910	1,825
Research and development costs		3,747	2,312
Repair and maintenance expenses		882	713
Utilities		599	562
Depreciation of property, plant and equipment and investment properties	11	4,165	3,986
Amortisation of intangible assets	12	502	397
Amortisation of land lease payments		125	120
Provision/(reversal) of provision against inventories, net		104	(35)
Provision for foreseeable losses on construction contracts		213	336
Provision for impairment of trade and other receivables		844	1,103
Provision for impairment of concession assets		101	–
Provision for impairment of available-for-sale investments		13	–

Notes to the interim condensed consolidated financial statements

6. FINANCE INCOME

	For the six months ended 30 June	
	2017 Unaudited RMB million	2016 Unaudited RMB million
Interest income:		
– Bank deposits	472	351
– Unwinding of discount of long-term receivables	580	1,022
– Others	518	396
	1,570	1,769

7. FINANCE COSTS, NET

	For the six months ended 30 June	
	2017 Unaudited RMB million	2016 Unaudited RMB million
Total interest expense	6,425	6,428
Less: Interest capitalised (a)	(1,245)	(1,736)
Net interest expense	5,180	4,692
Net foreign exchange losses/(gains) on borrowings	(162)	381
Others	194	218
	5,212	5,291

(a) Interest capitalised

	For the six months ended 30 June	
	2017 Unaudited RMB million	2016 Unaudited RMB million
Contract work-in-progress	(103)	(55)
Inventories	(163)	(242)
Concession assets	(562)	(996)
Construction-in-progress	(31)	(67)
Long-term receivables	(386)	(376)
	(1,245)	(1,736)

Notes to the interim condensed consolidated financial statements

8. INCOME TAX

Most of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (six months ended 30 June 2016: 25%) of the assessable income of each of these companies during the period as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries of the Company, which were exempted from tax or taxed at a preferential rate of 15% (six months ended 30 June 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% (six months ended 30 June 2016: 16.5%) on the estimated assessable profit for the period.

Taxation for other companies of the Group has been calculated on the estimated assessable profit for the six months ended 30 June 2017 and 2016 at the appropriate rates of taxation prevailing in the jurisdictions in which these companies operate.

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

	For the six months ended 30 June	
	2017 Unaudited RMB million	2016 Unaudited RMB million
Current income tax		
– PRC enterprise income tax	2,040	2,217
– Others	547	232
	2,587	2,449
Deferred income tax	98	(176)
Income tax expense	2,685	2,273

9. DIVIDENDS

A dividend in respect of the year ended 31 December 2016 of RMB0.19444 (including tax) per ordinary share, totalling RMB3,144 million was approved by the Company's shareholders in the annual general meeting on 16 June 2017.

The above approval has triggered the mandatory clauses about distribution of interests/dividends relating to perpetual medium-term notes and preference shares issued by the Company, totalling RMB300 million and RMB718 million respectively.

No interim dividend for the six months ended 30 June 2017 was declared by the Board of Directors (six months ended 30 June 2016: nil).

Notes to the interim condensed consolidated financial statements

10. EARNINGS PER SHARE

(a) Basic

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

	For the six months ended 30 June	
	2017 Unaudited	2016 Unaudited
Profit attributable to ordinary equity holders of the parent (RMB million)	7,868	7,258
Less: Distribution relating to perpetual medium-term notes (RMB million) (Note i)	(150)	(150)
Distribution relating to preference share (RMB million) (Note ii)	(718)	(718)
Profit used to determine basic earnings per share (RMB million)	7,000	6,390
Weighted average number of ordinary shares in issue (million)	16,175	16,175
Basic earnings per share (RMB per share)	0.43	0.40

- (i) The medium-term notes (the "MTN") issued by the Company on 18 December 2014 were classified as equity instruments with deferrable accumulative dividend distribution and payment. Dividend on the MTN which has been generated but not declared from 1 January 2017 to 30 June 2017 was deducted from earnings when calculating the earnings per share amount for the six months ended 30 June 2017.
- (ii) The preference shares issued by the Company in September and October 2015 were classified as equity instruments with deferrable and non-cumulative dividend distribution and payment. Dividend of RMB718 million on the preference shares was deducted from earnings when calculating the earnings per share amount for the six months ended 30 June 2017.

(b) Diluted

The diluted earnings per share amount was the same as the basic earnings per share amount as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2017 and 2016.

Notes to the interim condensed consolidated financial statements

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Unaudited RMB million	Machinery Unaudited RMB million	Vessels and vehicles Unaudited RMB million	Other equipment Unaudited RMB million	Construction-in-progress Unaudited RMB million	Total Unaudited RMB million
At 1 January 2017, net of accumulated depreciation and impairment	16,397	12,696	24,791	2,731	10,160	66,775
Additions	134	1,379	623	1,152	1,727	5,015
Disposals	(3)	(109)	(26)	(31)	(155)	(324)
Acquisition of a subsidiary	16	27	4	2	-	49
Transfer	393	155	2,613	15	(3,176)	-
Transfer to investment properties	(3)	-	-	-	-	(3)
Transfer from investment properties	26	-	-	-	-	26
Depreciation provided during the period	(378)	(1,584)	(1,108)	(1,041)	-	(4,111)
Exchange realignment	(1)	(12)	(27)	25	-	(15)
At 30 June 2017, net of accumulated depreciation and impairment	16,581	12,552	26,870	2,853	8,556	67,412
At 30 June 2017						
Cost	22,925	31,069	51,611	11,579	8,556	125,740
Accumulated depreciation and impairment	(6,344)	(18,517)	(24,741)	(8,726)	-	(58,328)
Net carrying amount	16,581	12,552	26,870	2,853	8,556	67,412

	Land and buildings Audited RMB million	Machinery Audited RMB million	Vessels and vehicles Audited RMB million	Other equipment Audited RMB million	Construction-in-progress Audited RMB million	Total Audited RMB million
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	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 period	(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

Notes to the interim condensed consolidated financial statements

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Bank borrowings were secured by certain property, plant and equipment with an aggregate carrying amount of approximately RMB253 million (31 December 2016: RMB36 million) (Note 20(c)).

