

INDEPENDENT REVIEW REPORT



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To the Board of Directors of China Communications Construction Company Limited

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 38 to 96, which comprises the interim condensed consolidated statement of financial position of China Communications Construction Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong
28 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 Unaudited RMB million	2019 Unaudited RMB million
Revenue	4	245,410	239,461
Cost of sales		(216,899)	(211,361)
Gross profit		28,511	28,100
Other income	4	2,323	2,505
Other gains, net	4	246	1,260
Selling and marketing expenses		(449)	(458)
Administrative expenses		(14,288)	(13,947)
Impairment losses on financial and contract assets, net		(1,985)	(902)
Other expenses		(815)	(832)
Operating profit		13,543	15,726
Finance income	6	5,143	3,616
Finance costs, net	7	(8,615)	(7,627)
Share of profits and losses of:			
– Joint ventures		(395)	286
– Associates		(138)	46
Profit before tax	5	9,538	12,047
Income tax expense	8	(2,692)	(2,271)
Profit for the period		6,846	9,776
Attributable to:			
– Owners of the parent		5,517	8,781
– Non-controlling interests		1,329	995
		6,846	9,776
Earnings per share attributable to ordinary equity holders of the parent			
Basic	10	RMB0.28	RMB0.48
Diluted	10	RMB0.28	RMB0.48

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB million	RMB million
Profit for the period	6,846	9,776
Other comprehensive income/(loss)		
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Actuarial losses on retirement benefit obligations	(1)	(21)
Share of other comprehensive loss of joint ventures and associates	–	(2)
Changes in fair value of equity investments designated at fair value through other comprehensive income	(1,010)	5,257
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	(1,011)	5,234
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax:</i>		
Cash flow hedges	4	2
Share of other comprehensive loss of joint ventures and associates	(7)	(180)
Exchange differences on translation of foreign operations	(847)	(36)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(850)	(214)
Other comprehensive income/(loss) for the period, net of tax	(1,861)	5,020
Total comprehensive income for the period	4,985	14,796
Attributable to:		
– Owners of the parent	3,652	13,794
– Non-controlling interests	1,333	1,002
	4,985	14,796

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	<i>Notes</i>	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Non-current assets			
Property, plant and equipment	11	60,828	60,400
Investment properties		4,140	3,973
Right-of-use assets		14,356	13,623
Intangible assets	12	236,802	219,227
Investments in joint ventures		26,987	24,715
Investments in associates		30,331	26,683
Financial assets at fair value through profit or loss	13	7,235	6,723
Debt investments at amortised cost		162	111
Equity investments designated at fair value through other comprehensive income	14	24,238	25,018
Contract assets	16	30,966	30,265
Trade and other receivables	17	210,595	178,037
Deferred tax assets		6,219	5,270
Total non-current assets		652,859	594,045
Current assets			
Inventories	15	70,173	62,613
Trade and other receivables	17	244,296	223,768
Contract assets	16	132,748	116,236
Financial assets at fair value through profit or loss	13	3,363	415
Debt investments at amortised cost		24	–
Derivative financial instruments		665	799
Restricted bank deposits and time deposits with an initial term of over three months	18	7,555	6,630
Cash and cash equivalents	18	120,873	118,908
Total current assets		579,697	529,369
Current liabilities			
Trade and other payables	19	369,809	362,901
Contract liabilities	16	79,370	82,992
Tax payable		4,439	5,929
Derivative financial instruments		2	12
Interest-bearing bank and other borrowings	20	120,952	76,379
Retirement benefit obligations		126	126
Total current liabilities		574,698	528,339
Net current assets		4,999	1,030
Total assets less current liabilities		657,858	595,075

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	<i>Notes</i>	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Total assets less current liabilities		657,858	595,075
Non-current liabilities			
Trade and other payables	19	25,002	23,743
Interest-bearing bank and other borrowings	20	314,935	265,048
Deferred income		1,088	1,111
Deferred tax liabilities		6,245	6,345
Retirement benefit obligations		957	993
Provisions		2,397	1,425
Total non-current liabilities		350,624	298,665
Net assets		307,234	296,410
Equity			
Equity attributable to owners of the parent			
Share capital		16,175	16,175
Share premium		19,656	19,656
Treasury shares		(40)	–
Financial instruments classified as equity		30,423	30,423
Reserves		161,842	163,662
Non-controlling interests		228,056	229,916
		79,178	66,494
Total equity		307,234	296,410

Liu Qitao
Director

Song Hailiang
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent								
	Share capital	Share premium	Treasury shares	Financial	Other	Retained earnings	Total	Non-controlling interests	Total equity
				instruments	reserves				
	Unaudited	Unaudited	Unaudited	classified as equity	(note 21)	Unaudited	Unaudited	Unaudited	Unaudited
RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
As at 31 December 2019	16,175	19,656	-	30,423	35,316	128,583	230,153	66,226	296,379
Business combination under common control	-	-	-	-	(49)	(188)	(237)	268	31
As at 31 December 2019	16,175	19,656	-	30,423	35,267*	128,395*	229,916	66,494	296,410
Profit for the period	-	-	-	-	-	5,517	5,517	1,329	6,846
Other comprehensive income/(loss) for the period:									
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	(1,010)	-	(1,010)	-	(1,010)
Cash flow hedges, net of tax	-	-	-	-	4	-	4	-	4
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	(7)	-	(7)	-	(7)
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	-	(1)	-	(1)	-	(1)
Exchange differences on translation of foreign operations	-	-	-	-	(851)	-	(851)	4	(847)
Total comprehensive income for the period	-	-	-	-	(1,865)	5,517	3,652	1,333	4,985
Final 2019 dividend declared	-	-	-	-	-	(3,765)	(3,765)	-	(3,765)
Interests on perpetual securities (i)	-	-	-	-	-	(663)	(663)	(1,470)	(2,133)
Dividends on preference shares	-	-	-	-	-	(718)	(718)	-	(718)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	(969)	(969)
Shares repurchased (ii)	-	-	(40)	-	-	-	(40)	-	(40)
Share of other reserves of joint ventures and associates	-	-	-	-	(2)	-	(2)	-	(2)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	1,074	1,074
Acquisition of subsidiaries	-	-	-	-	-	-	-	1,706	1,706
Issuance of perpetual securities	-	-	-	-	-	-	-	17,715	17,715
Redemption of perpetual securities	-	-	-	-	-	-	-	(6,706)	(6,706)
Transaction with non-controlling interests	-	-	-	-	(1)	-	(1)	1	-
Transfer to safety production reserve	-	-	-	-	395	(395)	-	-	-
Transfer to retained earnings due to disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(3)	3	-	-	-
Others	-	-	-	-	(42)	(281)	(323)	-	(323)
As at 30 June 2020	16,175	19,656	(40)	30,423	33,749*	128,093*	228,056	79,178	307,234

* As at 30 June 2020, these reserve accounts comprise the consolidated reserves of RMB161,842 million (31 December 2019: RMB163,662 million) in the interim condensed consolidated statement of financial position.

(i) The Company accrued interest on perpetual securities totalling RMB702 million, of which RMB39 million was distributed to CCCC Finance Company Limited ("CCCC Finance"), a subsidiary of the Company.

(ii) From 28 May 2020 to 9 June 2020, the Company repurchased a total of 9,024,000 H shares. As at 30 June 2020, the repurchased shares have not been cancelled and are accounted for as treasury shares.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent							Total equity Unaudited RMB million
	Share capital Unaudited RMB million	Share premium Unaudited RMB million	Financial instruments classified as equity Unaudited RMB million	Other reserves (note 21) Unaudited RMB million	Retained earnings Unaudited RMB million	Total Unaudited RMB million	Non-controlling interests Unaudited RMB million	
As at 31 December 2018	16,175	19,656	24,426	26,312	110,609	197,178	42,504	239,682
Business combination under common control	-	-	-	(49)	(93)	(142)	270	128
As at 31 December 2018	16,175	19,656	24,426	26,263	110,516	197,036	42,774	239,810
Profit for the period	-	-	-	-	8,781	8,781	995	9,776
Other comprehensive income/(loss) for the period:								
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	5,257	-	5,257	-	5,257
Cash flow hedges, net of tax	-	-	-	2	-	2	-	2
Share of other comprehensive loss of joint ventures and associates	-	-	-	(182)	-	(182)	-	(182)
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	(21)	-	(21)	-	(21)
Exchange differences on translation of foreign operations	-	-	-	(43)	-	(43)	7	(36)
Total comprehensive income for the period	-	-	-	5,013	8,781	13,794	1,002	14,796
Final 2018 dividend declared	-	-	-	-	(3,733)	(3,733)	-	(3,733)
Interests on perpetual securities	-	-	-	-	(528)	(528)	(1,136)	(1,664)
Dividends on preference shares	-	-	-	-	(718)	(718)	-	(718)
Dividends to non-controlling shareholders	-	-	-	-	-	-	(30)	(30)
Share of other reserves of joint ventures and associates	-	-	-	1	-	1	-	1
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	407	407
Acquisition of subsidiaries	-	-	-	-	-	-	70	70
Disposal of subsidiaries	-	-	-	-	-	-	(10)	(10)
Issuance of perpetual securities	-	-	-	-	-	-	998	998
Transaction with non-controlling interests	-	-	-	(16)	-	(16)	(65)	(81)
Transfer to safety production reserve	-	-	-	180	(180)	-	-	-
Transfer to retained earnings due to disposal of equity investments designated at fair value through other comprehensive income	-	-	-	(242)	242	-	-	-
As at 30 June 2019	16,175	19,656	24,426	31,199	114,380	205,836	44,010	249,846