As at 30 June 2017, the Group is in the process of applying for the registration of the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB4,031 million (31 December 2016: RMB5,068 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

12. INTANGIBLE ASSETS

	Concession assets Unaudited RMB million	Goodwill Unaudited RMB million	Trademark, patent and proprietary technologies Unaudited RMB million	Computer software Unaudited RMB million	Others Unaudited RMB million	Total Unaudited RMB million
At 1 January 2017, net of accumulated amortisation	136,805	5,210	945	321	99	143,380
Additions	11,812	-	83	82	78	12,055
Acquisition of subsidiaries (d)	-	371	-	-	-	371
Disposals	(65)	(1)	(1)	-	-	(67)
Amortisation provided during the period	(399)	-	(19)	(67)	(17)	(502)
Impairment during the period	(101)	-	-	-	-	(101)
Exchange realignment	-	186	-	-	-	186
At 30 June 2017, net of accumulated amortisation	148,052	5,766	1,008	336	160	155,322
At 30 June 2017						
Cost	150,534	5,816	1,234	711	348	158,643
Accumulated amortisation and impairment	(2,482)	(50)	(226)	(375)	(188)	(3,321)
Net carrying amount	148,052	5,766	1,008	336	160	155,322

Notes to the interim condensed consolidated financial statements

12. INTANGIBLE ASSETS (Continued)

	Concession assets Audited RMB million	Goodwill Audited RMB million	Trademark, patent and proprietary technologies Audited RMB million	Computer software Audited RMB million	Others Audited RMB million	Total Audited RMB million
At 1 January 2016, net of accumulated amortisation	134,056	6,016	913	235	125	141,345
Additions	32,805	-	46	169	12	33,032
Disposals	(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

- (a) As at 30 June 2017, concession assets represent assets under "Build-Operate-Transfer" service concession arrangements and mainly consist of toll roads in Mainland China. Certain concession projects have been put into operations, the cost of the related concession assets amounted to RMB113,298 million (31 December 2016: RMB112,195 million). The cost of the concession assets where the related projects were under construction amounted to RMB37,236 million (31 December 2016: RMB26,592 million).
- (b) Up to 30 June 2017, the Group recognised an impairment of RMB299 million to profit or loss, based on an impairment test for a concession asset (a toll road) in the construction segment with carrying amount before impairment of RMB2,203 million as at 30 June 2017, as the concession asset has experienced losses and lower than expected traffic volume. The recoverable amount of the concession asset of RMB1,904 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 8.02%.
- (c) As at 30 June 2017, certain bank borrowings were secured by concession assets with a carrying amount of approximately RMB120,700 million (31 December 2016: RMB112,860 million) (Note 20(c)).
- (d) The goodwill arose mainly from the Group's acquisition of 80% equity interest in Concremat Engenharia e Tecnologia S.A. in June 2017.

Notes to the interim condensed consolidated financial statements

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Non-current		
Listed and unlisted equity investments, at fair value (Note b)		
– Mainland China	21,273	16,913
– Hong Kong	2,367	1,967
Unlisted equity investments, at cost (Note c)	2,034	2,300
Other unlisted investments, at fair value	586	499
	26,260	21,679

- (a) During the six months ended 30 June 2017, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income net of tax, amounted to RMB3,453 million (six months ended 30 June 2016: loss of RMB1,194 million), and a gain net of tax, of RMB108 million (six months ended 30 June 2016: RMB43 million) was reclassified from other comprehensive income to the statement of profit or loss upon disposal of the relevant investments.
- (b) These securities primarily represented promoter's 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 value of these securities was 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 estimate 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.

During the six months ended 30 June 2017, none of the above investments was transferred out to other categories of investments. During the six months ended 30 June 2016, none of the above investments was transferred out to other categories of investments.

Notes to the interim condensed consolidated financial statements

14. INVENTORIES

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Raw materials	16,604	14,166
Work in progress	5,601	5,240
Properties under development and held for sale (note b)	22,402	21,645
Completed properties held for sale (note c)	3,345	3,916
Finished goods	746	587
	48,698	45,554

(a) At 30 June 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 RMB3,032 million (2016: RMB3,267 million) were pledged to secure the Group's bank loans (note 20(c)).

(b) Properties under development and held for sale comprise:

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Land use rights	11,170	10,990
Construction cost	9,992	9,500
Finance costs capitalised	1,240	1,155
	22,402	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 RMB1,987 million (31 December 2016: RMB1,926 million). The remaining amount is expected to be recovered within one year.

15. CONTRACT WORK-IN-PROGRESS

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Representing:		
Amounts due from contract customers	109,252	85,973
Amounts due to contract customers	(24,374)	(27,198)
	84,878	58,775
Contract costs incurred and recognised profits (less recognised losses)	1,476,031	1,672,296
Less: progress billings	(1,391,153)	(1,613,521)
	84,878	58,775

Notes to the interim condensed consolidated financial statements

16. TRADE AND OTHER RECEIVABLES

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Trade and bills receivables (Note a)	97,706	93,071
Impairment	(10,660)	(9,882)
Trade and bills receivables – net	87,046	83,189
Prepayments	23,075	19,103
Retention money	56,072	55,762
Deposits	22,695	22,046
Other receivables	30,003	25,900
Long-term receivables	83,910	80,043
	302,801	286,043
Less: non-current portion		
– Retention money	(28,236)	(27,437)
– Deposits	(1,217)	(1,198)
– Long-term receivables	(67,834)	(65,732)
– Prepayments for equipment	(3,322)	(1,191)
	(100,609)	(95,558)
Current portion	202,192	190,485

- (a) The majority of the Group's revenues are generated through construction, design, dredging and heavy machinery 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, is as follows:

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Within 6 months	45,689	64,139
6 months to 1 year	26,310	5,864
1 year to 2 years	9,436	7,977
2 years to 3 years	4,210	2,942
Over 3 years	1,401	2,267
	87,046	83,189

Notes to the interim condensed consolidated financial statements

16. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

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

	30 June 2017	31 December 2016
	Unaudited	Audited
	RMB million	RMB million
At beginning of period/year	9,882	7,156
Impairment losses recognised	1,802	4,119
Amount written off as uncollectible	(2)	(21)
Impairment losses reversed	(1,022)	(1,372)
At the end of period/year	10,660	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 RMB3,193 million (31 December 2016: RMB3,383 million) with a carrying amount before provision of RMB9,247 million (31 December 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 is as follows:

	30 June 2017	31 December 2016
	Unaudited	Audited
	RMB million	RMB million
Neither past due nor impaired	34,576	51,845
Less than 3 months past due	9,781	11,440
	44,357	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.

Notes to the interim condensed consolidated financial statements

16. 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 30 June 2017, the relevant outstanding trade receivables with recourse factoring clauses in the agreements, amounted to RMB888 million (31 December 2016: RMB612 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 (note 20(c)). In addition, as at 30 June 2017, outstanding trade receivables of RMB10,777 million (31 December 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 RMB8,995 million (31 December 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 RMB1,782 million (31 December 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 (note 20(c)).
- (c) At 30 June 2017, outstanding bills receivable acceptance notes of RMB402 million (31 December 2016: RMB808 million) were endorsed to suppliers, and RMB141 million (31 December 2016: RMB182 million) were discounted with banks. The relevant bills receivable were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition.
- (d) 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 30 June 2017, retentions, deposits and long-term receivables of the Group totalling RMB157,981 million (31 December 2016: RMB153,714 million) were neither past due nor impaired, and RMB5,435 million (31 December 2016: RMB4,873 million) were past due/partially impaired with a provision of RMB739 million (31 December 2016: RMB736 million).
- (e) At 30 June 2017, the relevant outstanding trade receivable were secured for the Group’s borrowing without factoring agreements were RMB1,203 million (31 December 2016: RMB2,719 million), long-term receivable were secured for the Group’s borrowing without factoring agreements were RMB10,404 million (31 December 2016: RMB8,203 million) (note 20(c)).

Notes to the interim condensed consolidated financial statements

17. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
	Unaudited RMB million	Unaudited RMB million	Audited RMB million	Audited RMB million
Forward currency contracts				
– Held for trading	11	(5)	13	(7)
– Cash flow hedges (note a)	5	(3)	8	(9)
Total return swap (note b)	58	–	50	–
Forward equity contracts (note c)	310	–	310	–
	384	(8)	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, Euros, Offshore Chinese Yuan and Japanese Yen by Australian Dollars (“AUD”), and also purchase AUD by Euros. 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.
- (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 Holdings 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 interest 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 interest in future with discount under some conditions. As at 30 June 2017 and 31 December 2016, the fair value of the forward equity contracts was RMB310 million.

Notes to the interim condensed consolidated financial statements

18. CASH AND BANK BALANCES

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Restricted bank deposits (a)	3,477	3,943
Term deposits with initial term of over three months (b)	2,229	1,974
Cash and cash equivalents (c), (d)	100,608	108,720
	106,314	114,637

- (a) As at 30 June 2017 and 31 December 2016, 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 RMB74,969 million (31 December 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.
- (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.

Notes to the interim condensed consolidated financial statements

19. TRADE AND OTHER PAYABLES

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Trade and bills payables (note a)	190,696	187,794
Advances from customers	79,442	56,522
Deposits from suppliers	16,730	14,671
Retentions	13,733	13,841
Deposits from CCCG, fellow subsidiaries, joint ventures and associates	5,668	8,132
Other taxes	6,846	6,886
Payroll and social security	2,341	2,452
Accrued expenses	443	290
Dividends payable	4,273	85
Others	14,458	11,771
	334,630	302,444
Less: non-current portion		
– Retentions	(9,299)	(9,339)
– Other taxes	(139)	(115)
– Others	(533)	–
	(9,971)	(9,454)
Current portion	324,659	292,990

(a) The aged analysis of trade and bills payables (including amounts due to related parties of trading nature) is as follows:

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Within 1 year	177,490	173,832
1 year to 2 years	7,859	8,713
2 years to 3 years	2,858	3,176
Over 3 years	2,489	2,073
	190,696	187,794