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 Unaudited RMB million	2019 Unaudited RMB million
Cash flows from operating activities			
Profit before tax		9,538	12,047
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties	5	4,265	4,242
– Amortisation of right-of-use assets	5	787	642
– Amortisation of intangible assets	5	803	877
– Gains on disposal of items of property, plant and equipment	4	(46)	(29)
– Gains on disposal of joint ventures and associates	4	(9)	–
– Fair value gains on financial assets at fair value through profit or loss	4	(172)	(26)
– Losses/(gains) on derivative financial instruments	4	188	(328)
– Gains on disposal of financial assets at fair value through profit or loss	4	(1)	(6)
– Gains on disposal of subsidiaries	4	(2)	(740)
– Dividend income from financial assets at fair value through profit or loss	4	(60)	(67)
– Dividend income from equity investments designated at fair value through other comprehensive income	4	(682)	(884)
– Dividend income from derivative financial instruments		(105)	–
– Other income from investing activities		(2)	(51)
– Share of losses/(profits) of joint ventures and associates		533	(332)
– Write-down of inventories to net realisable value	5	–	1
– Provision for impairment of contract assets	5	60	197
– Provision for impairment of trade and other receivables	5	1,925	705
– Interest income	6	(5,143)	(3,616)
– Interest expenses	7	7,923	6,619
– Net foreign exchange losses/(gains) on borrowings	7	49	(13)
		19,849	19,238
Increase in inventories		(11,624)	(6,191)
Increase in contract assets		(17,973)	(18,113)
(Increase)/decrease in restricted bank deposits		(104)	31
Increase in trade and other receivables		(30,557)	(15,494)
Increase/(decrease) in trade and other payables		5,309	(516)
Decrease in contract liabilities		(3,197)	(17,956)
Decrease in retirement benefit obligations		(36)	(55)
Increase/(decrease) in provisions		972	(114)
(Decrease)/increase in deferred income		(23)	71
Cash used in operations		(37,384)	(39,099)
Interest income from operating activities		1,658	1,758
Income tax paid		(4,839)	(2,963)
Net cash flows used in operating activities		(40,565)	(40,304)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 Unaudited RMB million	2019 Unaudited RMB million
Net cash flows used in operating activities		(40,565)	(40,304)
Cash flows from investing activities			
Purchases of items of property, plant and equipment		(5,125)	(4,428)
Additions to right-of-use assets		(982)	(965)
Purchases of investment properties		(90)	–
Purchases of intangible assets		(14,122)	(12,838)
Purchases of other long-term assets		(13,157)	(6,248)
Proceeds from disposal of items of property, plant and equipment		279	594
Proceeds from disposal of right-of-use assets		7	14
Proceeds from disposal of intangible assets		2,710	13
Additional investments in associates		(4,943)	(3,504)
Additional investments in joint ventures		(2,055)	(1,415)
Net (outflow)/inflow of cash in respect of the acquisition of subsidiaries	23	(303)	75
Net inflow/(outflow) of cash in respect of the disposal of subsidiaries		137	(14)
Net inflow of cash in respect of the disposal of joint ventures and associates		127	6
Purchases of equity investments designated at fair value through other comprehensive income		(328)	(17)
Purchases of financial assets at fair value through profit or loss		(4,026)	(932)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		59	281
Proceeds from disposal of financial assets at fair value through profit or loss		811	98
Loans to joint ventures, associates and a third party		(4,094)	(2,718)
Repayment of loans from joint ventures and associates		1,600	2,019
Interest received		432	280
Changes in time deposits with an initial term of over three months		(821)	(1,580)
Cash consideration received for concession assets		1,028	1,727
Dividends received		630	538
Net cash flows used in investing activities		(42,226)	(29,014)
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		1,074	407
Dividends paid to non-controlling shareholders		(172)	(7)
Dividends paid to equity holders of the parent		(2,736)	–
Proceeds from perpetual securities		17,715	998
Interest paid for perpetual securities		(378)	(344)
Withdrawal of perpetual securities		(6,748)	–
Proceeds from bank and other borrowings		157,485	94,928
Repayment of bank and other borrowings		(73,705)	(44,269)
Interest paid for bank and other borrowings		(7,242)	(6,827)
Transaction with non-controlling interests		–	(81)
H share repurchase		(40)	–
Principal portion of lease payments		(733)	(636)
Net cash flows from financing activities		84,520	44,169
Net increase/(decrease) in cash and cash equivalents		1,729	(25,149)
Cash and cash equivalents at beginning of period	18	118,908	127,811
Effect of foreign exchange rate changes, net		236	35
Cash and cash equivalents at end of period	18	120,873	102,697

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. CORPORATE AND GROUP INFORMATION

China Communications Construction Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 8 October 2006 as a joint stock company with limited liability under the Company Law of the PRC as part of the group reorganisation of China Communications Construction Group (Limited) (“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 and dredging 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 information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised IFRSs for the first time for the current period’s financial information.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. The amount of reduction in the lease payments arising from rent concessions was not material. The amendment did not have significant impact on the Group's interim condensed consolidated financial information.

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2020 and other segment information included in the unaudited interim condensed consolidated financial statements are as follows:

	For the six months ended 30 June 2020					
	Construction	Design	Dredging	Others	Eliminations	Total
	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million
Total gross segment revenue	218,839	13,628	16,122	4,791	(7,970)	245,410
Intersegment sales	(2,331)	(1,698)	(308)	(3,633)	7,970	–
Revenue	216,508	11,930	15,814	1,158	–	245,410
Segment results	11,980	663	522	206	102	13,473
Unallocated income						70
Operating profit						13,543
Finance income						5,143
Finance costs, net						(8,615)
Share of profits and losses of joint ventures and associates						(533)
Profit before tax						9,538
Income tax expense						(2,692)
Profit for the period						6,846
Other segment information						
Depreciation	3,438	134	463	230	–	4,265
Amortisation	1,316	78	143	53	–	1,590
Impairment losses recognised/ (reversed) in the statement of profit or loss:						
Trade and other receivables	1,339	176	400	10	–	1,925
Contract assets	40	(2)	22	–	–	60
Capital expenditure	21,418	232	658	517	–	22,825

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the six months ended 30 June 2019 and other segment information included in the unaudited interim condensed consolidated financial statements are as follows:

	For the six months ended 30 June 2019					
	Construction	Design	Dredging	Others	Eliminations	Total
	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million
Total gross segment revenue	212,434	13,220	15,614	4,745	(6,552)	239,461
Intersegment sales	(1,900)	(1,513)	(229)	(2,910)	6,552	–
Revenue	210,534	11,707	15,385	1,835	–	239,461
Segment results	13,473	934	692	556	(27)	15,628
Unallocated income						98
Operating profit						15,726
Finance income						3,616
Finance costs, net						(7,627)
Share of profits and losses of joint ventures and associates						332
Profit before tax						12,047
Income tax expense						(2,271)
Profit for the period						9,776
Other segment information						
Depreciation	3,357	127	478	280	–	4,242
Amortisation	1,254	86	133	46	–	1,519
Write-down of inventories	1	–	–	–	–	1
Impairment losses recognised/ (reversed) in the statement of profit or loss:						
Trade and other receivables	607	145	95	(142)	–	705
Contract assets	166	4	26	1	–	197
Capital expenditure	19,128	333	476	853	–	20,790

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

The segment assets and liabilities as at 30 June 2020 are as follows:

	As at 30 June 2020					Total Unaudited RMB million
	Construction	Design	Dredging	Others	Eliminations	
	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	Unaudited RMB million	
Segment assets	946,618	49,545	96,681	83,747	(85,932)	1,090,659
Investments in joint ventures						26,987
Investments in associates						30,331
Other unallocated assets						84,579
Total assets						1,232,556
Segment liabilities	441,134	25,255	44,131	6,022	(60,854)	455,688
Unallocated liabilities						469,634
Total liabilities						925,322

Segment assets and liabilities as at 30 June 2020 are reconciled to total assets and liabilities as follows:

	Assets Unaudited RMB million	Liabilities Unaudited RMB million
Segment assets/liabilities	1,090,659	455,688
Investments in joint ventures	26,987	–
Investments in associates	30,331	–
Unallocated:		
Deferred tax assets/liabilities	6,219	6,245
Tax payable	–	4,439
Current borrowings	–	120,952
Non-current borrowings	–	314,935
Other corporate assets/corporate liabilities	78,360	23,063
Total assets/liabilities	1,232,556	925,322

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2020 Unaudited RMB million	2019 Unaudited RMB million
Mainland China	207,471	194,202
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	37,939	45,259
	245,410	239,461

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

(b) Non-current assets

	30 June 2020	31 December 2019
	Unaudited RMB million	Audited RMB million
Mainland China	292,063	275,510
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	30,784	26,080
	322,847	301,590

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

Information about major customers

No revenue was derived from services or sales to a single customer which accounted for 10% or more of the Group's revenue, including the provision of services or sales to a group of entities which are known to be under common control with any single customer, during the six months ended 30 June 2020 and 2019.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

4. REVENUE, OTHER INCOME AND OTHER GAINS, NET

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 Unaudited RMB million	2019 Unaudited RMB million
Revenue from contracts with customers		
Construction	218,839	212,434
Design	13,628	13,220
Dredging	16,122	15,614
Others	4,791	4,745
Intersegment eliminations	(7,970)	(6,552)
	245,410	239,461

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2020

Segments	Construction Unaudited RMB million	Design Unaudited RMB million	Dredging Unaudited RMB million	Others Unaudited RMB million	Total Unaudited RMB million
Type of goods or services					
Infrastructure construction services	205,788	7,457	–	10	213,255
Infrastructure design services	365	4,233	247	5	4,850
Dredging services	–	–	14,831	–	14,831
Others	10,355	240	736	1,143	12,474
Total revenue from contracts with customers	216,508	11,930	15,814	1,158	245,410
Geographical markets					
Mainland China	180,844	11,511	13,958	1,158	207,471
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	35,664	419	1,856	–	37,939
Total revenue from contracts with customers	216,508	11,930	15,814	1,158	245,410
Timing of revenue recognition					
Services transferred over time	206,212	11,690	15,074	15	232,991
Services transferred at a point in time	2,639	–	–	–	2,639
Merchandise transferred at a point in time	7,657	240	740	1,143	9,780
Total revenue from contracts with customers	216,508	11,930	15,814	1,158	245,410

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

For the six months ended 30 June 2019

Segments	Construction Unaudited RMB million	Design Unaudited RMB million	Dredging Unaudited RMB million	Others Unaudited RMB million	Total Unaudited RMB million
Type of goods or services					
Infrastructure construction services	200,895	6,429	–	175	207,499
Infrastructure design services	567	5,233	258	27	6,085
Dredging services	–	–	12,651	–	12,651
Others	9,072	45	2,476	1,633	13,226
Total revenue from contracts with customers	210,534	11,707	15,385	1,835	239,461
Geographical markets					
Mainland China	167,293	11,187	13,887	1,835	194,202
Other regions (primarily including Australia, Hong Kong, and countries in Africa, Middle East and South East Asia)	43,241	520	1,498	–	45,259
Total revenue from contracts with customers	210,534	11,707	15,385	1,835	239,461
Timing of revenue recognition					
Services transferred over time	201,752	11,664	12,949	213	226,578
Services transferred at a point in time	3,192	–	–	–	3,192
Merchandise transferred at a point in time	5,590	43	2,436	1,622	9,691
Total revenue from contracts with customers	210,534	11,707	15,385	1,835	239,461

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

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

For the six months ended 30 June 2020

Segments	Construction Unaudited RMB million	Design Unaudited RMB million	Dredging Unaudited RMB million	Others Unaudited RMB million	Total Unaudited RMB million
Revenue from contracts with customers					
External customers	216,508	11,930	15,814	1,158	245,410
Intersegment sales	2,331	1,698	308	3,633	7,970
	218,839	13,628	16,122	4,791	253,380
Intersegment adjustments and eliminations	(2,331)	(1,698)	(308)	(3,633)	(7,970)
Total revenue from contracts with customers	216,508	11,930	15,814	1,158	245,410

For the six months ended 30 June 2019

Segments	Construction Unaudited RMB million	Design Unaudited RMB million	Dredging Unaudited RMB million	Others Unaudited RMB million	Total Unaudited RMB million
Revenue from contracts with customers					
External customers	210,534	11,707	15,385	1,835	239,461
Intersegment sales	1,900	1,513	229	2,910	6,552
	212,434	13,220	15,614	4,745	246,013
Intersegment adjustments and eliminations	(1,900)	(1,513)	(229)	(2,910)	(6,552)
Total revenue from contracts with customers	210,534	11,707	15,385	1,835	239,461

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

Other income

	For the six months ended 30 June	
	2020	2019
	Unaudited RMB million	Unaudited RMB million
Rental income	319	430
Revenue from consulting services	168	167
Dividend income from equity investments designated at fair value through other comprehensive income		
– Listed equity instruments	632	841
– Unlisted equity instruments	50	43
Government grants	318	170
Dividend income from financial assets at fair value through profit or loss	60	67
Income from sale of scraps	55	53
Others	721	734
	2,323	2,505

Other gains, net

	For the six months ended 30 June	
	2020	2019
	Unaudited RMB million	Unaudited RMB million
Gains on disposal of items of property, plant and equipment	46	29
Gains on disposal of subsidiaries	2	740
Gains on disposal of joint ventures and associates	9	–
Fair value gains/(losses), net:		
– Financial assets at fair value through profit or loss	172	26
– Derivative financial instruments – transactions not qualifying as hedges	(188)	328
Foreign exchange difference, net	428	131
Gains on disposal of financial assets at fair value through profit or loss	1	6
Losses on derecognition of financial assets at amortised cost	(224)	–
	246	1,260

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 Unaudited RMB million	2019 Unaudited RMB million
Raw materials and consumables used*	72,627	70,983
Cost of goods sold	7,890	6,855
Subcontracting costs	85,147	81,912
Employee benefit expenses*:		
– Salaries, wages and bonuses	14,978	13,561
– Pension costs – defined contribution plans	1,189	1,628
– Housing benefits	997	909
– Welfare, medical and other expenses	8,274	8,756
	25,438	24,854
Equipment and plant usage costs	5,733	5,921
Business tax and other transaction tax	634	688
Fuel	1,333	1,457
Research and development costs (including raw materials and consumables used, employee benefit expenses, depreciation and amortisation)	5,565	5,232
Repair and maintenance expenses	976	877
Utilities	684	748
Depreciation of property, plant and equipment and investment properties*	4,265	4,242
Amortisation of right-of-use assets	787	642
Amortisation of intangible assets*	803	877
Write-down of inventories to net realisable value	–	1
Impairment of financial and contract assets, net:		
– Impairment of trade and other receivables	1,925	705
– Impairment of contract assets	60	197

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

6. FINANCE INCOME

	For the six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB million	RMB million
Interest income from:		
– Bank deposits	370	376
– Receivables from Public-Private-Partnership (“PPP”) contracts	2,343	1,388
– Loan receivables	1,292	570
– Others	1,138	1,282
	5,143	3,616

7. FINANCE COSTS, NET

	For the six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB million	RMB million
Total interest expense	9,421	7,568
Less: Interest capitalised (note a)	(1,498)	(949)
Net interest expense	7,923	6,619
Net foreign exchange losses/(gains) on borrowings	49	(13)
Loss on derecognition of financial assets at amortised cost	–	360
Others	643	661
	8,615	7,627

(a) Interest capitalised

	For the six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB million	RMB million
Inventories	433	222
Concession assets	1,015	696
Construction-in-progress	50	31
	1,498	949

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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 2019: 25%) of the assessable income of each of these companies during the period as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC subsidiaries of the Company, which were taxed at a preferential rate of 15% (six months ended 30 June 2019: 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 2019: 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 2020 and 2019 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	
	2020 Unaudited RMB million	2019 Unaudited RMB million
Current income tax		
– PRC enterprise income tax	3,047	1,921
– Others	302	352
	3,349	2,273
Deferred income tax	(657)	(2)
Total tax charge for the period	2,692	2,271

9. DIVIDENDS

A dividend in respect of the year ended 31 December 2019 of RMB0.23276 (including tax) per ordinary share, totalling RMB3,765 million was approved by the Company's shareholders in the annual general meeting on 17 June 2020.

The above approval has triggered the mandatory clauses about the distribution of interest relating to perpetual securities and the distribution of dividends relating to preference shares issued by the Company, totalling RMB663 million and RMB718 million respectively.

No interim dividend for the six months ended 30 June 2020 was declared by the Board of Directors (six months ended 30 June 2019: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

(a) Basic

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

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Profit attributable to ordinary equity holders of the parent (<i>RMB million</i>)	5,517	8,781
Less: Interest on perpetual securities (<i>RMB million</i>) (i)	(332)	(264)
Dividend relating to preference shares (<i>RMB million</i>) (ii)	(718)	(718)
	4,467	7,799
Weighted average number of ordinary shares in issue (<i>million</i>) (iii)	16,174	16,175
Basic earnings per share (<i>RMB per share</i>)	0.28	0.48

(i) The perpetual securities issued by the Company were classified as equity instruments with deferrable accumulative dividend distribution and payment. Interest of RMB332 million on the perpetual securities which has been generated but not declared from 1 January 2020 to 30 June 2020 was deducted from earnings when calculating the earnings per share amount for the six months ended 30 June 2020.