Notes to the interim condensed consolidated financial statements

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Non-current			
Long-term bank borrowings			
– secured	(c)	103,675	88,255
– unsecured	(d)	55,319	56,976
		158,994	145,231
Other borrowings			
– secured	(c)	1,070	850
– unsecured	(d)	1,013	670
Corporate bonds	(e)	19,857	19,848
Non-public debt instruments	(g)	3,998	6,297
Financial lease liabilities	(h)	882	1,100
		26,820	28,765
Total non-current borrowings		185,814	173,996
Current			
Current portion of long-term bank borrowings			
– secured	(c)	4,032	1,123
– unsecured	(d)	8,987	11,527
		13,019	12,650
Short-term bank borrowings			
– secured	(c)	3,580	5,046
– unsecured	(d)	70,408	58,578
		73,988	63,624
Other borrowings			
– unsecured	(d)	114	19
Corporate bonds	(e)	7,000	6,372
Debentures	(f)	6,096	10,144
Non-public debt instruments	(g)	5,715	6,259
Finance lease liabilities	(h)	431	416
		19,356	23,210
Total current borrowings		106,363	99,484
Total borrowings		292,177	273,480

Notes to the interim condensed consolidated financial statements

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

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

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Bank borrowings		
– Within one year or on demand	87,007	76,274
– In the second year	25,491	24,019
– In the third to fifth years, inclusive	27,051	24,538
– Beyond five years	106,451	96,674
	246,000	221,505
Others, excluding finance lease liabilities		
– Within one year or on demand	18,925	22,794
– In the second year	8,392	2,813
– In the third to fifth years, inclusive	10,887	18,401
– Beyond five years	6,660	6,451
	44,864	50,459
	290,864	271,964

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

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
RMB	266,098	248,589
USD	17,315	18,207
JPY	3,868	3,208
EUR	2,675	2,256
HKD	1,656	787
Others	565	433
	292,177	273,480

(c) As at 30 June 2017 and 31 December 2016 these borrowings were secured by the Group's property, plant and equipment (Note 11), prepaid land lease payments, intangible assets (Note 12), inventories (Note 14(a)), trade receivables (Note 16(b), (c), (e)). The interest rate was ranging from 2.33% to 6.55% as at 30 June 2017.

(d) Unsecured borrowings include those guaranteed by certain subsidiaries of the Group, the Company and certain third parties. The interest rate was ranging from 0.30% to 7.70% as at 30 June 2017.

Notes to the interim condensed consolidated financial statements

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

- (e) As approved by China Securities Regulatory Commission (“CSRC”) document [2009] No. 761, the Company issued domestic corporate bonds with an aggregate principal amount of RMB7,900 million 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 RMB12,000 million in August 2012. RMB6,000 million of such bonds bears interest at a rate of 4.4% per annum with maturity through 2017, RMB2,000 million bears interest at a rate of 5.0% per annum with maturity through 2022 and RMB4,000 million 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, a subsidiary of the Company issued domestic corporate bonds in February, July and July 2016 with principal amounts of RMB2,000 million, RMB3,000 million and RMB1,000 million, respectively, totalling RMB6,000 million, 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. For part of the corporate bonds aggregating to RMB5,000 million, the Group has the right to raise the nominal interest rates and the investors also could sell back the bonds to the Group at the end of the third year from the issue date.

The corporate bonds are stated at amortised cost with effective rates ranging from 3.12% to 5.30%. Interest is payable once a year. The accrued interest is included in the current borrowings.

- (f) The Group issued the following debentures:
- Three tranches of debentures were issued in April, May, August 2016, respectively, at nominal values of RMB2,000 million, RMB3,000 million, and RMB3,000 million, respectively, with maturity of 365 days, 270 days, and 270 days from the issue date respectively. The interest rates are 3.70%, 2.99%, and 2.61% per annum, respectively. These debentures have been fully repaid during 2017.

One tranche of debenture was issued in October 2016, at nominal value of RMB2,000 million, with maturity of 270 days from the issue date. The interest rates is 3.20% per annum. The debenture will be due in 2017.
 - Two tranches of debentures were issued in February and April 2017, respectively, at nominal values of RMB3,000 million and RMB1,000 million, respectively, with maturity of 270 days and 240 days from the issue date respectively. The interest rates are 3.75% and 4.75% per annum, respectively.

Notes to the interim condensed consolidated financial statements

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

- (g) 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.
 - 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 6.65% per annum, respectively.
 - Ten tranches of non-public debt instruments were issued in March, May, June, August, September and December 2014, respectively, at nominal values of RMB500 million, RMB800 million, RMB800 million, RMB700 million, RMB500 million, RMB500 million, RMB500 million, RMB1,000 million, RMB500 million and RMB100 million, respectively, totalling RMB5,900 million, with maturity of three years, three years, three years, three years, three years, three years, three years, five years, five years, three years and three years from the issue date, respectively. The interest rates are 7.10%, 6.35%, 7.00%, 6.50%, 6.60%, 6.30%, 7.00%, 6.00%, 6.15% and 5.60% per annum, respectively.
 - 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.
 - Four tranches of non-public debt instrument with a nominal value of RMB500 million, RMB800 million, RMB800 million and RMB700 million, respectively, was issued in March, May, June, June 2014 have been fully repaid during 2017.

The non-public debt instruments are stated at amortised cost with effective rates ranging from 4.80% to 7.10%. Interest is payable once a year. The accrued interest is included in current borrowings.