(ii) The preference shares issued by the Company 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 2020.

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

(b) Diluted

The diluted earnings per share amounts were the same as the basic earnings per share amounts as there were no potentially dilutive ordinary shares outstanding during the six months ended 30 June 2020 and 2019.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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
30 June 2020						
At 31 December 2019, net of accumulated depreciation and impairment	12,486	14,697	18,655	3,540	11,022	60,400
Additions	135	1,054	785	1,135	1,957	5,066
Disposals	(2)	(149)	(72)	(14)	(86)	(323)
Acquisition of subsidiaries	74	51	10	–	10	145
Disposal of subsidiaries	–	–	(1)	–	–	(1)
Transfer from/(to) construction in progress	128	573	74	21	(796)	–
Transfer from investment properties	24	–	–	–	–	24
Transfer to investment properties	(75)	–	–	–	–	(75)
Transfer from inventories	2	–	–	1	36	39
Transfer to inventories	–	–	–	–	(285)	(285)
Depreciation provided during the period	(305)	(1,707)	(716)	(1,451)	–	(4,179)
Exchange realignment	10	8	(4)	3	–	17
At 30 June 2020, net of accumulated depreciation and impairment	12,477	14,527	18,731	3,235	11,858	60,828
At 30 June 2020						
Cost	17,032	34,352	41,857	15,262	11,858	120,361
Accumulated depreciation and impairment	(4,555)	(19,825)	(23,126)	(12,027)	–	(59,533)
Net carrying amount	12,477	14,527	18,731	3,235	11,858	60,828

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings <i>RMB million</i>	Machinery <i>RMB million</i>	Vessels and vehicles <i>RMB million</i>	Other equipment <i>RMB million</i>	Construction in progress <i>RMB million</i>	Total <i>RMB million</i>
31 December 2019						
At 1 January 2019 (restated):						
Cost	16,345	30,794	39,522	13,535	7,970	108,166
Accumulated depreciation and impairment	(3,849)	(16,422)	(21,434)	(9,787)	–	(51,492)
Net carrying amount	12,496	14,372	18,088	3,748	7,970	56,674
At 31 December 2018, net of accumulated depreciation and impairment						
	12,496	14,631	19,566	3,748	7,970	58,411
Effect of adoption of IFRS 16	–	(259)	(1,478)	–	–	(1,737)
	12,496	14,372	18,088	3,748	7,970	56,674
At 1 January 2019 (restated)						
Additions	420	2,331	863	2,746	7,250	13,610
Disposals	(163)	(550)	(385)	(199)	(320)	(1,617)
Acquisition of subsidiaries	39	–	1	3	–	43
Disposal of subsidiaries	(1)	(18)	(1)	(17)	–	(37)
Transfer from/(to) construction in progress	576	1,809	1,435	66	(3,886)	–
Transfer from investment properties	15	–	–	–	–	15
Transfer to investment properties	(305)	–	–	–	(3)	(308)
Transfer from inventories	18	–	–	–	321	339
Transfer to inventories	–	–	–	–	(310)	(310)
Transfer from right-of-use assets	–	253	504	–	–	757
Depreciation provided during the year	(634)	(3,499)	(1,949)	(2,811)	–	(8,893)
Exchange realignment	25	(1)	99	4	–	127
At 31 December 2019, net of accumulated depreciation and impairment						
	12,486	14,697	18,655	3,540	11,022	60,400
At 31 December 2019						
Cost	16,758	33,500	41,214	14,660	11,022	117,154
Accumulated depreciation and impairment	(4,272)	(18,803)	(22,559)	(11,120)	–	(56,754)
Net carrying amount	12,486	14,697	18,655	3,540	11,022	60,400

As at 30 June 2020, the Group was in the process of applying for the registration of the ownership certificates for certain of its properties with an aggregate carrying amount of approximately RMB3,043 million (31 December 2019: RMB3,588 million). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

12. INTANGIBLE ASSETS

	Concession assets Unaudited RMB million	Goodwill Unaudited RMB million	Trademarks, patent, proprietary technologies and copyrights Unaudited RMB million	Computer software Unaudited RMB million	Others Unaudited RMB million	Total Unaudited RMB million
30 June 2020						
Cost at 1 January 2020, net of accumulated amortisation and impairment	212,122	5,371	1,223	473	38	219,227
Additions	15,810	–	3	36	13	15,862
Acquisition of subsidiaries	7,853	27	–	–	–	7,880
Disposal of subsidiaries	(1,749)	–	–	–	–	(1,749)
Disposals	(3,592)	–	(3)	–	–	(3,595)
Amortisation provided during the period	(689)	–	(14)	(86)	(14)	(803)
Exchange realignment	–	(20)	–	–	–	(20)
At 30 June 2020	229,755	5,378	1,209	423	37	236,802
At 30 June 2020						
Cost	236,138	5,428	1,450	1,149	294	244,459
Accumulated amortisation and impairment	(6,383)	(50)	(241)	(726)	(257)	(7,657)
Net carrying amount	229,755	5,378	1,209	423	37	236,802

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

12. INTANGIBLE ASSETS (CONTINUED)

	Concession assets <i>RMB million</i>	Goodwill <i>RMB million</i>	Trademarks, patents, proprietary technologies and copyrights <i>RMB million</i>	Computer software <i>RMB million</i>	Others <i>RMB million</i>	Total <i>RMB million</i>
31 December 2019						
Cost at 1 January 2019, net of accumulated amortisation and impairment	181,460	5,161	1,234	349	166	188,370
Additions	31,840	–	11	293	7	32,151
Acquisition of subsidiaries	539	139	–	3	–	681
Disposal of subsidiaries	–	–	–	(3)	–	(3)
Disposal	–	–	–	(1)	(123)	(124)
Amortisation provided during the year	(1,717)	–	(22)	(168)	(12)	(1,919)
Exchange realignment	–	71	–	–	–	71
At 31 December 2019	212,122	5,371	1,223	473	38	219,227
At 31 December 2019						
Cost	217,816	5,421	1,466	1,139	406	226,248
Accumulated amortisation and impairment	(5,694)	(50)	(243)	(666)	(368)	(7,021)
Net carrying amount	212,122	5,371	1,223	473	38	219,227

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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12. INTANGIBLE ASSETS (CONTINUED)

As at 30 June 2020, concession assets represented assets under "Build-Operate-Transfer" service concession arrangements and mainly consisted of toll roads in Mainland China.

As at 30 June 2020, the Group recognised an accumulated impairment of RMB334 million (31 December 2019: RMB334 million), provided for concession assets (two toll roads) in the infrastructure construction segment.

As at 30 June 2020, certain bank and other borrowings were secured by concession assets and trade receivables from PPP projects with a carrying amount of approximately RMB217,218 million (31 December 2019: RMB183,235 million) (note 20(d) and note 26).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Listed equity investments (note a)	550	383
Unlisted investments and financial products (note b)	10,048	6,755
	10,598	7,138
Less: non-current portion		
Unlisted investments (note b)	7,235	6,723
Current portion	3,363	415

(a) The listed equity investments at 30 June 2020 were classified as financial assets at fair value through profit or loss as they were held for trading. The fair values of these investments were based on the quoted market prices at the end of the reporting period.

(b) The unlisted investments at 30 June 2020 mainly included unlisted equity investments, which were classified at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Non-current		
Listed equity instruments		
- China Merchants Bank Co., Ltd.	14,256	15,888
- China Merchants Securities Co., Ltd.	4,641	3,867
- Zhengzhou Yutong Bus Co., Ltd.	499	583
- China Everbright Bank Co., Ltd.	267	329
- CECEP Environmental Protection Equipment Co., Ltd.	180	214
- China Development Bank Financial Leasing Co., Ltd.	146	207
- Bank of Communications Co., Ltd.	155	170
- Beijing OriginWater PureTech Co., Ltd.	105	-
- Others	315	498
	20,564	21,756
Unlisted equity instruments		
- Lunan High Speed Railway Co., Ltd.	1,398	1,398
- Tianjin CCCC Greentown City Construction Development Co., Ltd.	1,014	1,014
- Hubei Jiaotou Shiwu Expressway Co., Ltd.	345	136
- Beijing CEDC Ltd.	303	303
- China-ASEAN Investment Cooperation Fund	116	113
- Others	498	298
	3,674	3,262
	24,238	25,018

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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15. INVENTORIES

	30 June 2020 Unaudited <i>RMB million</i>	31 December 2019 Audited <i>RMB million</i>
Raw materials	22,168	18,667
Work in progress	2,063	1,187
Properties under development	39,514	35,537
Completed properties held for sale	4,911	5,944
Finished goods	1,333	1,070
Others	184	208
	70,173	62,613

As at 30 June 2020, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amount of RMB1,611 million (31 December 2019: RMB2,408 million) were pledged to secure the Group's bank loans (note 20(d) and note 26).

16. CONTRACT ASSETS AND CONTRACT LIABILITIES

	30 June 2020 Unaudited <i>RMB million</i>	31 December 2019 Audited <i>RMB million</i>
Contract assets arising from:		
Infrastructure construction	144,531	129,595
Infrastructure design	5,416	5,464
Dredging	15,142	12,783
Others	8	29
	165,097	147,871
Impairment	(1,383)	(1,370)
	163,714	146,501
Portion classified as non-current	30,966	30,265
Current portion	132,748	116,236
	30 June 2020 Unaudited <i>RMB million</i>	31 December 2019 Audited <i>RMB million</i>
Contract liabilities arising from:		
Infrastructure construction	71,437	74,015
Infrastructure design	4,927	6,211
Dredging	2,271	2,064
Others	735	702
	79,370	82,992

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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17. TRADE AND OTHER RECEIVABLES

	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Trade and bills receivables (note a)	119,759	113,315
Impairment	(14,868)	(13,904)
	104,891	99,411
Long-term receivables (note b)	253,420	217,812
Impairment	(3,301)	(2,788)
	250,119	215,024
Other receivables:		
Prepayments	25,291	26,091
Deposits (note c)	24,397	23,093
Others	52,847	40,641
	102,535	89,825
Impairment	(2,654)	(2,455)
	99,881	87,370
	454,891	401,805
Portion classified as non-current		
Long-term receivables	202,353	172,224
Other receivables:		
Prepayments	3,599	4,319
Deposits	1,522	1,446
Others	3,121	48
	210,595	178,037
Current portion	244,296	223,768

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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17. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	30 June 2020 Unaudited RMB million	31 December 2019 Audited <i>RMB million</i>
Within 6 months	67,256	67,623
6 months to 1 year	14,374	8,305
1 year to 2 years	11,808	13,914
2 years to 3 years	7,029	5,433
Over 3 years	4,424	4,136
	104,891	99,411

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

	For the six months ended 30 June 2020 Unaudited RMB million	Year ended 31 December 2019 Audited <i>RMB million</i>
At beginning of period/year	13,904	12,405
Impairment losses, net	1,208	2,611
Acquisition of subsidiaries	–	5
Disposal of subsidiaries	–	(58)
Amount written off as uncollectible	(265)	(841)
Others	21	(218)
At the end of period/year	14,868	13,904

- (b) Long-term receivables mainly represented amounts due from customers for PPP projects and certain construction works with payment periods over one year.
- (c) Deposits mainly represented tender and performance bonds due from customers.
- (d) As at 30 June 2020, certain of the Group's outstanding trade and other receivables (excluding PPP projects) with a net carrying amount of approximately RMB6,642 million (31 December 2019: RMB15,989 million) were pledged to secure general banking facilities granted to the Group (note 20(d) and note 26).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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18. CASH AND BANK BALANCES

	30 June 2020 Unaudited RMB million	31 December 2019 Audited <i>RMB million</i>
Restricted bank deposits (note a)	4,412	4,308
Time deposits with an initial term of over three months (note b)	3,143	2,322
	7,555	6,630
Cash and cash equivalents	120,873	118,908
	128,428	125,538

(a) As at 30 June 2020 and 31 December 2019, restricted bank deposits mainly included deposits for issuance of bank acceptance notes, performance bonds, letters of credit to customers, and mandatory reserve deposits placed with the People's Bank of China by CCCC Finance.

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

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB84,525 million (31 December 2019: RMB82,534 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 30 June 2020, less than 3% (31 December 2019: less than 3%) of the cash and bank balances denominated in currencies other than RMB were deposited in banks in certain countries which are subject to foreign exchange control and the currencies are not freely convertible into other currencies or remitted out of those countries.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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19. TRADE AND OTHER PAYABLES

	30 June 2020 Unaudited <i>RMB million</i>	31 December 2019 Audited <i>RMB million</i>
Trade and bills payables (note a)	268,367	277,959
Deposits from suppliers	28,994	27,984
Retentions	30,533	28,042
Deposits in CCCC Finance (note b)	11,697	5,374
Other taxes	23,668	22,637
Payroll and social security	2,525	2,625
Accrued expenses and others	29,027	22,023
	394,811	386,644
Portion classified as non-current		
Retentions	21,506	20,016
Other taxes	132	153
Others	3,364	3,574
	25,002	23,743
Current portion	369,809	362,901

(a) The ageing analysis of trade and bills payables is as follows:

	30 June 2020 Unaudited <i>RMB million</i>	31 December 2019 Audited <i>RMB million</i>
Within 1 year	238,981	241,739
1 year to 2 years	15,875	20,813
2 years to 3 years	7,510	9,903
Over 3 years	6,001	5,504
	268,367	277,959

(b) CCCC Finance, a subsidiary of the Company, accepted deposits from CCG and fellow subsidiaries. These deposits were due within one year with an average annual interest rate of 0.6% (2019: 0.8%).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<i>Notes</i>	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Non-current			
Long-term bank borrowings			
– secured	<i>(d)</i>	195,849	167,364
– unsecured	<i>(e)</i>	79,310	59,238
		275,159	226,602
Long-term other borrowings			
– secured	<i>(d)</i>	4,330	1,170
– unsecured	<i>(e)</i>	1,481	1,648
		5,811	2,818
Corporate bonds		21,622	23,729
Non-public debt instruments		11,020	10,518
Lease liabilities		1,323	1,381
Total non-current borrowings		314,935	265,048
Current			
Current portion of long-term bank borrowings			
– secured	<i>(d)</i>	5,871	4,653
– unsecured	<i>(e)</i>	13,220	15,151
		19,091	19,804
Short-term bank borrowings			
– secured	<i>(d)</i>	8,196	2,270
– unsecured	<i>(e)</i>	67,677	49,614
		75,873	51,884

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

	<i>Notes</i>	30 June 2020 Unaudited RMB million	31 December 2019 Audited <i>RMB million</i>
Current portion of long-term other borrowings			
– secured	<i>(d)</i>	139	4
– unsecured	<i>(e)</i>	74	634
		213	638
Short-term other borrowings			
– secured	<i>(d)</i>	45	100
– unsecured	<i>(e)</i>	560	195
		605	295
Corporate bonds		2,798	275
Debentures		19,821	1,009
Non-public debt instruments		1,474	1,356
Lease liabilities		1,077	1,118
Total current borrowings		120,952	76,379
Total borrowings		435,887	341,427

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

	30 June 2020 Unaudited RMB million	31 December 2019 Audited <i>RMB million</i>
Bank borrowings		
– Within one year or on demand	94,964	71,688
– In the second year	36,575	33,271
– In the third to fifth years, inclusive	59,303	43,999
– Beyond five years	179,281	149,332
	370,123	298,290
Others, excluding lease liabilities		
– Within one year or on demand	24,911	3,573
– In the second year	15,559	8,710
– In the third to fifth years, inclusive	15,151	20,383
– Beyond five years	7,743	7,972
	63,364	40,638
	433,487	338,928

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

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

	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Renminbi	415,821	319,288
United States dollar	12,594	14,537
Japanese Yen	4,131	3,892
Euro	1,887	1,490
Hong Kong dollar	517	1,169
Others	937	1,051
	435,887	341,427

(c) Borrowings of the Group, excluding corporate bonds, debentures, non-public debt instruments and lease liabilities, bear interest at effective rates ranging from 0.21% to 8.34% (2019: 0.30% to 8.34%) per annum at the end of the reporting period and excluding the borrowings bearing interest rates of 10.99% and 11.36%, respectively, for a Columbia subsidiary of the Company.

(d) As at 30 June 2020 and 31 December 2019, these borrowings were secured by the Group's investment properties, right-of-use assets, intangible assets (note 12), inventories (note 15), and trade and other receivables (note 17(d)).