(h) Finance lease liabilities:

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

	30 June 2017	31 December 2016
	Unaudited	Audited
	RMB million	RMB million
Gross finance lease liabilities – minimum lease payments		
– No later than 1 year	449	474
– In the second year	402	423
– In the third to fifth years, inclusive	453	596
– Later than 5 years	151	199
	1,455	1,692
Future finance charges on finance leases	(142)	(176)
Present value of finance lease liabilities	1,313	1,516
Representing:		
– No later than 1 year	431	416
– In the second year	371	381
– In the third to fifth years, inclusive	391	526
– Later than 5 years	120	193
	1,313	1,516

Notes to the interim condensed consolidated financial statements

21. RESERVES

	Other reserve												
	Capital reserve Unaudited RMB million	Statutory surplus reserve Unaudited RMB million	General Reserve Unaudited RMB million	Retirement benefits obligation							Total Unaudited RMB million	Retained earnings Unaudited RMB million	Total Reserves Unaudited RMB million
				remeasurement reserve Unaudited RMB million	Investment revaluation reserve Unaudited RMB million	Hedging Reserve Unaudited RMB million	Safety reserve Unaudited RMB million	Exchange reserve Unaudited RMB million	Total Unaudited RMB million	Retained earnings Unaudited RMB million			
At 1 January 2017	3,463	4,212	766	(74)	11,095	1	1,849	1,232	22,544	81,517	104,061		
Profit for the period	-	-	-	-	-	-	-	-	-	7,868	7,868		
Changes in fair value of available-for-sale investments, net of deferred tax	-	-	-	-	3,446	-	-	-	3,446	-	3,446		
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of deferred tax	-	-	-	-	(108)	-	-	-	(108)	-	(108)		
Share of other comprehensive income of a joint venture	-	-	-	-	(23)	-	-	-	(23)	-	(23)		
Actuarial losses on retirement benefit obligations, net of deferred tax	-	-	-	20	-	-	-	-	20	-	20		
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(3)	(3)	-	(3)		
Final 2016 dividends declared	-	-	-	-	-	-	-	-	-	(3,144)	(3,144)		
Dividends on preference shares	-	-	-	-	-	-	-	-	-	(718)	(718)		
Dividends on perpetual medium-term notes	-	-	-	-	-	-	-	-	-	(300)	(300)		
Cash flow hedges, net of deferred tax	-	-	-	-	-	2	-	-	2	-	2		
Transaction with non-controlling interests	1,508	-	-	-	-	-	-	-	1,508	-	1,508		
Transfer to safety production reserve	-	-	-	-	-	-	334	-	334	(334)	-		
At 30 June 2017	4,971	4,212	766	(54)	14,410	3	2,183	1,229	27,720	84,889	112,609		

	Other reserve												
	Capital reserve Unaudited RMB million	Statutory surplus reserve Unaudited RMB million	General Reserve Unaudited RMB million	Retirement benefits obligation							Total Unaudited RMB million	Retained earnings Unaudited RMB million	Total Reserves Unaudited RMB million
				remeasurement reserve Unaudited RMB million	Investment revaluation reserve Unaudited RMB million	Hedging Reserve Unaudited RMB million	Safety reserve Unaudited RMB million	Exchange reserve Unaudited RMB million	Total Unaudited RMB million	Retained earnings Unaudited RMB million			
At 1 January 2016	3,463	3,768	389	(119)	12,467	(2)	1,552	417	21,935	69,527	91,462		
Profit for the period	-	-	-	-	-	-	-	-	-	7,258	7,258		
Changes in fair value of available-for-sale investments, net of deferred tax	-	-	-	-	(1,182)	-	-	-	(1,182)	-	(1,182)		
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of deferred tax	-	-	-	-	(43)	-	-	-	(43)	-	(43)		
Share of other comprehensive income of a joint venture	-	-	-	-	4	-	-	-	4	-	4		
Actuarial losses on retirement benefit obligations, net of deferred tax	-	-	-	(9)	-	-	-	-	(9)	-	(9)		
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	489	489	-	489		
Final 2015 dividends declared	-	-	-	-	-	-	-	-	-	(3,079)	(3,079)		
Dividends on preference shares	-	-	-	-	-	-	-	-	-	(718)	(718)		
Dividends on perpetual medium-term notes	-	-	-	-	-	-	-	-	-	(300)	(300)		
Cash flow hedges, net of deferred tax	-	-	-	-	-	3	-	-	3	-	3		
Transfer to safety production reserve	-	-	-	-	-	-	240	-	240	(240)	-		
At 30 June 2016	3,463	3,768	389	(128)	11,246	1	1,792	906	21,437	72,448	93,885		

Notes to the interim condensed consolidated financial statements

22. CONTINGENCIES

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

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Pending lawsuits (Note a)	4,349	4,173
Outstanding loan guarantees (Note b)	1,539	1,282
	5,888	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 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 lawsuit in the amount of contingent liabilities disclosed above, if the probability of loss is remote or the claim amount is insignificant to the Group.

Pending lawsuits included, inter alia, the below:

- (i) A subsidiary of the Company was involved in a product quality dispute arising from the ordinary course of the business in a prior year. In September 2014, the contractor instituted a proceeding against the subsidiary to claim a compensation for breach of contract arising from related product quality totalling GBP250 million (equivalent to approximately RMB2,204 million). In February and March, April and June 2016, a British High Court proceeded with the first court hearing in respect of the part of the responsibility of the case. The quantitative part of first court hearing had been held in May 2017 and both parties have given closing arguments in August 2017 in the United Kingdom. Currently the directors of the Company cannot reliably estimate the financial impact to the Group arising from the case.
- (ii) In 2015, a subsidiary of the Company was involved in a construction contract dispute. In October 2015, a contractor has notified the subsidiary in writing to terminate the contract based on the serious delay in the project had fulfilled the contract cancellation terms, and drawdown an amount of USD45 million (equivalent to approximately RMB305 million) from a bank under a letter of performance guarantee of the subsidiary. In January 2016, the subsidiary applied to the London Court of International Arbitration for arbitration to claim for the refund of the above amount drawdown under a letter of performance guarantee, and compensation totalling USD224 million (equivalent to approximately RMB1,517 million) from the contractor. After the receipt of the subsidiary's arbitration application, the contractor filed a counterclaim arbitration against the subsidiary for compensation of USD182 million or USD213 million (equivalent to approximately RMB1,232 million or RMB1,442 million), depending on whether the contract will be continued or discontinued. Currently the arbitration court hearing has not yet commenced and the directors of the Company cannot reliably estimate the outcome of the arbitration and its consequential financial impact to the Group.
- (iii) In 2017, a subsidiary of the Company was involved in a construction contract dispute arising from the ordinary course of the business. In March 2017, a contractor has raised an arbitration to terminate the contract based on the serious delay in the project had fulfilled the contract cancellation terms, and to claim back a project payment of USD27 million (equivalent to approximately RMB187 million). Currently the contractor and the subsidiary are in the process of preparation of information relevant to the arbitration, and the directors of the Company cannot reliably estimate the financial impact to the Group arising from the case.
- (b) The Group has acted as the guarantors for various external borrowings made by certain joint ventures and associates of the Group and a third party.

Notes to the interim condensed consolidated financial statements

23. COMMITMENTS

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

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Intangible assets – concession assets	100,435	105,331
Property, plant and equipment	5,051	3,153
	105,486	108,484

24. PLEDGE OF ASSETS

- (a) At 30 June 2017, the restricted deposits were RMB3,477 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 11, 12, 14(a) and 16((b), (c), (e)), respectively, to the financial statements as follows:

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Trade and other receivables	14,277	13,964
Inventories	3,032	3,267
Property, plant and equipment	253	36
Prepaid land lease payments	473	823
Intangible assets	120,700	112,860
	138,735	130,950

25. 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 30 June 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Within one year	163	253
In the second year	100	79
In the third to fifth years, inclusive	201	218
After five years	161	143
	625	693

Notes to the interim condensed consolidated financial statements

25. OPERATING LEASE ARRANGEMENTS (Continued)

(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 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Within one year	596	737
In the second year	393	407
In the third to fifth years, inclusive	583	618
After five years	175	206
	1,747	1,968

26. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by CCCG, the parent company and a state-owned enterprise established in the PRC. CCCG and its subsidiaries are subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred to as the "government-related entities"). In accordance with IAS 24 "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC Government are regarded as related parties of the Group. On that basis, related parties include CCCG and its subsidiaries, other government-related entities, other entities and corporations in which the Company is able to control or exercise significant influence, and key management personnel of the Company and CCCG, as well as their close family members.

The Group's customers included other government-related entities. A significant portion of revenue from the provision of construction, design, dredging and other services, and sales of heavy machinery is conducted with other government-related entities. The Group also purchased subcontractor services, materials and other goods/services from other government related entities. In addition, the Group had entered into general banking transactions with certain banks and financial institutions which are other government related entities. These transactions are carried out on terms agreed with the counterparties in the ordinary course of business. As a result, a major portion of the Group's trade and other receivables and trade payables, as well as amounts due from/due to contract customers, cash and bank balances and borrowings, are with other government-related entities.

For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

Notes to the interim condensed consolidated financial statements

26. RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions

The following transactions were carried out with related parties other than other government-related entities:

	For the six months ended 30 June	
	2017 Unaudited RMB million	2016 Unaudited RMB million
Transactions with CCCG		
– Rental expenses	53	49
– Deposits placed with CCCC Finance	2,455	4,360
– Interest expense from deposits placed with CCCC Finance	13	3
– Other borrowing from CCCG	500	–
– Interest expense on loan	3	–
Transactions with fellow subsidiaries		
– Revenue from the provision of construction services	300	–
– Deposits placed with CCCC Finance	15,758	8,974
– Interest expense from deposits placed with CCCC Finance	16	9
– Other income	–	20
– Services charges	2	1
– Finance lease loan to fellow subsidiary	300	–
– Interest income on finance lease loan	18	–
– Other borrowing from fellow subsidiaries	100	–
Transactions with a fellow subsidiaries' joint venture		
– Interest income from finance lease loan	4	–
Transactions with joint ventures and associates		
– Revenue from the provision of construction services	7,210	2,748
– Revenue from the other services	4	–
– Sales of goods	2	16
– Subcontracting fee charges	590	290
– Purchase of materials	738	142
– Services charges	4	59
– Revenue from rental income	93	85
– Deposits placed with CCCC Finance	3,743	490
– Interest expense from deposits placed with CCCC Finance	1	–
– Loans to joint ventures and associates	3,093	533
– Interest income from loans	136	–
– Finance lease loan to joint ventures and associates	800	–
– Interest income on finance lease loan	22	–
– Other borrowing from joint ventures and associates	322	–

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

Notes to the interim condensed consolidated financial statements

26. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

Balances with related parties other than other government-related entities:

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Trade and other receivables		
Trade receivables and bill receivables due from		
– Fellow subsidiaries	541	524
– Joint ventures and associates	3,265	701
	3,806	1,225
Long-term trade receivables due from		
– Fellow subsidiaries	637	549
– Joint ventures and associates	6,664	6,719
– Fellow subsidiaries' joint ventures	99	146
	7,400	7,414
Prepayments to		
– Fellow subsidiaries	22	–
– Joint ventures and associates	28	5
	50	5
Amounts due from contract customers		
– Joint ventures and associates	2,969	1,145
– Fellow subsidiaries	89	66
	3,058	1,211
Other receivables due from		
– CCCG	2	–
– Fellow subsidiaries	56	2
– Joint ventures and associates	6,191	5,434
	6,249	5,436
	17,505	14,080