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

21. OTHER RESERVES

	Capital reserve Unaudited RMB million	Statutory surplus reserve Unaudited RMB million	General reserve Unaudited RMB million	Retirement benefit obligation remeasurement reserve Unaudited RMB million	Investment revaluation reserve Unaudited RMB million	Hedging reserve Unaudited RMB million	Safety production reserve Unaudited RMB million	Exchange reserve Unaudited RMB million	Total Unaudited RMB million
At 31 December 2019	10,798	5,945	957	(82)	14,210	2	2,341	1,145	35,316
Business combination under common control	(52)	-	-	-	-	-	3	-	(49)
At 31 December 2019	10,746	5,945	957	(82)	14,210	2	2,344	1,145	35,267
Changes in fair values of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	(1,010)	-	-	-	(1,010)
Cash flow hedges, net of tax	-	-	-	-	-	4	-	-	4
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	(7)	-	-	-	(7)
Share of other reserves of joint ventures and associates	(2)	-	-	-	-	-	-	-	(2)
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	(1)	-	-	-	-	(1)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(851)	(851)
Transaction with non-controlling interests	(1)	-	-	-	-	-	-	-	(1)
Transfer to safety production reserve	-	-	-	-	-	-	395	-	395
Transfer to retained earnings due to disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(3)	-	-	-	(3)
Others	(42)	-	-	-	-	-	-	-	(42)
At 30 June 2020	10,701	5,945	957	(83)	13,190	6	2,739	294	33,749

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21. OTHER RESERVES (CONTINUED)

	Capital reserve Unaudited RMB million	Statutory surplus reserve Unaudited RMB million	General reserve Unaudited RMB million	Retirement benefit obligation remeasurement reserve Unaudited RMB million	Investment revaluation reserve Unaudited RMB million	Hedging reserve Unaudited RMB million	Safety production reserve Unaudited RMB million	Exchange reserve Unaudited RMB million	Total Unaudited RMB million
At 31 December 2018	4,850	5,242	1,088	(97)	12,105	(1)	2,355	770	26,312
Business combination under common control	(52)	-	-	-	-	-	3	-	(49)
At 31 December 2018	4,798	5,242	1,088	(97)	12,105	(1)	2,358	770	26,263
Changes in fair values of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	5,257	-	-	-	5,257
Cash flow hedges, net of tax	-	-	-	-	-	2	-	-	2
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	(182)	-	-	-	(182)
Share of other reserves of joint ventures and associates	1	-	-	-	-	-	-	-	1
Actuarial loss on retirement benefit obligations, net of tax	-	-	-	(21)	-	-	-	-	(21)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(43)	(43)
Transaction with non-controlling interests	(16)	-	-	-	-	-	-	-	(16)
Transfer to safety production reserve	-	-	-	-	-	-	180	-	180
Transfer to retained earnings due to disposal of equity investments designated at fair value through other comprehensive income	-	-	-	-	(242)	-	-	-	(242)
At 30 June 2019	4,783	5,242	1,088	(118)	16,938	1	2,538	727	31,199

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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22. CONTINGENT LIABILITIES

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

	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Pending lawsuits (note a)	1,273	1,201
Outstanding loan guarantees (note b)	7,347	6,944
	8,620	8,145

(a) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for the above pending lawsuits of RMB1,273 million (31 December 2019: RMB1,201 million), mainly related to disputes with customers and subcontractors, when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The Group does not include any pending lawsuits in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.

(b) The Group has acted as the guarantor for several external borrowings made by certain joint ventures and associates of the Group. The above amount represents the maximum exposure to default risk under the financial guarantee.

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

The companies in the Group which are engaged in the real estate business provide guarantees to banks for the mortgage loans of the property buyers. As at 30 June 2020, the outstanding balance of guarantees provided by the Group was approximately RMB3,776 million (31 December 2019: RMB3,994 million).

(c) The Group has entered into certain agreements with certain financial institution so as to establish asset-backed securities (ABS) and asset-backed notes (ABN). As at 30 June 2020, certain of the ABS and ABN in issue with an aggregate amount of RMB10,857 million (31 December 2019: RMB10,387 million) included the ABS and ABN issued to preferential investors of an aggregate amount of RMB8,367 million (31 December 2019: RMB7,919 million). Under the clauses of the agreements, the Group is subject to the obligations of liquidity supplementary payments to preferential investors when the cash available for distribution of the principal and return for preferential investors at the due date is not sufficient. The directors of the Company evaluated the possibilities and assumed that the probability to execute obligations of liquidity supplementary payments is low.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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23. BUSINESS COMBINATION

(a) Acquisition of subsidiaries not under common control

During the six months ended 30 June 2020, the Group obtained control over several companies from certain independent third parties, with a total consideration of RMB2,583 million.

The fair value and book value of assets and liabilities of these companies at the date of acquisition were as follows:

	Acquisition date Fair value Unaudited RMB million	Acquisition date Book value Unaudited RMB million
Non-current assets		
Property, plant and equipment	145	142
Investment properties	136	136
Intangible assets	7,853	7,104
Investment in joint ventures and associates	8	8
Financial assets at fair value through profit or loss	106	106
Equity instruments designated at fair value through other comprehensive income	173	173
Trade and other receivables	261	261
Deferred tax assets	156	156
	8,838	8,086
Current assets		
Inventories	151	151
Trade and other receivables	1,632	1,632
Contract assets	28	28
Financial assets at fair value through profit or loss	82	82
Cash and cash equivalents	1,897	1,897
	3,790	3,790
Current liabilities		
Trade and other payables	(1,110)	(1,110)
Contract liabilities	(58)	(58)
Interest-bearing bank and other borrowings	(250)	(250)
	(1,418)	(1,418)
Non-current liabilities		
Trade and other payables	(201)	(201)
Interest-bearing bank and other borrowings	(6,747)	(6,747)
	(6,948)	(6,948)
Net assets	4,262	3,510
Non-controlling interests	(1,706)	
Goodwill on acquisition	27	
Consideration	2,583	

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23. BUSINESS COMBINATION (CONTINUED)

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

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

	For the six months ended 30 June 2020 Unaudited RMB million
Total consideration	2,583
Cash paid for acquisition of subsidiaries	(2,200)
Cash and bank balances of subsidiaries acquired	1,897
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(303)

Since the acquisition, the acquirees contributed a profit of RMB1 million to the consolidated profit for the period ended 30 June 2020.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period ended 30 June 2020 would have been RMB245,901 million and RMB6,826 million, respectively.

(b) Business combinations under common control

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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23. BUSINESS COMBINATION (CONTINUED)

(b) Business combinations under common control (continued)

The book values of CCCC Tianhe's assets and liabilities as at the acquisition date and 31 December 2019 were as follows:

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

24. DISPOSAL OF SUBSIDIARIES

- (a) In March 2020, CCCC First Harbour Engineering Co., Ltd. ("CCCC First Harbour") disposed of 70% equity interests in Yulin CCCC Urban Utility Tunnel Investment Co., Ltd. ("Yulin CCCC") to Beijing CCCC Road and Bridge Phase IV Investment Fund LLP for a consideration of RMB106 million. Upon the completion of equity transfer, CCCC First Harbour no longer has control over Yulin CCCC.
- (b) In March 2020, CCCC First Harbour disposed of 70% equity interests in Guangxi CCCC Puqing Highway Co., Ltd. ("Guangxi Puqing") to Beijing CCCC Road and Bridge Phase I Investment Fund LLP for a consideration of RMB140 million. Upon the completion of equity transfer, CCCC First Harbour no longer has control over Guangxi Puqing.
- (c) In April 2020, CFHCC City Investment Development (Tianjin) Co., Ltd. ("CFHCC City Investment"), a subsidiary of the Company, together with another subsidiary of the Company, entered into an agreement with CCCG Real Estate Corporation Limited ("CCCG Real Estate"), a fellow subsidiary of the Company, pursuant to which CCCG Real Estate will invest Guangxi CCCC Urban Investment Development Co., Ltd. ("Guangxi CCCC Urban Investment") to acquire 40% equity interest in Guangxi CCCC Urban Investment. Both CCCG Real Estate and Guangxi CCCC Urban Investment are engaged in real estate development. Upon the completion of capital increase of Guangxi CCCC Urban Investment in May, the aggregate interests of the Group in Guangxi CCCC Urban Investment decreased from 100% to 60%. In April 2020, CFHCC City Investment also signed a shareholders voting agreement with CCCG Real Estate, whereby CFHCC City Investment has agreed to vote unanimously with the CCCG Real Estate. Considering the above mentioned factors, the directors of Company are of the opinion that the Group no longer has control over Guangxi CCCC Urban Investment.
- (d) In April 2020, China Communications Construction Bank (Xiamen) Equity Investment Fund Management Co., Ltd. ("CCCB Xiamen Equity Investment Fund"), an associate of the Group, invested in Haikou CCCC Guoxing Industrial Co., Ltd. ("Haikou CCCC Guoxing"), a real estate development company indirectly controlled by the Company, to acquire 49% equity interest in Haikou CCCC Guoxing. Upon the completion of capital increase of Haikou CCCC Guoxing in April 2020, the Group no longer has control over Haikou CCCC Guoxing, Haikou CCCC Guoxing was jointly controlled by the Group and CCCB Xiamen Equity Investment Fund.
- (e) In June 2020, Huizhou Kehui Investment Development Co., Ltd. invested in Huizhou Huitong Real Estate Co., Ltd. ("Huizhou Huitong"), a real estate development company indirectly controlled by the Company, to acquire 51% equity interest in Huizhou Huitong. Upon the completion of capital increase of Huizhou Huitong in June 2020, the Group no longer has control over Huizhou Huitong, Huizhou Huitong was jointly controlled by the Group and Huizhou Kehui Investment Development Co., Ltd..
- (f) In June 2020, Shenzhen China Merchants Real Estate Co., Ltd. and Shenzhen Jindi Shengan Real Estate Development Co., Ltd. invested in Huizhou Zhaole Real Estate Co., Ltd. ("Huizhou Zhaole"), a real estate development company indirectly controlled by the Company, to acquire 70% equity interest in Huizhou Zhaole. Upon the completion of capital increase of Huizhou Zhaole in June 2020, the Group no longer has control over Huizhou Zhaole, Huizhou Zhaole was jointly controlled by the Group, Shenzhen China Merchants Real Estate Co., Ltd. and Shenzhen Jindi Shengan Real Estate Development Co., Ltd..

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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24. DISPOSAL OF SUBSIDIARIES (CONTINUED)

- (g) The aggregate financial information of the subsidiaries mentioned above and other subsidiaries disposed of by the Group during the period and as at the date of disposal, is as follows:

	Total Unaudited <i>RMB million</i>
Non-current assets	2,964
Current assets	4,802
Current liabilities	(6,982)
Non-current liabilities	(412)
	372
Non-controlling interests	–
	372
Gains on disposal of subsidiaries	2
	374
Represented by:	
Residual interests in joint ventures	116
Residual interests in an associate	12
Cash consideration	246
	374

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

	Total Unaudited <i>RMB million</i>
Consideration	246
Cash received from disposal of subsidiaries	246
Cash and bank balances of subsidiaries disposed of	(109)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	137

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

25. COMMITMENTS

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

	30 June 2020 Unaudited RMB million	31 December 2019 Audited <i>RMB million</i>
Intangible assets – concession assets	143,697	100,846
Property, plant and equipment	1,247	1,231
	144,944	102,077

26. PLEDGE OF ASSETS

- (a) As at 30 June 2020, the restricted deposits were RMB4,412 million (31 December 2019: RMB4,308 million).
- (b) Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are as follows:

	30 June 2020 Unaudited RMB million	31 December 2019 Audited <i>RMB million</i>
Property, plant and equipment	96	110
Investment properties	1,041	1,079
Right-of-use-assets	6,347	6,040
Concession assets and trade receivables from PPP projects (note 12)	217,218	183,235
Inventories (note 15)	1,611	2,408
Trade and other receivables (excluding PPP projects) (note 17)	6,642	15,989
	232,955	208,861

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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27. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2020 Unaudited RMB million	2019 Unaudited RMB million
Transactions with CCCG		
- Revenue from the provision of construction services	1,161	-
- Rental income	2	-
- Rental fee	91	65
- Interest expenses on deposits placed in CCCC Finance	6	6
- Loans to CCCG by CCCC Finance	-	700
- Interest income from loans	-	2
- Interest expenses on loans	2	4
Transactions with fellow subsidiaries		
- Revenue from the provision of construction services and construction related services	1,757	1,372
- Revenue from sale of goods	369	182
- Rental income	3	1
- Rental fee	10	25
- Interest expenses on deposits placed in CCCC Finance	21	21
- Purchase of materials	373	763
- Subcontracting fee and service charges	1,137	65
- Loans to fellow subsidiaries by CCCC Finance	1,300	-
- Interest income from loans	16	1
- Factoring to fellow subsidiaries	83	-
- Interest income from factoring	6	-
- Finance lease loans to fellow subsidiaries	473	306
- Interest income from finance lease loans	31	66
- Loans from fellow subsidiaries	3,959	1,024
- Interest expenses on loans	3	2
Transactions with fellow subsidiaries' joint ventures and associates		
- Revenue from the provision of construction services	180	48
- Revenue from sale of goods	2	-
- Service charges	-	9
- Factoring to fellow subsidiaries' joint ventures and associates	1,302	-
- Interest income from factoring	47	-
- Finance lease loans to fellow subsidiaries' joint ventures and associates	420	-
- Interest income from finance lease loans	11	-
Transactions with joint ventures and associates		
- Revenue from the provision of construction services and construction related services	22,208	19,891
- Revenue from sale of goods	653	592
- Purchase of materials	776	327
- Subcontracting fee charges	385	331
- Rental income	-	1
- Interest expenses on deposits placed in CCCC Finance	2	-
- Loans to a joint venture by CCCC Finance	138	-
- Loans to joint ventures and associates	3,764	2,674
- Interest income from loans	283	166
- Factoring to joint ventures and associates	50	30
- Interest income from factoring	8	30
- Finance lease loans to joint ventures and associates	414	1,308
- Interest income from finance lease loans	97	18
- Loans from joint ventures and associates	2,941	3,940
- Interest expenses on loans	6	5

During the period, CCCC Finance accepted the commission of CCCG and lent amount of RMB500 million to ZPMC.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Balances with related parties other than government-related entities:

	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Trade and bills receivables		
– CCCG	956	178
– Fellow subsidiaries	2,089	1,913
– Joint ventures and associates	6,388	5,000
– Fellow subsidiaries' joint ventures and associates	106	58
	9,539	7,149
Long-term trade receivables and long-term contract assets		
– CCCG	114	–
– Fellow subsidiaries	2,125	3,258
– Joint ventures and associates	19,078	14,916
– Fellow subsidiaries' joint ventures and associates	781	197
	22,098	18,371
Prepayments		
– Fellow subsidiaries	1,471	2,075
– Joint ventures and associates	303	220
	1,774	2,295
Other receivables		
– CCCG	4	8
– Fellow subsidiaries	996	1,825
– Joint ventures and associates	5,853	2,569
– Fellow subsidiaries' joint ventures and associates	1,265	–
	8,118	4,402
Contract assets		
– CCCG	91	169
– Fellow subsidiaries	651	246
– Joint ventures and associates	4,832	3,006
– Fellow subsidiaries' joint ventures and associates	118	35
	5,692	3,456
	47,221	35,673

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30 June 2020

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (continued)

	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Trade and bills payables		
– CCCG	2	–
– Fellow subsidiaries	3,917	4,155
– Joint ventures and associates	2,056	1,861
– Fellow subsidiaries' joint ventures and associates	25	–
	6,000	6,016
Long-term trade payables		
– Fellow subsidiaries	1,515	1,458
– Joint ventures and associates	659	639
	2,174	2,097
Contract liabilities		
– CCCG	2	–
– Fellow subsidiaries	523	438
– Joint ventures and associates	11,947	12,250
– Fellow subsidiaries' joint ventures	12	12
	12,484	12,700
Deposits		
– CCCG	5,079	1,338
– Fellow subsidiaries	6,340	3,444
– Joint ventures and associates	278	580
	11,697	5,362
Other payables		
– CCCG	353	307
– Fellow subsidiaries	887	1,212
– Joint ventures and associates	2,104	2,706
– Fellow subsidiaries' joint ventures	3	3
	3,347	4,228
Other borrowings		
– CCCG	60	560
Lease liabilities		
– Fellow subsidiaries	–	1
– Joint ventures and associates	20	30
	20	31
	35,782	30,994

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees with related parties

	30 June 2020 Unaudited <i>RMB million</i>	31 December 2019 Audited <i>RMB million</i>
Outstanding loan guarantees provided to		
– Joint ventures	1,746	1,196
– Associates	1,765	1,755
– Fellow subsidiaries	60	–
	3,571	2,951
Outstanding loan guarantees provided by CCCG	6,301	6,148

(d) Commitments with related parties

	30 June 2020 Unaudited <i>RMB million</i>	31 December 2019 Audited <i>RMB million</i>
Provision of construction and construction related services		
– CCCG	2,998	321
– Fellow subsidiaries	7,339	3,032
– Joint ventures and associates	161,769	114,218
– Fellow subsidiaries' joint ventures and associates	369	53
	172,475	117,624
Purchase of services		
– Joint ventures and associates	113	80
– Fellow subsidiaries	1,467	1,067
	1,580	1,147

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Key management compensation

	For the six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Basic salaries, housing allowances and other allowances	6,317	4,293
Contributions to pension plans	158	329
	6,475	4,622

(f) Equity transactions with related parties

- (i) During the six months ended 30 June 2020, the subscribed capital contribution of the Group's equity investments together with the fellow subsidiaries, the fellow subsidiaries' joint ventures and the fellow subsidiaries' associates totally amounted to RMB6,934 million.