The receivables are unsecured in nature and bear no interest. No provisions are made against receivables from related parties during the six months ended 30 June 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 the interim condensed consolidated financial statements

26. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Trade and other payables		
Trade and bills payables due to		
– Fellow subsidiaries	2	9
– Joint ventures and associates	2,447	956
	2,449	965
Retentions payables due to		
– Fellow subsidiaries	7	36
– Joint ventures and associates	448	129
– Fellow subsidiaries' joint ventures	23	23
	478	188
Advances from customers		
– Fellow subsidiaries	35	114
– Joint ventures and associates	3,217	1,504
	3,252	1,618
Amounts due to contract customers		
– Joint ventures and associates	510	262
– Fellow subsidiaries	1	–
	511	262
Deposits from		
– CCCG	2,077	3,223
– Fellow subsidiaries	3,329	4,498
– Joint ventures and associates	262	408
	5,668	8,129
Other borrowing		
– Fellow subsidiaries	100	–
– Joint ventures and associates	362	–
	462	–
Other payables due to		
– CCCG	518	–
– Fellow subsidiaries	230	–
– Joint ventures and associates	439	450
	1,187	450
Dividends payables		
– CCCG	2,009	–
– Fellow subsidiaries	2	–
	2,011	–
	15,507	11,350
Other non-current borrowings		
– CCCG	500	–

The payables are not secured and bear no interest. They are expected to be repaid within one year.

Notes to the interim condensed consolidated financial statements

26. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantees with related parties

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Outstanding loan guarantees provided to		
– Joint ventures	164	157
– Associates	1,360	1,110
	1,524	1,267
Outstanding guarantees provided by CCCG	20,733	20,242

(d) Commitments with related parties

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Provision of construction services		
– Fellow subsidiaries	686	–
– Joint ventures and associates	71,478	39,877
Purchase of services		
– Joint ventures and associates	92	56
Operating lease as lessee		
– CCCG	53	99
Operating lease as lessor		
– Joint ventures and associates	1,435	–

(e) Key management compensation

	For the six months ended 30 June	
	2017 Unaudited RMB'000	2016 Unaudited RMB'000
Basic salaries, housing allowances and other allowances	4,007	3,449
Contributions to pension plans	315	279
Others	–	42
	4,322	3,770

Notes to the interim condensed consolidated financial statements

27. FINANCIAL INSTRUMENTS BY CATEGORY

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

30 June 2017

Financial assets

	Financial assets at fair value through profit or loss Unaudited RMB million	Loans and receivables Unaudited RMB million	Held to maturity investment Unaudited RMB million	Available-for- sale financial assets Unaudited RMB million	Total Unaudited RMB million
Available-for-sale investments	-	-	-	26,260	26,260
Held-to-maturity investment	-	-	235	-	235
Derivative financial instruments	384	-	-	-	384
Other financial assets at fair value through profit or loss	2,884	-	-	-	2,884
Trade and other receivables excluding prepayments	-	275,296	-	-	275,296
Cash and bank balances	-	106,314	-	-	106,314
Total	3,268	381,610	235	26,260	411,373

Financial liabilities

	Financial liabilities at fair value through profit or loss Unaudited RMB million	Financial liabilities at amortised cost Unaudited RMB million	Total Unaudited RMB million
Borrowings (excluding finance lease liabilities)	-	290,864	290,864
Finance lease liabilities	-	1,313	1,313
Derivative financial instruments	8	-	8
Trade and other payables excluding statutory and non-financial liabilities	-	246,119	246,119
Total	8	538,296	538,304

Notes to the interim condensed consolidated financial statements

27. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2016

Financial assets

	Financial assets at fair value through profit or loss Audited RMB million	Loans and receivables Audited RMB million	Held to maturity investment Audited RMB million	Available-for- sale financial assets Audited RMB million	Total Audited 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 Audited RMB million	Financial liabilities at amortised cost Audited RMB million	Total Audited 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 the interim condensed consolidated financial statements

28. 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	
	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Financial instruments				
Bank borrowings	158,994	145,231	159,415	145,638
Other borrowings	2,083	1,520	2,100	1,548
Corporate bonds	19,857	19,848	19,859	20,048
Finance lease liabilities	882	1,100	882	1,100
Non-public debt instruments	3,998	6,297	4,152	6,549
Total	185,814	173,996	186,408	174,883

Management has assessed that the fair values of cash and bank balances, financial assets included in trade and other receivables, short-term interest bearing bank and other borrowings, financial liabilities included in trade and other payables and other similar instruments approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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 30 June 2017 and 31 December 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 the interim condensed consolidated financial statements

28. 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:

As at 30 June 2017

	Fair value measurement using			Total Unaudited RMB million
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	Unaudited	Unaudited	Unaudited	
	RMB million	RMB million	RMB million	
Assets				
Other financial assets at fair value through profit or loss	2,884	-	-	2,884
Derivative financial instruments				
– Forward foreign exchange contracts	-	16	-	16
– Total return swap	-	-	58	58
– Forward equity contracts	-	-	310	310
Available-for-sale investments				
– Equity securities and other investments	23,613	-	27	23,640
– Other unlisted instruments	-	586	-	586
	26,497	602	395	27,494
Liabilities				
Derivative financial instruments				
– Forward foreign exchange contracts	-	(8)	-	(8)

As at 31 December 2016

	Fair value measurement using			Total Audited RMB million
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	Audited	Audited	Audited	
	RMB million	RMB million	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 return 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)

Notes to the interim condensed consolidated financial statements

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Financial instruments for which fair values are disclosed:

As at 30 June 2017

	Fair value measurement using			Total Unaudited RMB million		
	Quoted prices in active markets (Level 1) Unaudited RMB million	Significant observable inputs (Level 2) Unaudited RMB million	Significant unobservable inputs (Level 3) Unaudited RMB million			
	Bank borrowings	–	159,415		–	159,415
	Other borrowings	–	2,100		–	2,100
Corporate bonds	19,859	–	–	19,859		
Non-public debt instruments	–	4,152	–	4,152		
Finance lease liabilities	–	882	–	882		
	19,859	166,549	–	186,408		

As at 31 December 2016

	Fair value measurement using			Total Audited RMB million		
	Quoted prices in active markets (Level 1) Audited RMB million	Significant observable inputs (Level 2) Audited RMB million	Significant unobservable inputs (Level 3) Audited 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		
Finance lease liabilities	–	1,100	–	1,100		
	20,048	154,835	–	174,883		

Assets and liabilities measured at fair value:

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).

29. 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 30 June 2017, net assets of the Group, including trade and other receivables, cash and bank balances, trade and other payables and borrowings in an aggregate of RMB4,770 million, 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 30 June 2017, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, pre-tax profit for the period would have been decreased/increased by approximately RMB91 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.

Notes to the interim condensed consolidated financial statements

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(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 post-tax profit for the period/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:

	30 June 2017 Unaudited	31 December 2016 Audited
Increases/decreases in quoted price in open markets	10%	10%

	30 June 2017 Unaudited RMB million	31 December 2016 Audited RMB million
Impact on post-tax profit for the period/year	12	12
Impact on equity for the period/year	2,361	1,888

(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 the six months ended 30 June 2017 and 2016, the Group's borrowings at variable rates were mainly denominated in RMB, USD, Euro, Hong Kong Dollars ("HKD") and JPY.

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.

As at 30 June 2017, the Group's borrowings of approximately RMB167,374 million (31 December 2016: RMB150,979 million) were at variable rates. The terms of repayment of the Group's borrowings are disclosed in note 20(a). As at 30 June 2017, if interest rates on borrowings had been 1.00 percentage-point higher/lower with all other variables held constant, pre-tax profit for the six months ended 30 June 2017 would have been decreased/increased by RMB1,674 million (31 December 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.

Notes to the interim condensed consolidated financial statements

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

The carrying amounts of cash and bank balances, trade and other receivables except for prepayments, derivative financial instruments, and the nominal value of the guarantees provided on liabilities 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 16(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.

(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 20.

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 businesses, 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.

Notes to the interim condensed consolidated financial statements

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

30 June 2017	Less than 1 year Unaudited RMB million	Between 1 and 2 years Unaudited RMB million	Between 2 and 5 years Unaudited RMB million	Over 5 years Unaudited RMB million	Total Unaudited RMB million
Borrowings (excluding finance lease liabilities)	115,408	43,962	55,235	161,709	376,314
Finance lease liabilities	449	401	454	151	1,455
Trade and other payables (excluding statutory and non-financial liabilities)	236,778	5,969	2,820	968	246,535
Financial guarantee contracts	1,539	-	-	-	1,539
Net-settled derivative financial instruments	5	-	-	-	5
Gross-settled derivative financial instruments outflows	83	11	-	-	94
Gross-settled derivative financial instruments inflows	(85)	(11)	-	-	(96)
	354,177	50,332	58,509	162,828	625,846
31 December 2016	Less than 1 year Audited RMB million	Between 1 and 2 years Audited RMB million	Between 2 and 5 years Audited RMB million	Over 5 years Audited RMB million	Total Audited 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
Financial guarantee contracts	1,282	-	-	-	1,282
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)
	339,215	41,371	64,054	147,552	592,192

The Group entered into guarantee contracts for bank borrowings made by certain joint ventures, associates and a third party. For issued financial guarantee contracts, the maximum amounts of guarantees are allocated to the earliest periods in which the respective guarantees could be called. The directors of the Company are of the opinion that those guarantees are not likely to be crystallised in the foreseeable future.

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

Notes to the interim condensed consolidated financial statements

29. 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.

	30 June 2017	31 December 2016
	Unaudited	Audited
	RMB million	RMB million
Total borrowings (note 20)	292,177	273,480
Less: cash and cash equivalents (note 18)	(100,608)	(108,720)
Net debt	191,569	164,760
Total equity	194,772	186,570
Total capital	386,341	351,330
Gearing ratio	49.6%	46.9%

The gearing ratio as at 30 June 2017 increased by 2.7% compared with that in the end of 2016.

30. EVENTS AFTER THE REPORTING PERIOD

On 18 July 2017, the Group entered into equity transfer agreement with CCCG, pursuant to which the Group has conditionally agreed to sell and CCCG has conditionally agreed to acquire an aggregate of 1,316,649,346 ordinary share of Shanghai Zhenhua Heavy Industries Co., Ltd. ("ZPMC") which represented 29.99% of the total issued share capital of ZPMC. The above transactions have not yet been completed as at the date of approval of the financial statements.

31. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been approved for issue by the Board of Directors on 29 August 2017.