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Equity transactions with related parties (continued)

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

- (a) In January 2020, CCCC First Highway Engineering Group Co., Ltd. and CCCC Beijing-Tianjin-Hebei Investment and Development Co., Ltd., two subsidiaries of the Company, acquired 20% and 10% equity interest in CRED (Tianjin) Real Estate Development Ltd., respectively, from CCCG Property Co., Ltd., a fellow subsidiary of the Company at a total consideration of RMB840 million.
- (b) In April 2020, CFHCC City Investment, a subsidiary of the Company, together with another subsidiary of the Company, entered into an agreement with CCCG Real Estate, a fellow subsidiary of the Company, pursuant to which CCCG Real Estate will invest Guangxi CCCC Urban Investment to acquire 40% equity interest in Guangxi CCCC Urban Investment. Both CCCG Real Estate and Guangxi CCCC Urban Investment are primarily engaged in real estate development. Upon the completion of capital increase of Guangxi CCCC Urban Investment in May, the aggregate interests of the Group in Guangxi CCCC Urban Investment decreased from 100% to 60%. In April 2020, CFHCC City Investment also signed a shareholders voting agreement with CCCG Real Estate, whereby CFHCC City Investment has agreed to vote unanimously with the CCCG Real Estate. Considering the above mentioned factors, the directors of Company are of the opinion that the Group no longer has control over Guangxi CCCC Urban Investment.
- (c) In April 2020, CCCB Xiamen Equity Investment Fund, an associate of the Group, invested in Haikou CCCC Guoxing, a real estate development company indirectly controlled by the Company, to acquire 49% equity interest in Haikou CCCC Guoxing. Upon the completion of capital increase of Haikou CCCC Guoxing in April 2020, the Group no longer has control over Haikou CCCC Guoxing, Haikou CCCC Guoxing was jointly controlled by the Group and CCCB Xiamen Equity Investment Fund.
- (d) In June 2020, the Company, together with its subsidiaries CCCC Tianjin Dredging and Chuwa Bussan, entered into an agreement with ZPMC, a fellow subsidiary of the Company and CCCC Tianhe, a subsidiary of ZPMC, pursuant to which the Company will increase the equity investment to CCCC Tianhe, by RMB1 billion. Upon the completion of the investment, the Company held 61.12% and the Group totally held 83.48% of equity interests in CCCC Tianhe, the Company and the Group then obtained control over CCCC Tianhe.

(g) Other transactions with related parties

In December 2018, Greentown China Holdings Limited ("Greentown"), a fellow subsidiary of the Company entered into a subscription agreement with several financial institutions (the "Subscribers") to issue principal amount of US\$500 million (the "Principal Amount") senior perpetual securities. As one of the conditions precedent of the subscription agreement, CCCI Treasure Limited ("CCCI Treasure") entered into several agreements (the "Agreements 2018") with the each of the Subscribers. Under the Agreements 2018, CCCI Treasure paid a total of US\$125 million as deposit, (the "Deposit Amount") each of the Subscribers shall pass through the distribution of the Securities to CCCI Treasure, and CCCI Treasure shall pay each of the Subscribers a fixed amount of distribution with reference to the different between the Principal Amount and the Deposit Amount. The whole arrangement constitutes a related party transaction of the Company. During the period, the fair value losses and investment gains on the total return swap are RMB182 million and RMB105 million, respectively (for the six months ended 30 June 2019: fair value gains of RMB185 million and investment gains of RMB143 million).

ZPMC is an associate and also a fellow subsidiary of the Group. The transaction with ZPMC and its subsidiaries for the six months ended 30 June 2020 and 30 June 2019, and the outstanding balances with ZPMC and its subsidiaries as at 30 June 2020 and 31 December 2019 were included within the category of transactions and balances with fellow subsidiaries.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

28. FINANCIAL INSTRUMENTS BY CATEGORY

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

30 June 2020

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Debt investments	Equity investments	Held for trading	Unaudited	Unaudited
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB million	RMB million	RMB million	RMB million	RMB million
Financial assets at fair value through profit or loss	-	-	10,598	-	10,598
Equity investments designated at fair value through other comprehensive income	-	24,238	-	-	24,238
Derivative financial instruments	-	-	665	-	665
Debt investments at amortised cost	-	-	-	186	186
Trade and other receivables excluding prepayments and other non-financial assets	2,803	-	-	399,443	402,246
Cash and bank balances	-	-	-	128,428	128,428
	2,803	24,238	11,263	528,057	566,361

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Unaudited	Unaudited	Unaudited
	RMB million	RMB million	RMB million
Borrowings (excluding lease liabilities)	-	433,487	433,487
Lease liabilities	-	2,400	2,400
Derivative financial instruments	2	-	2
Trade and other payables excluding statutory and other non-financial liabilities	-	368,447	368,447
	2	804,334	804,336

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

28. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

31 December 2019

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Debt investments	Equity investments	Held for trading		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Financial assets at fair value through profit or loss	–	–	7,138	–	7,138
Equity investments designated at fair value through other comprehensive income	–	25,018	–	–	25,018
Derivative financial instruments	–	–	799	–	799
Debt investments at amortised cost	–	–	–	111	111
Trade and other receivables excluding prepayments and other non-financial assets	2,086	–	–	353,059	355,145
Cash and bank balances	–	–	–	125,538	125,538
	2,086	25,018	7,937	478,708	513,749

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB million</i>	<i>RMB million</i>	
Borrowings (excluding lease liabilities)	–	338,928	338,928
Lease liabilities	–	2,499	2,499
Derivative financial instruments	12	–	12
Trade and other payables excluding statutory and other non-financial liabilities	–	361,389	361,389
	12	702,816	702,828

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million	30 June 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Financial instruments				
Non-current				
Bank borrowings	275,159	226,602	275,173	226,682
Other borrowings	5,811	2,818	5,811	2,818
Corporate bonds	21,622	23,729	21,623	23,730
Non-public debt instruments	11,020	10,518	11,067	10,518
	313,612	263,667	313,674	263,748

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

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

The fair values of the non-current portion of lease liabilities, 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 lease liabilities, and interest-bearing bank and other borrowings as at 30 June 2020 and 31 December 2019 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 and unit price of comparable property.

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

As at 30 June 2020, the market to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

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

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

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

Fair value hierarchy

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

Assets and liabilities measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total Unaudited RMB million	
	Quoted prices in active markets (Level 1) Unaudited RMB million	Significant observable inputs (Level 2) Unaudited RMB million	Significant unobservable inputs (Level 3) Unaudited RMB million		
	Assets				
	Bills receivables	–	2,803		–
Equity investments designated at fair value through other comprehensive income	20,564	–	3,674	24,238	
Financial assets at fair value through profit or loss	3,363	–	7,235	10,598	
Derivative financial instruments	–	–	–	–	
– Forward foreign exchange contracts	–	12	–	12	
– Total return swap	–	–	47	47	
– Forward equity contracts	–	–	204	204	
– Foreign exchange option	–	–	402	402	
	23,927	2,815	11,562	38,304	
Liabilities					
Derivative financial instruments					
– Forward foreign exchange contracts	–	2	–	2	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

Fair value hierarchy (continued)

Assets and liabilities measured at fair value: (continued)

As at 31 December 2019

	Fair value measurement using			Total RMB million
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	
Assets				
Bills receivables	–	2,086	–	2,086
Equity investments designated at fair value through other comprehensive income	21,756	–	3,262	25,018
Financial assets at fair value through profit or loss	415	–	6,723	7,138
Derivative financial instruments	–	–	–	–
– Forward currency contracts	–	9	–	9
– Total return swap	–	–	224	224
– Forward equity contracts	–	–	233	233
– Foreign exchange option	–	–	333	333
	22,171	2,095	10,775	35,041
Liabilities				
Derivative financial instruments	–	–	–	–
– Forward currency contracts	–	12	–	12

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

	For the six months ended 30 June	
	2020 Unaudited RMB million	2019 Audited RMB million
At the end of prior period/year	10,775	8,115
Total (losses)/gains recognised in the statement of profit or loss included in other gains	(195)	734
Total gains/(losses) recognised in other comprehensive income	9	(81)
Purchases	1,023	3,892
Disposals	(50)	(1,885)
At the end of period/year	11,562	10,775

For the six months ended 30 June 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2020

	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	–	275,173	–	275,173
Other borrowings	–	5,811	–	5,811
Corporate bonds	5,995	15,628	–	21,623
Non-public debt instruments	–	11,067	–	11,067
	5,995	307,679	–	313,674

As at 31 December 2019

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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30. 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 2020 Unaudited RMB million	31 December 2019 Audited RMB million
Total borrowings (note 20)	435,887	341,427
Less: Cash and cash equivalents (note 18)	(120,873)	(118,908)
Net debt	315,014	222,519
Total equity	307,234	296,410
Total capital	622,248	518,929
Gearing ratio	50.6%	42.9%

The gearing ratio as at 30 June 2020 increased by 7.7% compared with that at the end of 2019.

31. EVENT AFTER THE REPORTING PERIOD

On 8 July 2020, the Board of Directors of the Company has reviewed and approved the proposal on the full redemption of the 2015 non-public issuance of preferred shares of RMB14.5 billion. According to this proposal, the Company intended to redeem the first tranche of preferred shares issued in August 2015 on 26 August 2020, with a par value of RMB9 billion, and to redeem the second tranche of preferred shares issued in October 2015 on 16 October 2020, with a par value of RMB5.5 billion. The redemption price of the preferred shares is the face value of the preferred shares plus the current dividends that have been decided to be paid but not yet paid.

On 26 August 2020, the Company has redeemed the first tranche of preferred shares issued in August 2015. The redemption price of the preferred shares is RMB9,459 million, including the face value of RMB9 billion and the current dividends of RMB459 million.

32. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 was approved for issue by the Board of Directors on 28 August 2020.